Antecedents and benefits of preferred customer status with suppliers: a case study at a Dutch accounting firm

Author: Vincent Mastebroek
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands

ABSTRACT

The literature on preferred customer status suggests that buyers can receive many benefits from reaching this status. However, it has thus far focused mainly on manufacturing firms. This study aims to explore the antecedents and benefits of preferred customer status, and the effects of reputation, status and strategic fit on this status, in service firms. This is accomplished by a case study in a Dutch accounting firm and three of its suppliers, using semi-structured interviews.

It was found that customer attractiveness and supplier satisfaction are antecedents to preferred customer status, but they are not sufficient. Reputation, status and strategic fit appear to increase customer attractiveness and thus are antecedents of preferred status. Size was found to be important as it has direct influence on several factors that influence attractiveness and satisfaction. Finally, there was evidence that some suppliers do not support having preferred customers at all, as only one of three suppliers deliberately treats some customers better.

The outcomes suggest that service firms can also benefit from preferred status. Small firms will have more difficulty than large firms to accomplish this. They will have to grow, or find another way of overcoming the disadvantage of their small size. The validity of the outcomes is limited by the possibility of self-report bias, and the results are not generalizable due to the small sample size. This study adds to the literature about preferred customer status in small firms and in service firms.

First supervisor: **Prof. Dr. habil. Holger Schiele**

Second supervisor: **Frederik Vos, Msc.**

Keywords

Preferred customer, customer attractiveness, supplier satisfaction, reputation, status, strategic fit, service firm

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1. PREFERRED CUSTOMER STATUS FOR SERVICE FIRMS

Recent research suggests that buying companies can obtain competitive advantage by becoming their suppliers' favourite customer (Nollet, Rebolledo, & Popel, 2012, p. 1187; Schiele, 2012, p. 44). This status, called 'preferred customer' status, is achieved when suppliers provide the company with preferential treatment compared to regular customers (Steinle & Schiele, 2008, p. 11). Having such a status can provide a company with an edge over its competitors by using the benefits that it gives. The research to date has uncovered several potential benefits for firms, such as access to supplier innovative capacity (Schiele, 2012, p. 49) and cost savings (Bew, 2007, p. 2).

However, there are different views on the benefits to be obtained from, and the possible costs of, preferred customer status (Schiele, 2012, p. 49). There is also no one approach to becoming preferred. Furthermore, the literature that exists focuses mainly on manufacturing companies (Baxter, 2012, p. 1253; Christiansen & Maltz, 2002, p. 179; Wagner, 2012, p. 41), leaving service companies to wonder what may be in it for them. This study hopes to answer some of the questions that researchers and practitioners still have. This paper will discuss the antecedents of preferred customer status, namely customer attractiveness and supplier satisfaction, to find out how a company might achieve preferred customer status. Next, the benefits to be obtained from this status will be discussed, in particular those that can be obtained by service firms. Finally, three topics will be discussed that are little researched in the preferred customer literature: the influence of reputation, buyer status and strategic fit in reaching a preferred status. The following research questions must be answered:

RQ1: How can a service company become a preferred customer?
RQ2: What are the benefits of achieving preferred customer status for a service company?
RQ3: What are the effects of reputation, status and strategic fit on preferred customer status?

This study uses a literature review and a case study at a Dutch accounting firm (company X) to answer these questions. Employees from company X and three of its suppliers have been interviewed. In part 2, a review of current literature, this paper will define and discuss the three related concepts of preferred customer status and its antecedents, customer attractiveness and supplier satisfaction, and the state of the art of each. The section will also propose a theoretical framework in which the literature and the findings will be placed. Next, preferred customer status will be defined and a brief history will be given. Then, the benefits of preferred status will be discussed, to find out what a company might expect to get out of preferred status. Hereafter the concepts of customer attractiveness and supplier satisfaction are introduced, to explain how a company might become preferred. Three additional topics are also discussed in the review, to explore the effects of buyer reputation, status, and strategic fit with the supplier on obtaining preferred customer status. Chapter 3 will give an explanation of the research methods used in this paper. In section 4 these topics are discussed in the cases, giving the buyer and suppliers' view of the antecedents and benefits of preferred customer status. This chapter closes off with the most important benefits that company X gets from its suppliers. In chapter 5, the findings will be discussed and related to the literature, and the buyer's and suppliers' views are compared. Chapter 6 will reflect on the outcomes and process, to answer the research questions and discuss this paper's contribution to the field, its limitations and implications, and finally, suggestions for future research avenues.

