

To What Extent is Dorel Juvenile Group a Preferred Customer for the Company's preferred Supplier?

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The paper's aim is to analyze the extent to what Dorel Juvenile Group is the preferred customer for the company's preferred supplier as well as finding out what kind of benefits the company is receiving from its preferred supplier. For the analysis a framework which is based on the theoretical aspects was established and used in order to analyze the classification, benefits and antecedents from being preferred customer. The framework results in two questionnaires, one for the purchasers and one for the preferred supplier. The analysis encompasses the answers of each interviewees of the company if they see any preferential treatment of their suppliers and the answer of the preferred supplier was used to see if the supplier sees the company as a preferred customer as well. Afterwards a small recommendation has been conducted.

Supervisors: Prof. Dr. Schiele and Mr. Pulles

Keywords

Preferred customer, vendor rating, staircase model, shared development projects, shorter lead times

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1. Introduction: Analysis of the Preferred Customer Status of Dorel Juvenile Group

For a company open innovation is important which can be achieved by a good collaboration with the supplier in its innovation process. The problem is that suppliers are not treating and collaborating with all customers in the same way (Schiele, Calvi & Gibbert, 2012, p. 44). In this context it is important for the customer to have a preferred customer status with the main/ leading supplier (Schiele, 2012, p. 44). A preferred customer status can be defined as a status that a company has with the supplier and therefore, the company will benefit from the privileged allocation of the suppliers resources (Schiele et al., 2012, p. 1178). There are a few suppliers that are highly innovative in every market and therefore, the customer prefers to have a good relationship with these suppliers in order to gain many advantages (Schiele, Veldman, Hüttinger, 2011, p. 2). Having this preferred customer status the company is attractive for the supplier and thus, the supplier is having a closer relationship with the company (Schiele et al., 2011, p.2).

A customer/ company is attractive to the supplier if the customer/ company can offer any benefits to the supplier and the focus bases on mutual interest, expectations and perceptions in order to gain benefits from this relationship. According to Harris, O'malley and Patterson (2003, p.12) a company is perceived as attractive when it brings economic benefit. However, attractiveness is subjective rather than objective and it can be seen differently from each supplier (Ellegaard & Ritter, 2007, p. 4). When a company is attractive to the supplier the company is being interesting for the supplier since the supplier sees benefits from this relationship (Christiansen & Maltz, 2002, p. 179). There is no common definition for this concept since all authors are using a different definition. However, the main concept is that a company is attractive for the supplier when the supplier assumes benefits of this relationship/ collaboration. Having a strong collaboration with the supplier brings competitive advantages since the buyer can gain better prices as well as gaining access to the supplier's innovation resources (Schiele et al. (2011), p. 7).

Having this in mind; the goal of this research is to find out the relationship between the supplier and its preferred customer as well as what kind of benefits both the supplier and the customer are gaining from this relationship/ collaboration. But the study will also bring forward how Dorel Juvenile Group can make efficient use of being regarded as a preferred customer for its preferred suppliers and to commonly develop the business.

In order to evaluate the relationship as well as the preferred customer status three purchasers of Dorel Juvenile Group as well as one preferred supplier are interviewed. The purchasers are; the procurement manager of Dorel Netherlands (Helmond), the procurement manager of Dorel Portugal as well as the strategic buyer of stroller who is a member of Dorel France. Additionally, theoretical aspects are used for the framework which on the other hand will be used for the analysis. The method of addressing and planning this issue is by using a case study approach.

Given these facts, the research question is: To What Extent is Dorel Juvenile Group a Preferred Customer for the Company's Preferred Suppliers?

The structure of this paper is the following: The second chapter is about the company itself where information about the company, procurement division, product groups and selection of the suppliers are annotated. Afterwards, the methodology chapter describes the case selection as well as the framework

that was constructed for this research. The chapter about the results gives deeper insight regarding the relationship, benefits and supplier development initiatives.

Finally, the last chapter will be a conclusion which consists of a small summary as well as a recommendation.

2. Theory of Preferred Customer Concept and Framework

2.1 The Preferred Customer Status and its State of the Art

As mentioned in the introduction, customers are trying to be more attractive for the suppliers in order to receive preferential treatment as well as becoming the preferred customer (Hald, 2012, p. 1229; Schiele et al. (2012), p. 1178). There are many different reasons why this topic is getting more interesting, and therefore more research is done in this field (Hald, 2012, p. 1229; Schiele et al., 2012, p. 1178).

