

Antecedents and Benefits of the Preferred Customer Status: a Case Study at Europe's Leading Trailer Manufacturer

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ABSTRACT

Many companies see themselves in an increased global competition and thus seek out new approaches to supply chain management to increase cost savings, access supplier innovations and gain a competitive advantage. One concept for that, gaining increased attention in recent years, is the one preferred customer status of companies with strategic suppliers. Former, research considers the preferred customer status, in connection to preferential resource allocation, as a great source of competitive advantage. However, most of this research remained of a theoretical nature. In contrast to that, this research is based on a case study at Europe's leading trailer manufacturer to identify antecedents and benefits of a preferred customer status. Results indicated that this rather recent concept of supply chain management is not yet well established as such in the trailer industry, but rather, notions of it are still present in day to day business activities. Due to the small scale of this case study no overall conclusions about the manufacturing industry in general could be drawn. It could only be indicated how this concept is developing in the case company and its industry sector.

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Keywords

Preferred customer status, preferential resource allocation, customer attractiveness, supplier satisfaction, balance-of power in buyer-supplier relationships, case study

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1. PREFERRED CUSTOMER STATUS: A CASE STUDY AT EUROPE'S BIGGEST TRAILER MANUFACTURER

Nowadays, companies see themselves in the threat of an increased global competition (Petersen, Handfield, & Ragatz, 2005, p. 389). In order to cope with this new competition, companies try to find new ways to gain competitive advantage. In order to gain increased competitive advantage, companies' objective is to become preferred customer of specific strategic suppliers, who are perceived to be valuable in terms of innovativeness or resource allocation. Accordingly, there is a shift of attention in research from traditional purchasing views, in which it is assumed that only suppliers try to be as attractive as possible, to buyers, comprising an approach where buyers also compete for making business with certain special suppliers (Hüttinger, Schiele, & Veldman, 2012, p. 1194) (Schiele, Calvi, & Gibbert, 2012, p. 1178). Becoming a preferred customer can help gaining a competitive advantage, as in such a relationship companies receive better treatments from suppliers, which competitors might not receive.

This paper aims at identifying antecedents of such preferred customer relationships, as well as how they develop, namely slowly by evolution or triggered by certain events. Additionally, benefits which the companies reap from a preferred customer status will be identified. In the case study, interviews with purchasing staff of the company will be conducted to identify suppliers with whom it has a preferred customer relationship. Resulting from the interview antecedents, the development of preferred customer relationships and the accompanying benefits will be identified. Next to finding out which antecedents and benefits can be identified from a potential preferred customer status of the company, this case study also aims at finding out whether the findings can contribute to the existing body of literature. The company on which this study focuses was founded in 1892 and rose to be Europe's biggest trailer manufacturer during the late 20th century with a market share of roughly 27% (Handelsblatt, 30.07.2014), and is still holding this position. Currently, around 3,200 people are employed here and further expansion into Eastern Europe and Asian, especially Chinese, markets is in progress.

The remainder of this paper will be structured as follows, at first a theory part will elaborate on the present body of literature and point out the previously identified antecedents and benefits of a preferred customer status. The following section will briefly describe the methodology used for data collection. Consequently, the results of the interviews will be described and analyzed, followed by a discussion of the most interesting findings and a conclusion.

2. THEORY: THE CONCEPT OF PREFERRED CUSTOMER STATUS

2.1 An Introduction to Preferred Customer Status

In order to cope with increasing international competition, many companies seek out new approaches to supply chain management. The main focus of this paper lies on the approach of becoming a preferred customer of strategic suppliers and on the resulting benefits. A company becomes a preferred customer when it is "receiving better treatment than other customers" (Steinle & Schiele, 2008, p. 11). Being a preferred customer implicates supplier and buyer engaging in special relationships, since the buyer is in some terms more attractive for the supplier than others. Such a relationship can benefit both supplier and buyer (Schiele, Veldman, & Hüttinger, 2011, p. 7). Suppliers evaluate their cus-

tomers according to their satisfaction with the buyer-seller relationship in terms of value creation. In addition to satisfaction, they also take into account current or maybe better alternatives (Schiele et al., 2012, p. 1181). Accordingly, if a certain customer poses to be attractive because the business relationship proves to be valuable as there are no better alternatives, the company might become a preferred customer of the supplier. Such a preferred customer status with a supplier can be achieved by pursuing a preferred customer strategy, aiming at firstly, identifying and selecting innovative suppliers in the company's supplier network, and secondly, setting up a supplier portfolio in order to find the appropriate supplier management strategy for the desired suppliers (Schiele, 2012, p. 47). Once a company has achieved a preferred customer status, it can reap several benefits thereof, including for example better treatment during disruptions in supply chains through external influences, or preferential resource allocation, including preferred access to materials of the specific supplier (Schiele et al., 2012, p. 1179).

2.2 Three related Concepts, Customer Attractiveness, Supplier Satisfaction and Preferred Customer Status

The body of research literature about preferred customer status currently is more and more emerging, which involves that many authors are recently tapping into it. In order to become a preferred customer, a company at first has to increase its own attractiveness as a customer and consequently, impact supplier satisfaction. Accordingly, a company in general has to be an attractive customer to satisfy the supplier in question. If the supplier in turn is satisfied with the buyer-seller relationship, he might classify the buyer as a favored customer, which in turn leads to a preferred customer status and consequently improves the company's attractiveness as a customer. Thus, the three concepts of customer attractiveness, supplier satisfaction and preferred customer status can be thought of being interrelated and in some kind of a circular relationship. Such a relationship was also identified by Schiele et al. For an exemplary figure see Schiele et al. (2012) with their "cycle of preferred customership" (Schiele et al., 2012, p. 1180) which logically links the three concepts. Another good overview of the three concepts is provided by Hüttinger et al. (2012), see for example figure 1 on p. 1203, showing how the drivers of these concepts are interrelated. Their comprehensive literature review identified many of the currently researched factors influencing customer attractiveness, supplier satisfaction and preferred customer status.

2.2.1 Customer Attractiveness

In general, a company has to be an attractive customer to lay a sound basis for a preferential treatment by suppliers. Many authors identified antecedents for customer attractiveness. Among the first to investigate buyer-seller relationships with respect to customer attractiveness was Renato Fiocca, who in his article "Account portfolio analysis for strategy development" stated "sellers are interested in building strong and durable customer relationships" (Fiocca, 1982, p. 54). The factors which he considers to be influencing a customer's attractiveness were grouped among different categories, namely market factors, competition, financial and economic, technological and finally sociopolitical factors. Additionally, there are industry specific factors which have to be considered, which can influence a buyer's attractiveness. (Fiocca, 1982, p. 57).

