

Antecedents and Benefits of the Preferred Customer Status in a Buyer-Supplier Relationship: A Case Study at Atlas Copco and Three of its Key Suppliers

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ABSTRACT

In recent years, the concept of being a preferred customer of a leading supplier and the resulting competitive advantage for the buying company has received increased attention from scholars and practitioners. However, the current scientific literature is dealing with the preferred customer status from a theoretical perspective. Drawing results from a multiple case study at Atlas Copco Gas and Processes, this study presents the antecedents and benefits of the preferred customer status from a practical point of view. In addition to the practical confirmation of a large number of theoretical aspects, it provides various new and unexpected antecedents and benefits. Besides other factors, High order quantities, long-term relationships with the customer and open communication and information sharing were established as important drivers of a preferred customer status. Company reputation and brand name, as well as fair treatment outside of existing agreements have been identified as additional motivators for assigning the preferred customer status. These elements have not been mentioned in the body of scientific literature before. Therefore benefits of the preferred customer status described in scientific literature, such as better market prices, special support in construction, and priority attention have been confirmed. Other new benefits are no penalties for late payments and the availability of a dedicated production planner from the supplier.

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Keywords

Supply Chain Management, Preferred Customer Status, Antecedents, Benefits, Supplier Satisfaction, Competitive Advantage, Customer Attractiveness, Buyer-Supplier Relationship

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3rd IBA Bachelor Thesis Conference, July 3rd, 2014, Enschede, The Netherlands.

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1. THE PREFERRED CUSTOMER STATUS AND THE VALUE IT CAN PROVIDE: A DUAL PERSPECTIVE CASE STUDY AT ATLAS COPCO

In recent years, the power roles and responsibilities in supply chains slowly transformed from suppliers competing for buyers to buying companies competing for the attention of their supply chain partners. Increasingly more suppliers conduct their own research and development (R&D) activities, and therefore play an increasingly important role in the development and distribution of new products and innovations in the supply chain (Nollet et al., 2012, p. 1186; Ellis et al., 2012, p. 1259; Schiele, 2012, p. 44). To stay competitive, it becomes increasingly important for buying companies to establish a close collaborative relationship with those highly innovative suppliers (Schiele, 2012, p. 44). Resulting benefits could include greater innovativeness, efficiency and flexibility. Acquiring preferred customer status with a supplier is one way of securing those advantages (Steinle & Schiele, 2008, p. 7). As the advantage of preferential resource allocation can only be granted to a very limited number of customers, it presents a valuable sustainable competitive advantage. Although the preferred customer topic has gained increased attention recently, only few practical studies have been published that seek to answer the key questions related to this topic. Starting from this practical point of view through a multiple case study with Atlas Copco¹, this paper seeks to outline the antecedents necessary to obtain the preferred customer status, as well as the resulting practical benefits from receiving preferential treatment from a supplier. Therefore, this paper will deal with the following double research question:

Q1: What are the antecedents of the preferred customer status of Atlas Copco and to what extent do the findings at Atlas Copco confirm or add to the existing literature?

Q2: What are the benefits of the preferred customer status of Atlas Copco and to what extent do the findings at Atlas Copco confirm or add to the existing literature?

In order to answer these questions, first a literature review was prepared after which several interviews were conducted with 3 strategic purchasers of Atlas Copco and three of its suppliers, resulting in three dual perspective case studies.

The preceding paper is structured as follows: First, a summarized review on the most recent literature is provided. The literature review is based on the effort of a peer group, which conducted its bachelor thesis on the same topic in 2013. The first part of the review deals with state of the art scientific literature in the field of the preferred customer status and other closely related concepts. Subsequently, the benefits that can be associated with the preferred customer status are presented. The last section in this literature review shows the in the most recent literature identified antecedents necessary to achieve preferred customer status of a supplier. Afterwards, the survey and questionnaire design, as well as the characteristics of the respondents are discussed. Atlas Copco will be introduced shortly and the results of this dual-perspective case study will be presented. The results are based on the information given by the buyer and supplier representatives, as well as the information gained through the questionnaire, which will be used to give a holistic and comprehensive view of the relationship of both parties. Here, the focus will be primarily on the benefits and antecedents of Atlas Copco's preferred

customer status with its key suppliers. Two tables that compare the findings from the case studies with the literature in order to identify which elements coincide follows. Either the elements reinforce the theory or add new unexplored elements related to the preferred customer status. The paper is concluded by a summary of the results, a summary and discussion of limitations, recommendations for Atlas Copco and a proposal for further research suggestions.

2. LITERATURE REVIEW

2.1 The foundations of the Preferred

Customer Status

Earliest literature on companies that used preferred customer lists based on past or future orders was published by Hottenstein (1970, p. 46) in 1970. It took nearly two decades until Leenders and Blenkhorn (1988, p. 2) further researched the topic under the concept of "reverse marketing" (Leenders & Blenkhorn, 1988, p. 2). Brokaw and Davisson (1978, p. 10) were the first who clearly identified and explained the preferred customer status concept.

Interest in the topic of preferred customer status has grown recently. Recent academic work focuses on what makes a firm attractive towards a supplier and how to become a preferred customer (Baxter, 2012 p. 1250-1251; La Rocca, 2012, p. 1244), what is necessary to benefit from the preferred customer status and get preferred access to a supplier's innovations (Ellis et al., 2012, p. 1259). Also how the status of being a preferred customer is related to the innovativeness and pricing behavior of the supplier (Schiele et al., 2012, p. 9), as well as the importance of geographical proximity and cluster membership in achieving a preferred customer status (Steinle & Schiele, 2008, p. 11-12).

Traditionally, it has been assumed that suppliers are trying to be perceived as the most attractive alternative to their competitors in order to be successful within a buyer-seller relationship. However, there is a growing evidence that buying companies competing for the interest of their suppliers are treated preferentially and awarded with a preferred customer status (Hald, 2012, p. 1229; Schiele et al., 2012, p. 1178). According to Schiele, Calvi & Gibbert (2012, p. 1178), there are two main reasons for that phenomenon besides the increased research interest. It is argued that (1) firms reducing their supply base cause supplier scarcity, which leads to business-to-business markets characterized by an oligopolistic market structure, and (2) companies tend to make the supplier more responsible for the organization of the supply chain due to the core competences movement and the emergent topic of open innovation. Since several authors suggest that supplier should be seen as a key source of innovation for a buying firm (Ellis et al., 2012, p.1259), being awarded with a preferred customer status becomes especially important in the face of open innovation (Gianiodis et al., 2010, p. 562; Schiele, 2012, p. 44; Schiele et al., 2012, p. 1178).

Therefore it can be said that the increased dependence of the buying firm on the supplier changes the dynamics of the traditional buyer-seller relationship. As a consequence, some suppliers are able to choose which customers to serve and to what extent, some customers get preferential and more favorable treatment (Williamson, 1991, p. 81-83). In addition, reverse marketing has to be undertaken to persuade the supplier to grant access to the preferred customer status (Blenkhorn and Banting, 1991, p. 187). Being awarded with this status can provide competitive advantage in situations in which overall

¹ <http://www.atlascopco-gap.com>

demand exceeds supply, or the supplying company is highly innovative or a market leader (Steinle & Schiele, 2008, p. 11; Hüttinger et al., 2012, p. 1194; Nollet et al., 2012, p. 1168; La Rocca et al., 2012, p. 1241; Schiele, 2012, p. 44; Schiele et al., 2012, p. 1197). If the supplier assigns preferred customer status to the right customer, he can gain competitive advantages as well (Williamson, 1991, p. 81; La Rocca et al., 2012, p. 1241; Nollet et al., 2012, p. 1187).

