Antecedents and benefits of the preferred customer status in a buyer-supplier relationship: a multiple case study at Siemens Nederland and three of its key suppliers

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ABSTRACT

In recent years, the preferred customer status as a means of achieving competitive advantage has received an increasing amount of attention from academics. However, the current body of literature is mostly limited to theoretical propositions derived from the fields of social exchange theory, social capital theory and transaction cost economics. Using the results of a dyadic multiple case study at Siemens Nederland, this paper outlines the benefits and antecedents associated with a preferred customer status from a more practical perspective. In addition, besides providing a large amount of theoretical concepts with practical confirmation, it also presents several new and unexpected findings. Growth opportunities through business with the customer firm, a large purchasing volume and open communication were, among other factors, confirmed as essential drivers of a preferred customer status, while the study also showed that a company's reputable status may be an important motivation for suppliers to award a customer with a preferred customer status, an element not previously mentioned in scientific discourse. If more similar case studies follow, the scientific foundation of the preferred customer status can be truly substantiated, after which managers can be provided with meaningful and actionable tools for acquiring preferential supplier treatment in the future.

Keywords

Preferred customer status, preferential treatment from suppliers, customer attractiveness, supplier satisfaction, buyer-supplier relationship, dyadic multiple case study

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1. THE PREFERRED CUSTOMER STATUS IN PRACTICE: A DUAL PERSPECTIVE CASE STUDY AT SIEMENS NEDERLAND

Increasingly, organizations are turning to their supply chain partners for achieving competitive advantages through further integration, greater efficiency, more flexibility and greater innovativeness. One approach for securing these advantages from suppliers is through acquiring a preferred customer status with suppliers. A preferred customer receives preferential resource allocation from its suppliers (Steinle & Schiele, 2008, p.11). As it represents an advantage that cannot be duplicated by all competitors, it provides a source of sustainable competitive advantage. While the amount of theoretical research on the preferred customer status has strongly increased in recent years, only few academics have tried to answer the key questions related to this phenomenon from a practical perspective. From this practical point of view through a multiple case study at Siemens Nederland, this paper aims to outline the factors anteceding a preferred customer status as well as the benefits that can be obtained from having a preferred customer status with a supplier. The secondary objective of this study is to links these results to previous theoretical findings where possible, in order to confirm and reinforce existing literature, or to propose findings not mentioned earlier in literature. Specifically, the following double research question is addressed: (1) What are the antecedents and benefits of a preferred customer status with suppliers for Siemens Nederland and (2) to what extent do the findings at Siemens Nederland represent elements yet undiscovered in scientific discourse and to what extent do they reinforce the existing body of literature? To answer these questions, a literature review was prepared first, after which six interviews were conducted with 4 purchasers of Siemens Nederland and 3 of its suppliers, resulting in three dual perspective case studies.

Being part of a joint effort by 5 students from the University of Twente to develop a practical reinforcement of the theoretical results postulated in previous research on the preferred customer status, this study is structured as follows. First, a summary of the literature review developed in collaboration with the group of peers is given. Constituting the foundation of the rest of the research and the questionnaire used, this literature review first addresses the current state of the art of the scientific literature base covering the preferred customer status and related concepts. Then, a description of the current theoretical views on the benefits of having a preferred customer status with suppliers is given. Concluding the conjointly developed theoretical section is an overview of the main factors anteceding a preferred customer status as put forward in prior scientific research. Subsequent to the common part follows an introduction to the company Siemens Nederland and the industry in which it operates, and a description of the methodology applied in this study. Next, the three dual perspective case studies are successively treated, in which the views of both counterparts will be combined in order to give a complete view of the relationship between the two parties, primarily focused on outlining the benefits and antecedents of Siemens' preferred customer status with its suppliers. This is followed by a chapter covering the extent to which the mentioned factors coincide with the elements mentioned in the literature, either reinforcing the theory or proposing unexplored elements related to a preferred customer status. The paper is concluded by a summary of results, a discussion of limitations, several recommendations to Siemens Nederland and a proposal for future research directions.

2. LITERATURE REVIEW

2.1 The preferred Customer Status and its State of the Art

While it has been common to assume that suppliers endeavour to be as attractive as possible for potential customers within buyer-supplier relationships in order to be successful, there is a growing body of literature exploring the phenomenon of buyers attempting to be attractive to suppliers in order to receive preferential treatment and thus become a preferred customer (Hald, 2012, 1229; Schiele et al., 2012, 1178). Schiele et al. (2012, p. 1178) identify two main causes for this phenomenon as well as for the increase in research interest. First, many business-to-business markets are characterised by oligopolistic market structures due to a reduction of suppliers, leading to supplier scarcity. Second, increasing responsibilities are assigned to suppliers regarding the organisation of the supply chains due to the core competence movement and open innovation (Schiele et al., 2012, p. 1178). Especially the increasingly prevalent phenomenon of open innovation stresses the importance of being a preferred customer for buyers in order to increase the scope of possible innovations (Gianiodis et al., 2010, p. 562; Schiele, 2012, p. 44; Schiele et al., 2012, p. 1178) since "research suggests that suppliers represent a key source of technological innovation for buying firms" (Ellis et al., 2012, p. 1259).

These causes gave rise to an increased dependence of buying firms on their suppliers, changing the dynamics between the two parties because the supplier's resources are limited. Therefore, the supplier is able to choose which buyer to serve and to what extent, enabling some buyers to receive preferential and thus more favourable treatment (Williamson, 1991, p. 81-83). Consequently, being a preferred customer can provide competitive advantages especially when demand exceeds capacity or, if the supplier for which the respective company is a preferred customer, is highly innovative or a market leader (Steinle & Schiele, 2008, p. 11; Hüttinger et al., 2012, p. 1194; Nollet et al., 2012, p. 1186; La Rocca et al., 2012, p. 1241; Schiele, 2012, p. 44; Schiele et al., 2012, p. 1179). By awarding the right buyer with a preferred customer status, the supplier can gain competitive advantages as well (Williamson, 1991, p. 81; La Rocca et al., 2012, p. 1241; Nollet et al., 2012, p. 1187).

The preferred customer concept is related to customer attractiveness. Hald et al. (2009, p. 961-962) point out that it is necessary that the buyer is perceived as more attractive than other (potential) buyers by the supplier in order to gain a preferred customer status. Schiele et al. (2012, p. 1179) argue that customer attractiveness can be expressed as the expectations of the supplier and that, if these expectations are subsequently met, this will lead to supplier satisfaction. According to the authors, the final step towards awarding a preferred customer status is comprised of a comparison of alternatives, in which rivaling firms are evaluated and one or more preferred customer are selected. These three steps, which were previously only studied in isolation (Hüttinger et al., 2012, p. 1195.) and not as a process of creating expectations, fulfilling expectations and customer comparisons, are referred to as the 'cycle of preferred customership' (Schiele et al., 2012, p. 1179).