One reason is open innovation where buyers try to be the preferred customer in order to have more access to innovation (Gianiodis, Ellis & Secchi, 2010, p. 562; Schiele, 2012, p. 44; Schiele et al. 2012, p. 1178). According to Ellis, Henke and Kull (2012, p.1259) the suppliers are seen as the key source of technological innovation for the buying firm. Therefore, the buying firm is more dependent on the suppliers due to the fact that the resources of the supplier are restricted as well as limited. Consequently, the supplier has the ability to choose which buyer is more important and thus receiving preferential and favorable treatment from the supplier (Williamson, 1991, p. 81-83; Gulati, Nohria & Zaheer, 2000, p. 210; Lindwall, Ellmo, Rehmen & Kowalkowski, 2010, p. 5; Hüttinger, Schiele & Veldman, 2012, p. 1194-1195; Nollet, Rebolledom, Popel, 2012, p. 1186; Schiele et al., 2012, p. 1178-1179).

Thereupon, having a preferred customer status can bring many competitive advantages, especially if the supplier is the market leader or highly innovative (Steinle & Schiele 2008, p. 11; Hüttinger et al., 2012, p. 1194; Nollet et al., 2012, p. 1186; La Rocca, Caruana & Snehota, 2012, p. 1241; Schiele, 2012, p. 44; Schiele et al. (2012), p. 1179). However, the supplier can gain competitive advantage as well by awarding the right customer to its preferred customer (Williamson, 1991, p. 81; La Rocca et al., 2012, p. 1241; Nollet et al., 2012, p. 1187).

Generally speaking, a preferred customer is defined as receiving a preferential treatment from the supplier towards the buyer and therefore, there is a preferential behavior on behalf of the supplier towards the buyer (Steinle & Schiele, 2008, p. 11; Hüttinger et al., 2012, p. 1195; Mortensen, 2012, p. 1213; Nollet et al., 2012, p. 1186-1187; Schiele, 2012, p. 44; Schiele, 2012, p. 47). According to Baxter (2012, p. 1249), a buyer is only able to receive a preferential treatment as well as gain the preferred customer status if he ensures a good financial performance regarding the supplier-buyer relationship. However, preferred customer status has to be seen in relationship to the supplier's allocation towards other customers but it is also related to customer attractiveness (Baxter, 2012, p. 1252). Henceforth, the customer who wants to receive the preferential treatment of the supplier has to be more attractive than its competitors since this supplier-buyer relationship is seen as an exchange relationship (Hald, Cordon & Vollmann, 2009, p. 961-962). In order to be attractive for the supplier the buyer has to provide the supplier enticement such as involving the supplier in the new product development process but also keeping the promises that the buyer made to the supplier (Ellis, et al., 2012, p. 1259-1260). Customer attractiveness is

expressed as a supplier's expectation towards the customer which can lead to supplier satisfaction which occurs if the supplier's expectations are met (Schiele et al., 2012, p.1179). However, there is no common definition for customer attractiveness as attractiveness is subjective and it depends on the supplier (Ellegaard & Ritter, 2007, p. 4).

2.2 The Benefits regarding Prices, Shared Knowledge and Supplier Innovativeness due to Loyalty and Commitment

As mentioned above, the buyer that has a preferred customer status is receiving preferential treatment/benefits which makes the buyer gain a competitive advantage due to the benefits. According to different authors, a preferred customer can gain preferential treatment in terms of more favorable prices which lead to cost savings (Blenkhorn & Banting, 1991, p. 188; Moody, 1992, p. 57; Hald et al., 2009, p. 963; Nollet et al., 2012, p. 1187). Cost savings between five and thirty per cent can be realized (Blenkhorn & Banting, 1991, p.188) but according to Bew (2007, p. 2), cost savings are realized between two and four per cent. Nevertheless, previous research has demonstrated that a close supplier-buyer relationship has an impact on the cost efficiency for both parties (Schiele et al., 2011, p. 8) and thus the supplier offers its preferred customer unique cost reduction opportunities (Bew, 2007, p. 2; Ellis et al., 2012, p. 1261; Nollet et al., 2012, p. 1187). Cost reduction for the customer occurs when the supplier decreases operational costs such as production costs or when the supplier takes over costs of the consumer such as transportation costs and costs regarding inventory management (Ulaga, 2003, p. 689-690; Nollet et al., 2012, p. 1187).