Several authors define the phenomenon of preferred customer status consistently as preferential treatment on behalf of the supplier towards the buyer. As the preferred customer concept is related to customer attractiveness, Hald, Córdón and Vollmann (2009, p. 961-962) state that the customer has to be perceived more attractive than its competitors in order to be awarded with the preferred customer status. Customer attractiveness, as expressed by Schiele et al. (2012, p. 1179), can be seen as expectations by the supplying company that can lead to supplier satisfaction if those expectations are met and fulfilled. Further the authors argue, that if the buyer is able to fulfill those expectations, the buying firm can obtain the status of a preferred customer, as long as possible alternative customer satisfaction ratings are lower compared with their own performance. In the following sections, the benefits as well as the antecedents of being a preferred customer are described.

2.2 Benefits of Having a Preferred Customer Status

2.2.1 Economic benefits: Preferential Prices, Higher Cost Effectiveness, Increase in Efficiency, and Reducing Opportunistic Behavior

As the previous section points out, having preferred customer status can have an impact on a company's performance due to benefits derived from special treatment by suppliers that can even lead to a sustainable competitive advantage. One of those benefits is the supplier's pricing behavior, which will be dealt with in the following section.

Numerous authors argue that more favorable prices can be attained through the preferential treatment a preferred customer enjoys. Consequentially, it can be argued that preferred customer status brings cost-saving potential (Blenkhorn & Banting, 1991, p. 188; Moody, 1992, p. 57; Hald et al., 2009, p. 963; Nollet et al., 2003, p. 1187). As Blenkhorn and Banting (1991, p. 188) postulate, the preferred customer status can bring between five and thirty percent savings, Bew (2007, p. 2) only refers to savings between 2% and 4%. However, a proactive purchasing approach "may permit the achievement of seemingly impossible objectives" (Blenkhorn & Banting, 1991, p. 188).

A close buyer-seller relationships influences the cost effectiveness of both parties (Schiele et al., 2011, p. 8). Therefore, several authors argue that the supplier, that provides new cost effective solutions and standardization, often presents unique cost reduction opportunities (Bew, 2007, p. 2; Ellis et al., 2012, p. 1261; Nollet et al., 2012, p. 1187). Furthermore, suppliers can help to lower the costs of the buying company by reducing operational expenditures including product costs, manufacturing costs and tooling and warranty expenses due to higher efficiencies or by taking over costs of the buying company. Taking over costs of the buying company is done by paying for transport costs, offering vendor managed inventory services, order handling or incoming products quality control (Ulaga, 2003, p. 689-690; Nollet et al., 2012, p. 1187). Those findings are supported by Schiele et al. (2011, p. 8) who state

"if one partner sees the other as an important strategic resource, he may adjust his interpretation of cost and revenues" (Schiele et al., 2011, p. 8).

Additional benefits resulting from the preferred customer status related towards efficiency are found by other authors. Those benefits include reduced lead times (Christiansen & Maltz, 2010, p. 182) and a decrease in time to market new products (Ulaga, 2003, p. 686). In the case study of Christiansen and Maltz (2012, p. 186) one company experienced a reduction in lead times from sixteen to six weeks, whereas another company enjoyed the advantage of short lead times through air transportation from the supplier.

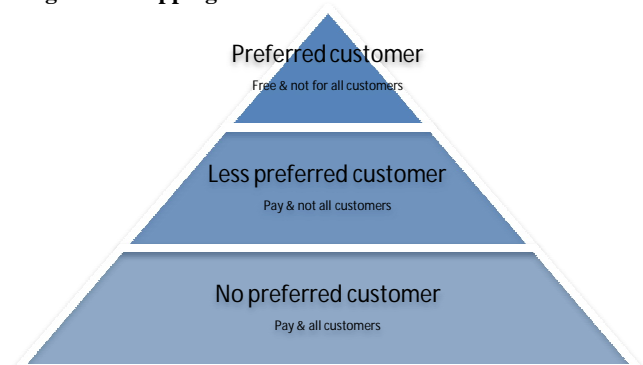
Several buying companies often perceive having to choose between supplier innovativeness and preferential supplier pricing leading to buyer-dependency on the supplier. In contrast to the former assumptions, Schiele et al. (2011, p. 3, p. 7, p. 14, p. 16) state that suppliers not necessarily show opportunistic pricing behavior towards depended buyers. Contrarily, the authors prove that the supplier's pricing behavior becomes more benevolent towards a buyer classified as a preferred customer. Thus, opportunistic pricing behavior can be mitigated or overcome through having the preferred customer status.

2.2.2 Suppliers Taking Special Care of the Preferred Customer: Process Improvements, Innovation, and Logistic Benefits

Besides having financial and cost benefits from being a preferred customer, the status comprises significant strategic benefits towards innovation, information and logistics. Schiele et al. (2011, p. 16), Schiele (2012, p. 47) and Ellis et al. (2012, p. 1265-1266) found significant rewards from being a preferred customer. The authors found evidence that the preferred customer status is positively related to supplier innovation and access to supplier technology.

Further identified benefits of being a preferred customer are strategic information sharing, personnel training, process improvements, logistic benefits (Christiansen & Maltz, 2010, p. 186-192) such as prioritized delivery of goods and services especially during bottlenecks (Schiele, 2012, p. 47), more consistent product quality, and the supplier taking special care of deliveries (Nollet et al., 2012, p. 1187). Further, Nollet et al. (2012, p. 1187) mention customization of products to the customer requirements and increased information exchange regarding products and markets as benefits for such companies. All preferred customer benefits previously mentioned lead to cost reduction through administration costs taken over by the supplier.

Figure 1: Mapping the Benefits of a Preferred Customer



The benefits of a preferred customer approach can be visualized using the pyramid in Figure 1. It is based upon the assumption

that a preferred customer receives most advantages without paying for. A customer that is less preferred has the possibility to obtain preferential access to supplier resources through extra payment. All other advantages are available to all customers and are charged for.

2.3 Predecessors to the Preferred Customer Status

2.3.1 *Preconditions to the preferred customer status: Customer attractiveness and supplier satisfaction*

In their literature review, Hüttinger et al. (2012, p. 1203) developed a framework that will be used as a starting point in outlining the antecedents of the preferred customer status. In their work, Hüttinger et al. (2012, p. 1203) draw from several other conceptual studies, case studies and propose a conceptual model with three integrated stages antecedent preferential treatment by suppliers: Customer attractiveness, supplier satisfaction and preferred customer status. In the following, each of these concepts is described.

First of all, several authors found that the customer attractiveness evaluation by the supplier always precedes the exchange relationship (Schiele et al., 2010, p. 4; La Rocca et al., 2012, p. 1242; Hald, 2012, p. 1230) and determines whether a business relationship will be developed or not. Hence, customer attractiveness is a precondition to supplier satisfaction. Further, whether or not a supplier is satisfied with the exchange relationship has a huge influence on whether or not the customer will be awarded the preferred customer status. Supplier dissatisfaction with past transaction will consequently terminate the chance of being a preferred customer. Thinking ahead, it can be argued that supplier satisfaction acts as a precondition to preferred customer status. There exist further additional factors related to value creation that make one customer more attractive than its competitor (Hüttinger et al., 2012, p. 1194-1195), which will be outlined in this chapter.