Looking at the history of the preferred customer status in literature, it is found that the first article mentioning the preferred customer status presents the notion that supplier firms

use preferred customer lists, based on past orders or expectations of future interaction (Hottenstein, 1970, p. 46). 18 years later, Leenders and Blenkhorn addressed a similar concept which they referred to as 'reverse marketing' (Leenders & Blenkhorn, 1988, p. 2), after which Moody described the analogous 'best customer' (Moody, 1992, p. 52). The first authors to explicitly identify and explain the preferred customer status were Brokaw and Davisson (1978, p. 10). Yet, all of these authors did not reference each other, nor did they receive much attention from other academics for their work.

With the increasing awareness of the preferred customer status in more recent years, later studies focus on how firms can become attractive to suppliers to secure preferred customer treatment (Baxter, 2012, p. 1250-1251; La Rocca et al., 2012, p. 1244), how firms can access supplier's technological innovations through a preferred customer status (Ellis et al., 2012, p. 1259), how a preferred customer status can positively influence to supplier innovativeness and pricing behaviour (Schiele et al., 2011, p. 9) as well as on the importance of geographical proximity and cluster membership in achieving a preferred customer status (Steinle & Schiele, 2008, p. 11-12). In the following sections, the past academic contributions on the benefits and antecedents of a preferred customer status are consecutively described.

2.2 The Benefits of a Preferred Customer Status

2.2.1 Achieving Price Benefits: Becoming a Strategic Partner and Saving Costs through Increased Efficiency, Trust, Commitment, and Lower Lead Times

As previously mentioned, having a preferred customer status can provide competitive advantages due to benefits derived from preferential treatment from the supplier. One of these benefits for the buying organisation involves the supplier's pricing behaviour, which will be considered in this section.

Several authors argue that preferred customers receive preferential treatment in terms of more favourable prices. Thus, preferred customer status exhibits cost saving potential (Blenkhorn & Banting, 1991, p. 188; Moody, 1992, p. 57; Hald et al., 2009, p. 963; Nollet et al., 2012, p. 1187). According to Blenkhorn and Banting, savings between five and thirty per cent can be realised (Blenkhorn & Banting, 1991, p. 188), while Bew refers to savings between two and four per cent (Bew, 2007, p. 2). Regardless, a reverse marketing approach "may permit the achievement of seemingly impossible objectives" (Blenkhorn & Banting, 1991, p. 188).

Previous research has demonstrated that close buyer-seller relationships influence cost efficiency of both parties (Schiele et al., 2011, p. 8). As a result, suppliers often present unique cost reduction opportunities to their preferred customers in the form of new, less costly solutions or through standardisation (Bew, 2007, p. 2; Ellis et al., 2012, p. 1261; Nollet et al., 2012, p. 1187). More specifically, lower prices are offered, and suppliers may be more receptive to further price negotiations (Nollet et al., 2012, p. 1187). Yet, suppliers may also contribute to cost reductions for the customer by either decreasing operational costs such as product costs, manufacturing process costs and tooling and warranty costs due to higher efficiencies or by taking over costs of the consumer including transportation costs and costs for inventory management, order handling and product checking (Ulaga, 2003, p. 689-690; Nollet et al., 2012, p. 1187).

Additional benefits of a preferred customer status related to efficiency are found in other studies. Christiansen and Maltz found that firms with a preferred customer status experience reduced lead times (Christiansen & Maltz, 2002, p. 182-166). This resonates with a later study by Ulaga (2003, p. 686) stating that close buyer-supplier relationships with a preferred customer status significantly reduce time-to-market.

Finally, whereas buyers often perceive a trade-off between supplier innovativeness and supplier pricing due to power imbalances resulting in a dependency on the supplier of the buyer, Schiele et al. (2011, p. 3, p. 7, p. 14 and p. 16) outline that innovative suppliers do not necessarily show opportunistic pricing behaviour towards dependent buyers. Contrariwise, the authors have proven that supplier's pricing behaviour becomes more benevolent in case the buyer is a preferred customer.

2.2.2 Increased Supplier Innovativeness: Gaining Product Development, Logistics and Costs Advantages through Sharing Resources and Information with Suppliers

Besides having a direct influence on costs, the preferred customer status also yields significant strategic benefits in the area of innovation, information and logistics. Important benefits of the preferred customer status in this regard are found by Schiele et al. (2011, p. 16), Schiele (2012, p. 47) and Ellis et al. (2012, p. 1265-1266), who found that a preferred customer status strongly enhances supplier innovativeness and technology access at suppliers.

Other benefits of a preferred customer status in this area include strategic information sharing, personnel training, process improvement and logistics improvement (Christiansen & Maltz, 2002, p. 186-192), as well as prioritized delivery of goods during supply bottlenecks (Schiele, 2012, p. 47), special care for deliveries to the preferred customer and consistent product quality (Nollet et al., 2012, p. 1187). Further benefits mentioned include customisation of products according to the specifications of the preferred customer and increased information exchange regarding products and markets by suppliers. (Nollet et al., 2012, p.1187).

An appropriate tool for mapping the value of the advantages resulting from a preferred customer status can be found in the pyramid in Figure 1. It is based upon the assumption that the benefits that are enjoyed by a true preferred customer are mostly free of charge, and are to some extent exclusive to this customer.

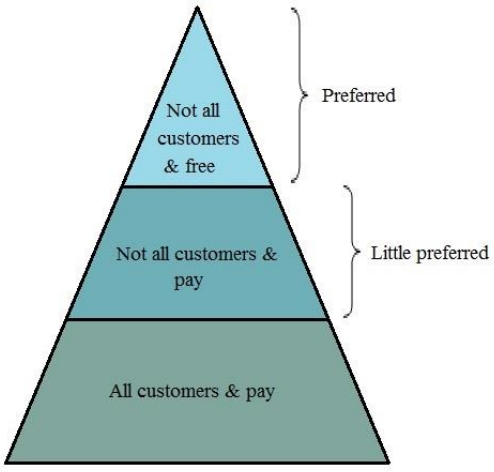

Figure 1: Mapping the benefits of a preferred customer status

2.3 Antecedents to the Preferred Customer Status

2.3.1 Customer Attractiveness and Supplier Satisfaction as Preconditions to the Preferred Customer Status.

In outlining the antecedents of the preferred customer status, the framework developed in the literature review by Hüttinger et al. (2012, p. 1203) will be used as a starting point. In their work, the authors draw from previous conceptual research, surveys and case studies, and postulate a conceptual model with three integrated stages anteceding preferential treatment by suppliers: customer attractiveness, supplier satisfaction and preferred customer status. Subsequently, the paper describes the specific drivers of each of these concepts.