The downside of this relationship for the supplier is that the supplier is constantly compelled to invest in this relationship due to the fact that the supplier is often demanded to disclose internal cost data (Schiele et al., 2011, p. 8; Ulaga & Eggert, 2006, p. 130). Having a preferred customer status can overcome or mitigate price increases by the supplier since a preferred customer status suggests a closer supplier-buyer relationship (Schiele et al., 2011, p. 16). This relationship is characterized by trust as well as commitment since these two factors increase the information sharing between the supplier and the buyer and thus decrease transaction as well as negotiation costs (Hald et al., 2009, p. 962; Schiele et al., 2011, p. 9; Ellis et al., 2012, p. 1261). Consequently, a preferred customer status assures attention and loyalty of the supplier which encourages the information and knowledge exchange between the supplier and buyer. Suppliers are more motivated with regards to engaging in the development process of products. As a result the supplier would even reduce prices material in order to be involved in the new product development activities (Schiele et al., 2011, p. 8). Therefore, sharing knowledge can be seen as another benefit since the supplier is collaborating closer with the buyer concerning R&D (Trott & Hartmann, 2009, p. 730). Since the supplier is willing to share the knowledge regarding products as well as markets this will lead to the improvement of the information exchange (Nollet et al., 2012, p. 1187). Therefore, the supplier is offering the customer products or services that the buyer did not ask for since the buyer adapted to the supplier's capabilities (Wynstra, Weggeman & Van Weele, 2003, p. 74).

An effective tool in mapping the benefits as well as advantages that the preferred customer can gain from this status can be found in Figure 1. It is based on the assumption that a preferred customer does not have to pay for the preferential treatment of

the supplier and that these benefits are just exclusive for the preferred customer.

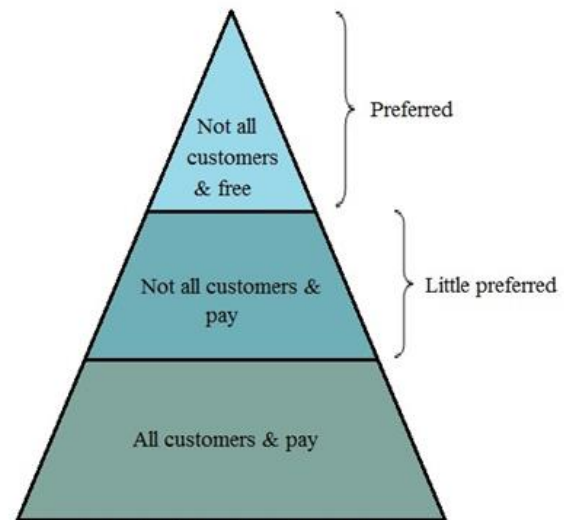


Figure 1: Mapping the Benefits of a Preferred Customer

2.3 Antecedents regarding Customer Attractiveness, Supplier Satisfaction and Preferred Customer Status and their Drivers

Customer attractiveness, supplier satisfaction and preferred customer status are the main factors that were mentioned by Hüttinger et al. (2012, p. 1203). As a matter of fact, important relationships exist between these three factors. However, customer attractiveness is preceded as an exchange relationship by the supplier and it determines if a relationship towards the buyer will be developed or not (Schiele et al., 2010, p. 4; La Rocca et al., 2012, p. 1242; Hald, 2012, p. 1230; Schiele et al., 2012, p. 1179). Additionally, this factor acts as a precondition to the supplier's satisfaction. The supplier decides if the buyer is going to be awarded as the preferred customer due to this factor. If the supplier is dissatisfied then the buyer is losing all opportunities of becoming the preferred customer of this supplier.

The concept of attractiveness is defined as a compound of expectations that a supplier has from the future interaction with the buyer (Hald, 2009, p. 961; Hald, 2012, p. 1230; Ellegaard, 2012, p. 1221; Ellis et al., 2012, p. 1260). Putting it differently, the preferred customer status is awarded based on expectation regarding future business (Hottenstein, 1970, p. 46). According to Harris et al. (2003, p.12) attractiveness is defined as "the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility". Additionally, attractiveness is subjective and differs from supplier to supplier and thus it is important for the buying party to gain understanding in the prevailing perception of the supplier in order to be perceived as attractive (Hald et al., 2009, p. 968). There are various drivers for customer attractiveness. According to Hüttinger et al. (2012, p.1199), these drivers are divided into five categories: market growth factors, risk factors, technological factors, economic factors and social factors.