2.3.2 *Customer Attractiveness Determined by the Suppliers Expectations About Future Collaboration*

Due to the fact that no two companies are exactly alike, the view of what makes a customer attractive is subjective and differs from supplier to supplier. Therefore, the buying company must develop an understanding of the prevailing perceptions of attractiveness of the supplier in order to align the buying companies actions in a favorable and attractive way (Hald et al., 2009, p. 968). Ellegaard & Ritter (2007, p. 4) state that customer attractiveness is determined by one side's attachment to the other. They further state that attractiveness is determined by the supplier and consequentially the burden of being attractive has shifted from the supplier to the customer (Schiele et al., 2012, p. 1178).

2.3.3 *Supplier Satisfaction: Fulfilling Customers Expectations of Customer Attractiveness*

The importance of supplier satisfaction has been unexplored for many years. Only recently, Wong (2000, p. 427) was one of the first authors who recognized the importance of supplier satisfaction in an exchange relationship, and the resulting increased supplier commitment. In addition, Benton and Maloni (2005, p. 2) found that supplier satisfaction decreases manufacturing companies' time to market. Oliver (1999, p. 34) has defined satisfaction as 'pleasurable fulfillment' of needs, desires or goals. Relating this definition to the supplier satisfaction context, it has been found that these needs and goals of suppliers are consistent to those in an exchange relationship

(Parasuraman et al., 1988, p. 17). Consequently it can be argued that supplier satisfaction can be achieved as soon as the buyer is able to live up to the expectations during and after an exchange relationship.

2.3.4 *Drivers of the Preferred Customer Status: Preferential Treatment as a Consequence of Providing Superior Value*

When customer attraction has occurred and a satisfying exchange relationship for both trading parties has been initiated, the customer may want to enter the level of preferred customership. Ways of achieving preferred customer status have been proposed by Williamson (1991, p. 80). The author proposes to enforce goodwill and trust with the supplier instead of mitigating risk through legally enforceable contracts to ensure supply continuity. In addition, more recent literature is supporting the importance of trust and therefore drives the attention towards 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 customer that offers superior value to the supplier in comparison to its competitors will be awarded the preferred customer status (Hüttinger, 2012, p. 1202).

3. METHODOLOGY: RESEARCH DESIGN AND DATA COLLECTION

3.1 Questionnaire Design

This exploratory case study is based on two qualitative questionnaires developed by the aforementioned peer group of students who conducted their bachelor thesis in 2013, to make it possible to compare the results of all studies. The first questionnaire focuses on the buyer's view of the relationship, the second one on the supplier's view. Both questionnaires have been based on the literature review and the questions have been divided into three parts. The first set of questions is aimed to find out whether both parties classify business relationships with customers and suppliers. If so, how do they classify it and does top management support this approach. The following part of both questionnaires seeks to identify the benefits that result from preferred customership with its supplier. The questions in the third part of both questionnaires try to discover the antecedents that have been necessary to obtain the preferred customer status as a buyer. The questions are designed as open-ended to allow unrestricted answers. This allows for further elaboration.

3.2 Respondent Characteristics

The respondents of this case study have been chosen by the purchasing managers of Atlas Copco in the belief they represent the suppliers that treat Atlas Copco most preferential from all other suppliers. Interviews have been conducted with three purchasers of Atlas Copco and three of the strategically chosen suppliers: Voith Turbo BHS Getriebe GmbH², a supplier of turbo parallel shaft gear units, multi pinion gear units, power distribution gear units, and turbo planetary gear units with about 43.000 employees. Secondly Stahlgießerei Albert Hoffmann GmbH³, a steel foundry with around 120 employees and Siemens AG⁴, supplying Atlas Copco with electrical drives and related equipment having approximately 362.000 employees.

² <http://www.voith.com/en/>

³ <http://www.albert-hoffmann.de>

⁴ <http://www.siemens.com/entry/cc/en/>

In order to provide a dual perspective view of the preferred customer status, the three purchasers of Atlas Copco represent the counterparts to the key account managers interviewed. To the interviews conducted with the purchasers of Atlas Copco is referred to as P1-P3. Table 1 indicates which purchaser has supervision of the purchasing processes with the respective supplier. Further, the table indicates the number of the interviewee, which will be referred to in the rest of the study. The interview of purchaser 1 and 2 and the interview of supplier 1 constitute the first case. The interview of purchaser 1 and 2 and the interview of supplier interviewee 2, 3 and 4 constitute the second case. Purchaser interview 3 and supplier interview 5 form the third case.

Table 1: Case Overview and Corresponding Interviews

Case	Supplier	Interviews
1	Voith Turbo BHS Getriebe GmbH	P1, P2, S1
2	Albert Hoffmann GmbH	P1, P2, S2, S3, S4
3	Siemens	P3, S5

(P = Purchaser; S = Supplier)

3.3 Interview Procedures

The interview with all three Atlas Copco purchasers took place at the divisional headquarter of Atlas Copco in Cologne, Germany. At two interviews, both purchasers responsible for sourcing goods and services from the supplier were present. During the third interview at Atlas Copco, only one responsible purchaser was present. During the first interview at Atlas Copco, the participating companies of case 1 and case 2 were discussed at the same time. During the third interview with the purchaser responsible for sourcing goods from the supplier of case 3 it was only talked about that supplier. The interview conducted with the sales representative and key account manager of Voith Turbo BHS Getriebe GmbH was conducted via Telephone, the interview with the responsible key account manager of Siemens was conducted at his office in Cologne, Germany. The interview with the Senior and Junior Owner of the company as well as the responsible production engineer of Albert Hoffmann GmbH was conducted at a third party location near Cologne, Germany. All interviews have been conducted in German. Some interviews have been, with the prior consent of all people present, recorded on tape to avoid interpretation bias. In a few cases, some people present did not agree to record the interviews on tape. The interviews took place in May and June 2014 with duration between 25 minutes and 90 minutes.

4. ANALYSIS AND EMPIRICAL FINDINGS

4.1 Company Introduction

The case studies and the corresponding interviews of this research were conducted with three employees of the Strategic Purchasing Department of the Atlas Copco Gas and Process Division in Cologne, Germany. In the following, the firm will be referred to as Atlas Copco. The company is part of the Swedish Company Atlas Copco AB's Compressor Technique business unit and manufactures standardized and customized compressors, expanders and cryogenic pumps for oil, gas, industrial gases and power generation. The business unit Gas and Process with its divisional headquarter in Cologne, Germany has five production facilities all over the world, one in Germany, three in the United States, one in India and one in China. The Purchasing department has a hybrid structure between a centralized and a decentralized approach to purchasing. Major decisions are made in the Strategic Purchasing Department in Cologne, Germany and minor

sourcing decisions are made locally. Goods and services are categorized into three categories, A-, B-, and C-Parts/Services. A-Parts are the most important ones used in machines that have a huge impact on the performance of the final product. Correspondingly, B-Parts have a lower critical impact on performance and C-Parts have low or no impact on performance, such as regular bolts and nuts. Interviews are undertaken with purchasers responsible for the procurement of A-Parts and the corresponding suppliers.