First, it is found that the assessment of customer attractiveness by the supplier always precedes an exchange relationship (Schiele et al, 2010, p 4; La Rocca et al., 2012, p. 1242; Hald, 2012, p. 1230) and determines whether or not a relationship will be initiated and developed. Customer attractiveness is seen as an ex-ante judgement of expectations while supplier satisfaction refers to ex-post experience (Hald, 2012, p. 1228). Therefore, customer attractiveness acts as a precondition to supplier satisfaction. In turn, whether or not a supplier is satisfied with the exchange relationship will to a great extent determine if they will award a customer with a preferred customer status or not. Dissatisfaction with past transactions from the side of the supplier will inevitably dismiss any opportunity of being awarded a preferred customer status. Consequently, it can be put forward that supplier satisfaction acts as a precondition to a preferred customer status. Finally, receiving preferential treatment from suppliers is also dependent on multiple additional factors related to value creation of one customer vis-à-vis that of its 'competitors' (Hüttinger et al., 2012, p. 1194-1195), which will also be further outlined in this chapter.

2.3.2 Outlining Customer Attractiveness and its Drivers: a Feature Based on Supplier's Expectations of Future Collaboration

Since perceived attractiveness is very subjective, it will differ from supplier to supplier. Therefore, according to Hald et al. (2009, p. 968), buying parties must gain an understanding of the prevailing perceptions of attractiveness at their suppliers to be able to align their actions in such a way that the business appears favourable and truly attractive in the eyes of the supplier. Ellegaard and Ritter (2007, p. 4) also stress this point, and suggest that customer attractiveness is determined by one side's attachment towards the other. They deem attractiveness a construct "in the eyes of the beholder", implying that it is determined by the individual supplier.

In their literature review, Hüttinger et al. (2012, p. 1199) distinguish five categories of drivers for customer attractiveness: *market growth factors*, *risk factors*, *technological factors*, *economic factors* and *social factors.*

2.3.3 Outlining Supplier Satisfaction and its Drivers: Ex-post Fulfilment of the Expectations Associated with Initial Customer Attractiveness.

The importance of supplier satisfaction has only recently been recognised and has been left unexplored for many years. More recently, it was found that supplier satisfaction creates increased commitment (Wong, 2000, p. 427) and significantly improves time-to-market (Benton & Maloni, 2005, p. 2). Oliver (1999, p. 34) has regarded satisfaction as a 'pleasurable fulfilment' of needs, desires or goals. Applying this to supplier satisfaction in exchange relationships, we find that these needs and desires of suppliers are analogous to their expectations when in an exchange relationship (Parasuraman et al., 1988, p. 17). Therefore, it can be concluded that a supplier is satisfied with the buyer when the buyer is living up to the expectations of the supplier, after interaction has occurred.

For supplier satisfaction, Hüttinger et al. (2012, p. 1201) have identified four categories of drivers: *technological excellence*, *supply value*, *mode of interaction* and *operational excellence.*

2.3.4 Outlining the Preferred Customer Status and its Drivers: Achieving a Preferred Customer Status through Creating Superior Value

After customer attraction has occurred, an exchange relationship has been initiated, and this relationship has proven satisfactory to both buyer and supplier, buyers may want to make efforts to achieve a preferred customer status. Williamson (1991, p. 80) stressed the importance of fostering goodwill and trust over strict contract management as a means of securing supply continuity. More recent academic contributions underscore the notion of the importance of goodwill and put emphasis on factors that can be put under the general heading of 'value creation' with suppliers (Moody, 1992, p. 52; Bew, 2007, p. 3; Steinle & Schiele, 2008, p. 11-12). The buyer offering superior value creation to the supplier vis-à-vis its competitors will be awarded a preferred customer status (Hüttinger et al., 2012, p. 1202).

In the categorisation by Hüttinger et al. (2012, p. 1202), four types of drivers of a preferred customer status were distinguished: *economic value*, *relationship quality*, *strategic compatibility* and *instruments of interaction.*

3. METHODOLOGY

3.1 Questionnaire Design

For this qualitative, exploratory case study, two questionnaires were developed in collaboration with the aforementioned peer group, to allow for convenient comparison of results. One questionnaire focuses on the purchaser's perspective, the other is aimed at the supplier's perspective. Both questionnaires have been designed based on the findings in the literature review, and are divided into three parts. The first part of the questionnaires aims to discover whether and how the firms classify their suppliers and customers, and whether there is management commitment for doing so. The second part of both questionnaires is designed to identify the benefits of having a preferred customer status with suppliers, taking into account the fact that the benefits of a preferred customer must always be considered in relation to the supplier's resource allocations towards other customers (Baxter, 2012, p.1252). The goal of the third part of the questionnaires is to determine the antecedents to a preferred customer status. The questions in the questionnaire are open questions, which allow for extensive elaboration from the interviewees part.

3.2 Respondent Characteristics

For this case study, interviews with four employees of Siemens Nederland's purchasing department were conducted, as well as interviews with representatives of three of their suppliers: Onexis, a Dutch electronic components supplier, Virago Valves, a Dutch supplier of industrial valves, and Comelf, a Romanian supplier of large stainless steel components and machinery. The purchasers at Siemens Nederland each represent a counterpart of the three suppliers, providing all three cases with a perspective from both buyer and supplier. One interview at Siemens Nederland was conducted with two purchasers at the same time, where both purchasers are the

business counterparts of the interviewed account manager from Onexis. The other two interviews involved one purchaser, and one account manager from Comelf and Virago Valves, respectively. The interviewees were selected in consultation with Siemens Nederland's purchasing manager and with Siemens purchasing staff. The primary basis of the selection of the interviewed purchasers and their supplier counterparts was the impression from purchasing staff that Siemens Nederland has been awarded a preferred customer status with the selected suppliers. In Table 1 the numbers of the interviews to which will be referred in the rest of this study can be found. Purchaser interview 1 and supplier interview 2 constitute the first case, purchaser interview 3 and supplier interview 4 constitute the second case, and purchaser interview 5 and supplier interview 6 form the third case.

Table 1: Case study interviews

	Siemens Nederland	Onexis	Virago Valves	Comelf
The Netherlands	1, 3, 5	2	4	
Romania				6

3.3 Interview Procedures

The interviews with the Siemens purchasers were conducted on-site in Hengelo. At one of the interviews, two purchasers were interviewed simultaneously; the other two interviews were conducted with an individual purchaser. The interview with Onexis took place at a third party location in the Netherlands. These interviews were all conducted in Dutch. To avoid interpretation bias, two interviewers were present during these interviews, and the interviews were audiotaped to allow for precise transcribing and better analysis. The interviews with Virago Valves and Comelf were first conducted in writing, and further elucidation on the written interviews was added through telephone conversations with the suppliers. These interviews were both conducted in English.

4. EMPIRICAL FINDINGS

4.1 Company Introduction

The case studies of this research were conducted at the Purchasing department of Siemens Nederland, East branch in Hengelo, the Netherlands. This firm will hereinafter be referred to as Siemens Nederland or Siemens. The company is part of the Siemens Energy sector, and falls under the Oil & Gas division. The Hengelo site houses two Siemens business units. One business unit designs, assembles and tests compressor installations and gas turbines. The other business unit performs service-related activities such as installation, servicing and upgrading through long-term service agreements that are offered together with the compressors and gas turbines. The firm's primary customers are Shell, Total and other large oil companies. Applications of their compression installations are found in refineries, in the petrochemical industry and in the oil & gas industry. The firm's primary competitors are General Electric and Alstom.

