

# **Customers' Opinions about Yili**

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**Bachelor's Thesis**

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<p><b>Abstract</b></p> <p>After the "The Milk poisoning incident" in 2008 and a series of quality problems at Yili, Yili lost many customers' confidence and these crises caused a lot of damage to the sales, corporate image, and reputation of Yili. In order to repair the situation, Yili took steps to rebuild favorable impression on customers. The topic of this thesis is about the customers' opinions about Yili after these actions.</p> <p>Based on the understanding of professional knowledge, this thesis adopted quantitative research method and the specific form of the research is survey with a questionnaire, which was sent to people in Anhui province. The number of respondents was 126 (50 paper questionnaires and 76 online questionnaires) and the tool for analyze survey was Webropol.</p> <p>The result of the questionnaire show that the measures received considerable acclaim and most of the customers have a better impression about Yili after the actions, however, some customers do not know about the actions and are still worried about the quality of products. Yili should improve the quality and adopt more conduct marketing communications about the actions, products and the company.</p> <p>Because of the limitation of my ability, the number of questionnaires is not enough for the common summarization of Anhui province, and the answers might not be universal among the Anhui province, but this thesis is based on the theory foundation and the analysis of the Chinese dairy market environment, the results still have high reference value for the analysis of current customers' opinions about Yili.</p> <p>In order to achieve more reliable results, the number of the respondents should be increased and group sampling should be used according to the specific conditions of the target population.</p>			
<b>Keywords</b> Reputation management, customer relationship management, corporate image management			
customer loyalty			

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## APPENDICES

- Appendix 1 Cover letter of questionnaire
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## **1 INTRODUCTION**

In the present age, maintaining a good customer relationship is great important to a company, which could provide a facility for deal, cut down transaction costs and provide company opportunities to understand its customers as well as their needs and exchange information between company and customers. (Baidu Baike 2013a) It is costly if company lost a regular customer while the cost of developing a new customer relationship is 6 times of the cost to maintaining an old customer. What's more, it is believed that most of company's profits come from the repurchase of regulars. Customer relationship influenced the development of company in an observably way. In this thesis, the main topic is to analyze the customers' opinions about Yili, which is a famous dairy brand in China.

### **1.1 Objectives of the research**

In 2008 "The Milk poisoning incident" aroused customers' suspicions to Chinese dairy industrial, and plenty of dairy companies were involved in this crisis, including Yili. Even more disastrous was the succession quality problems of Yili's products happened in the following years, which lead to the fact that Yili lost a great deal of customers. In order to rebuild it's good corporate image and win back the support of customers, Yili adopted several remedial actions, like "The Ark Project". In this situation, the analysis of current customer relationship is quite important to Yili while Yili needs to know the effects of their projects to regain the market and customers' trust. Therefore, Yili could proceed with these remedial measures or end it. The main aim of this thesis is to finds out the current customers' feeling about Yili after these actions, and then some suggestions to Yili to improve relations with clients will be given.

The analysis of customer relationship requires enough information about the company and the customers' opinions. The data collecting sources of this thesis can be divided into three parts:

A. Professional books and articles. The theoretical framework is based on customer loyalty degree analysis, image analysis, customer relationship analysis, customer focus analysis and others. The professional knowledge is referred to these sources, like the definitions and the analysis mode.

B. Related news and reports on internet. From these channels, the information about the backgrounds and the details about remedial actions will be acquired as well as the marketing analysis of Yili and main views about the Yili's situation.

C. Information from questionnaire survey. The main practical information comes from this part and the major analysis of customer relationship is based on these sources. The questionnaires to the public of Anhui province will reflect the customers' attitudes to Yili and their loyalty degree. The effects of Yili's rebuild steps also can be expressed.

## **1.2 Structure of the report**

There are seven chapters in this thesis to describe the background of the research and the analysis of questionnaire results to know the current relationship between Yili and its customers.

In the first chapter, there are two topics: the objectives of the research and the structure of the thesis. The aims of the thesis, the main information sources and the brief introduction of each part are explained in this chapter.

The second chapter builds the theory foundation for this thesis. In the part, the main speculative knowledge will be introduced, including customer relationship management, customer loyalty degree, corporate image, reputation management and methods of rebuild reputation. The definition of technical term and related information will be showed in this chapter.

The third part and forth part are the background explanations, including the introduction of Yili, market situation of Yili and the great crisis happened to Yili in the chapter 3 and the methods of Yili to rebuild its good image like advertising campaign, "The Ark project", open plant to visitors, "Environmental protection project" and charitable donations are presented in the chapter 4.

In chapter 5, the roles of questionnaires and the implementation of the research are explained to expound the reasons of using these methods to research the customer relationship of Yili and the research process. Chapter 6 is the main analysis part of this thesis, which presents the collected information from the questionnaire survey and analysis the results. The consumers' understanding about Yili, the public

evaluation of Yili group and its products, the acquaintance of Yili's activities, which are aimed to rebuild reputation are included in chapter 6.

The chapter 7 is the respondents 'opinions in this research and the researcher's own opinion about how can Yili be a better dairy brand and how to improve its customer relationship. And the chapter 8 is the conclusion part of the thesis.

## **2 THEORY DESCRIPTION**

The professional knowledge of marketing and customer relationship is the foundation of the research. In this chapter, the theory framework will be built.

### **2.1 Customer relationship management**

Customer relationship management (CRM) can be defined as the measure to understand customers' needs and opinions based on the conjunction of human beings, procedures and technology. It is center of the question: "How to maintain and develop relationship with customers". (Chen and Popovich 2003, 672.)

Customer relationship management can be divided into 3 types: strategic, operational, and analytical (Buttle 2004,4).

A. Strategic CRM is focus on the establishment of customer-oriented corporate culture to achieve the aim of continual and difficult-to-duplicate competitive edge (Buttle 2004, 4).

B. Operational CRM means the measure of utilizing data to strengthen customer's sensation of the company's daily operation. It supports sales, marketing, service and other commercial activities. (Straight Marketing.)

C. Analytical CRM refers to the mode adopted in long-term relationship marketing which using the customer data. Company could collect information about customers' behaviors, market segmentation and others through this. (Godson 2009, 142.)

A successful customer relationship management contains the following factors:

1. A clear and feasible purpose. Setting a clear goal is the key to make a successful customer relationship management. Find out "which goals the CRM needed to be achieved" is the first step of CRM, because there are huge differences among the implement methods of different aims. (Enterprise innovation Root 2006, 3.)

2. Suitable adjustment of business and information technology operations. After the decision of business goals, the next step is to improve the customer-oriented proceeding according to the actual conditions. (Enterprise innovation Root 2006, 4.)

3. Supported by high-level leadership. When a CRM project put into effect, it needs strong support by management layer in many aspects. A successful CRM police needs to be carried out through to the end, which requires the approval of senior levels. (Andersson 2010, 22.)

4. Goal-oriented. Only run the needed data, do the relative project instead of operate unnecessary steps and waste money, time and human resource (Enterprise innovation Root 2006, 5). Goal-oriented CRM make it more efficient and improve the performance (Anderson and Kerr 2002, 13).

5. Appropriate CRM tools. A good CRM tool should be popular for its common touch and employee-friendly. It should be attractive and befitting for its target market and groups (Anderson and Kerr 2002, 13).

6. Strong internal partnerships. Another key of successful CRM is the employee involvement. The operation of customer relationship management project needs the endeavor of employees. Without the working of fit staff, the project cannot be implements smoothly (Andersson 2010, 24).

7. Pay continuous attention to CRM project. The function of evaluate, monitor and collect the feedback is noticeable. Company is able to make an objective appraisal of the CRM project and gain experience to make further improvements in its later CRM project. (Enterprise innovation Root 2006, 23.)

## **2.2 Customer loyalty**

Customer loyalty refers to the emotional attachment of customer to the company's product or service, which represented through the affective loyalty, behavior loyalty and sense loyalty. The affective one embody the highly agree and satisfaction of enterprise's concept and images. The repurchase action represents the behavior loyalty and the sense loyalty means the customer's willingness to purchase the company's product or service in future. (Baidu Baike 2013b)

The classifications of customer loyalty can be divided into two parts: negative part contains "no loyalty" and "fake loyalty", the positive part including "potential" and "continue loyalty" (Godson 2009, 111).



The “no loyalty” means the attitude of customer to the brand is no distinction with others, character are low repurchase rate or even do not have buying behavior and it is easy to switch to other brands. The “fake loyalty” appears as there are some factors affect the repeat behavior of customer, for instance, price element, once the price advantage is inconspicuous, the loyalty will be disintegrated (Godson 2009,112, 114).

The attitude and opinion of customer to company is favorable but not take repeat actions can be classed as “potential loyalty”. The reasons caused the problem is mainly marked by customer unable to purchase the product because of region restrict and out of stock. The highest level of loyalty is “continue loyalty”, it is a true loyalty, and customer has regular repurchase behaviors, good impression and attitude to the brand (Godson 2009, 114-115).

The customer loyalty is influenced by many factors, among them the main 5 factors are brand, service quality, customer satisfaction, the convenience of purchase and the cost of conversion (Yang 2012).

#### A. Brand

Customer tends to choice brand with long history and good reputation, because the brand usually stands for the characteristics of product, benefits and services that company can provides to customers. Therefore, the brand should be easily recognizable. (Yang 2012.)

#### B. Service quality

The quality of service could affect customer loyalty in directly way (Yang 2012). A good purchase experience often combined with good service, which could bring comfortable and pleasant feeling to customer and improve the customer loyalty, lead to the repurchase behavior of customer.

#### C. Customer satisfaction

The repurchase behavior is related with the high customer satisfaction, according to the research, the increasing satisfaction always lead to the increasing customer loyalty. Customer satisfaction is the customers ‘evaluations of the product. (Yang 2012.)

D. Convenience of purchase

If customer cannot purchase the product in convenient way, it will cause the reduction of customer loyalty and customers will choose the products they can buy easily.

E. Cost of conversion

It means the one-time cost when customer change from one product or service to another one provided by different company, which including the time cost, energy cost and feeling cost. (Baidu Baike 2013b.) Customers usually refuse to change the provider when the conversion cost is high (Yang 2012).

Beside these, education background, financial situation, society environment, purchase environment and others are influencing the customer loyalty to some extent (Yang 2012).

In order to maintain a long-term customer relationship, enterprise has to improve its customer loyalty to increase competitive advantage. There are some points to improve the loyalty:

A. Understand customers' needs and feelings.

In China, there is a proverb: "Know the enemy and know yourself, and you can fight a hundred battles with no danger of defeat." Knowing what your customers need counts heavily for a company, and through the understanding, company could meet their needs and allocate resources efficiently. (Baidu Baike 2013c)

B. Exceed the expectations of customers (Greenwell ,1).

Satisfy customer's need and expectation is a good way to improve the customer loyalty, and if company could provide more things than they expected, customers will pleasantly surprise and feel satisfied in higher-level.

C. Provide enough information to customers.

Let people know how to use your product or how to get high grade service. Customers could know the benefits they can get from the product or service through enough relative information and raise the customer loyalty. (Wang 2008.)

D. Improve the internal service quality.

The customer retention rate and employee retention rate are supplementary to each other. The providing of product or service is performed by employees. Their manners could influence customers' impression to the company, therefore the training of

employees is important to customer loyalty. Company could make a point of the satisfaction and loyalty of employee. (Baidu Baike 2013c.)

E. Be honest.

Do not undertake to do impractical promise, because once company breaks its faith with customers, the damage of customer loyalty is disastrous. When there are some problems with the products or services, which may caused complains of customers, company needs to be honest to them and solves the problems quickly and appeases public feeling. (Wicks 2013.)

F. Summarize feedback.

Keeping the contact with customers even the deal is finished. Collecting their opinions and feelings about the products or services, and analyzes them. Find out which parts they are satisfied and which parts they do not appreciate and improve the products or services according to their feedback. Let customer know they are important to company. (Wicks 2013.)

### **2.3 Corporate image**

Corporate image refers to the customers' general impression to enterprise through the signs of company, like the characteristics of product and marketing strategy. It is one manifestation of corporate culture, and mainly depends on the subjective diligently of company. (MBA lib 2014a.)