2. THE ANTECEDENTS AND BENEFITS OF PREFERRED CUSTOMER STATUS

2.1 A preferred customer is granted preferential resource allocation by a supplier

The concept of a preferred customer (PC) is not entirely new; it was mentioned already in 1991, as a way of increasing customer responsiveness (Hüttinger, Schiele, & Veldman, 2012, p. 1194; Williamson, 1991, pp. 75,79). However it has only received more attention in the last decade (Hüttinger et al., 2012, p. 1200; Lindwall, Ellmo, Rehme, & Kowalkowski, 2010, p. 8). The phenomenon is also known as 'interesting customer' (Christiansen & Maltz, 2002, p. 178; Hovmøller Mortensen, Vagn Freytag, & Stentoft Arlbjørn, 2008, p. 804), or 'customer of choice' (Bew, 2007, p. 1; Ramsay & Wagner, 2009, p. 127). The term 'preferred customer' has been used in several recent articles (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 179; Ellis, Henke, & Kull, 2012, p. 1260; Hüttinger, Schiele, & Schröer, 2014, p. 697; Nollet et al., 2012, p. 1187; Schiele, 2012, p. 44). According to Steinle and Schiele (2008, p. 11), a firm is a preferred customer of a supplier when the supplier offers the firm preferential resource allocation. This definition is adopted by Schiele (2012, p. 47), Schiele, Veldman, and Hüttinger (2011, p. 8), Schiele, Calvi, and Gibbert (2012, p. 1181), and Nollet et al. (2012, p. 1187), and the concept is similarly defined by Baxter (2012, p. 1255). Hence a preferred customer has a superior status over other customers with the same supplier (Ellis et al., 2012, p. 1263): the supplier will offer its resources first to the preferred customer in case of capacity restrictions or new products. Thus, preferred customer status is concretely defined as being associated with tangible benefits. This also implies that when a firm does not get preferential resource allocation, it is not a preferred customer. This leads to the question which benefits can be obtained from achieving preferred customer status.

2.1.1 Preferred status leads to benevolent pricing

There is some discussion about the effect of preferred status on prices; Williamson (1991, p. 88) assumed that prices would be higher due to opportunism from the supplier, but this assumption has been invalidated as savings of 2-4% have been found (Bew, 2007, p. 2), and it has been shown that product costs can be lowered (Ellis et al., 2012, p. 1259). In a study of 166 cases, Schiele et al. (2011, p. 16) provided convincing evidence that preferred customer status leads to more benevolent pricing from suppliers. Less tangible benefits include more information sharing, e.g. tacit information exchange, and relational rents (Dyer & Singh, 1998, p. 661). However, these benefits require years of relationship building and understanding (Baxter, 2012, p. 1256). Although the benefits appear to be somewhat one-sided, some authors have stressed that PC status benefits both parties (La Rocca, Caruana, & Snehota, 2012, p. 1241). In this study, the benefits that the case company gets will be placed in the pyramid in Figure 1. The lowest level is what all customers get and have to pay for: at this point the company is not preferred. The middle level comprises exclusive products that still cost money. At this stage, the company is a little preferred. The top of the pyramid is exclusive products for free. At this stage, the company can be said to be much preferred.