The purchasing department of Atlas Copco focuses on supplier quality, costs and delivery time when making strategic sourcing decisions. Atlas Copco is promising a 25-year warranty or more for its machines and has therefore a huge focus on delivering quality to the end customer. The fact that Atlas Copco is only producing customized machines makes it hard to build deep relationships with several suppliers - every project differs. Specific competences are demanded from the suppliers and hence preferred customership is hard to achieve. There are only a few supplying companies on the market that Atlas Copco has strong, long-term relationships with. Those suppliers operate in branches such as in the development of gear units and the cast iron industry. A good relationship with those valuable and rare suppliers is the only chance for the company, beside quality, to differentiate from others on the market and can be seen as a competitive advantage. Therefore it is interesting to examine what steps and actions have been taken by Atlas Copco in order to be awarded with the preferred customer status and what benefits have been gained through relationship that helped Atlas Copco to become a market leader in the production of special machinery.

4.2 Case I: Preferred Customer Status at Voith Turbo BHS Getriebe GmbH: Preferred Customer Benefits through Purchasing Volume, Supplier Cost Finance and Single-sourcing

4.2.1 Relationship with Voith Turbo BHS Getriebe GmbH

Voith Turbo BHS Getriebe GmbH with its headquarter in Sonthofen, Germany is the market leader in the field of customized gear units of every kind. Its gear units transmit power up to 170 MW reliably and are characterized by low noise and low vibrations (S1). Even if the companies have a geographical distance of around 600 Kilometers, they have an outstanding business relationship (P1, P2, S1).

The business relationship between Atlas Copco and Voith Turbo BHS Getriebe GmbH exists since the 1960s and therefore is characterized by close collaboration and mutual trust (P1). Several years ago, Atlas Copco agreed on a single sourcing contract with Voith Turbo BHS Getriebe GmbH and this agreement is still valid (P1, S1). Nonetheless, no formal preferred customer status has been assigned to Atlas Copco (S1), but preferential treatment of Atlas Copco can be identified and is openly communicated.

4.2.2 Benefits of the Preferred Customer Status at Voith Turbo BHS Getriebe GmbH

The relationship between Voith Turbo BHS Getriebe GmbH and Atlas Copco is known to be one of the most extensive relationships Atlas Copco has with all of its suppliers (P1, P2, S1). A various number of exclusive advantages have been identified during the interviews with both parties, but only the

most important advantages are listed. A full list with all benefits can be found in Table 2.

First, Voith Turbo BHS Getriebe GmbH has offered Atlas Copco a price list with prices for components that are frequently reoccurring in an only slightly modified form (S1). This is an unusual occurrence in this sector because no two gears are alike. Both companies only produce unique made-to-order machines. Due to the long-lasting relationship, the supplier was able to identify parts that reoccur only slightly modified from order to order (P1). Therefore, this list helps Atlas Copco to better calculate the cost of its machine prior to sending out request for quotations (P2).

As another benefit, Atlas Copco enjoys special support in construction (P1, P2, S1). Two sales engineers have been specifically assigned to Atlas Copco. They work to expedite the design process of gears, advice when needed, and are the “one face to the customer” in all matters (S1). Further, Atlas Copco has access to a computer program offered by the supplier to calculate the necessary specifications for the gear needed for their project, the time it will take in production and approximate prices based on different variables in the program (S1).

Third, Atlas Copco enjoys the benefit of having its own production planner at the supplier. This makes it possible to prioritize orders or schedule the production in the most favorable ways and to meet deadlines. Other customers need to share its production planner with other big customers (S1). This enables the production planner to solely dedicate his attention to one customer without having to handle several production schedules (S1).

Fourth, besides having the construction support directly on-site, Voith Turbo BHS Getriebe GmbH has its own gear construction department exclusively for Atlas Copco. All engineers in this department are constantly working on designing gears exactly to the specifications forwarded by Atlas Copco (S1). This enables the supplier to construct drawings and offers as fast as possible. The buyer enjoys quick turnaround without having to wait for other customer’s needs.

Fifth, joint standardization efforts for cost reduction are pursued. Both companies meet regularly, approximately four to five times a year, to discuss new ways of standardizing their work to save money and time (P1, P2, S1). New innovations are discussed and presented, as well as ways to reduce costs and attain higher efficiency (P2).

Further benefits mentioned during the interviews include highest quality on the market (S1), joint research and development (S1), greater responsiveness (P1), better prices in comparison to other suppliers (P2), early access to new technologies (P1, P2), and shorter lead times (P1, P2).

4.2.3 Antecedents of a Preferred Customer Status at Voith Turbo BHS Getriebe GmbH

4.2.3.1 Being Their Biggest Customer as the Main Reason for Customer Attractiveness

The Key account managers of Voith Turbo BHS Getriebe GmbH perceive Atlas Copco as their most valuable and therefore most attractive customer (S1) with approximately 30% of its gross income (P1).

Indicated, as most important factor for perceiving Atlas Copco as an attractive customer, is that Atlas Copco is responsible for around 30% of Voith Turbo BHS Getriebe GmbH’s turnover. They are interested in maintaining the business relationship because of its importance for Voith Turbo BHS Getriebe GmbH’s financial health (P1).

Furthermore, to increase its attractiveness, Atlas Copco offers a program called “Supplier Cost Finance” (P1), which makes it possible to forward all bills outstanding to the company’s bank. The bank will pay the bills immediately and only charges a very small fee below the average interest rate on the open market (S1). Therefore they can decrease the duration of accounts receivable from net 30 days to only a few. Therefore, Atlas Copco is also an interesting customer for companies with a limited amount of financial capital (P1).

Finally, a single-sourcing agreement in existence for decades is another frequently mentioned point that makes Atlas Copco an attractive customer (S1, P2).

Further mentioned attributes include the size of the company and their longstanding position in the market (P1), the reputation which enables business with other companies and serves as a valuable reference, the open communication and the technical know-how of engineers as well as their commitment to the supplier (S1).

4.2.3.2 The Suppliers are More Satisfied Than Expected

Both parties have different perceptions of the satisfaction of Voith Turbo BHS Getriebe GmbH. The supplier indicates full satisfaction with the existing business relationship due to open communication, transparent information exchange, and a sense of fairness (S1) from Atlas Copco.

Further, the supplier is content with the current high order quantities, as well as the stability of the business relationship. Hence, the supplier is fully satisfied with the actual state of the business relationship (S1).

In contrast, Atlas Copco indicated that they feel Voith Turbo BHS Getriebe GmbH is not as satisfied as they should be. This dissatisfaction is attributed to the fact that payments are frequently late due to the bureaucracy in the different departments (P1) and common last-minute changes in the product design and drawings (P2). Nevertheless, Atlas Copco is working towards improvements by using the “Supplier Cost Finance” program to increase supplier satisfaction ratings (P1). Contrary to Atlas Copco’s beliefs, the supplier is rather satisfied with the seller-buyer relationship.

4.2.3.3 Preferred Customer Status Through high Purchasing Volume and Sympathy

Voith Turbo BHS Getriebe GmbH pointed out several reasons for awarding Atlas Copco with the preferred customer status.

As the main reason, the preferred customer status has been awarded based on the purchasing volume (S1). Atlas Copco is, to some extent, depended on the expertise and know how of its supplier. The same is true for Voith Turbo BHS Getriebe GmbH who is also somewhat dependent on their major customer (S1).