The corporate image including many aspects: product image(contains quality, style, package, brand and the service), organization image (for instance, police, proceeding, size, benefit and effectiveness), media image (including subject image, object image and extend image), staff image (consist of employee image, management layer image and executive level image), cultural image (for example, historical traditions , values, professional ethics and spirit of enterprise) , environment image (architectural style, layout of the decoration, green environment are included) and community image (comprised of community relations and public opinion ). (Li 2009, 13.)

The functions of corporate image are various, the main functions are listed below:

#### **1. Standardize and guide function**

The corporate image can be considered as a guild line for employees, the lay down of values and code of conduct builds a banner for it's exist and development. The

corporate image educates and regulates the behavior and attitude to work. (Zhou 2005.)

## 2. Wealth accumulation function

The image of company is a kind of immaterial assets. A good company image could increase the sales of products and help enterprise gain more profits. It mainly embody on the value of brand, which could turn into actual economic benefits in the trade. (Zhou 2005.)

## 3. Relationship build function

The same values and conviction could link the independent individuals in the company and build corporate responsibility. The corporate image couple employees and company together and made up a harmonious and tacit group. In addition, good corporate image is the foundation of good public relations. (Zhou 2005.)

## 4. Motivate function

Within the company, the corporate image could raise employees' sense of belonging to the company, which could arouse the enthusiasm of creative and work hard and enhance the centripetal force and cohesive force in enterprise. A good corporate image can bring the sense of honor and feeling of success to employee. (Zhou 2005.)

## 5. Radiate function

Beside of the internal function, a good corporate image can radiate to the public and could influence the enterprise and even the society in certain range. A successful and positive image could become a spirit of the age and have an positive effect on the social development, forms good social conduct. (Zhou 2005.)

## 6. Promotion function

The final purpose of builds a good corporate image is to be a public reliable company. Based on the public trust, people will purchase the product or service of this corporate. A good corporate image could be thought as a great promotion. Within the same quality and similar functions, people trend to purchasing the product or service of good-image Company. The identity with brand is equal to the identity with the corporate image. (Zhou 2005.)

## 7. Expansion function

Company could expand its sales in short time and gain plenty operating fund with a good corporate image, which could builds great market reputation for company. It

works on the attracting partners and increase its market influence.( Zhou 2005;Zhang and Wu 2000.)

The reasons of corporate image crisis have two parts: external cause and internal cause. The external cause is due to some irresistible force, for instance, trust crisis happened in the whole industry. The internal cause is the main content in image management, because compare to the external cause, the internal one could be managed by company itself and could be reduced or avoided. (Wang 2010.)

The internal cause of company image crisis mainly reflected in following aspects:

1. Lacking of correct corporate culture as guild-line in enterprise value layer. Business culture is the centralized reflection of value proposition, value basis and value pursuit of the company. Without correct business culture, the company is without vision, and may appear as lacking in responsibility and lead to the crisis of corporate culture. (Wang 2010.)

2. Lacking of crisis awareness and crisis early warning mechanism. Enterprise should be prepared for danger in times of peace instead of make a frantic last-minute effort when facing the crisis. (Wang 2010.)

3. Lacking of scientific theoretical direction. The corporate image crisis occurs when company is lack of experience to deal with crisis. (Wang 2010.)

4. Lacking of profound understanding and right processing skills. Parts of companies cannot correct understand the corporate image crisis and take wrong measures, for example, trying to cover it or shirking responsibilities, which cause more damage to enterprise image.(Wang 2010.)

The establishment of good enterprise image mainly reflected on the inner spirit and appearance image.

#### 1. Inner spirit

The inner spirit refers to the spirituality of enterprise, which is the sum of corporate culture. The inner spirit is the backbone of corporate image (Li 2009). In order to builds good inner spirit, there are three aspects:

a. Pioneering spirit of innovation

In the competitive market environment, company should get used to market economy, bold in exploration and innovation. Company has to update its public relation actions according to the changes of society and environment or different objections and projects, which needs the clear-sighted and bold thinker with lots of original ideas, especially in the management layer. (Li 2009.)

b. Positive values and social conception

Enterprise should not only build a good corporate image in the marketing activities, but also concerned about the social problems and pay attention to social public welfare undertakings. Businesses should undertake social responsibilities actively and make a contribution to the development of social, for example, protect the environment against pollution and assist needy families. These behaviors could win the common goodwill of public for company. (Li 2009.)

c. Honest and balanced manner

Enterprise should obey the law and particularly the Companies Acts during its daily operation, selling its product or service at reasonable price and offering good service to customer. (Li 2009.)

2. Appearance image

a. The name of firm

It commonly is deemed as the first step to builds company image. The name of brand should be easy to remember, clear and have recognition, beside these, a good name should contains implied meaning. The operating is influenced by the stand or fall name. (Li 2009.)

b. Enterprise advertising

A company with good enterprise image usually have good commercial, which can put across all attractive factors of product or service. The adverting could enhance the public impression to the product, which requires the great combination of the advertising features and the image of company. Interesting and keeping to the point is the key of a good enterprise advertising. (Li 2009.)

c. Logos and color

An easy-to-identify and compact mark or logo could help the building of business image. It is a part of company's intangible assets. Enterprise should design distinctive marks and representative color to form its style and to increase the public cognitive impression. (Li 2009.)

d. Environment facilities

Comfortable and beautiful environment can affect both employees and customers in good way and increase productivity and sales volume. (Li 2009.)

To builds a good corporate image needs the combination of corporate feature and public needs, feelings. It should considering many aspects. (Li 2009.)

## 2.4 Business reputation

Business reputation is the credit and reputation of a company recognized in society (Baidu Baike 2013d). Good corporate reputation means the behavior of enterprise has get the general public favorable comment, like keep its words, seek the truth from facts , goods genuine and prices reasonable, vice versa. (Miu 2008.)

The business reputation is including product reputation, service reputation, competitive reputation, financial reputation, trade reputation and banking reputation.

### 1. Product reputation

Product reputation contains two parts: the quality of product (the prerequisite of builds product reputation) and the customer's assessments (the product reputation's substance). The product reputation is the concentrated expression of product's economic value and social value. Maintaining a good product reputation should ensure the quality of product and fulfill obligation and promise. (Chen and Chen Yong 1999;Liu 2007.)

### 2. Service reputation

Service reputation refers to the problem of service quality, including service attitude, the timeliness of services and the effectiveness of problem solving. The warm and thoughtful service could win the favor of customer and their praise. And in the rush of modern life, customer is expecting prompt services and they hope to get effective solution when things go wrong. If enterprise cannot meet their expectations, the reputation will be damaged. (MBAlib 2013a.)

### 3. Competitive reputation

The competitive reputation refers to the fair play in market. The consequence of company who played its competitor foul will damage its reputation in the market place or even damage the industry reputation. (Baidu Baike 2013e.)

### 4. Financial reputation

The financial reputation means the enterprise provide its objective, real, legal and valid financial accounting report to public, give the people who need financial information a reliable basis for the operating decision (MBA lib 2013, A). The financial reputations have influence on the enterprise's financing capability in capital market and the confidence of shareholder to the company (Baidu Baike 2013e).

### 5. Trade reputation

Trade reputation is mainly marked as the timely payment for goods between company and the supplier, the good reputation get from the suppliers. The benefits are the good-quality goods or discount from them (Baidu Baike 2013e).

### 6. Banking reputation

Bank is one of the most important financing channels. Banking reputation has effect the loan period and value of loan. Maintain a good banking reputation is a good way to avoid the problem of fund shortage (Baidu Baike 2013e).

The functions of business reputation are showing below (Baidu Baike 2013e).

- With good corporate reputation, it is easy to enhancing the market influence and raising market share
- Enhancing the value of tangible assets. The physical assets and intangible assets are complementary to each other. Therefore, a good reputation could bring actual economic benefits to company.
- Improving the financing capacity of enterprise, promoting the rapid company expansion.
- Reducing the transaction cost. With a good enterprise reputation, many of complex steps could simplified or even skip, which lead to the cut down of cost and save time.

The reputation recover model has 4 parts: rescue, rewind, restore and recover, and contain 12 steps to rebuild business reputation in total.



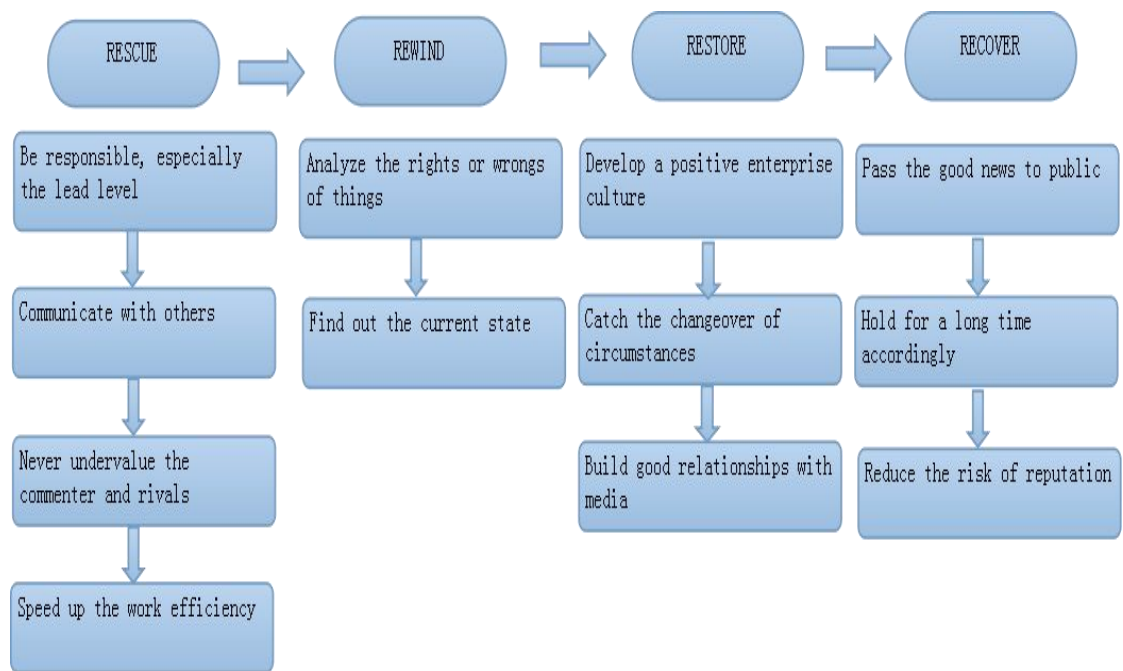


FIGURE 1. 12 steps to rebuild business reputation(Ross 2009)

### Part 1: Rescue

#### Step 1 Be responsible, especially the lead level.

It is important to strengthen creditability of management layer during the critical period, they need be to honest and active to communicate instead of negative to wait something happen. In the information offered by the executive level should be correct to gain public trust. Leads should stabilize the situation immediately and effectively. In most cases, make an apology to the victims of crisis is the best way to sympathized with them, and it is very efficacious. (Ross 2009.)

#### Step 2 Communicate with others.

Senior leadership should transmit the original intent to the public and the employees and listen to their views about the enterprise. Two-way communication helps company and public understand each other and retain the employees and customers. The communication should be carrying through the each stage of crisis. (Ross 2009.)

#### Step 3 Never undervalue the commenter and rivals.

The influence of the opinions of commenter could be last for few years and have wide influence basin. Company should rectify the organization based on their criticism to

meet public expectations and regain the lost customers as well as attract new customers. In the same time, enterprise should give repose to competitors' attacks. (Ross 2009.)

Step 4 Speed up the work efficiency (Ross 2009).

Motivate employees to work hard instead of meaningless recrimination. To make use of the heavy blow in the crisis to arouse the motive force to solve problems. The sense of urgency will result in better efficiency.

Part 2: Rewind

Step 5 Analyze the rights or wrongs of things (Ross 2009).

Through the analysis, company could find what part went wrong and corrected it quickly avoid recurring of the same mistake and what part went well and maintain it. Company should be learned from the past operation.

Step 6 Find out the current state (Ross 2009).

It is very important for corporate to know the actual situation of the market and itself. Management the operation according to the accurate position of company to makes appropriable plans and erratic attitudes.