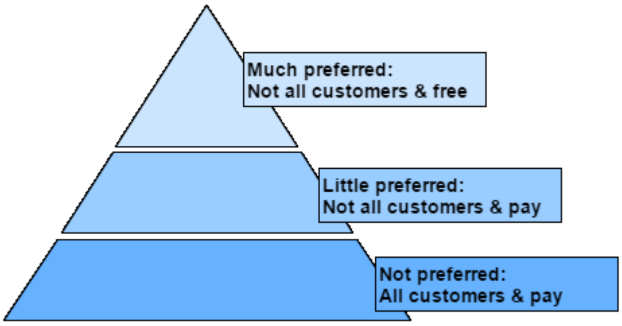

Figure 1: The different levels of PC status

2.1.2 Preferred status gives access to supplier innovativeness

There are several other benefits to reaching preferred customer status with a supplier besides lower prices. The most discussed benefits relate to supplier innovativeness, possibly due to the technology-dominated research settings so far (Baxter, 2012, p. 1253; Schiele et al., 2011, p. 10; Wagner, 2012, p. 41). Potential benefits are positive effects on innovation (Baxter, 2012, p. 1250; Bew, 2007, p. 2; Nollet et al., 2012, p. 1186; Schiele, 2012, p. 4); input in new product development (NPD) (Baxter, 2012, p. 1251); idea generation, prototype building, and access to supplier resources in general (Baxter, 2012, p. 1252; Christiansen & Maltz, 2002, p. 192; Cordón & Vollmann, 2008, p. 38; Ellegaard & Ritter, 2006, p. 7; Hald, 2012, p. 1228). These examples make it clear that a buyer with preferred customer status can use its suppliers' knowledge to gain a competitive edge over its non-preferred rivals, by improving the quality of new products (Primo & Amundson, 2002, p. 49) or reducing the time to market through earlier supplier involvement (Hartley, Meredith, McCutcheon, & Kamath, 1997, p. 262).

2.1.3 Social Exchange Theory can be used as a theoretical framework for preferred customer status

To explain the preferred customer concept and its antecedents, Social Exchange Theory (SET) can be used. Most of the literature on preferred customer status is based on SET (Cropanzano & Mitchell, 2005, p. 874; Ellis et al., 2012, p. 1259; La Rocca et al., 2012, p. 1241; Nollet et al., 2012, p. 1187). According to Schiele et al. (2012, p. 1179) this is partially because SET's core issues – relationship initiation, continuation, and termination – are also central to the process of becoming an attractive and later preferred customer. According to SET, parties will compare the relationship's outcomes with two comparison levels: on the one hand, the comparison level Cl, which is the supplier's expectation of reasonable performance, and on the other, the comparison level of alternatives Cl_{alt}, which is the best possible alternative (Nollet et al., 2012, pp. 1187-1188). This comparison leads to the continuation/termination decision (Dwyer, Schurr, & Oh, 1987, p. 15; Nollet et al., 2012, p. 1187). Another theory that is used in attraction studies is the Resource Based View (RBV), which sees buyer-supplier relationships as a competitive resource of a firm (Baxter, 2012, p. 1250; Christiansen & Maltz, 2002, p. 192), and the relational view, which posits that firms can get competitive advantage from close buyer-supplier relationships through so-called relational rents (Dyer & Singh, 1998, p. 661). However, the RBV and the relational view have seen less widespread use in this context.

2.1.4 Becoming preferred requires customer attractiveness and later supplier satisfaction

There is no consensus on what is the best way to reach the preferred customer status (Lindwall et al., 2010, p. 8; Nollet et al., 2012, p. 1187). Several authors have proposed models to become preferred, often drawing on SET. These models commonly include two main antecedents: customer attractiveness and supplier satisfaction, which will be explained in more detail in later sections. Nollet et al. (2012, p. 1188) proposed a four-step model to become and remain a preferred customer. Although many authors discuss attractiveness, satisfaction or preferred customer status separately, this model is one of the few that connects these three concepts in a sequential manner to achieve PC status. The first step, initial attraction, draws from the customer attractiveness literature and concepts (Nollet et al., 2012, p. 1188). In this step the relationship must be started. In the second step, performance, the buyer must satisfy the supplier. The third step, engagement, acknowledges that satisfaction is necessary but not sufficient (Schiele et al., 2012, p. 1181); buyers must make an active effort to distinguish themselves from the others (Nollet et al., 2012, p. 1190). In the final step, sustainability, the buyer must make sure that the status is retained (Nollet et al., 2012, p. 1191). Although this model gives a clear overview of the road to preferred customer status, its advice is very broad.