There are multiple organisational and strategic considerations that need to be addressed when outlining Siemens Nederland's purchasing activities. First, Siemens Nederland traditionally produced compressor installations only. Since 2010 they have started packaging gas turbines as well, and the company is still in a transition phase that will ultimately allow for a streamlined design, purchasing and assembly processes. The additional production scope is being taken over from two other production sites: Lincoln in the United Kingdom and Finspång in Sweden. As a consequence, Siemens Nederland's purchasers are often still bound to suppliers from the United Kingdom or Sweden for sourcing the components for gas turbines. This conveys additional challenges to the purchasing department. For example, anecdotal evidence from the case study suggests that some of the Swedish suppliers do not master the English language (Interview 1). Furthermore, the company is a clear example of a matrix organisation, as it works with separate departments with purchasing staff being part of multiple project teams as well, constantly forcing Purchasing staff to weigh the interests of separate project with the interests (and KPI's) of their own department. An additional important consideration is that the gas turbines and compressor installations that the company produces are entirely based on customer's exact specifications, which sometimes implies that purchasers have to deal with suppliers that are pre-designated by the final customer. This sometimes prohibits effective collaboration. A fourth factor of importance is that there is currently a thorough strategic transition taking place within Siemens Nederland from assembling the gas turbines from ground up, to modular assembly. Being an OEM, this also has considerable consequences for Siemens Nederland's purchasing department. They are forced to implement supply base optimisation practices and require their suppliers to offer more integrated components that are in turn sourced from second-tier suppliers. The final significant factor mentioned here is that Siemens Nederland has to deal with Key Commodity Managers situated in the division headquarters in Duisburg. For several important commodities, such as the steel base frames for the installations, the KCM is responsible for maintaining parts of the relationships with important suppliers.

4.2 Case 1: A Preferred Customer Status with Onexis: Competitive Advantages Resulting from Expectations of Growth and Strategic Compatibility

4.2.1 The Relationship with Onexis

Onexis[1] is a Dutch wholesaler in electronic components for industrial applications. It is a subsidiary of Rexel, a leading electrical supplies distributor representing 8% of the global share of distributed electrical supplies.

Siemens Nederland has recently started an extensive collaboration with Onexis for supplying a wide range of electronic components needed in gas turbines and compressors. The first delivery from Onexis had taken place only one week prior to the interview. Despite the short history of the relationship between the two companies and the yet relatively small purchase volume, Siemens has already been designated as a Key Account in Onexis' customer portfolio (Interview 2). Unlike other suppliers from Siemens, Onexis has explicitly designated Siemens Nederland as a preferred customer (Interview 1; Interview 2).

4.2.2 Benefits of the Preferred Customer Status with Onexis

The collaboration between Siemens and Onexis is indicated to be very far reaching, especially in terms of the scope of the products which Onexis is supplying to Siemens (Interview 1). Besides a very extensive collaboration, the preferred customer status influences the behaviour and performance of Onexis in several other ways. First, Siemens has been given the opportunity to determine the margins that Onexis is allowed to earn on their sales to Siemens (Interview 1; Interview 2). For

[1] http://www.onexis.nl/

that purpose, Onexis has sent its own purchasing prices to Siemens and they have in turn been allowed to indicate what margin Onexis is allowed to earn now, and what margin Onexis is allowed to earn once the relationship has matured and performances have been optimised. On top of this, Siemens has been allowed to request Onexis' invoices at all times, to look at whether margins are correct and whether the purchasing prices are competitive (Interview 1). This approach is applied almost nowhere else by Onexis (Interview 2), and results in significant transparency and cost control for Siemens.

Another benefit that Siemens has received from Onexis is that they have been placed in Onexis' International Projects Group (Interview 2). This includes a group of Onexis' customer for which they see prospective business and growth opportunities, and involves two fully dedicated Onexis employees working for these projects to improve and sustain customer relationships, on top of the regular contact persons at Onexis. This way, Onexis is always able tend to the needs of Siemens swiftly, without delays resulting from contact persons who are temporarily unavailable (Interview 2).

A third benefit resulting from the preferred customer status is linked to a strategic partnership. Onexis and Siemens have agreed to transfer the business of 40 secondary suppliers to Onexis, most of which come from Sweden (Interview 1; Interview 2). Onexis will either purchase the requested goods from the Swedish suppliers, or source them elsewhere. This agreement ensures large, structural cost savings for Siemens through vertical integration, as they have reduced necessary contract and supplier management activities for 40 suppliers to 1 supplier.

The final advantage that Siemens receives from their preferred customer status is comprised of a set of logistical and operational benefits offered by Onexis to Siemens. For example, Onexis will supply junction boxes to Siemens, and they will deliver them in crates that are designed and loaded specifically according to the wishes of the engineers at the assembly line of Siemens (Interview 1; Interview 2). The crates include separate bags for exact numbers of screws and bolts, and also include labelling according to Siemens' exact specifications. Other process improvement measures undertaken by Onexis include order confirmations and invoices that are outlined according to Siemens' wishes, as well as detailed status overviews of orders at set intervals (Interview 1).

4.2.3 Antecedents to the Preferred Customer Status with Onexis

4.2.3.1 Customer Attractiveness

While Siemens' purchasing personnel does not regard their firm very attractive (Interview 1), this perception is not shared by Onexis at all, which states that they regard Siemens Nederland as a very attractive and promising customer (Interview 2).

Onexis perceives Siemens as an attractive customer for several reasons. First, they simply value the size of the firm Siemens and its purchasing volume (Interview 2). Second, they are appealed by the vast growth opportunities they see at Siemens Nederland (Interview 2). The growth opportunities as foreseen by Onexis are twofold. First, they plan to use Siemens Hengelo as a means of starting business with the rest of Siemens. Besides that, Onexis also sees Siemens Hengelo as a promising entrance into the gas turbine market (Interview 2).

Conversely, the purchasers of Siemens Nederland perceive their firm as moderately unattractive. The main reason they mention for this is that they have a vast amount of demands and requirements that come with their orders, involving extensive documentation, certification and quality reports (Interview 1). On top of that, Siemens often carries out design changes while the supplier's production has already started, forcing suppliers to start over again (Interview 1). On the other hand, they do acknowledge their large purchase volume as an attractive characteristic to suppliers (Interview 1).

4.2.3.2 Supplier Satisfaction

Both interviewed parties indicate that Siemens is able to deliver supplier satisfaction to its suppliers, and mention relationship quality and financial conditions as the deciding factors for supplier satisfaction (Interview 1; Interview 2).

Onexis has already developed a strong relationship with Siemens Nederland. In this regard, the company values that there is open communication (Interview 2) and a good harmony between the people (Interview 2). The Siemens purchasers also refer to their ability to build a strong relationship with suppliers as a means of delivering supplier satisfaction, and indicate that fair treatment (Interview 1) and helpfulness (Interview 1) are essential in this regard.