Further, longstanding strong personal bonds, company alliance and trust have been established between the different departments of both companies involved (P2, S1). Employees of both companies have known each other for years, meet personally three to four times a year, and work on improvements as a team (P1). Through the decades of collaboration, certain business processes have been established without a formal decision process.

Other reasons include the open communication between the partners, high margins (S1), the customer status and reputations as well as the involvement in the production design (P2).

4.3 Case II: Preferred Customer Status at Albert Hoffmann GmbH: An Outstanding Relationship Based on Trust and Honesty

4.3.1 Relationship with Albert Hoffmann GmbH

Albert Hoffmann GmbH is a family owned and operated steel foundry located in Eschweiler, Germany and is manufacturing chassis of cast iron in various forms and sizes from 1kg to 6 tons for Atlas Copco. The relationship is perceived as outstanding compared to other business relationships (P1, P2, S2, S3, S4).

Albert Hoffmann GmbH made its first cast for Atlas Copco (at that time operating at a different name) in 1956. Since then, both companies engage in close collaboration when Atlas Copco is in need of goods of cast iron (S3). The family managed company does not assign any formal status type to its customers, but is well aware of the good relationship with Atlas Copco and its preferred status (S2).

4.3.2 Benefits of the Preferred Customer Status at Albert Hoffmann GmbH

A vast amount of benefits have been identified that Atlas Copco enjoys due to its preferential status, but only the most important are listed. A full list with all benefits can be found in Table 2.

First, Atlas Copco receives detailed weekly status reports indicating the production status and planned actions in the production process for all of its orders (S4). These status reports enable Atlas Copco to track the progress of current orders, see when certain orders are ready, and if necessary, prioritize orders due to changes in schedule (S4). Further, Atlas Copco benefits from these status reports because it enables the organization of their production facilities more effectively (S3).

Due to the long-lasting relationship, Albert Hoffmann GmbH is familiar with the needs and products of Atlas Copco very well. Therefore, they quickly recognize errors or missing parts in the order process and directly contact the purchasing department (S2). Possible mistakes in product drawings are detected and corrected (S4).

To avoid those aforementioned errors, cost reduction efforts are undertaken. During the design phase of the products, Albert Hoffmann GmbH delivers valuable support in the construction and design process and therefore is able to reduce costs for the buyer and recognizes unnecessary specifications (S3). They offer valuable advice when planning to produce the goods, whether it is technically possible to produce the desired product and whether required tests are realistic and beneficial (S4).

Atlas Copco directly communicates with the top management, leading to reduced bureaucracy and time savings (S2).

In emergency cases, Albert Hoffmann GmbH accepts oral orders from Atlas Copco due to its trustworthiness. All other customers of Albert Hoffmann GmbH have to supply written orders signed by the responsible purchaser. A formal written order has to be provided later for the bookkeeping system. This exemption enables fast problem solving and saves approximately three weeks time for Atlas Copco on emergency orders (S2).

The final noteworthy benefits Atlas Copco receives from their preferred customer status is comprised of access to specially prepared tables. These tables enable Atlas Copco to determine pricing and lead times. Further, having access to the supplier calculations builds trust (S3). Being able to calculate lead times gives Atlas Copco the advantage of being able to know what is

the last date to hand in important drawings or orders for on-time deliveries (S3).

Further benefits mentioned include direct influence on the production schedule of Albert Hoffmann GmbH (S3), joint research efforts (S4), “trying to get the impossible done” (S2), and increasing flexibility in all aspects (S2).

4.3.3 Antecedents of a Preferred Customer Status at Albert Hoffmann GmbH

4.3.3.1 Trust and Fair Dealing making the Customer Attractive

The management of Albert Hoffmann GmbH perceives Atlas Copco as a very attractive customer (S2, S3, S4). This statement is primarily based on trust and positive experience in the past (S2, S3), as well as good profits (S2), and other factors, which will be outlined in the following section.

To start with, Atlas Copco is perceived as the company Albert Hoffmann GmbH can trust the most (S2). This statement is based on past business transactions. Since the beginning of the business relationship, it never occurred that a member of Atlas Copco has deceived the supplier. In addition, Atlas Copco did not in any way abuse its power in the market (S3). During the interview, Albert Hoffmann GmbH pointed out that the subjective perception of fair treatment by its customers is the most important criterion for rating customer attractiveness (S2, S3).

The attractiveness of Atlas Copco is further strengthened by Albert Hoffmann GmbH's perception that Atlas Copco is the gate to the world and new markets (S2). Atlas Copco is delivering machines to all countries and businesses around the world. Being involved in the production of quality machines delivered worldwide increases the chance for Albert Hoffmann GmbH to be recognized by foreign companies. Therefore, Atlas Copco is an attractive medium for going global and to enter new markets (S3).

Uncommonly, Atlas Copco employs purchasers with extraordinary technical knowledge. When doing business with Atlas Copco, Albert Hoffmann GmbH is always talking to people who “speak the same language” (S4). It is easier to work with people who understand what exactly it is they are buying. This is one of Atlas Copco's valuable assets. Even if the sales personnel does not consist of engineers, they have a solid understanding of their work and the technicalities behind the products they buy (S4).

The geographical proximity in combination with the preferred customer status leads to easier communication, shorter delivery times, easier personal meetings, and problem solving. Being able to visit each other on-site within 30 minutes drive makes it possible to solve problems and other issues in a remarkable short time (S4).

Further reasons why Atlas Copco is perceived as an attractive customer include its brand name, which is known for outstanding quality and reliability (S2), open and friendly communication (S2) and the fair treatment (S2).

4.3.3.2 Atlas Copco's Wrong Perception of Customer Attractiveness

Both parties have contradicting assessments of the supplier satisfaction rating. Albert Hoffmann GmbH is very satisfied with the relationship because they value fair treatment, profitable business relationships and a secure future business (S2, S3, S4). They did not express any dissatisfaction (S4).

In contrast, as already mentioned in Case I, Atlas Copco perceives themselves as not being able to satisfy its suppliers (P1, P2). Main reasons mentioned are the high level of its internal bureaucracy to release payments and last-minute changes in the product specifications (P1). One further reason why Atlas Copco perceives themselves as not attractive is due to recent structural changes (P1). All materials delivered to Albert Hoffmann GmbH that are necessary to make offers show significant variations in quality from order to order (P2).

Therefore, Atlas Copco perceives themselves not as attractive as they are perceived by its suppliers.

4.3.3.3 A Long-Term collaboration as the Main Initiator of the Preferred Customer Status

Albert Hoffmann named several reasons for assigning Atlas Copco the preferred customer status, based on the aforementioned supplier satisfaction ratings.

First, the top management indicated that the fair behavior in all aspects including fair dealing with the personnel, realistic deadlines and not abusing its market power, even outside of formal written agreements, is the main reason for assigning Atlas Copco preferential treatment (S2, S3).

A further reason for assigning the preferred customer status to Atlas Copco is their purchasing volume. The purchasing volume, which is about 15% of all sales of Albert Hoffmann GmbH (S2), is the main reason why special attention is paid to the needs of Atlas Copco. Even if they are not their biggest customer, but they do comprise an extensive part of Albert Hoffmann GmbH's overall profit and therefore need to be kept satisfied (S2).

Finally, the long-lasting relationship since 1956 has raised "a special kind of relationship that gives no real or solid reason why Atlas Copco enjoys special treatment, the relationship simply matured over the years" (S2).