If a company does not prove to be attractive to its suppliers by sufficiently leveraging the above named factors, for instance due to its small size (i.e. it does not have enough purchasing volume), it necessitates a consideration of alternative methods to become an attractive customer to key suppliers. In their case studies,

Christiansen and Maltz (2002) identified strategies which are particularly intended to aid smaller customers who seek to become attractive partners for a buyer-supplier relationship. The authors named three building blocks through which companies can identify and establish relationships with core suppliers. The first block is accessing supplier knowledge to increase manufacturing and logistics capacity of buyer and seller. Secondly, companies have to openly exchange information to improve planning, for example by electronic connections between the firms. The last building block identified by Christiansen and Maltz is management of supplier relationships which has to be undertaken by higher-level employees (Christiansen & Maltz, 2002, p. 188). Their results showed that companies not necessarily require high purchasing volume or great company size to become a preferred customer, also other attributes might characterize them as attractive customers, for instance the offering of better technological solutions, or new approaches to cooperation as identified in their case studies. Additionally, their results are in line with the statement of Cordon and Vollman who stated that companies next to offering higher prices or better volumes have to become a “smart customer” (Cordón & Vollmann, 2008, p. 55).

Other approaches which seek to define customer attractiveness are derived from social exchange theory and include, besides costs and other economic factors, the human interactions which are taking place when business is conducted. Ellegaard and Ritter stated “[a]ttractiveness, in contrast [to market orientation], is the power with which customers are pulled towards the firm” (Ellegaard & Ritter, 2007, p. 3), defining attraction as “a mutual construct which describes the strength of the mutual interest of the two actors in each other.” (Ellegaard & Ritter, 2007, p. 4). The authors identified three influential factors which impact the perceived attractiveness of one actor towards another. Namely, these are “value creation”, “interaction process” and “emotions” (Ellegaard & Ritter, 2007, p. 5). Value creation simply is the generation of value from one actor for another one. Ellegaard and Ritter apply the distinction of Walter et al. (2001) between direct and indirect functions (Walter, Ritter, & Gemünden, 2001, p. 367f). Direct functions, such as profit, can directly influence a supplier’s competitiveness. Indirect value functions in contrast tend to be more important to general business relationships of the supplier and encompass, amongst others, innovation development (Ellegaard & Ritter, 2007, p. 5) (Walter et al., 2001, p. 367f). According to the authors, the second factor which influences attractiveness is represented by the interaction process. Interaction processes consist of trust and commitment, when a supplier commits to a buyer-seller relationship he “consider[s] the relation important enough to warrant maximum effort at maintaining it” (Morgan and Hunt as cited in (Ellegaard & Ritter, 2007, p. 5). Accordingly, trust has been identified as a source of commitment, i.e. if a supplier has trust in the relationship, he tends to commit more. (Morgan & Hunt, 1994, p. 24) (Ellegaard & Ritter, 2007, p. 6) (Ellegaard & Ritter, 2006, p. 5). Ellegaard and Ritter identified emotions in distinction of feelings as another factor influencing attractiveness of business relationships. Emotions are unconscious mechanisms, which control individual decisions (Ellegaard & Ritter, 2007, p. 6). The authors argue that emotions “cover the irrational part of decision-making” by unconsciously influencing individuals’ responses. People might have a “bad feeling” about a certain decision and thus tend to question it (Ellegaard & Ritter, 2007, p. 7).

On top of that, Ramsay and Wagner included supplier value into the concept of customer attractiveness, defining it as “the net benefits suppliers receive from the act of trading with a given customer” (Ramsay & Wagner, 2009, p. 128). In their article, they name several sources of supplier value, many of these tend to make a customer attractive for a supplier. The authors group the sources of supplier value among eight categories. At first,

Ramsay and Wagner name financial sources, such as overall profits or speed of payments. Secondly, they identify efficiency-based sources of supplier value (e.g. administrative flexibility or supplier learning opportunities). The third group of sources of supplier value is concerned with overall trading relations and communication, and includes for example joint teams, customer attentiveness or good inter-organizational staff relations. The fourth group of sources of supplier value is about ethical behavior and encompasses factors such as fairness and trustworthiness. Furthermore, the authors name risk and uncertainty factors as fifth group of sources of supplier value. Such factors are, for example, risk sharing between the companies or early supplier involvement. Another group is about technology and includes, for instance, innovation which is either led by the user or by the supplier. The seventh category of sources of supplier value, being identified in the article, is referred to as trading linkages and includes market access and information. Lastly, the authors name corporate image as a final source of supplier value (Ramsay & Wagner, 2009, p. 136). Seen in reverse, many of these sources can be used to evaluate a customer’s attractiveness. For example, a customer, who tends to include suppliers in product development activities and in general has good trading relations with its sellers, could be more attractive to customers than one that does not.

Hüttinger et al. summarized antecedents of customer attractiveness in five core categories. Namely these are market growth factors such as size or market share, risk factors including risk sharing or demand stability, technological factors such as depth or types of skills. Finally, there are economic factors (e.g. margins or cost elements) and social factors which for instance include information exchange or tight personal relation (Hüttinger et al., 2012, p. 1109).

A company addressing the aforementioned factors can become an attractive customer for many of its suppliers. Then, to become a preferred customer of strategic suppliers, the company’s business relationships with these in turn have to be satisfactory for the supplier as well, i.e. a high supplier satisfaction has to be achieved. The next subsection will elaborate more thoroughly on the concept of supplier satisfaction. A summary of the above identified antecedents of customer attractiveness can be found in table 1.

Author / Article	Identified antecedents of customer attractiveness
Fiocca, R. (1982). Account portfolio analysis for strategy development	<ul style="list-style-type: none"> - Market factors - Competition - Financial factors - Economic factors - Technological factors - Sociopolitical factors
Christiansen, P. E., & Maltz, A. (2002). Becoming an "Interesting" Customer: Procurement Strategies for Buyers without Leverage	<ul style="list-style-type: none"> - Better technological solution than competitors - New approaches to cooperation
Cordón, C., & Vollmann, T. E. (2008). The Power of Two: How Smart Companies Create Win: Win Customer-Supplier Partnerships that Outperform the Competition	<ul style="list-style-type: none"> - Become a “smart” customer
Ellegaard, C., & Ritter, T. (2007). Attractiveness in business markets: conceptualization and propositions	<ul style="list-style-type: none"> - Value creation - Interaction process - Emotions

Morgan, R. M., & Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing	<ul style="list-style-type: none"> - Commitment - Trust
Ramsay, J., & Wagner, B. A. (2009). Organisational Supplying Behaviour: Understanding supplier needs, wants and preferences	<ul style="list-style-type: none"> - Sources of supplier value: - Financial sources - Efficiency based sources - Overall trading relations & communications - Ethical behavior - Risk & uncertainty factors - Technology factors - Trading linkages - Corporate image
Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review	<ul style="list-style-type: none"> - Market growth factors - Risk factors - Technological factors - Economic factors - Social factors