Supplier satisfaction is a field where there are not many researches (Hüttinger et al., 2012, p. 1198). Many authors identified the importance of supplier satisfaction since a good relationship with the supplier leads to supplier satisfaction (Maunu, 2003, p.43; Forker & Stannack, 2000, p. 37).

According to Anderson and Narus (1990, p. 45), supplier satisfaction is defined as a positive affective state resulting from the appraisal of all aspects of a firm's relationship with another firm" whereas Geyskens & Steenkamp (2000, p. 11) define it as "a channel member's appraisal of all outcomes of its working relationship with another firm, including economic as well as social outcomes". In this case, supplier satisfaction can be defined as the fulfillment of the supplier's expectations, after the interaction with the buyer has occurred. Hüttinger et al., (2012, p. 1201) have identified different drivers of the supplier satisfaction: technological excellence, supply value, mode of interaction and operational excellence.

Preferred customer status occurs when an exchange relationship has been initiated and the supplier is satisfied with the relationship. The buyer that offers the most value creations to the supplier compared to its competitors will be awarded with the preferred customer status (Hüttinger et al., 2012, p. 1202). The drivers regarding preferred customer are economic value, relational quality, strategic compatibility and instrument interaction (Hüttinger et al., 2012, p. 1202).

3. Methods of Dorel Juvenile Group's Attractiveness as a Customer

In order to answer the research question, an establishment of a case is needed that suits the most, as well as outlining the research design with which the research question will be answered. In terms of case selection, it follows from the research question of this thesis that Dorel Juvenile Group has been selected to be studied. The research design chosen is a questionnaire, using qualitative data to outline the context of preferred supplier.

3.1 Case selection: Reasons for choosing Dorel Juvenile Group for the Case Study

This thesis focuses on the case of Dorel Juvenile Group due to the fact that this company is the world's largest manufacturer for car seats and global juvenile products distributor in its category. Therefore, it makes more sense that this company should have a preferred customer status. Additionally, this would help the research to find more reliable as well as qualitative data for answering the research question.

Another important point is that Dorel Juvenile Group is currently using the staircase model in order to classify their suppliers into different levels as well as finding their preferred suppliers. Therefore, this makes the study more attractive since Dorel Juvenile Group's staircase model is having an impact of choosing their preferred suppliers and if this model is suitable for finding the preferred supplier due to the fact that there is a possibility that the company sees a supplier as its preferred supplier but the supplier doesn't see the company as its preferred supplier.

3.2 Questionnaire used as a framework to gain information

As mentioned in the first chapter, the theoretical aspects are used for a framework in order to gain information about the attractiveness of a company in this case Dorel Juvenile Group. Therefore, a qualitative design was chosen for this study due to the fact that this is a case study. There are two questionnaires one is used for Dorel Juvenile Group's purchasers and the other one is used for the preferred supplier.

Both questionnaires are divided under 3 categories; classification, benefits and antecedents; taking the same structure mentioned in the literature review. It is also an open ended questionnaire, thus, answers cannot be yes or no. All questions are based on scientific articles dealing with the preferred customer status as well as suppliers attractiveness.

The questionnaire for the purchaser consists of ten questions which are divided into four classification questions, two benefit questions and four antecedent questions. The questionnaire for the supplier consists of nine questions which are divided into three classification questions, one benefit question and five antecedent questions. The two questionnaires can be found in Table 1.

Table 1: Questions for semi-structural interviews on the Preferred Customer Status

<p>Questionnaire for Purchasers</p> <p>Classification:</p> <ol style="list-style-type: none"> 1. Do you classify the relationship you have with suppliers? If so, how? 2. Do you have indications that the suppliers are doing the same with you? 3. Is there management commitment to achieving preferred customer status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter? 4. Whom do you have a preferred customer status with? <p>Benefits:</p> <ol style="list-style-type: none"> 5. Do you notice shorter lead times, influences on the purchasing prices, better access to innovative capabilities and shared development projects? (explore in order to write a mini-case of a page or two) 6. Which other benefits do you notice from having a preferred customer status? (pyramid) <p>Antecedents:</p> <ol style="list-style-type: none"> 7. What have you done in the past to become a preferred customer of strategic suppliers? Are there other actions you did not undertake that could have helped in reaching a preferred customer status? 8. Do you consider your company an attractive customer to suppliers? What are the factors that are influencing this attractiveness? 9. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction? 10. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers? <p>Questionnaire for Suppliers</p> <p>Classification:</p> <ol style="list-style-type: none"> 1. Do you assign different status types to customers? Which status types do you assign? 2. Do you assign a preferred customer status to a customer company as a whole, or to different establishments or sub-branches of this company separately? 3. Have you assigned a preferred customer status to Dorel Juvenile Group?
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Benefits:

4. How do the status types influence your behaviour towards customers? What benefits do you offer to a preferred customer? (Remember the pyramid, check for logistics / production planning, innovation, special services, flexibility, earlier information etc.)