Other reasons for awarding the preferred customer status include open communication (S4), transparency and reliability (S2) and the involvement in product design (S4). A sense of fair treatment, mutual agreements, as well as the long-term relationship have been identified by the family-owned company to be the main reasons for assigning preferential treatment (S2, S3).

4.4 Case III: Preferred Customer Status at Siemens AG: Cost Advantages and joint research initiatives in New Markets

4.4.1 Relationship with Siemens

Siemens AG (short Siemens) is a German multinational engineering and electronics company founded in 1847 in Berlin, Germany. The corresponding business unit for Atlas Copco specializes in the development, design and construction of customized electrical drives and related equipment. The relationship is based on trust and collaboration in all aspects (P3).

The relationship between Atlas Copco and Siemens started in the 1970s and was established mainly due to the customers' demands (P3). Even today, all of Atlas Copco's customers ask for these specific type of electrical drives that Siemens produces (P3). Siemens is known for their outstanding quality made in Germany.

Siemens is not assigning any formal preferred customer status to its customers, but claims that Atlas Copco is treated differently than other customers in the same industry (S5).

4.4.2 Benefits of the Preferred Customer Status at Siemens

A vast amount of benefits has been identified that Atlas Copco enjoys due to its preferential status at Siemens, only the most important aspects are listed. A full list with all benefits can be found in Table 2.

First, Siemens is able to realize the shortest lead times for Atlas Copco. Even though every product is made to order for Atlas Copco, Siemens as the supplier has the shortest lead times (P3). Further, getting fast and precise offers in response to their requests for quotation and the technical support of Siemens is seen as an advantage unique to Atlas Copco (P3, S5).

As a second preferred customer advantage, free samples of high value machinery are provided by Siemens without charge and obligations (P3). Usually, expensive prototypes have to be bought by Atlas Copco to test how different machines from different suppliers work together. To get to know the products of Siemens, Atlas Copco receives free samples of machinery, for example control cabinets and switchboards, to get to know if they fulfill their needs. Even if Atlas Copco decides not to purchase from Siemens, they can keep the samples and have no further obligations (P3).

Third, Atlas Copco does not have to pay interest for delayed payments. Usually, Siemens charges high interest rates for delayed payments or even halts further deliveries after the second or third late notice (P3, S5). Due to the long-term relationship with Atlas Copco and the trust that has grown through the years, being late with payments does not have any consequences for Atlas Copco (S5).

Fourth, changes at products in production are made before the price for the changes is negotiated (P3, S5). As the need for a change in the product emerges after the product has been moved into production, Atlas Copco purchasers can easily get in contact with Siemens and arrange the desired changes prior to negotiating the price of that change. The prices are negotiated later. Atlas Copco has proven that they do not abuse its power in situations like this (P3). Being able to realize changes on the product before prices are negotiated shortens lead times and does not unnecessarily interrupt the production process (S5).

Further benefits for Atlas Copco include the willingness of Siemens to "solve unsolvable problems" (P3), fast elaboration of offers (P3), and joint standardization efforts to lower the costs of doing business (P3).

4.4.3 Antecedents of a Preferred Customer Status at Siemens

4.4.3.1 Customer Attractiveness Through Good Strategic Fit and a Shared Future Vision

The key account manager of Siemens has a favorable opinion of Atlas Copco and indicated that he perceives Atlas Copco as an attractive customer for his company (S5). This statement is mainly based on the nearly perfect fit of Atlas Copco's needs into the product portfolio of Siemens (S5). Other factors will follow in this section.

First, all electrical drives and related equipment needed by Atlas Copco is manufactured by Siemens, which makes it possible to purchase from one suppliers only (however, there is no single-sourcing agreement). In turn, this leads to high sales and this is the fundamental reason Atlas Copco is perceived as attractive (S5, P3).

Further, Atlas Copco is the way to new markets. Atlas Copco is operating in several different business sectors all over the world

producing mining equipment, compressors and equipment for geothermal energy extraction. Therefore, the company is an attractive and important medium for entering new markets (S5).

Further factors positively influencing the customer attractiveness of Atlas Copco include high profit margins and joint development activities (P3).

4.4.3.2 Supplier Satisfaction: Two Different Views

The perception by both entities of Atlas Copco is somewhat different. Where Siemens is satisfied due to the high order quantities and the good profit margins, open communication and joint development activities (S5), Atlas Copco indicated that they are not able to fully satisfy the supplier for the same reason as in all cases described before (P3). Last-minute changes in the product design, a huge bureaucracy, and inconsistent quality of documents are the reasons for this perception (P3).

4.4.3.3 Geographical Proximity and Purchasing Volume as Predecessors of the Preferred Customer Status

Siemens named several reasons for awarding Atlas Copco with the preferred customer status.

The first reason for the preferred customer status is the purchasing volume (P3) and the high margins Siemens is earning (S5).

Second, the geographical proximity enables close collaboration. In comparison to other competitors, Atlas Copco is not located in a foreign. Atlas Copco is located in the same city as the respective Siemens business unit responsible for geothermal energy, which enables close collaboration in the development of new, innovative techniques and equipment (S5).

Further reasons for awarding Atlas Copco with the preferred customer status include the bargaining position (S5) Siemens enjoys due to their oligopoly and the face-to-face interactions (S5).

4.5 The Most Important Preferred Customer Benefits for Atlas Copco: No Penalties for Late Payment, Oral Orders and Weekly Status Update Reports

Atlas Copco enjoys a lot of different benefits due to its preferred customer status of its suppliers. The three most noteworthy benefits, representing the top of the preferred customer pyramid of Figure 1, are no fees for late payments, oral emergency orders, and weekly status update reports, which will be outlined in the following section.

Due to the extensive business relationship with Siemens and the achieved preferred customer status, Atlas Copco has the privilege that they do not have to pay default interest when payments are late (P3). Other customers of Siemens have to pay expensive fees when they do not pay their invoices in time (S5). One reason for this privilege is the long-term relationship and the sense of trust that has emerged over time. In the past, Atlas Copco has proven to be credit worthy and this is why Siemens trusts Atlas Copco that they will send the payment (S5). Further, Siemens does not halt any future deliveries when the payment for a previous delivery is late (P3). A second reason for granting Atlas Copco the privilege of no penalties for late payments is the size of Siemens and the importance of the relationship with Atlas Copco. The company has sufficient sources of income that they do not need to bother important customers with penalties (P3). Further, they don't want to raise

discontent at the other party they want to sustain the good relationship with (P3).

The relationship with Albert Hoffmann GmbH, as already indicated before, is based on honesty and a sense of trust from both sides (S2, S3). Therefore, Albert Hoffmann GmbH has granted Atlas Copco the opportunity to make oral orders via a short telephone call in emergency cases (S2, S3). An oral order is processed as soon as possible. A paper-version of the order can be handed in later in order to keep the bookkeeping system up-to-date. This opportunity for Atlas Copco saves up to three weeks time on emergency orders and at the same time saves Atlas Copco a lot of capital due to reduced downtimes resulting from missing components in their production (S2, S3, S4, P2). All other customers of Albert Hoffmann GmbH have to hand in written orders without exception (S2).