Table 1. Antecedents of Customer Attractiveness

2.2.2 Supplier Satisfaction

Among the first to acknowledge the satisfaction of suppliers in business relationships was Alfred Wong, who in his article “Integrating supplier satisfaction with customer satisfaction” stated that “partnering efforts with suppliers will not succeed if suppliers’ needs cannot be satisfied in the process” (Wong, 2000, p. 427). The author highlighted that in order to get full commitment to the business-relationship from suppliers, companies have to make sure the supplier is satisfied with the relationship and the operations with that company (Wong, 2000, p. 429). He accordingly identified “cooperative culture”, “commitment to supplier satisfaction” and “constructive controversy” to be influencing supplier satisfaction (Wong, 2000, p. 430). In line with Wong’s arguments, Benton and Maloni stated that “a manufacturer cannot be responsive [to the supply chain] without satisfied suppliers, and the benefits of such a relationship cannot be transferred to the end customer” (Benton & Maloni, 2005, p. 2). Their paper took the suppliers’ point of view in analyzing buyer-seller relationships, defining supplier satisfaction as “a feeling of equity with the supply chain relationship no matter what power imbalances exists between the buyer-seller dyad.” (Benton & Maloni, 2005, p. 2). The results of their study showed a strong relationship between the quality of the buyer-seller relationship and supplier satisfaction (Benton & Maloni, 2005, p. 16), which indicates that the better buyer and seller work together, the higher the supplier satisfaction will be. Accordingly, it can be stated that relationship quality is an antecedent of supplier satisfaction and the buyer should rather promote a relationship supply chain strategy than a performance based strategy in order to achieve higher levels of supplier satisfaction.

In a similar manner, Essig and Amman researched supplier satisfaction in connection to quality of relationships between supplier and buyer. Their definition of supplier satisfaction as “satisfaction as a supplier’s feeling of fairness with regard to buyer’s incentives and supplier’s contributions within an industrial buyer-seller relationship as relates to the supplier’s need fulfillment” (Essig & Amann, 2009, p. 104) has the same direction as Benton and Maloni (2005) do. The authors constructed a “supplier satisfaction index” consisting of three levels. At first, there is the strategic level, with intensity of cooperation as an indicator. The second level is of operational nature and includes the indicator groups “order” and “billing and delivery”. Lastly, there is the “accompanying level” with the indicator groups “communication”, “conflict management” and “general view” (Essig & Amann, 2009, p. 106). The authors concluded that this supplier

satisfaction index offers buyers “a steering tool to avoid possible negative consequences that may result from supplier dissatisfaction” (Essig & Amann, 2009, p. 107). Using this supplier satisfaction index, buying companies are capable of identifying areas of improvement which aim to increase satisfaction of their suppliers, in order to lay a basis for a preferred customer status.

Nyaga et al. (2010) stated that collaborative activities, namely information sharing, joint relationship effort and dedicated investment, can be used as non-contractual mechanism to cope with problems that might arise in the relationship between buyer and seller. By applying commitment and trust as mediating variables, the authors stated that collaborative activities will have a positive effect on satisfaction with the relationship and with the results, but also on performance (Nyaga, Whipple, & Lynch, 2010, p. 103). Results from their analysis showed that joint relationship activities mostly influence trust, and do not directly influence commitment, however, they are still needed for trust-building between partners (Nyaga et al., 2010, p. 109). Increasing the level of trust on both sides of the relationship might be useful to increase commitment, as trust is a source of commitment, as was previously noted by Morgan and Hunt (1994 p. 24). Additionally, they found commitment to be influenced by dedicated investments, as companies investing much in a relationship tend to commit higher to it as expected results might be increasing (Nyaga et al., 2010, p. 109f). As their result showed positive effects of all collaborative activities on the relationship satisfaction, companies should undertake such activities in order to increase supplier satisfaction and lay a basis for a preferred customer status.

Another study which researched supplier satisfaction in connection to commitment was conducted by Ghijsen et al. in 2010. In this study, the authors tried to identify the impact of influence strategies on supplier satisfaction and commitment (Ghijsen, Semeijn, & Ernstson, 2010, p. 17). Influence strategies are “means of communication available to a firm’s personnel in their influence attempts with associated channel members” (Frazier & Rody, 1991, p. 52). The results of their study showed that indirect influence strategies, such as information exchange and recommendation tend to positively impact supplier satisfaction whereas some direct strategies, for example requests or threats, have a somewhat negative effect on supplier satisfaction. Furthermore, the authors found promises to the supplier to be a positive influence on commitment (Ghijsen et al., 2010, p. 22). Additionally, the authors researched the effects of supplier development activities on satisfaction and commitment. Their results showed capital-specific supplier development activities to have a significant positive effect on supplier satisfaction and commitment (Ghijsen et al., 2010, p. 24). In line with the results from Ghijsen et al (2010), a company, which is seeking to satisfy suppliers and increase commitment, should focus some attention on capital-specific supplier development and indirect influence strategies such as information exchange. Additionally, threats or requests to suppliers should be avoided, as these tend to be of negative influence for supplier satisfaction.

Hüttinger et al. identified antecedents of supplier satisfaction according to four dimensions. These four dimensions are, at first, technical excellence (R&D) including items such as supplier development or early supplier involvement. Secondly, supply value (purchasing) with factors like cooperative relationships or profitability. Furthermore, another dimension which is referred to as mode of interaction includes, for example, communication and information. Finally, the fourth dimension, namely operational excellence, consists of business competence or time scheduling. (Hüttinger et al., 2012, p. 1201).

However, solely being an attractive customer is not sufficient to become a preferred customer. When trying to become a preferred

customer of suppliers, a company additionally has to pay attention to keeping supplier satisfaction at a high level, in order to establish a sound basis for becoming a preferred customer. Satisfied suppliers tend to increase commitment to the buyer-seller relationship and, resulting from that, may assign the buyer a preferred customer status. The next subsection will deal with additional antecedents of a preferred customer status. Table 2 summarizes the aforementioned antecedents of supplier satisfaction.

Author / Article	Identified Antecedents of Supplier Satisfaction
Wong, A. (2000). Integrating supplier satisfaction with customer satisfaction	<ul style="list-style-type: none"> - Cooperative culture - Commitment to supplier satisfaction - Constructive controversy
Benton, W., & Maloni, M. (2005). The influence of power driven buyer/seller relationships on supply chain satisfaction	<ul style="list-style-type: none"> - Quality of relationship
Essig, M., & Amann, M. (2009). Supplier satisfaction: Conceptual basics and explorative findings	Supplier satisfaction index with 3 levels: <ul style="list-style-type: none"> - Strategic level - Operational level - Accompanying level
Nyaga, G. N., Whipple, J. M., & Lynch, D. F. (2010). Examining supply chain relationships: do buyer and supplier perspectives on collaborative relationships differ?	<ul style="list-style-type: none"> - Collaborative activities - Information sharing - Joint relationship effort - Dedicated investment
Ghijzen, P. W. T., Semeijn, J., & Ernstson, S. (2010). Supplier satisfaction and commitment: The role of influence strategies and supplier development	<ul style="list-style-type: none"> - Indirect influence strategies (e.g. information exchange & recommendation) - Capital-specific supplier development activities
Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review	<ul style="list-style-type: none"> - Technical excellence (R&D) - Supply value - Mode of interaction - Operational excellence