Antecedents:

5. Do you consider Dorel Juvenile Group an attractive customer? What factors are affecting this perceived attractiveness?

6. Are you satisfied with the business relationship with Dorel Juvenile Group? What factors are affecting your satisfaction or dissatisfaction in this relationship?

7. What are your company's motivations for doing giving Dorel Juvenile Group a preferred customer status? What did Dorel Juvenile Group do to achieve the status? What could Dorel Juvenile Group do to further improve its status?

8. What are measures that customer must undertake to achieve a preferred customer status and what is the necessary behaviour they must show?

9. What do customers generally do to achieve preferred customer status? Does this differ from the behaviour you would like them to show?

Additionally, a pyramid was conducted in order to gain information if the purchasers as well as suppliers did not know anything about the preferred customer status or could not give any precise answers to the questions. This pyramid gives inside into three steps in order to see if the customer is preferred or not. The lowest step of the pyramid shows that the customer is not preferred at all since it is getting no benefits. Being one step higher means that the customer is preferred a little which means that the customer gets special treatments but it also has to pay for it. The highest step (the top of the pyramid) shows that the customer is the suppliers preferred customer since not all customers are receiving this benefit and the customer does not have to pay for it.

3.3 Sample and Respondent

The sample is the company Dorel Juvenile Group but the respondents are the two procurement manager of Helmond and Portugal, the strategic buyer of strollers and the supplier. All three purchasers are from different countries, such as the Netherlands, Portugal and France. The preferred supplier is also from the Netherlands. The two procurement managers are mainly responsible for the car seat segments and the strategic buyer is responsible for the stroller segment. The preferred supplier is doing the injection moulding for the company's plastic car seat shells.

4. Analysis of Dorel Juvenile Group being Preferred Customer

This chapter is going to clarify as well as emphasise the main points of all four interviews and as well as other information that was gathered during e-mails or telephone calls. The three sections of the discussion part are divided into classification, benefits and antecedents like it was done in the literature review as well as in the questionnaire. Additionally, there is one section about the company information.

4.1 Short Description of Dorel Juvenile Group: Being the Market Leader in Juvenile Products by being open for new Innovation in order to be competitive

As mentioned in the introduction, this paper is going to be a case study approach. Dorel Industries operates in three distinct business segments and each segment consists of various subsidiaries as well as operating divisions. However, Dorel Juvenile Group is one of the business segments of the Dorel Industries. Dorel Juvenile Group is the world's largest manufacturer for car seats and global juvenile products distributor in its category. The total revenue for Dorel Juvenile Group in year 2012 was 1.04 billion US dollars.

In Europe, Dorel Juvenile Group markets its products under these brands: Maxi-Cosi, Quinny, Bebe Confort, Safety 1st, Hoppop, Babideal and Baby Relax. In North America, Dorel Juveniles Group's brands include Cosco, Quinny, Maxi-Cosi and Safety 1st. Dorel Juvenile Groups also sells its product under several licensing agreements such as Disney and Eddie Bauer. The Juvenile product ranges are: car seats, strollers, travel systems, high chairs, play yards, toddler beds, early learning/infant health, safety aids, swings and toys. The segments of Dorel Juvenile Group build on the company's three branched strategy which are development of exciting as well as innovative products, giving a diversity of global as well as regional brands and, owning distribution in several geographic regions. Accordingly, Dorel Juvenile Group's brands are known for high quality and innovative design. Therefore, the company's approach for product development is to concentrate on innovation, quality and safety. Since this company is seeking for new innovation as well as good quality, this company needs to have a good collaboration with its suppliers. Thus, having the preferred customer status would give the company the advantage of having a good collaboration as well as having access to the supplier's resources. All the information can be found on the Dorel Industries' website (Dorel, 2013).