Another unique benefit Atlas Copco enjoys due to their preferred customer status at Albert Hoffmann GmbH are the weekly status updates for all orders (S4). Since the 1980s, Albert Hoffmann is providing detailed weekly status updates of every order to Atlas Copco, indicating the actual production status of a product, the time it is already in production, the time it will take until it is finished, the remaining production processes/steps including the time for the respective processes/steps and whether the part can be delivered earlier than promised, on time, or will be late (S4). This document enables Atlas Copco to adjust their production schedule accordingly and to avoid production downtimes (P2). Further, Atlas Copco can prioritize important orders that need to be delivered earlier and can retain orders that do not need to be finished as early as indicated on status update report.

5. DISCUSSION OF FINDINGS

5.1 Critical Discussion of the Preferred Customer Benefits

During the aforementioned case studies, various benefits and antecedents of the preferred customer status of Atlas Copco have been identified. However, some benefits are offered by all suppliers, whereas other benefits are only offered by a single supplier. Therefore, the differences and similarities of the benefits offered by the different suppliers will be outlined in this section.

Looking at the unique benefits, certain patterns can be identified. Providing computer programs to design special products (S1), having a separate construction department, as well as a dedicated production planner for one supplier (S1), and frequent standardization meetings (P1, P2, S1), are all examples of Voith Turbo BHS Getriebe GmbH's commitment to facilitate excellent development and engineering processes for Atlas Copco. Offering superior support in product development and engineering helps Voith Turbo BHS Getriebe GmbH to keep its biggest and most profitable customer (P1) satisfied. When working with Albert Hoffmann GmbH and Siemens, Atlas Copco has to share the production planner and the construction department with other customers. Albert Hoffmann GmbH does not have the resources to provide similar advantage to Atlas Copco. The products from Siemens are not complex enough that such support is necessary.

The unique benefits provided by Albert Hoffmann GmbH, namely giving the customer insights in the companies cost structure (S2), accepting oral emergency orders (S4), and sending out weekly detailed status update reports (S4) are focused towards easier processes and faster communication for Atlas Copco. Those efforts result in cost reduction and a higher

probability for future business for Albert Hoffmann GmbH. The company size of Siemens as well as Voith Turbo BHS Getriebe GmbH with their huge bureaucracy do not allow oral orders because too many different departments are involved. Further, they do not allow insights into their cost structure.

Siemens, providing free samples of expensive machinery (P3), inflicting no penalties for late payments (P3, S5), and doing technical changes on products in production before the price for the change is negotiated (P3, S5), is trying to build up an extensive relationship with Atlas Copco by keeping controversial subjects as small as possible. Free samples cannot be provided by the other interviewed suppliers. Unlike Siemens, they produce customized products only. Siemens slightly modifies their portfolio products for their customers and can therefore easily grant samples out of stock. The other companies have not mentioned the benefit of no penalties for late payments because they receive their payments mostly on time (S1, S3). However, doing technical changes on products in production before the price for the change is negotiated is a valuable benefit that could bring advantages in other business relationships, too.

Moreover, the benefits identified are mainly commodity specific benefits. A benefit granted by one supplier cannot be easily copied by another supplier of a different commodity group bringing the same advantage. Due to the different requirements in the commodity groups, the effect of the benefit would differ.

Besides the differences, some similarities among the benefits have been identified, that are provided by the majority of the suppliers. All suppliers offer fair and economical prices (P1, P2, P3, S1, S2, S5). However, this does not imply that they offer the best prices on a global market. Sometimes, companies from China can offer better prices, but lack other important factors such as quality and delivery time (P1). Further, all interviewed key suppliers grant Atlas Copco priority attention in the form of reduced lead times as well as preferred production scheduling (S1, S4, S5). The final benefit that is mentioned by all suppliers is the increased drive to solve customer-specific problems. Traditionally, customer-specific problems that do not fit into the supplier product portfolio are rejected. For preferred customers, all suppliers are willing to acquire the necessary knowledge and skills to solve problems that have not been solved by the company before (S1, S2, S3, S4, S5).

5.2 Comparison of the Antecedents of the Preferred Customer Status

All suppliers indicated that a buyer is perceived as attractive when the purchasing volume is high and he is offering a secure future business (S1, S2, S3, S4, S5). For the majority of the suppliers, the buyers' reputation and open communication are further attributes of an attractive customer. Further, the "Supplier Cost Finance" program and a sense of fair dealing with the supplier has been mentioned.

Consensually, open communication, high order quantities with high margins, and fair treatment beside formal agreements are indicated to increase the supplier satisfaction in a business relationship (S1, S2, S3, S4, S5). Receiving timely payments and constructive communication during projects have also been indicated as supplier satisfying attributes.

Having a high profit margin on orders is the only factor that all suppliers consensually indicated to be a reason for awarding the preferred customer status (S1, S4, S5). Further frequently mentioned factors include a high purchasing volume, open communication, a long-lasting relationship, and strong personal

bonds between the parties. Business growth opportunities as a reason for treating the buyer preferential has been mentioned only once (S5).

A comparison of all benefits and antecedents found in this study with the most recent literature can be found in Table 2 and Table 3. Further, in Table 2 and Table 3 is indicated from which case the antecedent or benefit is derived from. Shown are similarities and differences regarding the benefits and antecedents between the three cases.

Table 2: Benefits of a Preferred Customer Status identified at Atlas Copco and their links to Theory

Element found in practice (Case)	Related benefit in theory
Free and exclusive	
The buyer has access to supplier calculations during negotiations (2)	Disclosing internal cost data
The buying company gets the best prices the supplier can make compared to all other customers of that supplier (1, 2, 3)	Benevolent pricing/supplier offering one of the lowest prices
The supplier provides computer programs to compute difficult machines, their prices and delivery times (1)	-
Technical changes of products in production can be made first, price for that change is negotiated later (3)	-
Supplier is offering free samples with high value and no obligations for the buying company (3)	-
Having the possibility to meet in person within a 30 minutes drive (2, 3) and a flexible production process (1, 2, 3)	Be available and responsive
The customer gets no penalties when invoices are not paid in time, no halt of deliveries (3)	-
The supplier accepts oral orders in emergency cases (2)	-
The customer has its own, separate construction department at the supplier facilities, paid by the supplier (1)	-
The customer has its own production planner at the supplier for better production scheduling (1)	-
The suppliers provides a price-list which is very uncommon for suppliers of customized machines and products (1, 2)	Disclosing internal cost data
The customer gets offers faster than competitors (1, 2)	Be available and responsive
The customer enjoys shorter lead times due to better scheduling and preferential treatment (1, 2, 3)	Prioritized delivery during constraints
Standardization meetings to generate cost savings and standardize	Standardization initiatives

interactions (1)	
Status reports from the supplier for better buyer production planning (2)	-
The supplier is trying to solve problems that have never occurred before, learn new techniques and acquire new people to be able to serve the customer (1, 2, 3)	“Achievement of seemingly impossible objectives”
Paid and exclusive	
The supplier is consistently delivering quality products without exceptions (1, 2, 3)	Consistent supplier product quality
The supplier is delivering products made to order (1, 2, 3)	-
The supplier offers special support in construction by having two engineers assigned to the buyer only (1, 2)	More technological input from supplier

Table 3: Antecedents to a Preferred Customer Status identified at Atlas Copco and their links to Theory