Table 2. Antecedents of Supplier Satisfaction

2.2.3 Preferred Customer Status

Among the first to discuss preferred customer status and accompanying non-contractual agreements was Williamson, suggesting that companies, next to long term contracts with suppliers, should engage in a “system of preferred suppliers and customers” (Williamson, 1991, p. 6). According to Williamson, companies in such a system can reap advantages which are also inherent in long-term contracts, while remaining flexible. However, many of Williamson’s arguments are related to monetary aspects. He states that “small users can [...] overcome this disadvantage and increase their share of supplier responsiveness by paying a price premium” (Williamson, 1991, p. 7). Accordingly, Williamson has not yet identified means for smaller companies with lower strategic value to their suppliers, which later have been identified by Christiansen and Maltz (2002) and underlined the solely price-driven view from which the concept of preferred customer status is moving. However, Williamson’s article created a solid ground-work for the literature about preferred customers.

In her article, Patricia Moody (1992) summarized the results of a survey conducted by the AME, the Association for Manufacturing Excellence, which aimed to identify traits inherent to “world-class customers”. Surprisingly, the traits that suppliers identified as being valuable were not issues such as award process or demand stability but early supplier involvement, mutual trust, involvement in product design, quality initiatives, profitability, schedule sharing, response to cost reduction ideas, communication and feedback, crisis management/response and commitment to partnership (Moody, 1992, p. 52). Additionally, buyers, who only focus on buying price and establish price-only tactics rather than focusing on total value and being responsive to suppliers’ needs, were not perceived to be good customers. As one respondent in their survey stated, best customers “know their needs and choose partners after careful analysis”. In general, the survey results identified an ideal customer as one “who pays bills on time, tells you what to expect from products and even sets a place for you at the table.” (Moody, 1992, p. 53). On top of that, the author also presented some best-practice firms. Among these is Motorola, which tries to be an ideal customer by implementing the following six approaches. First, being attentive and action-oriented when resolving problems. Second, truly buying based on total cost and not based on price. Third, earning trust and loyalty by treating suppliers with respect. Fourth, being consistent in consideration of the suppliers overhead cost structure. Fifth, simple and fair rules for gaining business with the customer. Sixth, encouraging the supplier through early involvement (Moody, 1992, p. 55).

Steinle and Schiele (2008) applied the preferential customer concept to global sourcing in a two-firm case study. Their study showed that “becoming a preferred customer of a remote supplier is less likely than achieving this status with a vendor in the same national or regional cluster.” (Steinle & Schiele, 2008, p. 12). Resulting from that it can be stated that geographical proximity and membership in the local cluster is beneficial for achieving preferred customer status with a strategic supplier, since in a distant regional cluster relationships might already be established. A comprehensive summary of antecedents of preferential customer treatment by suppliers was provided by Hüttinger et al. The authors identified the following groups of drivers of preferred customer status, economical value including high purchasing volume or profitability, relational quality factors (e.g. loyalty, trust and fairness) and instruments of interaction such as early supplier involvement, schedule sharing and action-oriented crisis management. Additionally, factors of strategic compatibility (e.g. strategic fit) and geographical proximity have been identified (Hüttinger et al., 2012, p. 1202).

If a company is an attractive customer to strategic suppliers, and these suppliers are satisfied with the business relationship between the two firms, the supplier might award the buyer with a preferred customer status. There are several benefits which can be reaped from a preferred customer status. As Steinle and Schiele (2008) for example stated “[a] firm has a preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation.” (Steinle & Schiele, 2008, p. 11). A summary of the identified antecedents of a preferred customer status is provided in table 3. The next subsection will elaborate more deeply on the respective benefits resulting from a preferred customer status.

Author / Article	Identified Antecedent of Preferred Customer Status
Williamson, P. J. (1991). Supplier strategy and customer responsiveness: Managing the links	<ul style="list-style-type: none"> - “Engage in system of preferred suppliers and customers” - Pay price premium

Moody, P. E. (1992). Customer supplier integration: Why being an excellent customer counts	<ul style="list-style-type: none"> - Early supplier involvement - Mutual trust - Involvement in product design - Quality initiatives - Profitability - Schedule sharing - Response to cost reduction ideas - Communication & feedback - Crisis management - Commitment to partnership
Steinle, C., & Schiele, H. (2008). Limits to global sourcing?: Strategic consequences of dependency on international suppliers: Cluster theory, resource-based view and case studies	<ul style="list-style-type: none"> - Geographical proximity
Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review	<ul style="list-style-type: none"> - Economic value - Relational quality factors - Instruments of interaction - Strategic compatibility

Table 3. Antecedents of Preferred Customer Status

2.3 Benefits resulting from a Preferred Customer Status

As already stated in the previous sections, companies can obtain a competitive advantage from their preferred customer status. These benefits can range from price benefits over decreased lead times to increased supplier commitment to the relationship. Additionally, customers can tap into the suppliers' innovativeness. The group of benefits that the literature identified most frequently was the one comprising price benefits. Among the first to identify price benefits from a preferential treatment as customer of a certain supplier were Blenkhorn & Banting who identified savings from five to 30 percent through a successful "reverse marketing" approach (Blenkhorn & Banting, 1991, p. 188). Other authors, such as Moody (1992) and Nollet, Rebolledo and Popel (2012) also identified price benefits caused by preferred customer status (Nollet, Rebolledo, & Popel, 2012, p. 1187), (Moody, 1992, p. 57). Furthermore, Nollet et al. additionally stated that suppliers are considered to be more sensitive to future negotiations with a preferred customer and can contribute to customers' cost reductions by, for instance, inventory management or by helping to decrease manufacturing costs (Nollet et al., 2012, p. 1187). Schiele et al. (2011) moreover found a preferred customer status to have a positive impact on suppliers' benevolent pricing behavior (Schiele et al., 2011, p. 16).

Several other benefits next to solely cost, or price-based benefits, have been identified in recent literature. In his article, Schiele (2006) identified the possibility to access a strategic supplier's innovation before competitors do, by being their preferred customer (Schiele, 2006, p. 46f). The author additionally identified negative impacts of not being a preferred customer on delivery reliability and in connection to NPD (Schiele, 2006, p. 47). The benefits of increased access to supplier innovation are in line with Nollet et al. (2012) who, next to price and costs, identified benefits of a preferred customer status among the dimensions "product quality and innovation" such as product customization and

consistent quality levels, "support" including increased information sharing, or increased responsiveness, and "delivery reliability" with priority shipments to the customer, or adjustment to changes in schedules (Nollet et al., 2012, p. 1187). Schiele (2012) stated that companies receive preferential resource allocation in form of supplier personnel dedicated to NPD projects, or preliminary access to supplier innovation (Schiele, 2012, p. 47).