Hüttinger et al. (2012, p. 1202) also proposed a model that connects customer attractiveness, supplier satisfaction and preferred customer status as three distinct and sequentially linked phases. In the attractiveness phase, the expected economic value and relationship quality of the buyer-seller relationship are estimated, which leads to the comparison level Cl. In the satisfaction phase, the actually created value and quality are assessed – in other words, compared to Cl. In the final preferred customer phase, the value creation and relationship quality are compared to other relationships, i.e. compared to Cl_{alt} (p. 1203). In another article, Schiele et al. (2012, p. 1180) propose a similar model with the same constituents, but the authors underline the circular character and dub the model 'the cycle of preferred customership'. A buyer goes through the same steps as Hüttinger et al. (2012)'s model, however once it is preferred, it may become even more attractive, restarting the cycle (Schiele et al., 2012, p. 1182). This paper will focus on only one such cycle, namely going from attractiveness to preferred customer, as the data collection method provides only a snapshot at one point in time. Therefore, it will use Hüttinger et al. (2012, p. 1202)'s model.

2.1.5 The drivers of preferred customer status are economic and relational

Several distinct drivers of PC status have been identified, in the context of the above models and in isolation. These can be generally divided into two categories: economic and relational. Hüttinger et al. (2012) provide an overview of the drivers of preferred customer status identified in the literature. In the category of economic value, important drivers of preferred status are financial performance (Baxter, 2012, p. 1255; Moody, 1992, p. 52), share of sales (Ellis et al., 2012, p. 1261), profitability (Hüttinger et al., 2012, p. 1200) and relationship performance (Baxter, 2012, p. 1252). Relational drivers include supplier commitment (Baxter, 2012, p. 1255; Hüttinger et al., 2012, p. 1200), trust or reliability (Ellis et al., 2012, p. 1261; Hüttinger et al., 2012, p. 1200), and communication (Hald, Cordón, & Vollmann, 2009, p. 966; Nollet et al., 2012, p. 1191). Drivers that can be placed in either of these categories are supplier development (Blonska, 2010, p. 100; Hüttinger et al., 2012, p. 1201), long-term relations (Schiele, 2012, p. 5; Steinle & Schiele, 2008, p. 12; Williamson, 1991, p. 81), and strategic alignment (Bew, 2007, p. 3; Williamson, 1991, p. 81). The drivers are mixed and may play a part at different stages of the relationship; some of these overlap with drivers of customer attractiveness or supplier satisfaction. This may lead to confusion and strengthens the case for a common framework that links the three.

2.1.6 Several factors may hinder the process of becoming preferred

Clearly there are many benefits to becoming a preferred customer, and several authors have attempted to find out how to reach it. However, there are also barriers to achieving preferred status. Hald (2012, p. 1237) stated that misalignment of logics of action is a barrier to reaching the status, meaning the means of one party are not aligned with the ends of another. If the logics of action are misaligned, one party will hinder the other in the achievement of its goals, and this might deteriorate the buyer-supplier relationship (Bacharach, Bamberger, & Sonnenstuhl, 1996, p. 478; Hald, 2012, p. 1230). He also explained that activities to improve attractiveness on one front may harm attractiveness on other fronts (p. 1238). Small companies may not be able to provide suppliers with sufficient incentives to allocate more resources to them, preventing them from becoming a preferred customer (Christiansen & Maltz, 2002, p. 178; Lindwall et al., 2010, p. 5). Christiansen and Maltz (2002, p. 192) suggested offering indirect benefits (e.g. market knowledge or product innovation) to reach preferred status as a small firm. Another possible barrier to preferred customer status is that a supplier might not want to take the next step into a closer relationship with a buyer, because they do not want to take the increased risks that come with the investments (Nollet et al., 2012, p. 1192), they are satisfied with the relationship as it is, or for other reasons (Cannon & Perreault Jr, 1999, p. 457; Nollet et al., 2012, p. 1190; Schiele, 2012, p. 4). This will lead to the supplier not reciprocating the buyer's efforts to make the relationship closer (Joshi & Stump, 1999, p. 293; Nollet et al., 2012, p. 1190), causing frustration on the buyer's side.