The second main component contributing to supplier satisfaction is comprised of the financial conditions and performance in the relationship. It is mentioned that timely payment (Interview 1), expectations of future sales (Interview 2) and current order quantities and margins (Interview 2) are of importance in this case.

4.2.3.3 Preferred Customer Status

Multiple motivations for Onexis to award Siemens Nederland with a preferred customer status have been identified in this case study. The first significant reason is the fact that Onexis and Siemens have a strong strategic compatibility. Siemens is currently in the process of introducing modular assembly (Interview 1; Interview 2). As a service provider, Onexis' approach is to 'unburden' its customers by offering everything the customer wants in one package, and they are thus willing to provide these integrated components to Siemens in the future by sourcing products from second tier suppliers as well as assembling them and performing the necessary quality checks (Interview 1; Interview 2). In turn, Onexis wants to grow with Siemens towards full modular assembly and become one of its key business partners in the future (Interview 2).

A second strong driver for Onexis of rewarding Siemens Nederland with a preferred customer status is the growth potential that the company perceives within the rest of Siemens as well within the gas turbine market (Interview 1; Interview 2).

Another antecedent of Siemens' preferred customer status is that Onexis is able to include Siemens in its customer portfolio, which will serve as a 'seal of approval' for other companies. As indicated by Onexis, being able to do business with Siemens, and expressing that towards others, has an impact on new clients and can sometimes even justify a somewhat lower profitability with one customer (Interview 2).

The fourth mentioned driver of Siemens' preferred customer status with Onexis is connected to customer attractiveness and supplier satisfaction. This concerns the amount of turnover that a supplier is able to generate with a certain customer, and the margins that they are able to charge on this (Interview 1).

The final driver of the preferred customer status in the case of Onexis also coincides with an earlier mentioned driver of attractiveness: Strong relationships. This entails a positive attitude (Interview 1), fairness (Interview 2), open communication (Interview 2) and a personal bond (Interview 2). "Two customers can be commercially equally attractive, but

still one of them can have a preferred customer status and the other cannot. The difference lies in the way in which the two parties communicate with each other and treat one another" (Interview 1).

4.3 Case 2: A Preferred Customer Status with Virago Valves: Great Supplier Benevolence through Purchasing Volume, Growth Opportunities and Company Status

4.3.1 The Relationship with Virago Valves

Virago Valves[2], hereinafter referred to as Virago, supplies industrial valves and piping equipment for industrial applications. It is a subsidiary of the DGF Group, a Dutch trading organisation offering a complete range of industrial products.

The valves sold by Virago are essential components of the gas compressors assembled by Siemens Nederland, and the firms have a long mutual trading history. Siemens enjoys a preferred customer status with the firm (Interview 3; Interview 4). Through Siemens Nederland's relationship with Virago Valves, Siemens Nederland now also enjoys this preferred status with the other subsidiaries of the DGF Group, such as De Gidts & Feldman, Imperial Valve and Anaparts (Interview 4). Moreover, this preferred customer status has extended from Siemens Nederland to Siemens Germany and to Siemens Sweden as well (Interview 4).

4.3.2 Benefits of the Preferred Customer status with Virago Valves

The benefits of Siemens' preferred customer status with Virago are predominantly comprised of larger a flexibility, priority and responsiveness. Virago indicates that they always put extra effort in resolving problems from preferred customers, and undertake extra activities when necessary (Interview 4). When Siemens asks the impossible, Virago will nevertheless try to get it done (Interview 4). This can range from requesting a product delivery sooner than initially indicated (Interview 4), to quickly replacing defective parts on Siemens' shop floor by sending a maintenance service to take care of the issue (Interview 3). It is mentioned by the Siemens purchaser that Virago most of the time offers these additional services at no extra cost (Interview 3). Virago also offers its preferred customers the best prices (Interview 4) and the best realistic delivery times (Interview 4). This statement has been confirmed by Siemens' purchaser, whose benchmark test showed that Virago's lead times were significantly lower than its competitors' (Interview 3).

Another benefit of Siemens' preferred customer status with Virago is that this supplier advises Siemens' engineers on matters related to their valves during the design phase, to ensure a commercially as well as technically optimized solution for Siemens (Interview 4). Furthermore, Virago offers its preferred customers an overview of new and potentially interesting products outside their current delivery scope (Interview 4), and regularly asks its preferred customers whether they require new products that Virago does not yet offer (Interview 4).

4.3.3 Antecedents to the Preferred Customer Status with Virago Valves

4.3.3.1 Customer Attractiveness

Whereas Virago perceives Siemens Nederland as an attractive customer, Siemens does not regard itself as such in this case. Virago values Siemens as a customer because of the open communication (Interview 4) and fair treatment (Interview 4) in the relationship between their Sales department and Siemens' Purchasing and Incoming Goods departments, and also praises their large purchasing volume (Interview 4).

Conversely, it is indicated by the Siemens Nederland respondent that Siemens is not an attractive customer at all. The main reason presented for this is that Siemens requires its customers to read and comply with extremely large technical specifications and quality documents, while the Siemens purchasers themselves are most often not sufficiently knowledgeable to answer questions that may arise from these documents (Interview 3). The only reason mentioned why Siemens is attractive to Virago is because of Siemens' reputation (Interview 3), which enables Virago to market their products to a larger group of customers (Interview 3).

4.3.3.2 Supplier Satisfaction

Virago is satisfied with the relationship they have with Siemens, because of the personal and respectful nature of their relationship, and because of the large purchasing volume that Siemens has with Virago (Interview 4). This view is shared by Siemens itself, and it is added that Siemens is also a loyal customer when it comes to payment, further increasing the supplier satisfaction (Interview 3).

4.3.3.3 Preferred Customer Status

Multiple reasons for awarding Siemens with a preferred customer status have been mentioned. First of all, the large value of the goods that Siemens purchases from Virago is of importance (Interview 3). This induces a sense of mutual dependency, as Siemens requires Virago's service and expertise, and Virago requires Siemens' large share of their total turnover (Interview 3).

An additional antecedent of Siemens' preferred customer status with Virago is the fact that there are significant opportunities for Virago to grow in all Siemens firms (Interview 4). Besides this, Virago also mentioned the long-term, pleasant, respectful and realistic relationship the company has experienced with Siemens Nederland, as well as the fair treatment from Siemens as important foundations of a preferred customer status (Interview 4). Lastly, it is mentioned by the Siemens purchaser that transparency and sharing of information are additional important factors that have contributed towards becoming a preferred customer at Virago (Interview 3).

4.4 Case 3: A preferred customer status with Comelf: Joint Product and Process Optimisation and Excellent Problem Solving in a Strategic Commodity.

4.4.1 The Relationship with Comelf

A subsidiary of Uzinsider Group, Comelf[3] is a Romanian producer of a wide range of large industrial products, ranging from earth-moving equipment to power plant equipment to stainless steel structures.