Christiansen & Maltz (2002) also identified several benefits from a preferred customer status. One of their case study companies received benefits in terms of technology sharing and problem resolution and also reduced material utilization during the long-term operations (Christiansen & Maltz, 2002, p. 183). Another one of their case study companies benefited from reduced lead times and increased responsiveness from their supplier (Christiansen & Maltz, 2002, p. 186). The third of the case study companies could establish good supplier cooperation with a core supplier through commitment and knowledge sharing. Accordingly, it received great benefits from their preferred customer status with that supplier. Among these were reduced lead times, but also the possibility to test and acquire new technology of the supplier before competition, sometimes even before commercial release (Christiansen & Maltz, 2002, pp. 181-182).

Resulting from the literature analysis before, it can be assumed that a preferred customer receives advantages that other customers might not get from the respective supplier. A summary of the benefits can be found in table 4. Moreover, these benefits of a preferred customer status can be summarized into three categories, in order to better distinguish between types of customers. The bottom category is set up of all customers, which do business with the supplier, and pay for it. Above these, are the "little preferred" customers, who receive some benefits that not all customers get, but still have to pay. At the top of the pyramid are the "fully preferred customers" which receive benefits not all customers get for free. An illustration of the pyramid is depicted in figure 1.

Type of Benefit	Author
Price and pricing behavioral benefits	Blenkhorn & Banting 1991 Moody 1992 Schiele, Veldmann & Hüttinger 2011 Nollet, Rebolledo & Popel 2012
Product, technology and innovation benefits	Christiansen & Maltz 2002 Schiele 2006 Nollet et al. 2012
Resource and time based benefits	Christiansen & Maltz 2002 Schiele 2006 Schiele 2012

Table 4. Benefits Identified in the Literature of Preferred Customer Status

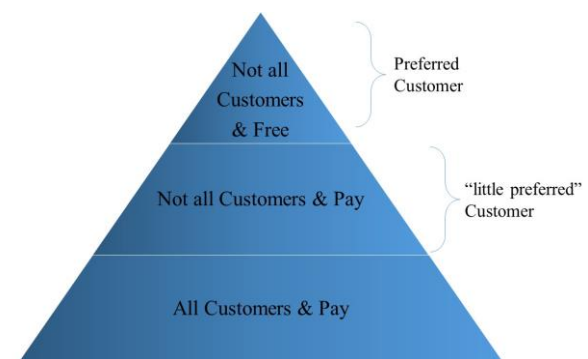


Figure 1. The Benefits of Preferred Customer Status

2.4 History of Relationship Development: Evolutionary or by Episodes?

Another focus of this paper will be attributed to the development of the relationship between the customer and the supplier. It will be elaborated whether there was a certain point of time, after which the customer was regarded as a preferred customer, or whether the relationship developed over time, i.e. the preferred customer status emerged slowly. In a more recent article on interpersonal attraction in buyer-seller relationship Chris Ellegaard proposed a “cyclical interactive attraction development process” where one actor rewards another and thus increases attraction of that actor, who in turn rewards the first actor which also increases that actor’s attraction. (Ellegaard, 2012, p. 1224). Referring to the relationship development of a preferred customer status, it can be assumed that the relationship between customer and seller developed over time, as the two actors constantly rewarded each other. Ellegaard’s approach can be brought in line with the concepts of customer attractiveness and supplier satisfaction. When an attractive customer first engages in a business relationship with a strategically important supplier, the attraction between the two starts to emerge. If the supplier is satisfied with the relationship, he might reward the customer with, for instance, better prices and thus increases the attraction of that customer, which in turn might reward the supplier with extended business. According to Ellegaard, if such continuous rewards are established, the relationship can become close and even stronger in the future (Ellegaard, 2012, p. 1222). Ellegaard’s conceptualization of the development of a preferred customer relationship can be characterized as being evolutionary, developing, adapting and growing stronger over time.

A different approach to the relationship development of buyer-seller relationships was proposed by Hald (2012), who argued that current conceptualizations of buyer-seller relationships are too simplistic and not sufficient to fully explore these. In his paper, he conceptualized dyadic buyer-seller relationships as “multiple relationships between boundary spanning functions” (Hald, 2012, p. 1228). In such a relationship, not only the two companies interact with each other, but also their inherent functions form smaller dyadic relationships. For instance, the supplier’s key account management (KAM) interacts with the customer’s strategic sourcing, technology departments of the supplier interact with customer’s respective functions. From his case studies, Hald concluded that the supplier’s perceived attractiveness and satisfaction are indeed influenced by the different “logics of actions” and their effects on alignment (Hald, 2012, p. 1236). He identified three generic types of misalignment which influence supplier satisfaction and perceived attractiveness. The first type of misalignment is the misalignment between business functions in primary exchange relationships, and might occur between supplier’s logistics and the customer’s logistics department. The second type of misalignment occurs in secondary exchange relationships such as the one between customer strategic sourcing and supplier technology functions. Lastly, Hald identified type three misalignments which occur inside one of the organizations, for instance, between supplier KAM and supplier logistics. Such a misalignment indirectly affects the other company (Hald, 2012, p. 1236f). Further, Hald concluded that customer attractiveness is defined by the perceptions of boundary spanning actors in the micro-dyadic relationships between the companies’ functions. Accordingly, if regular misalignments between functions occur, the perceived attraction or satisfaction of that actor might decrease (Hald, 2012, p. 1238). Thus, when managers try to manage preferred customer relationships, they have to pay attention and try to reduce these misalignments, as Hald states that interactions within one function might lead to misalignments in another, reducing customer attractiveness and vice versa. In summary,

Hald’s approach to the development of a preferred customer status can be characterized as being more of an episodically developed one, where certain historical events greatly influence customer attractiveness and supplier satisfaction and accordingly the preferred customer status.

3. METHODS: RESEARCH DESIGN & DATA COLLECTION

3.1 Questionnaire design and interviews

The case study will consist of interviews with purchasing staff of the buying company. The questionnaires used for these interviews were designed by a group of students of the University of Twente in 2013 in similar case study approach. For increased comparability of the results of the case study, these questionnaires will also be used in the interviews of this case study. The interview held with these questionnaires will be semi-structured, with 11 open questions distributed over three parts. Open questions are used in order to foster communication and extract as much information as possible.

The questionnaire was divided into three parts. At first, questions about the classification by companies of their suppliers or buyers will be asked. Secondly, questions identifying the benefits resulting from a preferred customer status. Lastly, there is a part which aims to identify antecedents of the preferred customer status.

After an initial contact via e-mail, the interview with purchasing staff of the company was held via telephone in German language. The interview lasted 40 minutes. In preparation to this interview and to develop a general understanding of the topic, the questions and a short introduction to preferred customer status was provided to the purchaser. Unfortunately, due to confidentiality and business reasons suppliers of the trailer manufacturer could not be interviewed.