4.2 Using Vendor as well as Staircase Model in order to classify the Supplier but Suppliers are not giving any Details regarding their Classification- Having Preferred Customer Status with two Preferred Suppliers

Currently, Dorel Juvenile Group is using vendor scorecards to evaluate the performance of its suppliers and these scorecards are on an operational level since the supplier is moving from the third level to the fourth level. By using the staircase model, Dorel juvenile Group focuses on bringing the scorecards more into a shape so that the company can cluster its supplier into four categories/levels (E-mail 1). Still, the staircase model is under developed and there is no program rewarding the supplier as well as the customer. Based on the vendor rating, Dorel Juvenile Group sits together with its preferred supplier in order to define a corrective action plan (E-mail 2) The scales for the vendor rating are from A to D, where A stands for excellent and D for necessity to find a new supplier (Interview 1). The vendor rating helps the company to classify the supplier not only on the relationship but also on all sources the supplier's competences and it is done quarterly. The scoring is based on different criteria such as quality, engineering, procurement, supply chain management, total cost of ownership and service which is a category similar to relationship. In this category, the company is

speaking about the relationship based on quality, for instance what the company is feeling regarding the suppliers attitude (Interview 3). Therefore, just suppliers that have a relationship for more than three years with the company are working close in a production development process with Dorel Juvenile Group since there is a strong collaboration between the R&D Dorel and its preferred suppliers (E-mail 2).

According to the purchasers of the Dorel Juvenile Group, the company is using the vendor rating as a tool to classify the relationship as well as the competences of its supplier by giving the supplier a score. This tool provides the company to make the best choice in finding its preferred supplier. By using the vendor rating the company is able to give the supplier feedback so that the supplier is able to create an action plan by improving all the relevant points. However, for the future the company is planning to link these two tools together due to the fact right now the vendor rating is on one side and the staircase model on another. To put it differently, the company is having two tools to classify the supplier but this is not what the company is planning to. In order to link the two tools the company is going to define the rules, for instance if the supplier is receiving a score of C for the last two quartiles then which level would the supplier be on the staircase model since this is having an impact on the staircase model (Interview 3). Dorel Juvenile is using the staircase model to find its preferred supplier in order to build a close working partnership. This will give the company the advantage to source globally and being competitive. Nevertheless, at the same time the staircase model is new and under developed (Interview1, Interview 3 & Telephone dialogue).

Nevertheless, In Portugal the company is not really using a vendor rating for overall Portuguese suppliers just for the top 10 Dorel European suppliers and two of the Portuguese suppliers are one of the top 10 Dorel European suppliers. The company assumes that the suppliers are also having their own classification system but it is rare and uncertain due to the fact that the company is not receiving any feedbacks. The suppliers are just collecting the data such as asking the company to fill an evaluation form or giving a message that can be used for the company's vendor rating (Interview 1, Interview 2 & Interview 3). After doing all four interviews it got clear that Dorel Juvenile Group is having a preferred customer status with three different suppliers. Two of them (Supplier A and Supplier B) are the preferred suppliers of the company and one of them is a supplier of the company but it is not like having a partnership with this supplier.

In Portugal's case the supplier who is seeing Portugal as its preferred customer is doing so because of a different management system or personality of the supply company's owner. However, since Dorel in Portugal has many weights in the supply company it is very strict and everything that the company says is a rule (Interview 2).

According to the supplier, they do not have a specific tool in assigning different status types to its customers but the company starts to produce with its customers on different level such as searching for solutions to specific problems. Additionally, the company is developing specific products only for its preferred customers. In other words, the company is treating its preferred customer differently.

In Supplier A cases, the preferred customer is Dorel Juvenile Group (Interview 4). In order to achieve a preferred customer status with the preferred supplier, the company is having the supplier consults, which are meetings in order to discuss with suppliers about specific problems as well as introducing new

suppliers to the management. This is not specific for one country but in fact for whole Europe.

4.3 Receiving Benefits such as Shared Development Projects and shorter lead times due to the fact of having Preferred Customer Status with the Preferred Supplier

Having Preferred Customer status is offering the company many benefits. Dorel Juvenile Group is getting special treatments from its suppliers such as producing products only for Dorel Juvenile Group or not working with the competitors (Interview 3 & Interview 4). The supplier is responding faster regarding problems or tries to find solutions to the problems (Interview 1 & Interview 2). As a result, the company is having shorter lead times. Additionally, the company is having no transportation and logistics costs with Supplier A (Interview 1, Interview 4 & Telephone dialogue).