Element found in practice (Case)	Related antecedent in theory
Customer Attractiveness	
The customer has a high purchasing volume and is a big part of the suppliers total revenue (1, 2, 3)	Price/volume
The customer practices open communication and is providing all necessary information for good collaboration (1, 2)	Information exchange
The customer offers a program called “Supplier cost finance” which enables the buyer to get his payment faster (1)	-
The buying companies’ reputation and brand name (1, 2)	-
The customer is working towards joint standardization (1, 2)	Standardization of products
The customer possess the necessary technological skills for good collaboration (2)	Depth of skills / Types of technological skills
The buying company is dealing fair with the other party, also beside formal agreements (2)	Trust / Loyalty
The size of the buying company as an indicator for security and future business (1, 2, 3)	Size
Long-term relationship with the buyer makes him attractive (1, 2)	Long-term interactions

A buyer showing commitment and adaption to the other party is perceived as attractive (1, 2)	Commitment and adaption
Growth opportunities offered by the customer and access to new markets is valued by the supplier (2)	Access to new customers/markets
Market stability of the customer as an indicator for future business and liquidity (2)	Market stability
The challenge for the supplier to provide a solution to a new problem gives the chance to proof that he is the market leader in his industry (1, 3)	-
Supplier Satisfaction	
Timely payment is indicated to satisfy a customer (1, 2)	Payment habits
Open communication, not hiding information, is valued by the supplier and keeps him satisfied (1, 2, 3)	Openness and trust
Constructive communication during the development of new products is seen as valuable (1, 2)	Constructive controversy
Fair treatment beside agreements and respect is indicated to be very important for supplier satisfaction (1, 2, 3)	-
High order quantities and high revenues satisfy the supplier (1, 2, 3)	Substantial values
Good and profitable margins satisfy supplier (1, 2, 3)	Bargaining position
Preferred Customer Status	
Business growth opportunities are seen as important antecedent for awarding a customer with the preferred customer status (2)	Business opportunities
A high purchasing volume is seen as positive when its comes to the question whether a company will be awarded with the preferred customer status or not (1, 2, 3)	High purchasing volumes
Fairness and no opportunistic behavior is essential (2)	Fairness
Open communication is needed is such business relationships (1, 2)	Information exchange
A long-term relationship helps to build up loyalty and proof that the customer is the right one for being awarded as preferred customer (1, 2)	Loyalty
High profit margins for the supplier are one reason for giving preferential treatment to the customer (1, 2, 3)	Bargaining position
Geographical proximity can be seen as supporting argument for assigning preferred customer status (2, 3)	-
Compliance of values is important to avoid controversy (2)	-

Face-to-face interaction are seen as supportive (2, 3)	Strong bonds
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Respect towards the supplier is seen as an important antecedent of the preferred customer status (2)	Respect
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6. CONCLUSION

6.1 Benefits and Antecedents of a Preferred Customer Status Realized in Practice

By trying to answer the double research question, this multiple case study has identified a large number of benefits and antecedents of Atlas Copco's preferred customer status of its key suppliers. Further, it has made the effort of finding practical evidence and confirming advantages and different drivers pointed out by authors in previous studies, as well as it proposed new drivers and benefits that not have been identified in previous scientific literature. As a result, this study presents a large number of theoretical elements that have been confirmed, as well as a number of benefits and drivers of the preferred customer status that could be added to the existing ones in the scientific literature. Having a look at the benefits identified, it becomes clear that the majority of the findings were mentioned before by some other researchers. However, oral orders, having its own production planner at the supplier, no penalties when the payment is not in time and status update reports at no extra cost, as well as adjusting the services to customer demands or building products made to order have yet not been found in the literature, while they are interesting to consider for buying companies. The same holds for the antecedents identified. Most factors have been confirmed, other elements, that have not yet been identified and pointed out in scientific literature. For example geographical proximity, compliance of values, and customer reputation and brand name are worth to be considered as drivers of customer attractiveness, supplier satisfaction and the preferred customer status.

6.2 Research Contribution

Nowadays, only a few academic research is present concerning the preferred customer concept. Hence, this study contributes to the existing knowledge by first outlining its latest definitions, benefits and antecedents. A multi-perspective case study with Atlas Copco and three of its suppliers has been conducted. Building on this research and prior theoretical research about buyer-supplier relationships, customer attractiveness, supplier satisfaction and the preferred customer status, a few additional benefits as well as antecedents of the preferred customer status have been discovered. Further, this research backs up a great number of theoretical benefits and antecedents with data from practice.

6.3 Recommendations to Atlas Copco

For Atlas Copco, this case study explored unexpected benefits that are realized through the preferred customer status Atlas Copco enjoys at Voith Turbo BHS Getriebe GmbH, Albert Hoffmann GmbH and Siemens AG, in nearly all aspects of the buyer-seller relationship. The importance for Atlas Copco of having a preferred customer status at its key suppliers was further reinforced through one interview (P1, P2). It was indicated that Atlas Copco's competitive market position can only be held, especially in terms of quality and lead times, through good collaboration with and preferential treatment from its key suppliers (P1, P2).

However, despite its customer attractiveness indicated in the interviews (S1, S2, S3, S4, S5), and the high number of benefits

Atlas Copco receives through its preferred customer status, the purchasers of Atlas Copco indicated that they should sometimes better live up to its preferred status and that they in most cases do not see themselves as a good customer (P1, P2). As already indicated before, all interviewed suppliers perceive Atlas Copco as an attractive customer able to satisfy them (S1, S2, S3, S4, S5). This opinion was not supported by any purchaser interviewed at Atlas Copco (P1, P2, P3), who strongly argued that they do not perceive Atlas Copco as being able to satisfy its suppliers. As this case study demonstrates, Atlas Copco is able to garner a huge amount of benefits from being a preferred customer of a key supplier and can become even more attractive (P1, P2, P3) to its suppliers. Considering that there is yet no top-management commitment regarding a preferred customer status at its key suppliers (P1, P2), Atlas Copco would be well advised to use a preferred customer status approach in the future to achieve further benefits.

During the interviews it was indicated that the suppliers are already, but not officially, categorized as preferred suppliers in its commodity group (P1, P2). To implement a full preferred customer status strategy for all commodities, Atlas Copco first should formally identify the key suppliers of each commodity group in consensus with other internal stakeholder such as the construction department and the quality management department. Next, Atlas Copco can start to develop a deeper relationship with those identified suppliers by increasing the business done with the respective supplier and while taking into account the relevant antecedents mentioned in this study as well as the study by Hüttinger et al. (2012, p. 1201). Special attention should be paid to factors such as trust, fairness and payment habits because they were mentioned frequently and indicated as the most important predecessors of the preferred customer status during the supplier interviews (S1, S2, S3, S4, S5). Having all factors in mind, a long-term collaborative relationship with preferential treatment from key suppliers can be achieved.

6.4 Research Limitations and Future Research

This work is based on three dual-perspective case studies conducted with Atlas Copco and three of its key suppliers. Therefore, this study is only valid in this context and cannot easily be transferred to other business cases. Findings represent hypothesized benefits and antecedents that need further research to prove its validity in other business cases.

One important aspect frequently mentioned in all supplier interviews and case studies regarding the antecedents of the preferred customer status was fair treatment beside agreements. All suppliers see fair treatment beside agreements as a driver for customer attractiveness and of the preferred customer status (S1, S2, S3, S4, S5). An interesting suggestion for future research on the topic of the preferred customer status could therefore be to explore the impact of the buying companies behavior towards the supplier beside agreements on its customer attractiveness as well as on probability of a customer being awarded with a preferred customer status by a supplier.

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