4. ANALYSIS AND FINDINGS

This section will present the findings resulting from the interviews and accordingly analyze them. It will be divided into a first depiction of the situation experienced at the buying company, followed by a comparison with the literature. After that, the most striking benefits which the buying company received will be pointed out and examined more thoroughly.

4.1 The Situation of the Buying Company

Currently, the buying company is employing around 3,200 people in multiple locations in Europe. The purchasing function is centralized with a central strategic purchasing unit. Furthermore, subsidiaries and production sites have own independent small sourcing departments. The company’s strategic purchasing unit is responsible for sourcing items adjusted to the company’s manufacturing needs, but also for the procurement of routine items. For instance, specific items include axels fitted into the trailers or, more recently, new premium tires redistributed under the company’s own brand.

Firstly, the purchaser was asked whether the company classifies suppliers among certain categories. Classifications are made according to commodity groups, price position or special requirements. Standard suppliers supply routine items such as screws. Additionally, there are preferred suppliers which are companies engaged in a longer business relationship with the buyer. These would be preferred if new requests for proposals were issued and receive a so called “last-call right” which enables them to place a last offer if a competitor posed a better one than the original offer. Lastly, there are strategic relationships with suppliers. Here, the buyer increasingly applies two-supplier strategies. Both suppliers supply a certain ratio of the commodity, for example,

50:50 or 60:40 etc. Moreover, strategic suppliers will be approached when problems with one of the suppliers emerge. Problems could be supply chain interruptions by e.g. natural catastrophes. Preferred and strategic suppliers are responsible for company-specific commodities such as axels or covers of trailers, and hence, cannot be replaced that easily.

Furthermore, when asking to identify potential classifications of their suppliers in connection to the buying company, the purchaser stated that their company has high purchasing volumes at many of its small and medium suppliers and thus, most certainly, is classified as major customer or key account. Moreover, some of these smaller suppliers have high amounts of turnover with the buying company and therefore use it as reference for other business activities. With regard to bigger suppliers, like the ones supplying tires, the company is only one customer amongst others and consequently, has only small purchasing volume and low influence. In general, the management is not directly involved in establishing a preferred customer status because it is mostly the case that such relationships with suppliers develop over time, resulting from business activities, and are not actively implemented by directors. Here, the status is also closely related to turnover and monetary terms. The purchaser identified a preferred customer relationship with some suppliers. However, as previously indicated, due to confidentiality and current business transaction reasons, these could not be interviewed and thus, the analysis will be based on the results from the interview with the purchaser.

The second part of the interview referred to benefits for the buying company which are related to a preferred customer status. In the interview, the purchaser emphasized that most of the requirements on the commodity are defined before the request for proposal is issued and thus represent, besides costs, the main factors which influence the sourcing decision. If these requirements are not, or cannot be, met by suppliers, they will not be contracted or the company stops doing business with them. However, the purchaser expressed that sometimes, suppliers that have done business with the company for longer terms, tend to perform better, e.g. with regard to lead times. Lastly, the interviewee identified costs and the meeting of requirements to be the main influencers on lead, or sourcing times, and stated that the purchasing price is mostly influenced by the company's bargaining position. As it was indicated earlier, the trailer manufacturer is in a good bargaining position with regard to most of the smaller suppliers, as it has great turnover with these companies. In theory, early access to supplier innovation is also identified as one of the major benefits of being a preferred customer. However, the interviewee mentioned that innovations in their industry tend to be disclosed to the most profitable partner. Nonetheless, due to their strong market position, the case company tends to be one of these most beneficial companies to share innovation with, but as the purchaser stated, the company rarely received innovation access through a special relationship with a supplier. In this domain, the process is mainly controlled by monetary aspects and suppliers tend to award the most promising, or best paying, companies with innovation access. On the other hand, the interviewee mentioned situations, where suppliers presented innovations or new products, but the company underestimated their value and thus, did not invest. Afterwards, these products showed to be fruitful and also might have led to a preferred customer status. Besides this, the interviewee identified benefits which the company receives through business relationships with smaller suppliers, for which it has a greater turnover volume. Mainly, these encompass the theoretically identified preferential access to resources in comparison to competitors. Moreover, benefits included access to resources even if supplier capacity is exceeded and some supplies have to be cut.

In the last part of the interview, the questions concerned the antecedents of a preferred customer status. Asking the interviewee

about the means the company employs to establish a preferred customer status with key suppliers, the purchaser denied the company's use of such means aiming to become preferred customer. In most cases, these relationships result from the company's market size and turnover with the supplying company.

Literature identifies customer attractiveness as one main stream of antecedents. Considering the company's attractiveness, the purchaser identified its size in the industry and turnover volume to be the major influence on its attractiveness. However, the interviewee identified this attractiveness to be mainly affecting smaller or medium suppliers, as the company for large suppliers is only one customer amongst others. An additional factor which influences attractiveness is represented by large piece numbers sourced from suppliers, which also only accounts for smaller suppliers.

Another factor of antecedents identified in the literature is characterized by supplier satisfaction. In general, the purchaser considers the company's business relationships to be satisfying for its suppliers. However, the interviewee also mentioned that suppliers in most cases act as they were unsatisfied, to prevent losing bargaining ground. A supplier who seems to be satisfied might be forced to reduce the prices below their comfort zone. In addition to that, the industry in which the company operates is said to have a relatively small return on sales of only 2-3%, thus, many companies have to cut costs to be profitable, which transfers to suppliers and accordingly reduces satisfaction. In order to increase satisfaction of suppliers, the company assures them of certain quotas of pieces to be sold and guarantees to buy these. Hence, if these numbers are met, the supplier tends to be more satisfied. Such practices aim at satisfying the supplier in the business relationship and at ensuring on-going business with the company. According to the interviewee, further factors which are perceived as influencing supplier satisfaction are the degree of fulfillment of contracted agreements and occupancy factor with the company. Additionally, high fluctuations in demand represented a factor which indirectly influences supplier satisfaction. Fluctuations emerge because the trailer manufacturer produces to end customer's order and thus, can only forecast short-term. These dynamics, in connection with long-term planning uncertainty and small margins, can lead to increased dissatisfaction on the supplier side.

When asked about future activities to become preferred customer of new suppliers, the purchaser denied and stated that the company, in line with the above stated arguments, will not actively control the preferred customer status with suppliers. Considering the relationship development of the buying company and the suppliers for whom it has a preferred customer status, the purchaser highlighted that most of the times, the development resulted from daily business activities and was not extensively directed or controlled. There are some suppliers with whom the company has some kind of preferred customer status with. In these cases, the decision has been formerly made to work together and from that point on, the development of both companies occurred alongside, especially in connection to market fluctuations, where both companies were equally affected. The purchaser additionally pointed out some positive and negative impacts and consequences of preferred customer relationships with suppliers. For instance, an increased flexibility was regarded as positive and resulting from synchronized processes. The most striking negative point was the mutual dependence emerging from these relationships. The development of this relationship is to be examined in-depth in a later section.