Comelf is a long-term supplier of stainless steel base frames to Siemens, and has awarded Siemens with a preferred customer status (Interview 6). The base frames the company produces are the components holding the structure of the compressor or gas turbine together, and represent a strategic commodity in Siemens' purchasing portfolio (Interview 5). Although not including complex technology, the base frames with its holes and welding areas are tailor-made to Siemens' exact specifications, and require sub-millimetre precision.

[2] http://www.viragovalves.nl/

[3] http://www.comelf.ro/en

4.4.2 Benefits of the Preferred Customer Status with Comelf

The case study has yielded many benefits resulting from the preferred customer status with Comelf. First of all, Siemens "always receives its orders on time, while it is a massive logistical operation to move a 40 ton heavy base frame from Romania to The Netherlands again and again" (Interview 5). This strong delivery performance is achieved partly because of the fact that Siemens enjoys a priority over other its competitors when problems occur: in such events, Siemens receives Comelf's full attention (Interview 5). In case a problem occurs, Comelf initiates a full 8D problem-solving cycle for Siemens. They form a team to tackle the problem, search and find the root cause, and then propose solutions. (Interview 5) For Siemens, very few suppliers undertake such measures, and Comelf is even doing it at no extra cost (Interview 5).

Another benefit of Siemens' status with Comelf includes a global price agreement the companies have reached (Interview 5). This agreement is valid for all Siemens plants that are in business with Comelf, and ensures them all of very favourable price levels (Interview 6). Since every base frame is different, this price agreement has required great flexibility and willingness from Comelf (Interview 5).

A third example of preferential treatment from Comelf is that there are many mutual cost reduction, technology development and logistics development initiatives (Interview 5; Interview 6). An example of a technology development effort is that Comelf has proposed a new way of insulating the gas turbine diffuser with mineral wool, reducing installation times as well as achieving improved product characteristics through better insulation (Interview 6). Comelf has indicated that this new technology has yet only been introduced with Siemens (Interview 6). An example of a cost-reduction initiative is that the firms are planning to introduce some extent of standardisation in the production process by using standardised beams in their steel structure, which will reduce complexity as well as production costs (Interview 5). An example of logistics cooperation was provided by Comelf, stating that the firm schedules their deliveries on the same dates, loading multiple pieces on the same truck and hence optimising Siemens' transportation costs while reducing delivery risk (Interview 6).

In addition, the preferential treatment by Comelf also implies greater transparency and flexibility in the relationship (Interview 5; Interview 6). By showing reciprocal behaviour and generally being a decent customer, Siemens has achieved that Comelf will go the extra mile to satisfy Siemens' demands (Interview 5). When Siemens has a problem or question, Comelf always responds swiftly and quickly adapts (Interview 5). For example, last-minute changes to the product are made by Comelf without difficulties and free of extra costs, whereas other firms without a preferred customer status would be charged for this (Interview 5).

4.4.3 Antecedents to the Preferred Customer Status with Comelf

4.4.3.1 Customer Attractiveness

In this instance, both Siemens and Comelf perceive Siemens as an attractive customer to its customers and to Comelf in particular, and mention similar reasons. First, it is indicated that communication within the exchange relationship is open and transparent (Interview 5; Interview 6). Another reason given for Siemens' attractiveness is the long length of the relationship between the two firms (Interview 6). Also, it is mentioned that Comelf has a promising growth potential regarding future orders with Siemens (Interview 6), and that Siemens shows a great willingness to offer support in case problems arise (Interview 6). Finally, Siemens' large purchasing volume and its reputable name in Comelf's product portfolio are mentioned as contributing to Siemens' attractiveness (Interview 5).

4.4.3.2 Supplier Satisfaction

Both parties indicate that Siemens is able to offer supplier satisfaction to Comelf within the exchange relationship. Factors mentioned here are the quality of the communication (Interview 6), the timely delivery of necessary information (Interview 6), and openness and transparency regarding Siemens' priorities in purchasing (Interview 5). One mentioned source of supplier dissatisfaction is delayed payment, which occurs occasionally in the relationship between Siemens and Comelf (Interview 5).

4.4.3.3 Preferred Customer Status

A large number of motivations for Comelf for giving Siemens Nederland a preferred customer status have been mentioned. First, Siemens' long history with Comelf, and Siemens' good market stability are valued by Comelf, and are indicated as reasons why Comelf aims to continuously develop their relationship with Siemens Nederland (Interview 6). Another reason for awarding Siemens Nederland with a preferred customer status is the fact that they have demonstrated openness (Interview 5; Interview 6), fairness (Interview 5), transparency (Interview 6) and reliability (Interview 6) as a business partner. An example of the openness showed by Siemens is that the firm has provided Comelf with forecasts and scenarios of their future demand for Comelf's products at the time when the global price agreement was signed (Interview 5). Further antecedents of Siemens' preferred customer status are mentioned by the Siemens interviewee, indicating that multiple meetings in person have played an important part in obtaining the preferred status with Comelf, with Siemens staff travelling to Romania, and Comelf staff travelling to the Netherlands (Interview 5). Moreover, as a reason for awarding Siemens with a preferred customer status, it is indicated by Comelf that they value the fact that Siemens and Comelf collaborate together to further develop and improve the business (Interview 6). Lastly, Comelf also designates the opportunity to further grow within Siemens as a motivation for the preferred customer status (Interview 6).

4.5 Differences and Similarities in Relation to the Scientific Literature

4.5.1 Benefits of a Preferred Customer Status: Theoretical Comparison

Most key benefits of a preferred customer status from the literature, such as price benefits, lower lead times, priority treatment in case of problems, information sharing, product development, and logistics development were also identified in this case study. Although some benefits were not literally rediscovered in the scientific sources, many were near-synonymous with the earlier found concepts, and therefore linked as such.

Multiple other elements, however, were not retrieved in the scientific literature base and were unique in this regard. This includes offering adjusted services (such as invoices and status updates) to meet the customer's demand (Interview 1), long-term price stability (Interview 3) and maintenance (Interview 3; Interview 5), repair (Interview 3; Interview 5), last-minute design changes (Interview 5) and crisis management (Interview 5) at no extra cost. A full overview of preferred customer benefits mentioned in all case studies and their links to existing literature is given in Table 2. It also indicates whether these benefits are free and/or exclusive to Siemens Nederland (See the benefits pyramid, Figure 1).