In case of Portugal, the company can use the machines in short notice. As a result, the company does not have to book it in advance. However, the company still has to pay for it. Having this in mind, it exemplifies that Dorel Juvenile Group is mainly on the middle part/ second step of the pyramid which means that Dorel Juvenile Group is receiving special treatment compared to other customers but still has to pay for it. There are a few exceptions that put the company on the top of the pyramid.

By having a preferred customer status with Supplier A, the company is saving in raw material costs as well as production costs (Interview 4).

However, a benefit that both parties are receiving is that the company as well as the supplier are having shared development projects. Therefore, the company is learning from the supplier and vice versa (Interview1, Interview 3 & Interview 4). Recently there have been shared development projects in Portugal, the company gives information about what it is expecting and the supplier is producing the product after these expectations (Interview 2).

All in all, having a preferred customer status gives the company competitive advantage due to the fact that it has access to the allocations of the supplier's resources.

The Table 2 shows all the benefits that the company is gaining if it is preferred or little preferred.

Table 2: Benefits achieved in referenced to the Pyramid

	Benefit
Top of the Pyramid (Not all customer but free) → preferred	<ul style="list-style-type: none"> - No logistics and transportation costs - Special products for them - Cheaper raw materials - Use the machines and no paying for the raw materials - Developing cost reduction programs - Supplier company organize itself completely to the company's business - Higher level of service - Supplier reacts very fast regarding problems (shorter lead times) - Offering high standard of products

Middle of the Pyramid (Not all customer & pay) → little preferred	<ul style="list-style-type: none"> - Using the machines - Special products
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4.4 Sharing Knowledge, increasing Volume as well as Turnover are the main Factors of being attractive for the Suppliers- leads to Supplier Satisfaction

This section is about the antecedents such as reasons of the company's attractiveness. The company's actions of becoming a preferred customer were by playing fair in order to create win-win situations. The company also increased the volume in order to have more weights and thereupon, the company is able to have a different role in the negotiations (Interview 1 & Interview 2). The main actions are that Dorel Juvenile Group is ready to share the knowledge with the supplier which builds trust. The supplier is more open to learn from the company in order to grow as well as being competitive. Therefore, the company is supporting the supplier regarding competences as well as knowledge (Interview 1 & Interview 3).

Dorel Juvenile group is an attractive company due to the fact that it is the market leader in the juvenile products but also because it is sharing its knowledge with the supplier. Additionally, the company is attractive since it has cost reduction projects with the supplier but also because it is developing products with the suppliers (Interview 4). However, the company is a global company therefore, the supplier would have the opportunity to operate not in Europe but also in the US and Asia. Nevertheless, the company is also known for its brand as well as its reputation regarding child safety (Interview 2).

All three purchasers agreed that size is not a factor of being attractive for the suppliers; in fact turnover, sharing knowledge as well as volume are the main factors of being attractive (Interview 1, Interview 2, Interview 3 & Interview 4). Factors that are leading to supplier satisfactions are that the company is frank but also open (Interview 2). Therefore, the company goes straight to its suppliers in terms of problems. Additionally, the company is focusing on long term relationships in order to build a partnership with its preferred supplier. Dissatisfaction occurs if the company is putting the supplier under pressure by having many regulations (Interview 1 & Interview 2). The supplier gets disappointed or confused when the mother company interferes or when there are different standards or expectations of Dorel Europe and Dorel US and this can lead to dissatisfaction, too (Interview 1 & Interview 3).

Measure that the company is going to undertake in order to become preferred customer for other customers is by using the staircase model in order to map the preferred suppliers as well as providing sessions with the main suppliers. As a result, the supplier would be more open towards the company and both parties are able to find solutions together (Interview 1, Interview 2 & Interview 3).

Table 3 is illustrating all the relevant points regarding customer attractiveness, supplier satisfaction, supplier dissatisfaction and preferred customer status.