Part 3: Restore

Step 7 Develop a positive enterprise culture (Ross 2009).

The good corporate culture can help to motivate employees and gain customers, establish a long-term and good relationship among company, employees and the public.

Step 8 Catch the changeover of circumstances (Ross 2009).

The crisis may cause by the missing of change according to the changes of business climate. Management layers should stay observant to the market circumstances and adjust company immediately to avoid the missing of opportunity.

Step 9 Build good relationships with media (Ross 2009).

The great relations between the enterprise and media help the company overcome the crisis effectively. People get information from media, and the opinions of media could play the leading role of public's opinions.

Part 4: Recover

Step 10 Pass the good news to public (Ross 2009).

Good news could inspire the public's confidence for the corporate and customers will pay close attention to the development of organization or continue to support the company.

Step 11 Hold for a long time accordingly (Ross 2009).

The reputation recovery process last for long time instead of quickly restored which needs company to adhere the established strategy and policy. The succession of rebuild reputation cannot be achieved overnight.

Step 12 Reduce the risk of reputation (Ross 2009).

The last step of rebuild reputation is to minimize the potential risks in the future reputation management. Clearing and defining the responsibility of board and senior managers and construct crisis management system to minimize loss. Take appropriate measures of reputation risk management. These ways could help company maintain a good reputation and conducive to long-term development. (Baidu Baike 2013f.)

### 3 INTRODUCTION OF YILI AND GREAT CRISIS

#### 3.1 Introduction of Yili

Yili 's full name is Inner Mongolia Yili Industrial Group Limited by Share Ltd, the predecessor of Yili is a cattle cooperative group, which was founded in 1956. The general headquarters is in Hohhot, the Dairy Capital of China. In March of 1996, Yili became a listed company, the first dairy company is of domestically listed A shares. From 2003 to 2004, Yili's brand value regarded as the lead of Chinese food industry. And in 2010, Yili climbed to the top 20 of global dairy industry. In present, Yili is the biggest dairy company, which has the most adequate product line in China. It is one of the leading enterprises of Chinese agricultural industry. (Baidu Baike 2014a.)

There are 5 business divisions in Yili, including liquid milk, ice cream, milk powder, yogurt, and raw milk. Yili has more than 100 sub-brands and 1000 kinds of products, almost covering every aspect of milk industry, for example, cheese, milk beverage, pure milk and milk - tea powder. The company's production and sales scale and brand value are ranked in the top in China. Yili Dairy meets the standards of Olympic and the World Expo, and is the only one of Chinese milk industry. In 2013, Yili groups ranks as 12<sup>th</sup> of global milk industry and also the top of Chinese milk industry in "The global dairy ranking "published by Rabobank. (Yili official website 2014.)

Yili has persisting in the development concept "quality over quantity, industrial prosperity over individual success, and social values over corporate wealth" and the development strategy "Green Industry Chain" for a long time (Yili official website 2014). The enterprise style of Yili is ACTIVE, A means Aggressive, C is Cooperative, T refers to True, I reflected Immediate, V is Votive and E represent Elaborate. Yili retain its characters "Aggressiveness and Hardworking" over decades. The core values of Yili are "Quality, Efficiency, Responsibility and Cooperation". (Hudong Baike 2013.)

Yili plans to become the top ten of global milk industry in 2015 and it constantly aggressing to be a "World -class health products group". At the same time, Yili group is persist in setting strict demand on itself and meets the health needs of customers in different regions to achieve customers' healthy lifestyle with its global vision. (Baidu Baike 2014a.)

### 3.2 Market situation

From 1998, Chinese dairy industry has been entering its “Explosive growth” period, with increasing people supplemented their diet with milk. The development of Chinese milk industry is rapidly. The period from 2005 to 2007 is a golden age for Chinese dairy industry with 16% average growth rates. The 2008 was a dark year, because of melamine incident. In the following two years, Chinese dairy has had its recovery phase. In 2010, the monthly growth rates reached 27% from January to July. (Baidu Wenku 2011).

However, as the world's most populous country with a population about 1.4 billion, Chinese dairy market still has huge growth potential. The dairy industry is very competitive and many companies are springing up and seizing the market. In addition, some international dairy companies are entering into the Chinese market, for instance, Zelanian and Australian companies. In present, all the top 20 dairy brands can be found on the Chinese market. (China MRC 2010.)

#### Main competitors

The arch-rival of Yili is Monmilk, which was established in 1999. Monmilk has made rapid development and became the 2<sup>nd</sup> largest dairy company in 2005. Monmilk group focuses on domestic market but also has export business to Mongolia, Southeast Asia, American and other countries and regions. Yili and Monmilk are two giants in Chinese dairy industry. (Baidu Baike 2014b.)

Yili and Monmilk have similar products and common target market, the competition between them seemed certain, which embodies many respects: product innovation, marketing innovation, development strategy and other aspects. Yili's sales volume of milk products is higher than Monmilk, but it should make a concrete analysis of concrete areas. In total, their market influences are evenly matched. (Sun 2007.)

Bright dairy is another strong opponent of Yili, the brand history since form 1950. The market share of Bright's fresh milk occupied 45%, the top one of Chinese market. And in 2012, 3 of Bright products gain the awards of Monde Selection. (Baidu Baike 2014c.) (Bright dairy official website 2014.) In Chinese dairy products market, there are other competitors for Yili, like Weigang, New Hope and Wandashan dairy. Each of them is leader in market and cannot be ignored.

In general, Yili has small competitive edge among these milk companies, but Monmilk is a formidable adversary with rapid development, which may pose a threat to Yili's leading position.

#### Market share of Yili

Yili's ice-cream and Popsicles products are continuously sixteen years placed in the first. Beside this, the sales of UHT milk products is far in advance of the competitors, and meanwhile, milk powder and milk-tea products have been the top of nationwide since 2005. (Hudong Baike 2013.)

In 2011, Yili achieved 37.45 billion RMB operating income, an increase of 26%. The high-end milk powder, represented by Jinling crown infant milk powder, has increased more than 81%. The share of Yili reached 21% and was the top one in Chinese market. About every 6 Chinese infant, there is one eating Yili's product. The increasing range of QQ star children milk exceeded 102% while the amplification of Golden organic milk was more than 467%. (Jinling Evening News 2012.)

In 2012, Yili achieved 32.9 billion RMB from January to September, an increase of 12.7% and the operating income of liquid milk department attained more than 22 billion RMB with an increase of 20% and market share was 24%, ranks the top of China. (Wabei 2013.)

In 2013, Yili's operating income reached 24.012 billion RMB with an increase of 13.41%, the net profit is 1.746 billion, up 125.06%. With the increasing market share of Yili's milk products, the income of milk powder was close to 3 billion. In addition, the QQ star, Free light, Qiao Le Zi and other high-technology and high added value products are occupied top 3 of the segment markets. (Hanxiao 2013.)

### **3.3 Crisis of Yili**

Yili has had a series of crisis from the big event in 2008, which called as "Milk Poisoning Incident", Yili's product quality problems lingered on, lead to the loss of customers and sharp decline of reputation. Yili's corporate image fell in the end during this period, and caused the dismal market sales.

In 2008, there was a big event happened in Chinese dairy industrial, "The milk poisoning incident". The incident was came to light in March, and from July to

September, dozens of cases of infants with kidney stones were spring up all over the country, and all the milk powder of infants were confirmed as Sanlu. On 24<sup>th</sup> of July, 16 batches of Sanlu milk powder were detected that have contained Melamine. (Ma 2009.)

The poisoned milk powder affair has rocked the whole Chinese industry and its repercussions were spread, in September of the same year, Yili and other famous milk product brands were reported involved in this incident, some batches products have been detected contain Melamine (Xin Hua News 2008). The consuming of dairy products and the reputations of dairy companies were slumped into the lowest ebb, and Yili is one of the companies which suffered greatly during this incident.

After the “Milk poisoning incident”, a series of quality problem about Yili’s products are became known, which lead to the crisis of confidence. For example, in November of 2011, a customer in Shan Dong province report that the product she purchased was smell badly and looks like bean curd though within the quality guarantee period. It happens that there is a similar case, in February of 2012, Mr.Zhu found there was a plastic with 7cm long and 1cm wide in the yogurt product of Yili. (CNTV 2012.) Another important quality problem happened on the June of 2012, the mercury level in the infant milk powder products of Yili was over standard. The products produced during 2011.11 to 2012.05 were recalled. (Wang Yi News 2012.)

The successive issues of the Yili’s product quality were badly damaged the customer relationship and even hurt Yili’s reputation as a famous brand. Consumers were tending to purchase products from the competitors of Yili.

#### 4 METHODS OF YILI TO REBUILD ITS GOOD IMAGE

In order to redeemed its reputation, Yili took steps to prevent the spread of bad influences of “The milk poisoning incident” and quality problems. Yili confess its fault and solved the problems without delay and provided compensation for all people injured by accident to abate customers’ rage and put off their doubts and fears.

Beside those actions after the crisis, Yili is carrying out a series of projects to rebuilds its reputation. Among them the 5 most important projects are advertising campaign, “The Ark project”, open plant to visitors, “The environment protection project” and charitable donations. (Yili official website 2014.)

##### Advertising campaign

Olympic is not only a great event for sport, but also for the business area, because only one corporate can be the Olympic sponsor in the same field, it causes the keen competition in the business area. The 2008 Olympic Games was particularly important for Chinese companies, because it was the first time that China hold this big event, the public attention was very high. And under this background, Yili knocked out all the other competitors, especially Monmilk, and became the only one that reached the standard of Olympic Games and earned lots of appreciation from customers by support this event. (Yili official website 2014.) Yili also seized the opportunity of the Shanghai Expo and was the sole sponsor of dairy products (Yili official website 2014). Yili gained the priority and high visibility in the advertisement area through supported these two events and also built its good corporate image (Sina 2007).

Yili gained plenty of awareness through extensive advertising in the ordinary days. Yili has correct market fixed position for each product and make use of popular celebrity endorsement, for example, Zhou Jielun and Wang Lihong (the most popular singers in China), Liu Xiang, Sun Yang and Li Na (top sports star in their field.), Yang Mi and Gao Yuanyuan (famous actresses) and other popular stars. The celebrity effect could help Yili to accumulate the public attentions and increase the sales.

Another measure of Yili to advertise its brand and products are the sponsored TV programs. Yili spend lots of money on this area and supported several famous TV programs, like “Dream China” and “The Best Voice of China”. One of most popular



TV programs in China in 2013 is the “Dad, where are you going?” which is also supported by Yili group. Yili try to establish its student milk market in China through this program.

#### The Ark project

“The Ark project” was established by Western China Talent Development Fund and Yili in the January of 2012, which is a public welfare project of child safety. The project is devoted to establish an adaptability and sustainable mode for child safety in different regions of China. (Baidu Baike 2013g.)

In the November of 2012, Yili trained 55 educators in western of China for 7 days, the main training object is campus safety, and the mainstream media including CCTV are reported about this activity largely and cause the social attention to campus safety. In the March of 2013, Yili paid the trained educators a return visit to investigate the implementation of school safety and also distributed the commonweal products. In the course of the year, Yili has helped Yunnan, Sichuan, Shanghai, Inner Mongolia, Gansu, Qinghai, Beijing, Heilongjiang and other provinces to build school safety system, the contents including fire evacuation, earthquake prevention and disaster relief, sexual education and other self-rescue measures. (Baidu Baike 2013g)

“The Ark Project” is ranked highly by the public, and was considered as a model of charities. Yili gained the “Best public welfare project”, the “Best public interest group” in 2013 and the “Outstanding case of Social Responsibility” in 2014, because of “The Ark Project”. (Jiangsu News Net 2014.)

#### Open plant to visitors

The project of open plant to visitors is aimed to increase customers’ confidence for products. The activity has been fully activated on April 6<sup>th</sup>, 2013. The plants are almost open for public in all the regions for all the years. It is all free of charge. (Baidu Baike 2013h). According to the Yili official website statistics, there are more than 60 million people concerning about this project (Yili official website 2014).