Table 2: Identified benefits of the preferred customer status at Siemens Nederland and their links to theory

Element in practice (Case)	Related theory element	Literature reference
Increased flexibility *Free + exclusive*	Be available and responsive	Nollet et al. (2012), p. 1187
Priority attention *Free + exclusive*	Prioritised delivery during constraints	Schiele (2012), p. 47
Access to cost structure *Free + exclusive*	Disclosing internal cost data	Ulaga & Eggert (2006), p. 130
Price agreements / determining margins *free + exclusive*	Receptive to further price negotiations with the customer	Nollet et al. (2012), p. 1187
Logistics development – special tailor-made crates *Free + exclusive*	Adaption of supplier capacities to the buyer's wishes	Schiele et al. (2011), p. 8;
Greater responsiveness *Free + exclusive*	Be available and responsive	Nollet et al. (2012), p. 1187
'Trying to get the impossible done' / 'Going the extra mile' *Free + exclusive*	"Achievement of seemingly impossible objectives"	Blenkhorn & Banting (1991), p. 188
Free repair/maintenance *Free + exclusive*	-	-
The best prices *Free + exclusive*	Benevolent pricing / Supplier offering one of the lowest prices on the market	Schiele et al. (2011), p. 16; Nollet et al. (2012), p. 1187
Excellent crisis management *Unknown*	-	-
Adjusting services to customer's demands, *Free + exclusive*	-	-
Consistently delivering quality products *Unknown*	Consistent supplier product quality	Nollet et al. (2012), p. 1187
Standardisation initiatives *Free + exclusive*	Standardisation initiatives	Ellis et al. (2012), p. 1261
The best delivery times *Free + exclusive*	Prioritised delivery during constraints	Schiele (2012), p. 47;
Long-term price stability *Unknown*	-	-
Design-phase collaboration and support *Free + exclusive*	More technological input from suppliers	Walter et al. (2003), p. 162
Being offered potentially interesting products *Free + exclusive*	Increased technology access	Ellis et al. (2012), p. 1265-1266
Strategic collaboration – vertical integration *Free + exclusive*	Taking over a part of the customer's activities	Ulaga (2003), p. 689-690; Nollet et al. (2012), p. 1187.
Technology development *Free + exclusive*	Increased supplier innovativeness;	See Schiele et al. (2011), p. 16;
Receiving a technological advantage first *Free + exclusive*	Being offered innovations first	Schiele (2012), p. 47; Schiele et al. (2011), p. 8.
Mutual cost reduction initiatives *Free + exclusive*	Cost reduction initiatives	Bew (2007), p. 2; Ellis et al. (2012), p. 1261.
Replacing components quickly *Free + exclusive*	Delivering missing components within reasonable time	Nollet et al. (2012), p. 1187

4.5.2 Antecedents of a Preferred Customer Status: Theoretical Comparison

The antecedents of a preferred customer status in this case study were investigated using the framework of the drivers of a preferred customer status proposed by Hüttinger et al. (2012, p. 1196-1202), based on the successive achievement of customer attractiveness, supplier satisfaction and ultimately a preferred customer status. This enables convenient comparison of the case study findings with existing literature, and most of the identified antecedents of a preferred customer status appear to reinforce a related concept mentioned in prior theoretical studies. The following sections will successively cover the three-part model by Hüttinger et al. (2012, p. 1196-1202).

First, for drivers of customer attractiveness, most of the elements identified in the case study could be linked to a concept mentioned in the theoretical framework, including a large purchasing volume, company size, technical knowledge and open communication, as well as a long-term relationship. These elements thus proved to be reinforcing the existing theory base. However, one significant element that was not found in the scientific literature body is company status and reputation. In the case studies with Virago and Comelf, Siemens' reputable name in a suppliers' portfolio appeared to be a strong driver for customer attractiveness (Interview 3; Interview 5).

Second, looking at the drivers of supplier satisfaction, we find that all of the elements that were proposed in the case study are accounted for by the current literature base. This includes, among other factors, timely payment, fair treatment, constructive communication, margins and order quantities.

Finally, comparing the results of the case study with the existing literature base in the area of direct preferred customer status drivers, we find that all but one elements were covered by analogous concepts in literature. For example, we find that growth opportunities, purchasing volume, positive attitude, fairness, open communication, margins, strong bonds, a shared future, strategic compatibility, respect, reliability, involvement in product design and quality initiatives have all been found in the case studies and were, in turn, all mentioned in the scientific literature covering the antecedents of a preferred customer status. The only concept that was not found in previous contributions was company status, which appears to be of influence on both customer attractiveness and on awarding a preferred customer status. A full overview of the antecedents to a preferred customer status as found in the case study, with drivers of customer attractiveness, supplier satisfaction and a preferred customer status taken into separate account, as well as the links to theory can be found in Table 2.

Table 3: Identified antecedents of a preferred customer status at Siemens Nederland and their links to theory

Customer attractiveness		
Element in practice (Case)	**Element in theory**	**Link to literature**
Purchasing Volume	Price/volume	Ellegaard & Ritter (2007); Hald et al. (2009)
Open communication	Information exchange	Christiansen & Maltz (2002), Cordon & Vollmann (2008)
Growth opportunities with firm	Access to new customers/markets	Christiansen & Maltz (2002); Ellegaard & Ritter (2007); Hald et al. (2009)

Company status and reputation	-	-
Manageable demand of necessary documentation	Standardisation of product	Christiansen & Maltz (2002)
Ordering consistency (no last - minute changes)	Output factors: forecast reliability	Ramsay & Wagner (2009)
Technical knowledge of purchasing staff	Depth of skills / Types of technological skills	Fiocca (1982); Ramsay & Wagner (2009)
Industry growth opportunities	Access to new customers/markets	Christiansen & Maltz (2002); Ellegaard & Ritter (2007); Hald et al. (2009)
Fair treatment	Output factors: trust/loyalty	Christiansen & Maltz (2002); Ellegaard & Ritter (2007); Hald et al. (2009); Ramsay & Wagner (2009)
Size	Size	Fiocca (1982)
Market stability	Market stability	Fiocca (1982)
Transparency	Information exchange	Christiansen & Maltz (2002); Cordon & Vollmann (2008)
Long-term relationship	Output factors: long-term interactions	Ramsay & Wagner (2009)
Helpfulness	Output factors: commitment/adaption	Ellegaard & Ritter (2007); Hald et al. (2009);
Supplier satisfaction		
Element in practice (Case)	**Element in theory**	**Link to literature**
Timely payment	Payment habits	Essig & Amann (2009)
Open communication	Reaction (openness and trust)	Forker & Stannack (2000); Maunu (2003); Essig & Amann (2009); Nyaga et al. (2010)
Constructive communication	Reaction (constructive controversy)	Forker & Stannack (2000); Wong (2000); Maunu (2003); Essig & Amann (2009); Nyaga et al. (2010)
Transparency	Information (level and quality of information exchange)	Whipple et al. (2002); Leenders et al. (2005); Essig & Amann (2009); Nyaga et al. (2010); Ghijssen et al. (2010)
Fair treatment	Adherence to agreements	Maunu (2003); Essig & Amann (2009)
Helpfulness	Cooperative relationships	Wong (2000); Forker & Stannack (2000); Benton & Maloni (2005); Leenders et al. (2005); Essig & Amann (2009)
Harmony	Reaction (politeness, trust, reciprocity)	Forker & Stannack (2000); Maunu (2003); Essig & Amann (2009); Nyaga et al. (2010)
Expectations of future sales	Long-term horizons	Maunu (2003); Leenders et al. (2005)
Order quantities	Substantial volumes	Leenders et al. (2005)
Margins	Bargaining position	Essig & Amann (2009)
Respect	Reaction (politeness)	Essig & Amann (2009)
Personal bonds	Reaction (politeness, trust, openness and commitment)	Forker & Stannack (2000); Wong (2000); Maunu (2003); Essig & Amann (2009); Nyaga et al. (2010)
Quick communication	Timeliness of information exchange	Ghijssen et al. (2010), p. 20
Preferred customer status		
Element in practice (Case)	**Element in theory**	**Link to literature**
Growth opportunities with rest of firm	Business opportunities	Brokaw & Davisson (1978)
Purchasing volume	High purchase volumes	Brokaw & Davisson (1978); Williamson (1991), Bew (2007); Steinle & Schiele (2008)
Positive attitude	Customer attentiveness	Moody (1992)
Fairness	Fairness	Moody (1992)
Open communication	Schedule sharing	Moody (1992)
Long-term relationship	Loyalty	Brokaw & Davisson (1978); Williamson (1991)
Margins	Profitability	Moody (1992); Bew (2007)
Strong bonds	Strong bonds	Blonska (2010)
Customer status and reputation	-	-
Shared future	Shared future	Blonska (2010)
Personal connection	Strong bonds	Blonska (2010)
Industry growth opportunities	Business opportunities	Brokaw & Davisson (1978)
Strategic compatibility	Strategic fit	Bew (2007)
Respect	Respect	Moody (1992)
Transparency	Schedule sharing	Moody (1992)
Reliability	Predictable business decisions	Bew (2007)
Involvement in product design	Involvement in product design	Moody (1992)
Quality initiatives	Quality initiatives	Moody (1992)
Face-to-face interaction	Strong bonds	Blonska (2010)