Table 3: Antecedents

	Antecedents
Customer Attractiveness	<ul style="list-style-type: none"> - Big company - Known and strong brands - Market leader in juvenile products - Open and frank in terms of problems - Willingness to share their knowledge - Focusing on long- term relationship - Company is seen as big opportunity to do business with - Making the supplier grow in competitiveness - Good product portfolio - Turnover - Cost reduction projects - Developing a product together
Supplier Satisfaction	<ul style="list-style-type: none"> - Long-term relationship - Sharing Knowledge - Opportunity to make business in other countries where the company operates as well - Open communication and relationship on different levels
Supplier Dissatisfaction	<ul style="list-style-type: none"> - Mother company is interfering in the long- term relationship due to cost saving projects - More contracts for higher management level
Gaining Preferred Customer Status	<ul style="list-style-type: none"> - Working close with the supplier → guaranteed product volume per year → willingness to develop technologies together - Potential business that can result from this relationship

5. Conclusion: Dorel Juvenile Group seen as a Preferred Customer for its Preferred Supplier in an Extent that it is a Partnership - Sharing Knowledge and Information in order to gain competitive advantage through this Partnership

This paper's main focus is to clarify the relationship of Dorel Juvenile Group and its preferred supplier in order to see if Dorel Juvenile Group has a preferred customer status with its preferred supplier as well as what kind of benefits both parties are gaining from this relationship.

According to the literature Suppliers are treating their customer differently and the customer that is preferred is having the access to the supplier's allocations. The buyer is attempting to be attractive for the supplier in order to receive preferential treatment and therefore, to become a preferred customer. With regards to this, a preferred customer is defined as a preferential behaviour on behalf of the supplier towards the buyer.

However, when the buyer receives this status it is gaining benefits such as shorter lead times, price benefits as well as cost benefits regarding logistics, innovation and information. Being a preferred customer of a supplier builds trust as well as commitment between both parties regarding behaviour- related uncertainties as well as relational risks. In this buyer- supplier relationship sharing knowledge is a main point in order to gain competitive advantage concerning product development and costs. However, suppliers considering a company attractive is subjective; therefore, all suppliers are having different conditions and aspects for a customer to be attractive to them.

A buyer is attractive for the supplier if the buyer brings any benefits for the supplier's future business in terms of the following factors: market growth, technology, economic as well as social factors. Additionally, a supplier's satisfaction plays an important role for this relationship since the supplier is satisfied when the expectations associated with the buyer's attractiveness is fulfilled.

Two questionnaires were conducted in order to interview the purchaser of the company as well as the preferred supplier to see if the company is having any customer status and if the preferred supplier is confirming this status. Therefore, Dorel Juvenile Group was chosen as a company as the company is the market leader in juvenile products. All three purchasers as well as the supplier confirmed that Dorel Juvenile Group is having a preferred customer status with its preferred customer. But still there is one case where the company is having a preferred customer status with one supplier that is not considered as one of the company's main suppliers. In order to be preferred customer, Dorel Juvenile Group has to find first the preferred supplier and this is by using the vendor rating and combining it with the staircase model in the future.

Thereupon, to answer the research question, it can be stated that Dorel Juvenile Group is having a strong relationship with its preferred supplier and thus, brings many competitive advantages such as shorter lead times. The company is willing to share knowledge as well as information with the customer in order to get better product and services and thus both the supplier as well as the company are working together in developing the product. In doing so, the company creates a win-win situation for both parties and therefore, the supplier is satisfied since its expectations associated with attractiveness are fulfilled. Since the company is creating value for the supplier by making the supply company grow or in terms of volume and turnover, the supplier is producing products or offering services that is just done for Dorel Juvenile Group, such as having the production plant on the company's plant or not working with the company's competitors.

Dorel Juvenile Group is offering the supplier many factors/motives to collaborate with the former which in turn makes the company more attractive.

For instance, the company has a high product range with high standards and therefore, the company is sending the engineers to the supplier in terms of technical problems but still Dorel Juvenile Group is open for any ideas concerning product development. Additionally, the company is attractive for focusing on long term relationships which would result in increasing the volume as well as building an efficient partnership with the preferred supplier.

Having a reward system for the vendor rating as well as the staircase model is one recommendation in order to be more attractive. The reward system does not have to do with bonus instead with projects that show the supplier that it is important for the company. Additionally, a dissatisfaction factor that the preferred customer mentioned was that the supplier does not

have many contacts in higher management and therefore, it can be seen as a recommendation for the company to decrease this satisfaction.

For further research, it would be advisable of interviewing a purchaser as well as the preferred supplier of each product range in order to see if the company has preferred customer status in all product ranges which make this case study more visible and therefore, other recommendation can follow that will support the company's business.

All in all, the company is having two preferred customer status with two suppliers in different market segments which results in both parties gaining benefits that support being competitive towards competitors. However, the company is planning to be preferred customer for other preferred suppliers and this is going to be done by linking the vendor rating with the staircase model in order to select the best potential supplier but also by having sessions that brings the supplier closer to the company.

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