To prevent this scenario, Schiele (2012, p. 48)'s Preferred Customer Matrix can be used. It maps a buyer's status with a supplier against the supplier's competitiveness, to identify which suppliers are worth courting.

2.2 Customer attractiveness is a future-oriented expectation

Following Hüttinger et al. (2012, p. 1203)'s model, the first step towards preferred status is to ensure that the attractiveness of a customer is greater than that of others; in other words, to offer the highest comparison level. Customer attractiveness (CA) is a relatively new concept (Hald et al., 2009, p. 961; Hüttinger et al., 2012, p. 1196; Lindwall et al., 2010, p. 8). Although it has been mentioned already in the 1980s (Dwyer et al., 1987, p. 16), the concept has only seen increasing interest since the early 2000s (Mortensen, 2012, p. 1207; Tóth, Thiesbrummel, Henneberg, & Naudé, 2015, p. 724). Potential reasons set forward by Schiele et al. (2012, p. 1178) for this increase are changes in supply chain organisation, with more responsibilities allocated to suppliers, and increasing supplier scarcity.

However, the literature is still underdeveloped, and research is mainly conceptual or case studies (Hüttinger et al., 2012, pp. 1196-1197). There is little conceptual agreement of customer attractiveness or its drivers (La Rocca et al., 2012, p. 1241; Mortensen, 2012, p. 1206; Tanskanen & Aminoff, 2015, p. 129; Tóth et al., 2015, p. 724), which may be attributable to its complexity (Hald, 2012, p. 1229; Mortensen, 2012, p. 1206). As a result, the concept has often been studied in isolation (Hald et al., 2009, p. 966; Hüttinger et al., 2012, p. 1195). Many definitions have been proposed, differing in terms of scope and length. Common elements in the definitions are to cause interest in other parties (Harris, O'malley, & Patterson, 2003, p. 12; Hovmøller Mortensen et al., 2008, p. 4; Nollet et al., 2012, p. 1188), a future orientation or expectation of performance (Hald, 2012, p. 1228; Hald et al., 2009, p. 961; Hüttinger et al., 2012, p. 1197), and there is general agreement that customer attractiveness is 'in the eye of the beholder', i.e. a customer's attractiveness is determined by and for each individual supplier (Ellegaard & Ritter, 2006, p. 4; Tanskanen & Aminoff, 2015, p. 130). Customer attractiveness and supplier attractiveness are usually considered separately, but Ellegaard and Ritter (2007, p. 4) considered the two to be linked, total attraction being determined by the lowest of the two. However, in the context of preferred customership it is most important to know the supplier's view. Hald (2012, p. 1230)'s definition of customer attractiveness, "[…] *the supplier actors expectations related to the perceived cost and benefit effects resulting from the relationship with the customer*", captures the above elements into a concise and clear definition, making clear that attractiveness is important before the relationship is initiated, and that it is based on expectations of the relationship.

2.2.1 The drivers of customer attractiveness are economic and relational

Several authors have looked to identify the drivers of customer attractiveness. La Rocca et al. (2012, p. 1242) broadly distinguished two types of focus in the literature: the first focuses on the economic drivers; the second focuses on relational drivers. Examples of economic drivers are sales volume, growth rate, profit margin and size (Fiocca, 1982, p. 57; Ramsay & Wagner, 2009, p. 130). Examples of relational drivers are trustworthiness, interpersonal relations, and personal motivation (Ramsay & Wagner, 2009, p. 130).

Hüttinger et al. (2012, p. 1199) clustered the drivers into several categories, incorporating findings from several earlier articles to give a broad overview of the drivers of customer attractiveness. The drivers found in this study will be compared to the ones identified in the current literature, to find the extent to which the case supports the findings so far.