The most important characteristic of this open-plant project is the concept of “transparent plant”, visitors can see every corner of manufacturing shop trough the clear glass. They can know how it made from material to product and the whole process of packing, binning and storing. Through this project, Yili could diminish the

customers' doubts and also create an intimate relationship with consumers. Yili shows its technology strength and complete production facility, and at the same time, Yili spread its corporate culture to consumers and help them know more about Yili. With the implementation of the open plant to visitors, Yili wins more brand loyalty and good reputations. (Daily news 2013.)

#### Environmental protection project

Yili insists the "green industry chain" strategy as a guideline in its operation. In 2010, Yili has collaborated with the SGS Company to build the first Chinese dairy company with carbon neutral. The aim of this behavior of Yili is to reduce the pollutant emission. In 2011, Yili adopt the advanced technology of wastewater treatment, and the treated water meets the primary standard of national wastewater discharge. In the same year, Yili won the prize of green science. (Yili official website 2014.)

In order to propel the environment protection forward, Yili created a "Green Society", and operating a micro-blog and proposing a "green, low carbon" lifestyle as the core to fulfilling its social responsibilities. "Micro Environment Protection" is another measure of Yili to build a green society, which is aimed to encourage university student to care about the environment and into actions in the real. Until the December of 2011, there are more than 5000 universities take parts in this activity, trying to think of new methods to protect the environment and the project seemed to have worked. (Xin Hua Net 2011.)

#### Charitable donations

Yili is canalizing its energy into charity work for all the time and undertake its social responsibility actively. Yili is sincere compliment to its customers and the community and made a generous donation to charity.

On the 2010 April 14<sup>th</sup>, a terrible earthquake happened in Yushu, Qinghai province, Yili group started the emergency preplan of social responsibility, and delivery all the storage of milk product in Yushu to the disaster area within 24 hours, Yili send the first batch of relief goods to the crowd in affected. After that, Yili continued to support the post-disaster reconstruction. Until April 26<sup>th</sup> of 2010, there are more than 2.3 million special fund and 100 thousand milk products donated to the disaster area by Yili group. (Yili official website 2014.)

Yili also offered its help for Gansu earthquake, Sichuan Ya An earthquake and other major disaster at the first time. In addition, Yili group has always been providing relief for the poor, for example , provide them basic necessities and fund contribute towards needy students. Over the years, Yili group continue to take part in public welfare undertakings, has invested a total of more than one billion dollars till the end of 2011 and still working hard in this charitable donation area. (Yili official website 2014.)

## 5 RESEARCH METHOD

In general, the research methods can be divided into two parts: qualitative method and quantitative method. The qualitative analysis method is mainly depending on the practical experience, subjective judgment and analyzing ability of the investigator (Baidu Baike 2013i). Quantitative analysis method refers to the method that is based on the quantitative attribute, quantitative relations and quantity variation. (Baidu Baike 2013j.)

In this thesis, the research method is quantitative one and the concrete way is questionnaires, because as the goal of analyzing the customers' opinions to Yili group and Yili's products, the data of their feelings should be collected and it is impossible to know the common feelings through qualitative research.

### 5.1 The questionnaires

Questionnaire is a method to collect information in society research, which contains a succession of questions about the target problem (Wikipedia 2014).

As one of the most common ways to collect information, questionnaire has many strong points. One remarkable advantage of questionnaire is the low cost, for example, the cost of paper questionnaire is almost only the print cost. In general speaking, questionnaire is a soft option, it do not need lots of time or human resources. Another strong point is the respondents could keep their personal information secretly with anonymous questionnaire, the answer can reflect their opinions more accurately. It is easier to do the quantitative study with questionnaire and can do the survey with different objections in different regions at the same time. (MBAlib 2014b.)

The main roles can be divided into several parts (Mogui Report Net 2013):

1. Questionnaire can change the research objectives into certain questions, the result of survey can be collected through the analysis of results.
2. Standardizing the range of question and answer, provide the same condition for different respondents.
3. The questionnaire and its results can be the permanent storage.

4. Questionnaire can accelerate the process of analyze collected data by using analysis software.

In this thesis, the current customers' feelings about Yili is the main topic, therefore make enough investigation of customers' opinions seems pretty important for the research and questionnaire is the best choice for this requirement.

## **5.2 Implementation of the research**

The main research method of this thesis is questionnaire, due to the range of respondent is the Anhui province, the questionnaire was made on Webropol and sent to the public by two delivery ways: paper questionnaires were given out on the street while the electronic questionnaires were sent through the links to random e-mail accounts to persons are living in Anhui province. (About 300 questionnaires were sent to public and the amount of expected answers was about 120-150). The period of collecting answers is from March 21 to April 3 in 2014, about 2 weeks. The goal of the questionnaire was to know the current opinions of customers to Yili Company and its products.

There were four parts in this questionnaire:

- a. Background information about the respondents, for instance, age, gender, and career.
- b. Their familiarization with Yili and its products like the knowledge about the brand and the influence factors when choosing Yili's products.
- c. Customers'opinions about Yili and its products, for example, their views about the taste of products, their evaluation for the quality.
- d. Their knowledge about the rebuild reputation activities of Yili. This part is around the understanding of customers to the public actions of Yili.

The results of paper questionnaires were all put in the Webropol to be analyzed together with the electronic questionnaires through forms and charts. And the report was based on the results of the analysis of the questionnaire and other resources, for example, internet source, newspaper and magazines and relative books.

Through the research, it could be known not only Yili's images, customer loyalty degree and the present reputation of Yili but also the current relationship between customers and Yili. Suggestions to the company are based the research results, which may help Yili's long-term development.

## 6 ANALYSIS OF RESULTS

### 6.1 Background information on respondents

The total number of received questionnaires was 126 and 50 of these responses were paper questionnaires that were sent on main street and the rest responses were collected from the electric questionnaires. Among the 126 respondents, there were 58 male 60 female.

The people between the age of 21 and 30 accounted for the biggest part as 29% of the respondents, and the following biggest groups are age groups from 31 to 40 and 41 to 50, which account for 25% and 21% respectively. In other words, the main respondents in this research were in the group age from 21 to 50, which accounted for 75% of all the respondents. Because milk product has been seen as healthy food in recent decades, the consumption of milk products has increased among the young adults. People in this age have the great capacity of new things and also could afford the dairy products expenses.

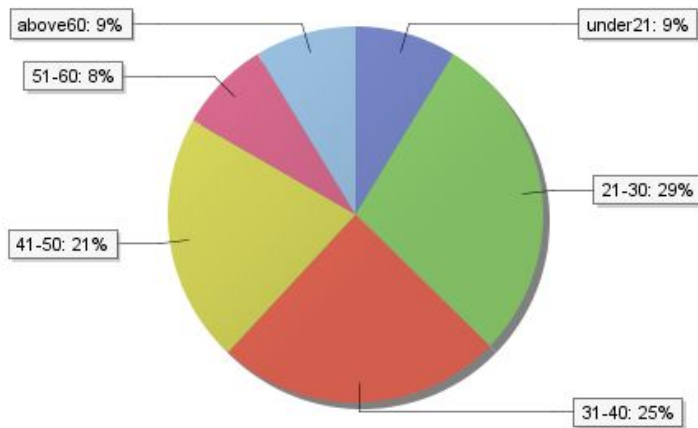


FIGURE 2. The age distribution of respondents (N=126)

As shown in figure 3, of the 126 respondents in this research, students accounted for 24% and the number is 30 while there were 21 white-collar workers that accounted for 17%. The following options are factory-hand, work for government, work in education system and unemployment or retirement, self-employed, work in legal system and work in health system.

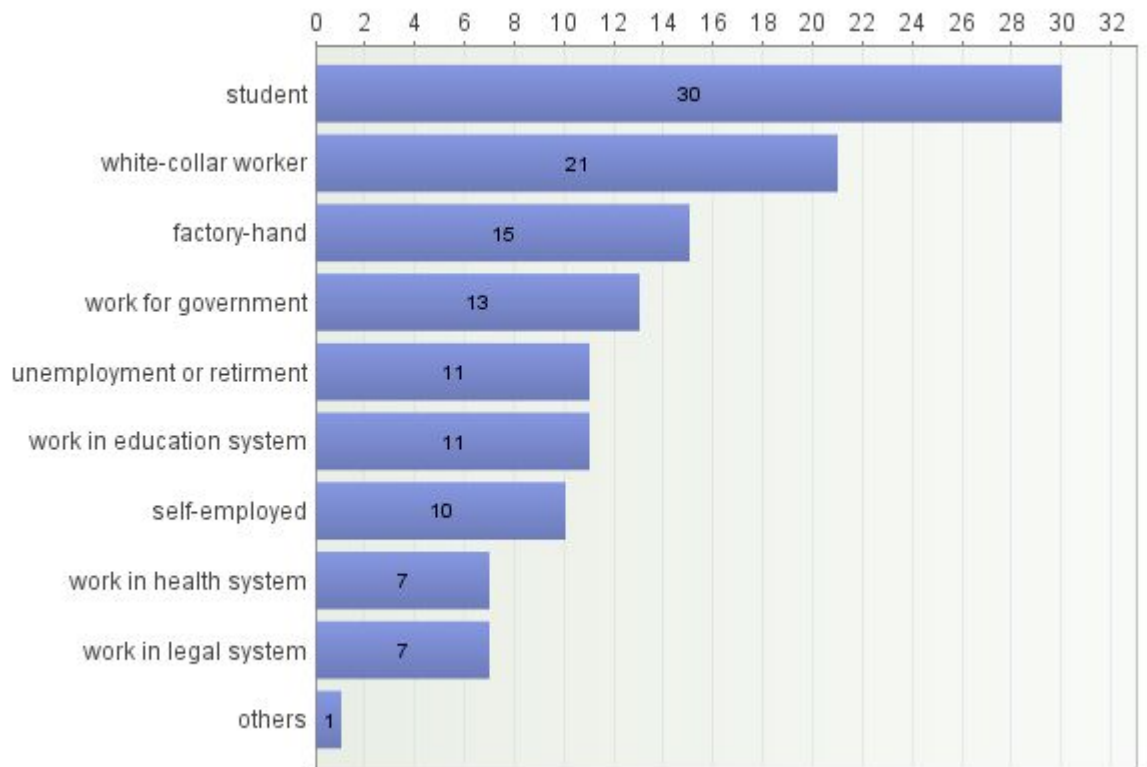


FIGURE 3. The job distribution of respondents (N=126)

The figure 4 reflects the educational background of the respondents, is obvious that the largest group is bachelors, which occupied almost half of the total number of respondents in this research. At the same time, the people who are with high school education and graduate or above education are responsible for 24.6% and 23% severally. The educational background of the respondents is generally high.

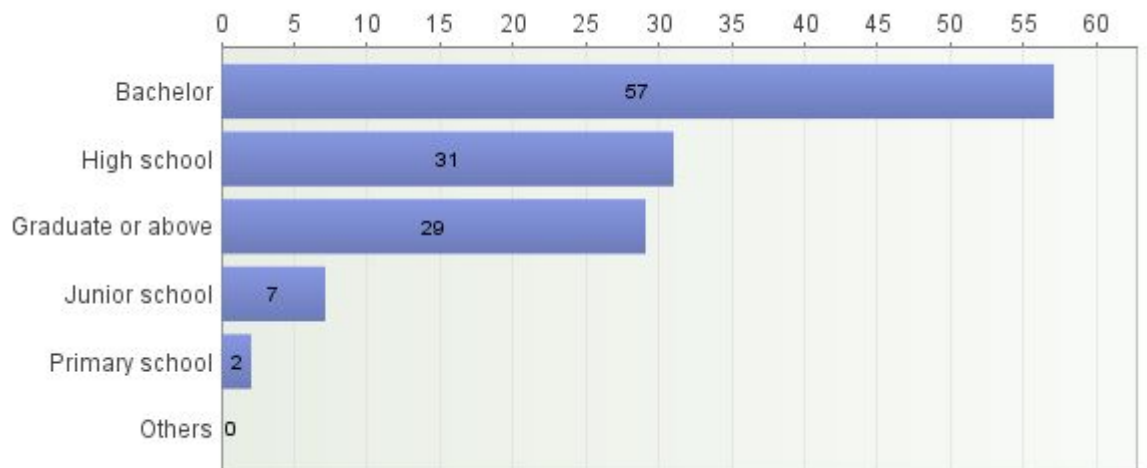


FIGURE 4. The educational background of respondents (N=126)

In general, the personal education background and career are related to the income. Therefore, the facts that the economic conditions of major part of respondents are relatively high and they can afford for the consumption of milk products, which can be inferred from the results of job distributions and the education background situation of the questionnaires' research.