4.2 Benefits from a PCS without actively directing or controlling relationships

Although the company does not extensively engage in preferred customer relationships, it seems to reap some benefits which

might result from such status. Additionally, some of the antecedents as well as relationship development characteristics which have been previously identified can be observed at the company. As it was highlighted before, the company does not actively control, or direct, relationships to suppliers with the aim of becoming a preferred customer. In the company's requests for proposals, all terms considering lead times, purchasing prices and requirements to the commodity are predefined. Accordingly, offers of suppliers are tailored to these RFPs. The company does not experience an influence of its status of relationship with its suppliers, in terms of purchasing prices. A reason for that can be contributed to the small margins firms in the trailer industry experience, which leave few space for price reductions. Although there were cases of suppliers outperforming lead-times, the impact on lead times was small. One benefit the company gained was that of access to innovation of smaller suppliers, who often reach out to the company to be an innovation partner, because of its status as market leader and biggest manufacturer in its sector. Accordingly, innovative suppliers approach the company to take part in the innovation before competitors are approached. An example for that was the supplier for axles, when introducing an improved version. The company received that innovation before competitors did and thus, gained an advantage over them. In the literature, access to supplier innovation was identified by Schiele (2012) as a benefit resulting from a preferred customer status (Schiele, 2012, p. 46). However, the company had to make some investments and hence, can be categorized on level 2 of the preferred customer pyramid (Figure 1) - "not all customers and pay". Other benefits which have been identified by the purchaser was represented by the receipt of a preferential allocation of material, if one of their smaller suppliers had capacity problems, before competitors received these. Such benefits have been identified by Steinle & Schiele (2008) and Schiele (2012) (Schiele, 2012, p. 47; Steinle & Schiele, 2008, p. 11). Additionally, the purchaser mentioned that his company often gets access to primary material of specific suppliers preferred to other customers, which also is in line with findings of the previously named authors.

Antecedents of a preferred customer status, which have been found at the case study company, were especially customer attractiveness through company size and turnover volume, as well as high purchasing volume, as identified by Hüttinger et al. (2012) and Fiocca (1982) (Fiocca, 1982, p. 57; Hüttinger et al., 2012, p. 1109). In his article from 1982, Fiocca identified market factors as being one of the groups of influencers on attractiveness, one factor in this group is the customer's market share (Fiocca, 1982, p. 57). The case study company currently is market leader with a share of about 27% and the purchaser identified this to be a factor which influences its status among many suppliers. An additional factor which has been identified by Fiocca (1982) and which is visible at the case study company, is the company's position in relation to competitors. This is additionally related to the market share and thus, can be observed at the case study company (Fiocca, 1982, p. 57). Next to market share, Hüttinger et al. identified size as being a market-related influencing factor of customer attractiveness, tight personal relations and information exchange as social factors affecting attractiveness (Hüttinger et al., 2012, p. 1109). These factors were also identified by the purchaser, who stated that companies has aligned processes with some suppliers, which result in supplier personnel being responsible to the case study company only. Such an optimization of processes increases sharing and personal relations between the two companies. Benton and Maloni (2005) found out that if buyer and seller work closely and efficiently together, supplier satisfaction would increase (Benton & Maloni, 2005, p. 16). The findings are also in line with the statement from the AME survey conducted that a good customer is one that who pays bills on time, tells you what to expect from products and

even sets a place for you at the table." (Moody, 1992, p. 53). This was as well identified by the interviewee, in consideration of the integration of processes with suppliers, where personnel of the company and the supplier are responsible for the same shared system.

In the year 2013/14 the company had a turnover of € 1.6 billion (Handelsblatt, 30.07.2014). Accordingly, the company is one of the biggest in the trailer industry, and thus, is attractive to many suppliers. However, as the purchaser highlighted, this attractiveness is mostly related towards smaller and medium suppliers. When sourcing from one of the larger automotive suppliers, the case study company is only one customer amongst many and thus, not one of the attractive ones. Therefore, with such suppliers it only has a standard or regular relationship status.

In the literature, supplier satisfaction was identified as being an antecedent of preferred customer status. As already stated in the section before, the interviewee identified several factors which were regarded as impacting satisfaction of the company's suppliers, for instance, the fulfillment of contractual agreements, or occupancy rates. When establishing the sourcing contract, the company guarantees the supplier a certain purchasing quota of items. The purchaser reported that, depending on the load factor, some suppliers are satisfied when the company buys more than the quota, while others are not. Fulfilling or exceeding such purchasing quotas could, on the one hand, be categorized as being part of Essig and Amann's second level, the operational level, in their supplier satisfaction index (Essig & Amann, 2009, p. 106) or, on the other hand, be classified in Hüttinger's et al. second dimension "supply value" (Hüttinger et al., 2012, p. 1201).

As the interviewee noted, the concept of preferred customer status is mostly "lived" and emerges randomly from day-to-day business with suppliers over a longer time, therefore, it is hard for practitioners to actually get a grip on it. Additionally, it was mentioned that within the case company, there are no ambitions to actively steer preferred customer relationships in the future, as the company does not really expect any greater benefits from it than those resulting from its current status.

Table 5 shows three of the benefits the case study company receives from its suppliers, where some kind of preferential customer status emerged, classified in the according levels of the pyramid presented in Figure 1. Two of these benefits were received without additional payments to be undertaken by the company, while one, that of a new innovation to be introduced, had to be invested in and thus, is to be classified as level two. Those being free of charges could be assigned to the top level of the preferred customer pyramid, the others to the level of little preferred customers.

Element in Practice	Element in Theory
Company received new system of axels from supplier before next big competitor did	Access to innovation before competitors → "not all customers and pay"
Trailer manufacturer received more than competition resources during supplier capacity problems	Preferential resource allocation → "not all customers and free"
Preferred access to primary material	Preferential resource allocation → "not all customers and free"
Suppliers outperform lead times	Often rather occasionally and mostly because of purchasing volume

Table 5. Benefits received by the Buying Company

4.3 Relationship Development between the Buying Company and Key Suppliers

In consideration of the relationship development approaches identified in section 2.4, the case study shows a tendency in the direction of Ellegaard (2012), with events resulting in an improvement of relationship between the company and its supplier (Ellegaard, 2012, p. 1224). According to the interviewee, there are some suppliers with whom the company has been engaged in long-term business relationships and thus, after a certain point of time, the decision was made to further foster this relationship. Consequently, processes were integrated and interlocking electronic data progressing programs were set up. Such a decision could be seen as one actor rewarding the other (c.f. Ellegaard, 2012, p. 1224). Accordingly, the two companies increase attractiveness towards each other and improve the inter-firm relationship. Referring to the case company, this could be one step into the direction of becoming preferred customer of this supplier and as Ellegaard concluded, the resulting increase in attractiveness increases relationship quality and strength (Ellegaard, 2012, p. 1222). As the author further stated, increasing relationship quality and strength again increases attraction between the two companies. In addition to that, increased attractiveness will lead to higher supplier satisfaction (Wong, 2000, p. 429), which is a step in the direction of a preferred customer relationship.