5. CONCLUSION

5.1 Benefits and Antecedents of a Preferred Customer Status: a Practical Perspective

Current supply markets are characterised by supplier scarcity (Schiele et al, 2012, p. 1178). Without considerable buyer-supplier process integration in the area of technology development and logistics, as well as access to beneficial prices, many firms lose their competitiveness. Therefore, firms are forced to exclusively source from superior suppliers. One step beyond acquiring the regular services of these suppliers lies receiving preferential treatment from these suppliers. This is achieved through acquiring a preferred customer status with these partners (Steinle & Schiele, 2008, p. 11).

In providing an answer to the double research question, this multiple case study has identified a large number of benefits and antecedents to Siemens Nederland's preferred customer status at three of its suppliers. Furthermore, it has made an effort to find practical evidence and confirmation of the different drivers and advantages of a preferred customer status found in previous studies, as well as to propose new drivers that were not yet acknowledged in scientific literature. This has resulted in a large number of theoretical elements that were confirmed, as well as to a number of antecedents and benefits of a preferred customer that were not mentioned before in previous research. For example, when looking at the benefits of a preferred customer status, a great number of the findings support the prior scientific results. However, repairs, maintenance and crisis management at no extra charge, adjusting (administrative) services to meet a customer's demand, and long-term price stability were not found in the literature base, while they may be very interesting to consider. Concerning the antecedents of a preferred customer status, this research showed a great resemblance of the theoretical elements with the elements resulting from the case studies. Nevertheless, one important point was discovered that has not yet been acknowledged by other studies: Company status and reputation appear to be important drivers of customer attractiveness as well as direct drivers of a preferred customer status.

5.2 Research contributions

The concept of the 'preferred customer' represents a relatively unexplored frontier in academic research. First, this study has outlined its latest definitions, descriptions, benefits and antecedents. Then, a multiple, dual-perspective case study with Siemens Nederland and 3 of its key suppliers was conducted. From this practical point of view, and building on an extensive range of prior research on buyer-supplier relationships, customer attractiveness, supplier satisfaction, and the preferred customer status, a small number of hypothesised additions to the existing research body have been made. In addition, this study has supported a great number of theoretical claims with practical confirmation.

5.3 Recommendations to Siemens Nederland

This case study has proven for Siemens Nederland that their preferred customer status with Virago, Onexis and Comelf results in significant benefits for the firm in almost all aspects of the buyer-supplier relationship. Further reinforcing the importance for Siemens of having a preferred customer status with key suppliers, it was indicated by a Siemens interviewee that, in many cases, Siemens purchasers can only achieve their required performance objectives when they enjoy a preferred customer status with their suppliers and when they receive the corresponding preferential treatment from their counterparts (Interview 1), deeming a preferred customer status essential.

Nevertheless, despite Siemens' evident attractiveness to its customers (Interview 2; Interview 4; Interview 6) and the large number of observed preferred customer status benefits, it is indicated by Siemens purchasers themselves that Siemens should better live up to its preferred customer status and that they sometimes do not fully 'deserve' the preferential treatment yet (Interview 1). Whereas customers consistently rated Siemens as an attractive customer, this view was not supported by 3 out of 4 interviewed Siemens purchasers (Interview 1; Interview 3), who indicated that Siemens is not an attractive customer to serve. The fact that Siemens is able to reap large benefits from having a preferred customer status and that Siemens can still become more attractive to its customers, combined with the fact that Siemens purchasers indicate that there is yet little to no management commitment from the Hengelo location to achieving a preferred customer status with suppliers (Interview 1; Interview 3; Interview 5), demonstrates that considerable gains can still be achieved by using a preferred customer status approach in the future.

For that purpose, Siemens Nederland can choose to implement a preferred customer status strategy. First, the key suppliers for each commodity group need to be identified in collaboration with other stakeholders within the firm, such as the Engineering department and the Incoming Goods department. As a second step, a more intense relationship with the selected suppliers can be initiated, gradually spending more with these suppliers, while taking into account the relevant factors mentioned in this study as well as the in study by Hüttinger et al. (2012, p. 1201). The factors on which a company has little influence, such as company size and purchasing volumes, which can thus act as preconditions to a preferred customer status (Interview 4), do not pose problems to Siemens Nederland, paving the way for long-term collaborations characterised by strong exchange relationships and preferential treatment from suppliers.

5.4 Limitations

The analysis in this exploratory case study is based on three dual-perspective case studies at a single firm with three of its suppliers. Therefore, external validity is not warranted and, although the results hypothesise important benefits and antecedents of a preferred customer status that have not earlier been found, the results do not paint a complete picture and cannot be generalised. As such, it is only possible to confirm previously found theoretical results and provide merely hypotheses towards new results.

5.5 Future Research Directions

Further maturation of the research field on the preferred customer status requires more practical evidence of the different antecedents of a preferred customer status as well as of its benefits. As an important outcome of this research, a firm's reputable status was mentioned in all three case studies as a driver of customer attractiveness and of the preferred customer status. An interesting avenue for future research could therefore be to investigate the impact a buying company's status and reputation has on its attractiveness to suppliers, as well as on the likelihood of a supplier awarding the customer firm with a preferred customer status.

Finally, while this case study represents a starting point for validating and confirming the current literature on the preferred customer status with practical evidence, more studies must follow to unequivocally substantiate the concept's current scientific foundation and to provide managers with meaningful and actionable tools for acquiring preferential treatment from suppliers in the future.

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