TABLE 1. The family structure of the respondents (N=126)

Family structure	% of all the respondents (N=126)
Couple with one child	32.57%
Single	19.84%
Living with parent	16.67%
Couple with more than one child	16.67%
Couple without child	11.11%
Single parent	3.14%
Total	100%

The family structure can influence the purchasing habits, for instance, the purchase amounts per time and the product type. Based on the research, the most common family structure of the respondents is family of three, which occupied about 32.57%. Because of the "one-child policy", most families only have one child in China, which formed the largest group in this research. People living alone are responsible for about one fifth of total amount while people who are living with their parents or have more than one child in family both account for are 16.7%. Compared to normal family structure, the single-parent family accounts for a small part in our society, which lead to the small percentage in the results.

## 6.2 The analysis of respondents' evaluation of Yili group and its products

From the following pie chart, it is obvious that the biggest competitor of Yili is Monmilk, which was the first choice brand of 29% (37 persons) of all the respondents. Yili became the first choice of respondents in this research with narrow majority by only 2 votes. Yili is a brand with longest history in those options. Through the operation in recently years, Yili has expanded its market in China. Although Monmilk is a young



brand compared to Yili, it has maintained good development momentum all the time and nowadays Monmilk is the first-class dairy brand in China and it has gained the support of a lot of people. Another popular brand among the 126 respondents is Bright, which gained the support of 21 respondents and occupied 17 percent. Jun Le Bao and Wei Chuan were chosen as the first option by 10% of the people. Compared with other brands, New hope cannot be a big threat for Yili for recent years. In my view, the reason is the low quality and the limited geographical scope of New Hope's products.

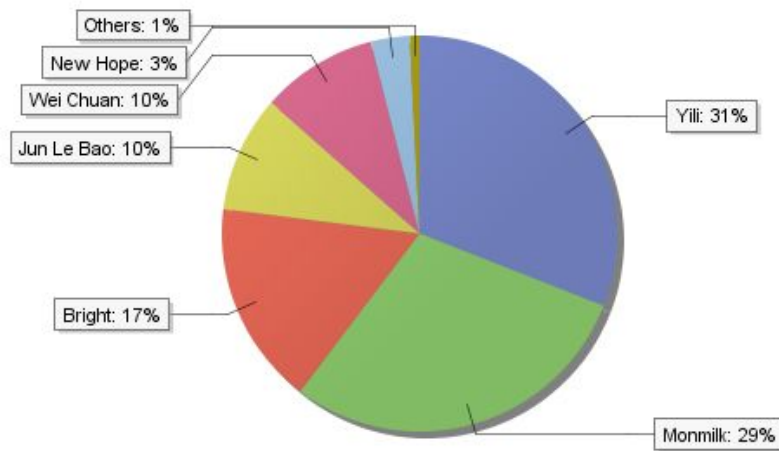


FIGURE 5. The first-choice brand of respondents (N=126).

In general, the educational background is related with the income level. People with higher educational background usually have a better job and higher salary. Therefore, the relation of the first choice of milk brand and the educational background could be regarded as the relation between income level and their favorite brand.

As shown in the table 2, people with primary school education would like to choose Jun Le Bao and New Hope, for people with junior school education background, about half of the respondents' first choice is Jun Le Bao, and about 30% prefer to choose Monmilk's products. And nobody in these two groups think Yili is their first choice in this research. For groups with high school education, the most common answer is Bright while Yili also was be considered as the first choice by more than a quarter of people. And Yili is a popular brand in the group of bachelors and about 40% would purchase Yili while more than 20% like Monmilk best. Although Yili was chosen by about one third of the respondents in the group of people who had

graduate or above educational background, the Monmilk is the best choice for more than half of the people in this group.

The result reflected the fact that people with low salary prefer to purchase brands with lower price, for example, Jun Le Bao and New Hope, and the group of people with high educational background prefer to choose famous brands like Bright, Yili and Monmilk. And Monmilk is more popular than Yili among highly educated people. The market situation seems serious for Yili, it is obvious that the market positioning of Yili is middle and high-end market, however, it did not succeed because the advantage is not significant in these markets and there are several brands focused on the same market, like Wei Chuan, Bright and Monmilk.

TABLE 2. The relation between the first-choice and education background of respondents (N=126)

	Education background					
	Primary school (2)	Junior school (7)	High school (31)	Bachelor (57)	Graduate or above (29)	Others (0)
Yili	0%	0%	25.81%	38.6%	31.03%	0%
Monmilk	0%	28.57%	19.35%	22.81%	55.17%	0%
Bright	0%	14.29%	29.03%	19.3%	0%	0%
Jun Le Bao	50%	42.86%	9.68%	7.02%	3.45%	0%
Wei Chuan	0%	0%	16.13%	7.02%	10.34%	0%
New Hope	50%	14.29%	0%	3.51%	0%	0%
Others	0%	0%	0%	1.75%	0%	0%
Total	100%	100%	100%	100%	100%	100%

From the data shown in the figure 6, more than 70% of all respondents know some things or even know lots of about Yili and its products. Among them, 84 persons know something and only 7% are very familiar with Yili group and its products. However, the rest 26% respondents' selections are negative, 3% are not familiar or even do not know about Yili. In conclusion, the brand awareness of Yili is good but

this still has some room for improvement, like increasing the public knowledge of Yili group and its products.

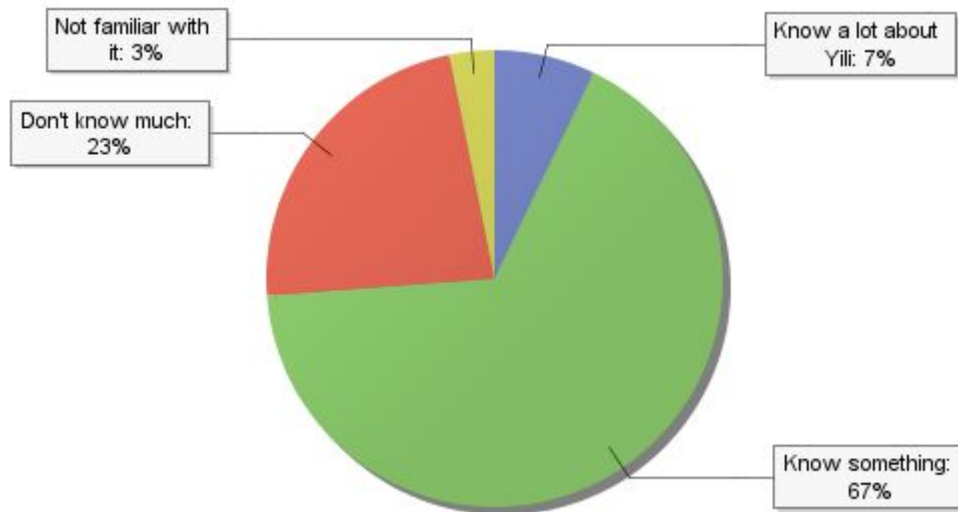


FIGURE 6. Respondents' knowledge about Yili (N=126)

The figure 7 reflects the main channels where customers get the information about Yili. The answer for this question can be more than one option. TV is the largest contributor for the brand image communication, especially the advertisements on TV, which has agreed by more than 90% respondents. TV is one of the main channels for people to get to know new things, and the most of advertisements of Yili are on television. Different from the internet, people cannot change the timetable of TV programmer and may have seen the advertisement or the TV shows which are supported by Yili passively. The second largest channel of the information acquisition is Internet (40.48%). Beside these, relatives and friends is another important information channel for customers of Yili, the flow of information by word of mouth could change customers' attitude about Yili group and its product in a very strong way. The importance of newspapers and magazines has declined in recent years as the channel to transmit information, only about 30 people regard it as one of the most important channels. Public welfare undertaking is obvious that not accepted by respondents from Anhui province as a main channel that just 6 person think they get much information through this activity, the low percentage is due to the incomprehension of respondents to the public welfare undertaking, the propaganda is not enough to impress people .

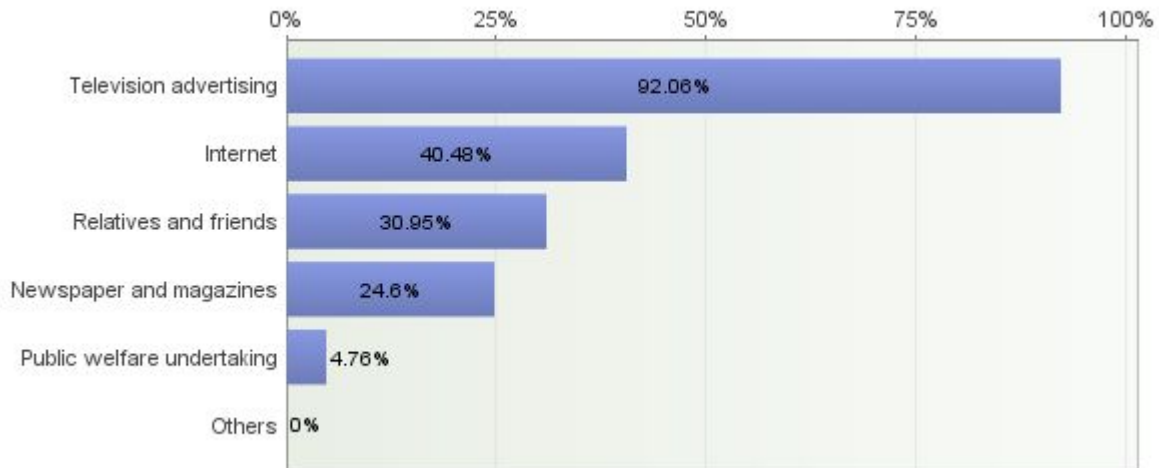


FIGURE 7. The main channels of customers to find out about Yili group and its products (N=126)

From the table 3, the close relation between the age and where they get information about Yili group and its products is shown. The common point of all the age groups is that TV is seen as the most important channel. Beside this, internet played an important role in the youngest age group, which was agreed as one of main channels by more than half of the respondents. However, in the group of the old who are above 60, no one got information about Yili from internet, instead of this, the main channels for the oldest group are TV, newspaper and magazines. The importance of newspaper and magazines is increasing with advancing age while the influence of internet is diminishing with the age in this research, because compared with old people, young generation can accept new things more easily. With the development of society and economy, internet is becoming an inseparable part of people's life, but most old people are still not very familiar with the internet and are accustomed to getting information from TV and newspapers or magazines.

For people who are aged from 21 to 60, the relatives and friends are an important information source about Yili group and the products, which was mentioned by more than 30% of the respondents respectively in their age groups. People in this age range are social person and have their own social group, in which, they can share information with others or get information from others, and the social life has great part in their life. People tend to believe information spread by their relatives and

friends more than that of other channels. Therefore, if one person in this group do not have a good impression about Yili, it would influence others' opinions about Yili.

TABLE 3. The relationship between age groups and information channels (N=126)

Channels	Age					
	Under 21 (11)	21-30 (36)	31-40 (31)	41-50 (27)	51-60 (10)	Above 60 (11)
TV	72.73%	91.67%	93.55%	96.3%	100%	90.91%
Newspaper and magazines	9.09%	13.89%	29.03%	29.63%	30%	54.55%
Internet	54.55%	41.67%	54.84%	25.93%	20%	0%
Relatives and friends	9.09%	30.56%	35.48%	40.74%	40%	9.09%
Public welfare undertakings	0%	8.33%	6.45%	3.7%	0%	0%
Others	0%	0%	0%	0%	0%	0%

The frequency of the purchase behavior of Yili's customer is dissimilar. Most people buy Yili's products 3-4 times per month (30.2%) and 1-2 times per month or even more rarely (percent of this part is 31.75). And the group of people who buys Yili's products 1 to 2 times per week accounts for 23% in this research.