Drawing on the results of Ellegaard's study, it can be assumed that an evolutionary relationship development will express in increased attraction between the two companies, as well as a better and stronger business relationship between them. Referring to the case study, it can be highlighted that the trailer manufacturer and its suppliers with whom processes are aligned, find themselves at an early stage of the cyclical relationship approach by Ellegaard. In the future, their increased attractiveness and relationship quality, in connection with additional antecedents, eventually leads to a preferred customer status of the case study company.

5. DISCUSSION

The case study company currently does not actively engage in preferred customer relationships with its suppliers, however, referring to some aspects, there are considerable similarities to the concept of a preferred customer status. At first, it has to be stated that at the case study company, the concept of preferred customer status was nearly unknown prior to this research and thus, purchasing staff found it hard to get a grip on the theories, although some of the inherent practices, antecedents and benefits were already in place at the buying company. The company, employing 3,200 employees and being market leader, fits in the in research identified target group of companies employing the concept of preferred customer status. However, its purchasing department still does not seem to recognize these concepts, although there are some benefits that might result from a preferred customer status.

It is not clear whether these benefits solely are derived from the company's status in the industry, or if the suppliers with whom it has long-term relationship started categorizing the company as a preferred customer, without the company recognizing it. Supporting the fact that the benefits mostly result from the company's status as market leader, or from the highest purchasing volume amongst its competitors is the fact that the literature identified such benefits that occur often. According to the interviewee access to a supplier's innovation was achieved because of its relative size to the company's main competitor. The supplier considered the company to be attractive partner in an innovation effort because of size, not because of a potential preferred customer status.

Another indication that the trailer manufacturer does not try to achieve a preferred customer status with key suppliers, is the statement of the interviewee that in some cases, new supplier products were left out and not acquired. Since these were connected to supplier development activities and further investments which were not undertaken at that time, a competitor got into business with the supplier. Investing in these innovations, or products, could have led to a preferred customer status. Thus, if the company would perceive a preferred customer strategy, it might have invested to become a preferred customer of that supplier.

Antecedents identified in the literature were based on the concepts of customer attractiveness and supplier satisfaction. Some of these antecedents were also present at the case study company. Antecedents, identified around companies' size, turnover or purchasing volume were prevailing. Antecedents around "softer" topics such as relationship management or social attributes of the company were not represented as these usually are to be actively managed by companies which aim to become a preferred customer. The company is an attractive customer since it is Europe's market leader and thus, is in a good position towards small and medium suppliers. Similar connections can be drawn for antecedents revolving around supplier satisfaction. The antecedents of supplier satisfaction involving monetary terms, such as certain purchasing quotas and other contractual agreements that when fulfilled lead to increased supplier satisfaction were mostly present at the company studied. Satisfaction resulting from supplier integration or other "technical excellence" factors such as those identified by Hüttinger et al. were not present, as e.g. R&D is solely undertaken by the case study company itself.

6. CONCLUSION

The results of the interview in general show that the trailer manufacturer does not extensively engage in preferred customer or special relationships with suppliers. If preferred customer relationships emerge, they resulted from day-to-day business activities and have not been actively directed by purchasers or management. One reason for this might be the structure of the industry, in which the buying company operates. A small return on sales of only 2-3% results in a very high focus on monetary terms, thus, firms' overall aims is to cut cost wherever possible. Accordingly, the interviewee stated that such relationships are considered to be relatively costly. Thus, the company only engages in them, if they emerge from daily business rather than actively trying to become a preferred customer of suppliers. Another reason might be the fact, that the concept of preferred customer status still receives most of its attention from researchers and this only in the last decade or two. Therefore, the concept might not be recognized by practitioners throughout all industries. The industry sector, in which the case study company operates, is dominated by businesses which developed from being mid-sized to bigger, global companies and as a result of that, inherit mostly grown business structures and not best practices which have been designed by big global players. These companies only slowly adapt to changes in business structures and cope with the events one by one. Considering the concept of preferred customer status, the interviewed purchaser stated that it is still a mostly theoretical concept and it might be lived by many businesses. Yet, it is hard for those working in these businesses to actually name, or define, this concept. Hence, an additional conclusion can be drawn from the case study. Namely, that some companies tend to "live" such concepts rather than actively trying to manage them. This would include establishing long-term relationships with suppliers and reaping benefits from these relationships that not all of the suppliers' customers receive. Moreover, some of the antecedents of preferred customer status, which

have been defined in the literature, are also present within relationships between suppliers and buying companies without being actively managed.

These assumptions lead to the conclusion that in some industries or company settings, where price is dominating, with small margins such as the one of the case study company, a preferred customer status concept has been not yet established. However, it can be postulated that also in these industries, achieving a preferred customer status might prove to be beneficial for companies, if it was correctly managed.

6.1 Practical implications of the identified Benefits and Antecedents of a PCS

The results of this case study have several implications for the company studied. At first, they show that unknowingly, some steps in the direction of becoming a preferred customer of key suppliers have already been undertaken. Presently, the company represents an attractive customer in its industry to many of the smaller suppliers. Moreover, the company tends to satisfy suppliers in business relationships. Additionally, the organization has long-term relationships with several suppliers, which potentially could develop into a preferred customer relationship. Another implication of this study is the direction it provides to the company. It shows what steps could be undertaken in the future in order to become a preferred customer of key suppliers.

Companies which are not yet preferred customers of their key suppliers but, knowingly or unknowingly, have some notions of the concept in place, can use these findings for a first indication of where they are standing and what steps could be undertaken next.

6.2 Research Contributions and Limitations

This explanatory case study contributes to the existing literature by at first, providing an insight in recent theoretical and practical researches about the topic preferred customer status, as well as conducting a case study with findings which indicate that not all theories and concepts of the preferred customer status have been well established and applied in all industries and company types. The case study provides insights into a company which manufactures products being customized according to their customers' needs. At the company its strategic sourcing department does not see a preferred customer status as applicable to their situation. The literature analysis additionally presents an overview about how such steps can be undertaken by companies that not yet know of the concept of preferred customer status become a preferred customer.

Limitations of this study are mainly contributed to its lack of comparability due to the setting as a single case study, as well as to the findings that are quite new, as studies with a similar aim have not been conducted. Accordingly, in order to generalize the findings of this study, further research has to be undertaken. It might be relevant to examine how other companies in the trailer industry in Europe or on another continent handle the preferred customer status.

Another limitation of this study is represented by the fact that the whole concept of customer attractiveness, supplier satisfaction and preferred customer status, as well as their antecedents and benefits, have only recently been researched in depth, thus they still remain mostly theoretical in nature. Accordingly, more empirical findings have to be established in order to more thoroughly assess these topics.

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