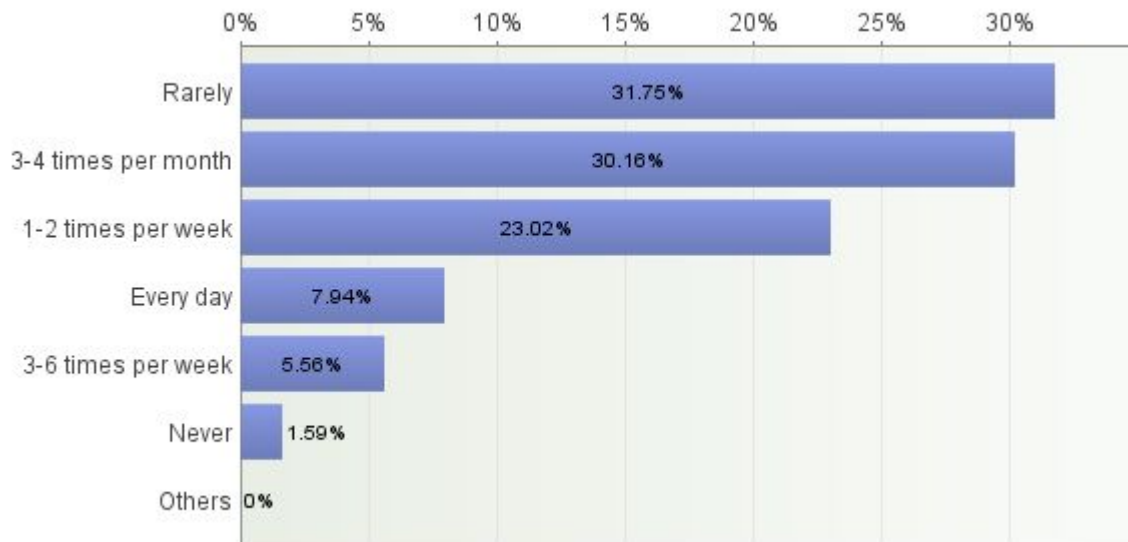


FIGURE 8. The frequency of respondents to consume Yili's products (N=126).

According to the results of questionnaire, the main place to purchase Yili's products is a small supermarket, which was chosen by about 70% while the second important sales place is a large supermarket and around two-thirds of the people regard it as a main place of their consumption behavior of Yili's products. Then the convenient store was agreed by nearly 70 persons, which is account for 55% of the 126 respondents. The online shop was only deemed important by 6 respondents, which reflected that the main shopping place of dairy products is the physical store.

The chart below reflects the relation between the family structure and the place that people usually purchase Yili's products. For singles, beside the small supermarket, which is the main place for all the groups, the convenience store was agreed by more than 80% respondents, and it also played an important role in the purchasing place of couples and couples with one child, however, compared to the singles, only half of the people in these groups think the convenient store is their main place to consume Yili. And for the couple with one child, couple with more than one child and also the group of people who are living with their parents (in China, it usually means that it is a three-person family), the big supermarket is their choice that around seven in ten of the respondents in these group like to purchase Yili's products in big supermarket.

TABLE 4 . The relation between structure of the family and the purchasing place  
(N=126)

place	Structure of the family						
	Single (N=25)	Couple without child (N=14)	Couple with a child (N=41)	Couple with more than one child(N=21)	Single parent (N=4)	Living with parent (N=21)	Others (N=0)
Big supermarket	52%	50%	68.29%	76.19%	50.00%	71.43%	0%
Small supermarket	84%	85.71%	73.17%	57.14%	75.00%	57.14%	0%
Convenient store	84%	42.86%	41.46%	19.05%	0%	14.29%	0%
Online shop	4%	14.29%	2.44%	9.52%	0%	0%	0%
Others	0%	0%	0%	4.76%	0%	0%	0%

The reason for this relation is simple, singles just need to purchase the goods that they need, and they do not have to go to big supermarket and could get things in convenient store. The same situation is for the couples without child group. But for the families that contain more than 3 persons, the convenience store usually cannot meet all of their needs, sometimes even the small supermarket can not satisfied them. They have to purchase a lot of goods to fulfill the needs of all the members in families, therefore their purchasing behavior of Yili's product often happened in big supermarket.

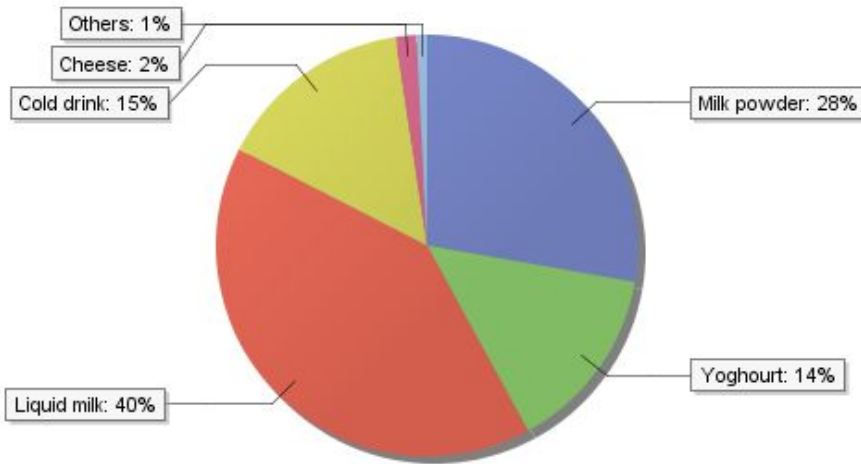


FIGURE 9. The most impressive product type of Yili's product series among Anhui province respondents (N=126)

The figure 9 obviously shows the fact that the liquid milk is the most important product line for Yili, which impressed 40% people in this research, and according to the background analysis, the sales of liquid milk of Yili is keeping ahead in this field, the liquid milk is the star product for Yili. The next popular range of product is milk powder, which was selected by 35 persons and accounted for 28 percentage of all . Besides these, cold drinks and yogurt are both responsible for about 15%. The impression of product line is related to the age group. In the age group of under 21, more than 60% teenager chose cold drink as the profound product type, while the people who are aged from 51 to 60 and the oldest group evaluated the milk powder as the most impressive one. At the same time, liquid milk had most impressed about half people in age group from 31 to 40. The answers of group from 21 to 30 and from 41 to 50 are dispersed in this questionnaire research.



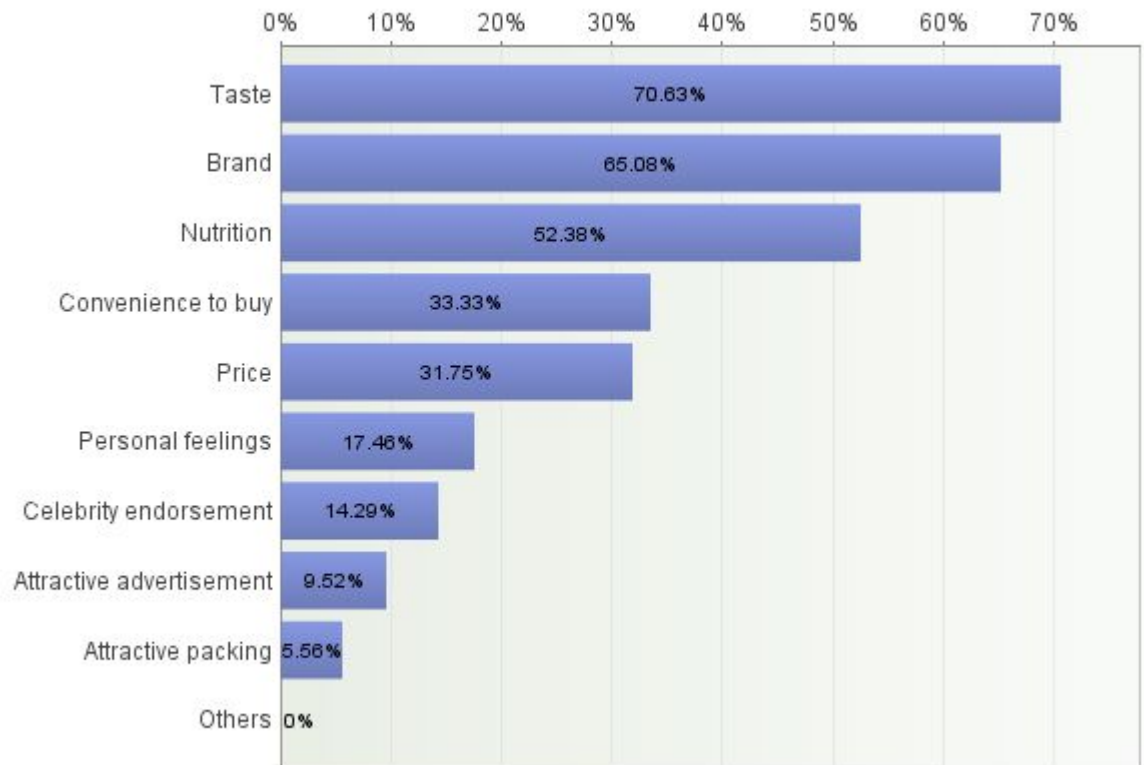


FIGURE 10. The influence factors of the purchase behavior of Yili's products (N=126)

The influence factors are shown in the bar chart above, which shows that the three most common factors of the consume decision are good taste, brand value and the nutrition, which were selected by 71%, 65%, and 52% people respectively. For food industry, the taste of product could determine success or failure of the business, the taste is the core element for Yili's products as well. And the food safety is usually related to the brand of product. In order to avoid big quality problem, people tend to purchase product with good brand. 42 respondents in this research thought that their behavior of buying Yili's products was affected by the convenience conditions. Around 32% respondents thought that the suitable price of Yili's products is one key element. The remaining factors, like personal feelings, star endorsement, attractive advertisement and attractive packing were not highly valued by most people in this research.

The results shown in the table 5 reflect that the core factor that influences the purchasing behavior of males and females is the same, the taste and the following reason is the brand. However, compared to males, females paid more attention for the nutrition and more than half of them think it is one of the three most important

factors while more than 56% of males chose Yili's product because the convenience condition to buy it. In general, women are more careful than men and tend to choose products according to the nutrition content and pursuit to healthy body. Men usually do not care about this factor, and they choose to purchase the product they could buy easily and conveniently.

TABLE 5. The relation between gender and the main influence factors of purchase Yili's product (N=126)

	Gender	
	Male (N=58)	Female (N=68)
Taste	74.14%	67.65%
Brand	63.79%	66.18%
Convenience to buy	56.90%	29.41%
Price	36.21%	26.47%
Nutrition	27.59%	55.88%
Personal feeling	15.52%	8.82%
Celebrity endorsement	12.07%	16.18%
Advertisement	10.34%	19.12%
Package	1.72%	10.29%
Others	0%	0%
Total	100%	100%

More females make the purchase decision of Yili's products because of its attractive package, advertisement and the star endorsement, and men's proportion of these factors was much lower than female's. It is believed that females are more easily attracted by the beautiful or cute things than males, they like the product with great package or advertisement and may purchase products because of these factors while males are more sensible and usually have goal-oriented purchase behavior.

Most respondents agreed in principle that the quality of Yili's products is good, which accounted for 90% of all the respondents and 7% of the respondents regarded the quality of Yili is very good. The total of the negative answers only occupied 3% of all. The quality of Yili's products could be thought as has been accepted by most people based on the results of this question.

Another question with relatively unified answer is the evaluation about price quality ratio, most people (83 of the total amount 126) agreed that the products of Yili have a moderate cost performance, which accounted for 66% of all respondents. And 21% persons regarded the products have high rate of quantity and price. Fewer than 10% of the respondents in this research answered in the negative way, including 8% evaluated it as low price ratio and one person gave the answer as very low price quality ratio in this question.

Yili is highly appreciated by the respondents of Anhui province with its taste and the nutritional value of products. Among the 126 respondent, 87% thought it tasted quite good and about 9% respondents graded the flavor of goods as very good while 5% of the respondents answered that taste is bad and one person thought the taste was very bad.

At the same time, 105 respondents evaluated the product as nutritious and only 7 persons thought it is in nutritious and the rest 14 persons did not care about whether the products of Yili are nutritious or not.

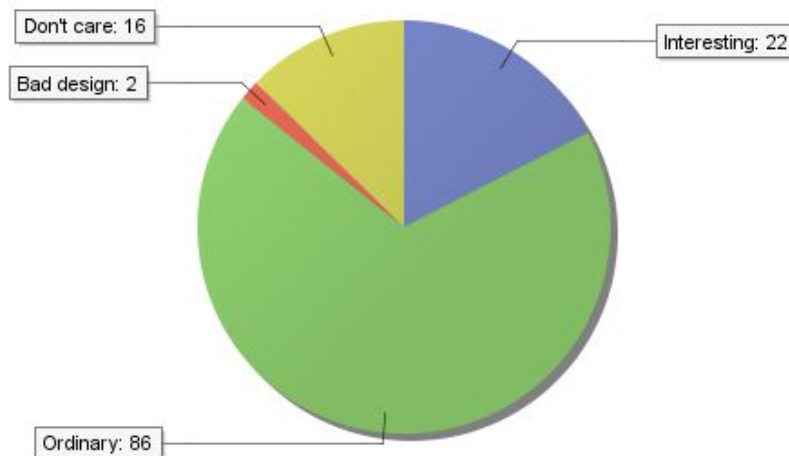


FIGURE 11. The respondents' feelings about the package of Yili's products (N=126)

The Figure 11 shows the respondents' feelings about the package of Yili, and about 68% of them think the packing of Yili's product is ordinary, which means it is without

reactive power, and 2 respondents have graded it as bad design. However, the package has been evaluated as interesting by 22 persons and some respondents do not care about the package of products. Therefore Yili has much to do with its product package.

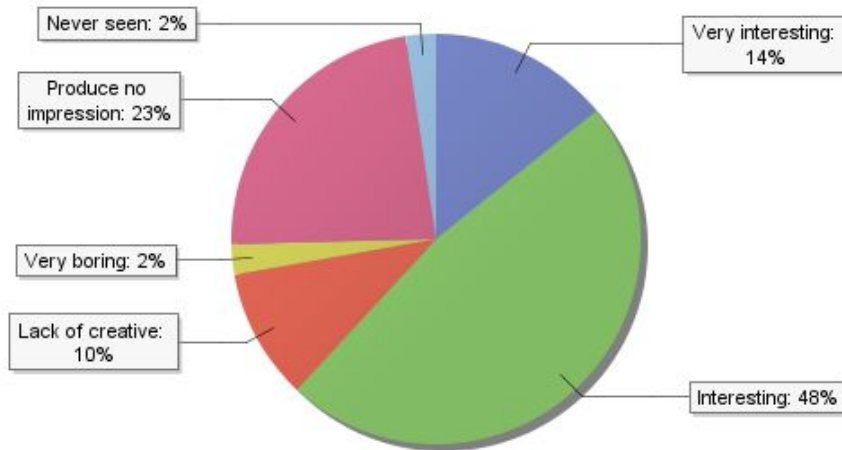


FIGURE 12. Respondents evaluation of Yili's advertisements (N=126)

A little different from package, as the most important information source for customers to know about Yili, the advertisement of Yili gained the attention of more than half of the people of all. About half of the people thought that the advert of Yili is interesting and 14% persons thought Yili has very attractive ads. Meanwhile, part of respondents deemed that the ads of Yili are lacking creativity and are quite common. 3 persons even had negative feelings about the advertising and think it very boring. In addition, more than one fifth respondents had no impression of Yili's advertisements and 2% people even had never seen the ads before.

And about the question "Would you introduce Yili and its products to others?" 83 persons said yes while still 43 respondents answered no. However, from this question it could be found out that more than 60% of the respondents have good general impression of Yili brand and are willing to introduce it to others. On the other hand, the rest of people are not very satisfied with Yili and its products, which needs the efforts of Yili to meet their requirements.

### 6.3 The analysis of respondents' evaluation of Yili's rebuilding reputation activities

Through the research about whether people know about Yili's public benefit activities. The result is shown in Figure 13.

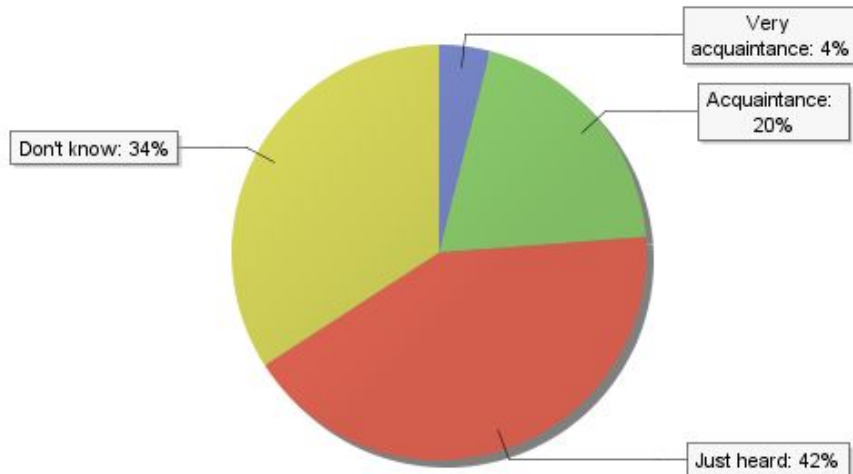


FIGURE 13. The familiarity with Yili's socially useful activities (N=126)

The popularizing rate is not very satisfactory to Yili, only about 4% people were very familiar with these activities and one fifth of the respondents were acquainted about them. Meanwhile, more than 70% respondents were unacquainted with Yili's socially useful activities and there were even 34% of the people who did not know about these. The propaganda activities of Yili's public service work could be evaluated as inadequate through this question.

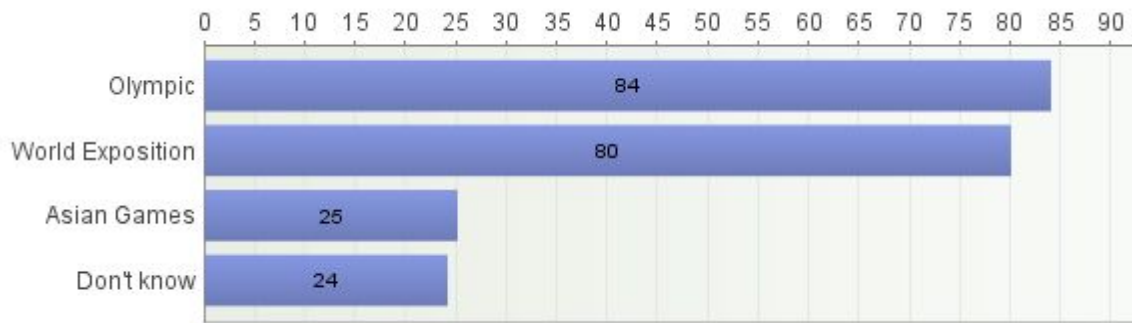


FIGURE 14. Which activities that are supported by Yili are known by the respondents (N=126)

The figure 14 shows people's knowledge of which activities that are supported by Yili have been known by Anhui respondents. More than 80 persons know that the Olympics are supported by Yili. The main reason for this high recognition is owes to the 2008 Olympic Games which were held by Beijing, China. China made a point of this big event and the publicity of Olympics was high, at the same time, the TV advertisements also mentioned that this event is supported by Yili. The same situation for the world exposition, which was held in Shanghai, China, and more than 60% respondents know the sponsorship. However, the sponsor behavior of Yili to Asian Games is not well-known which was mentioned by 25 people. In general, compared with the amount of people who pay close attention to the Olympics and world exposition, the amount of people who are following the Asian Games is much smaller. For this reason, the familiarity of respondents in this research to this activity is not very high and little percentage of respondents know it is supported by Yili. And there are still about 20% of them who do not know any activity that is supported by Yili.

Based on the results of questionnaires, all the evaluations about "The Ark Project" of the respondents that who know it are positive. 39 people have valued the project good and about one third of people sing high praise for "The Ark Project". However, the lacking of propaganda lead to the situation that more than 36% of all the respondents does not know this public welfare project.

Compared to "The Ark Project", respondents are more familiar with "Open plant to visitors" project, which was shown to customers through the advertising on TV. Only about 20% of people did not know about this activity and one third of 126

respondents evaluated it as good project and nearly to half of all people spoken highly of “Open plant to visitors” project expected that Yili could has more related activities. However, one respondent thought it is a bad activity, which caused many costs and was useless.

Although the charitable donation of Yili is a good and publicly useful activity, the public awareness is not enough for Yili to rebuild its reputation. About 56% of all the respondents do not know this charitable contribution behavior at all and around 20% people feel senseless about this activity and do not care about it. Only a quarter respondents replied that they had heard about it.

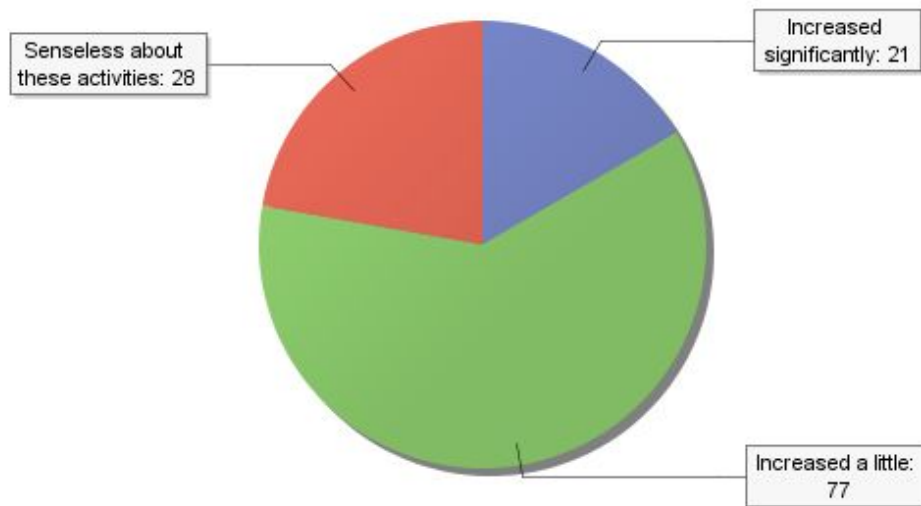


FIGURE 15. The effects of the rebuilding reputation activities of Yili (N=126)

The pie chart above shows that all the rebuilding reputation activities of Yili made a little improvement on the corporate image among respondents. More than 60% of them thought that they have a better impression of Yili after these measures and 21 respondents were senseless about those activities or were not familiar with those actions. In general terms, these actions of Yili help rebuilding company image to some extent, but the effects are insignificant among the respondents in this research.

## 7 SUGGESTIONS FOR YILI

### 7.1 Respondents' suggestions for Yili

In the end of this questionnaire research, respondents show their wishes about the parts which Yili needs to pay more attention to. According to the results in table 6, in respondents' minds, the most important part that should be improved is the rate of quality and price. Price element is usually a key factor of successful business, because in general, people prefer to purchase superior quality products which have a reasonable price. If Yili wants to make its products as a part of people's everyday life, the price of products should be controlled in a reasonable range and provide customers good dairy products. For an industry which just experienced a terrible crisis of confidence caused by products that are not of the stipulated quality, people are worried about the same happening again and some respondents suggest Yili to keeping improving its product quality.

TABLE 6. Parts that need improvement in respondents' minds

	Number of respondents (N=126)
Cost performance of product	111
Quality of product	90
Nutrition of product	79
Taste of product	67
Corporate image	55
Package of product	28
Advertisement of product	24
Distribution channel of product	13

The third part that needs to be enhanced is the nutrition of milk products. In general, the main reason for people to consume dairy products is to get enough nutrition from the goods. Without satisfactory nutrient value, a dairy corporate cannot survive in the competitive market. Yili group needs to improve its products with needed nutrition of different target groups, for instance, more calcium and vitamins in student milk products. In this research, 67 respondents were not very satisfied with the taste of goods and hope Yili group can make more delicious products in the future. The



corporate image was mentioned by 55 persons in this research. For Yili, a pressing matter of the moment is to rebuild its good reputation and the company image among public to establish large loyal consumer group.

Compared with the items mentioned above, the distribution channel, package of product and the advertisement is not very important to be improved, and only few people are not satisfied with these parts or do not care about these factors. There are some odd suggestions, for example, strengthening publicity and adopting the popular young star group to advertise goods, which are also provided valuable advice to Yili's development.

## **7.2 Researcher's suggestions for Yili**

According to the questionnaire results, it is obvious that there are many aspects that need to be strengthened of Yili group and its products.

1. First at all, Yili needs a clear market segmentation of different target groups. As a result of the relation between age groups and the product line, the fact has been shown before that different age groups have different general preferred product lines.

- a. According to the research, the group of people under 21, preferred cold drinks rather than other product lines. Therefore, Yili needs to find out their favorite tastes and adapt the products to suit their needs. For instance, Yili could made more innovations on its flavor of product, advertisement and packing to meet the needs of young people to pursue personality. The same measures could be used on the student products and other goods aimed on this young group. Because it's commonly agreed that people at this age group are during the important growing-up time, needed nutritional ingredient should be added into the products.
- b. For the oldest group, in the products for the old should be paid more attention to the aspect of digestible and absorbent contents. In addition, because of the fact that old people can easily get osteoporosis, the relative products that focus on old people need to contain more calcium.
- c. Female group in younger generation care about the taste and the packing as well as the content of calorie (which is very common on this group). Young ladies are trying to keep or have slim figure, therefore, Yili needs to make its

products for females to have low fat or even could help them lose weight based on a good taste. The package should be cute or beautiful and get the popular star among this group to endorse products.

- d. It is believed that women aged from 40 to 55 are in a special period that they have wild mood swings and the products for these customers should have functions to improve blood circulation and restore body balance and others needed by women in climacteric period.
- e. In general, products aimed at male customers should contain ingredients that are helpful for body shape and keeping dynamic.

Besides the age group division, Yili needs to consider about the regional division. There are huge differences among the different regions of China, because China is a very big county with wide geographical span. For example, Yili has to meet different eating habits, the products aimed at southern area should usually be sweeter than goods sold to northern area. People in the southern have the habit of drinking afternoon tea, Yili could develop milk products suitable for this time and could match with common refreshments.

The feedback to marketing is not very satisfactory in this research, and Yili needs to pay more attention to marketing. From the research answers, the awareness of the rebuilding reputation activities among respondents is not satisfactory and a portion of people had never heard about these actions. Yili should show its sincerity as a responsible company to the customers and this needs more attention from its target groups.

With the development of the age, the lifestyle is changing all the time. Nowadays, increasing number of people prefer to read news rather than newspaper or magazines. The advertising methods of Yili need to change from newspaper or magazines to internet gradually. In addition, although the online shop did not become a main purchase place of public yet, the future development of online business cannot be ignored. Yili should develop stable and convenient online shopping modes to fit in with the needs of the online shopping trend among the Chinese. The normal distribution channel cannot meet the needs of social development.

In addition, Yili should develop more different kinds of products to keep its customer and expand its business scope based on maintaining its competitive edge. People need different kinds of products to meet their different requirements.

After the 2008 “Milk poisoning incident”, people still has some doubts in their minds about the quality problem, which is very common among the Chinese customers. In this situation, beside the socially useful activities, Yili needs to disburden customers’ minds of doubt and show its reliable product quality. Yili group could learn from Haier group, which has destroyed its 76 below-standard refrigerators to make quality assurance for customers even those refrigerators could be sold on lower price to public in about 30 years ago. Gaining the confidence of customers is a core factor to Yili in current situation.

Based on the theory of Ross about the 12 ways to rebuild good reputation that was mentioned in the chapter 2, another good method to rebuild Yili’s reputation is to offer enough information about its products, brand, company culture and others that customers want to know or need to know. In general, customer would trust your brand only after they know enough about the parts they are interested in, for example, how does Yili group produce products in factory, how does Yili manage the source of raw materials.

Improving Yili’s corporate culture could help to the management of whole company, the work environment could be changed into good way with positive corporate culture, which could motive employees. In addition, a good company image is helpful in building a responsible image among public and distinguish Yili’s brand from other dairy brands.

Strengthening interchange with customers would be helpful to Yili group. Yili needs to throw off its airs and listen to the suggestions of customers. As the user of Yili’s products, customers are the most qualified suggestion makers, Yili needs to follow the needs of customers and handle the complaints quickly. At the same time, Yili should make customers know that Yili is handling the complaints and solving the problems.

## 8 CONCLUSIONS

After the serious crisis in 2008, people are more careful about the product quality and the consumption of dairy products dropped in the following months. Yili was also involved in this incident as a famous and leading milk product brand, which caused customer defection, damage to the company image and reputation.

Fortunately, with the development of the society, dairy products are becoming an important part in people's daily life and there has been a steady revival of the sales of dairy products. Yili has been working on the reestablishment of brand reputation for several years through several projects, like "The Ark Project", "Open plant to visitors" project, "The Environmental Protection Project" and charitable donations. Results of these methods are obvious affected customers' attitudes to Yili, from the questionnaire research of the respondents in Anhui province about their impression on Yili, it is obvious that people who are familiar with the activities of the company highly praise these actions and have a better impression of Yili. In addition, the current relationship between most customers and Yili group is good. However, there is still large crowd that is unacquainted with or even does not know the projects, which need more marketing about Yili and its endeavor to public useful activities. In general, the projects to rebuild reputation are useful and Yili should carry on these for long time to build its responsible image. The main marketing of Yili should be made on the TV advertisements or program, because for most public the TV is the main channel to know about Yili. However the influence of internet cannot be ignored with increasing number of people prefers to get information from internet.

Price, taste, nutrient value and the brand are the main factors that influence the choice of Yili's products, which could be seen as the advantages of Yili, but at the same time, many people are not very satisfied with the cost performance and they are commonly worried about the food quality because of the crisis in 2008. In addition, respondents hope Yili could improve the nutritional value of product. In order to establish a long-term relationship with its customers, Yili should continue to improve itself to meet the requirements of customers. Communication between the public and company could enhance the understanding between each other and are conducive to the good market environment.

In China, the dairy product market still has outstanding potential for the reasons of large population base and the rapid development of economy. In the competitive

market, Yili could explore new regions or develop new product lines to expand its market share to contend against its strong rivals, like Monmilk and Bright.

For Yili, there is still a long way to go to be a strong leader in dairy industry in Chinese market, but with its efforts to improve products and the brand itself, Yili could rebuild its reputation as well as cultivate customer loyalty and have a bright future.

The research of this thesis was based on theory foundation, at the same time, the questionnaire had clear objectives and could find out the respondents opinions and their willing about Yili. The questionnaire reflected the real customers' opinions and the results are relative reliable. Combined with the theory part and the market analysis of Yili, the current situation of Yili is shown in this report. In addition, all the suggestions are based on the results of survey, theoretical foundation and the situation of Yili, which is also feasible and useful for Yili.

However, because of the limits of my personal ability, the number of questionnaires are not enough for the common summarization of the Anhui province, and the answers might not universal in the Anhui province. The research did not use the method of layer-cluster random sampling to find out the true relations between different types of group and their opinions about Yili, for example the differences of opinions and purchase behavior between people living in cities and countryside , even the differences among different cities in Anhui province are huge. In addition, some options for the questions are not prefect, like the one about family structure: the 3-person family has some cross sections with the type that are living with parents. Therefore, the representativeness of the survey results is limited.

All in all, the research of this thesis has some representativeness of public opinions about Yili but the results have serious limitations, which should be solved in the next survey and increase the amount of respondents.

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**APPENDICES****Cover letter of questionnaire****Appendix 1**

Dear recipient,

I am a second year student from Savonia University of Applied Sciences, Finland, who is major in International Business. This questionnaire is focuses on the customers' feelings about Yili and its products with the aim to find out the current customers' opinions about Yili, which is one part of my Bachelor thesis work. The respondents, whom all are living in Anhui province, have been randomly selected from public areas (paper questionnaire) or the QQ e-mail accounts (online questionnaire).

You do not have to fill in your name, company and other private information, you just need to answer the questions according to your situation. We hope that you would take a part since the survey takes only about 10 minutes to complete. I promise that all the answers will be confidential and it will not be leaked out to any other organization or public.

Thank you for your time. Your opinions will be greatly helpful for me. Please accept my best wishes for your happiness and prosperity.

Best Regards,

Chen Yuxi

## *How much you know about Yili ?*

### **1. What is your gender? \***

- Male
- Female

### **2. How old are you? \***

- Under 21
- 21-30
- 31-40
- 41-50
- 51-60
- Above 60

### **3. What is your occupation? \***

- Student
- White-collar worker
- Education systems
- Medical System
- Legal System
- Soho
- Factory-hand
- Civil servant
- Unemployed or retired
- Others

### **4. What is your educational background? \***

- Primary school
- Junior school
- High school
- Bachelor
- Graduate and above
- Others

### **5. What is your family structure? \***

- Single
- Couple without child
- Couple with a child
- Couple with more than one child
- Single parent
- Living with parent
- Others

### **6. What is your first choice in the following milk product brands? \***

- Yili

- Monmilk
- Bright
- Jun Le Bao
- Wei Chuan
- New Hope
- Others

**7. Do you know about Yili and its products? \***

- Know a lot about Yili
- Know something
- Don't know much
- Not fammiliar with it

**8. Which are the general channels that you know about Yili? \***

You could choose more than one option

- Television advertising
- Relatives and friends
- Newspapers and magazines
- Internet
- Public welfare undertaking
- Other

**9. How often you purchase Yili's products? \***

- Every day
- 3-6 times per week
- 1-2 times per week
- 3-4 times per month
- Rarely
- Never
- Others

**10. Which are your usual places to purchase Yili's products? \***

You can choose more than one option

- Large supermarket
- Small supermarket
- Convinient store
- Online shop
- Others

**11. Which product of Yili impressed you the most? \***

- Milk powder
- Yoghourt
- Liquid milk
- Cold drink
- Cheese
- Others

**12. Which factors influenced your choice of Yili? \***

Choose three most important factors

- Price
- Taste
- Nutrition
- Brand
- Personal feelings
- Convenience to buy
- Attractive packing
- Attractive advertisement
- Celebrity endorsement
- Other

**13. What is your opinion about the quality of Yili's products? \***

- Very good
- Good
- Bad
- Very bad

**14. How do you think about the price- quality ratio of Yili's products? \***

- Very high price ratio
- High price ratio
- Moderate
- Low price ratio
- Very low price ratio

**15. How do you feel about the taste of Yili's products? \***

- Very good
- Good
- Bad
- Very bad

**16. Do you think Yili's products are nutritious? \***

- Yes
- No
- Don't care the nutritious

**17. What is your opinion about the packing of Yili's products? \***

- Interesting
- Ordinary
- Bad design
- Don't care

**18. How do you think about the advertisements of Yili? \***

- Very interesting
- Interesting
- Lack of creative
- Very boring
- Produce no impression
- Never seen

**19. Would you introduce Yili and its products to others? \***

Yes

No

**20. Do you know Yili's socially useful activities? \***

Very acquaintance

Acquaintance

Just heard

Don't know

**21. Which activities are supported by Yili as you know? \***

You can choose not only one answer

Olypic

World Exposition

Asian Games

Don't know

Others

**22. How do you think about the " Ark project"? \***

Very good

Good

Bad

Very bad

Never heard about it

**23. What is your opinion about the " Open plant to visitors" project of Yili? \***

Very good

Good

Bad

Very bad

Never heard about it

**24. How do you evaluate the " Environment protection project " of Yili? \***

Very good

Good

Bad

Very bad

Never heard about it

**25. Do you know the " Charitable donations " of Yili? \***

Yes

No

Don't care

**26. Do you think the actions above increased your affection for Yili? \***

Increased significantly

Increased a little

Senseless about these activities

**27. Which parts of Yili should be improved in your mind? \***

Choose three options

Taste of product



- Price ratio
- Packing
- Advertisement
- Nutrient value
- Channel of distribution
- Company image
- Other

**28. Any suggestions to Yili?**