2.3 Supplier satisfaction occurs after customer attraction

Once a customer is doing business with a supplier, the customer must make sure that the comparison level is met or exceeded to induce satisfaction, the next step on the way to preferred status. The area of supplier satisfaction (SS) remains largely unexplored (Hüttinger et al., 2012, p. 1198). However, the area is attracting more interest. Since the early 2000s (Wong, 2000, p. 429), several researchers have addressed the topic (Benton & Maloni, 2005, p. 2; Schiele et al., 2012, p. 1181). A number of different definitions have been proposed, which have several common elements. For example, supplier satisfaction entails that the suppliers feels they are being treated fairly by the buyer (Essig & Amann, 2009, p. 104). Schiele et al. (2012, p. 1181) included several earlier definitions in a new one, and thus offer the most comprehensive definition of supplier satisfaction yet: *"[…] supplier satisfaction is a condition that is achieved if the quality of outcomes from a buyer-supplier relationship meets or exceeds the supplier's expectations"*. This definition fits well within SET: Suppliers use the comparison level Cl and the comparison level of alternatives Cl_{alt} to assess whether the performance of their relationship with a customer is satisfactory (better than Cl and Cl_{alt}). It is also clear that whereas customer attractiveness is an ex-ante feeling, supplier satisfaction is ex-post, i.e. it occurs after the supplier has initiated a relationship with a customer (Hald, 2012, p. 1228; Schiele et al., 2012, p. 1182). If satisfaction is present, then the supplier will likely continue the relationship, and it might even choose to increase the buyer's status.

2.3.1. The drivers of supplier satisfaction are business related and communication related

To influence supplier satisfaction as a customer, it is necessary to know which factors amount to satisfaction, and which might reduce it. To this end, researchers have been trying to isolate factors that lead to or hinder supplier satisfaction (Hald, 2012, p. 1229). Maunu (2003, p. 95)found 9 dimensions of supplier satisfaction, divided into business related dimensions and communication related dimensions. This division resembles the division of customer attractiveness drivers. Hüttinger et al. (2012, p. 1201) provided an overview of the drivers of supplier satisfaction in their extensive literature review. They discerned four categories of drivers – technical excellence, supply value, mode of interaction, and operational excellence – and placed the findings of a number of authors in this framework. The most often mentioned drivers in the overview are communication, information, and cooperative relationships (Essig & Amann, 2009, p. 109; Maunu, 2003, p. 95; Nyaga, Whipple, & Lynch, 2010, p. 110). Interestingly, profitability was only mentioned by one author in this list. This corresponds to Benton and Maloni (2005, p. 16)'s conclusion that performance is not an important driver of satisfaction. . In Maunu (2003, p. 76)'s terms, relational criteria appear to be more influential. It is apparent that the division of Hüttinger et al. (2012, p. 1201) is based on technological firms; although it features drivers that are specific to technological companies, there is no such attention for service firms. This group thus requires more attention in the satisfaction literature.

2.3.2 A buyer can use several strategies to increase supplier satisfaction

Some authors have gone beyond identifying drivers of satisfaction, and have suggested strategies to influence and measure supplier satisfaction: Ghijsen, Semeijn, and Ernstson (2010, p. 7) proposed a number of strategies to directly and indirectly influence supplier satisfaction, such as sharing information and providing incentives for cooperation. Meena and Sarmah (2012, p. 1239) created a supplier satisfaction index to measure the satisfaction. However, it seems unlikely that a one-size-fits-all method will have much effect, as each supplier will have different preferences. Both models were also tested with a small sample; to support these models, more research is needed. Hald (2012, p. 1237) took a different approach, and he found that misalignment of logics of actions – a logic that guides a party's behaviour (Bacharach et al., 1996, p. 477) – is a barrier to supplier satisfaction. Rather than focusing on working on the drivers identified by the above authors, he suggested an approach of addressing these misalignments to increase satisfaction. This method may be more generally applicable, yet it gives less concrete advice to practitioners.

2.4 Buyer reputation is a driver of customer attractiveness

A company's reputation was defined by Fonbrun (1996, p. 72) as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all its key constituents" (Stern, Dukerich, & Zajac, 2014, p. 515). It is determined by the value or quality of its previous actions (Stern et al., 2014, p. 513). These actions add up and form an image of the company. This reputation can have an effect on how its activities are perceived (Shim & Yang, 2015, p. 76). There is little literature on the role of reputation in reaching preferred customer status. A good reputation may make a customer more attractive to suppliers, especially if it relates to areas that are important to them. This idea is supported by Nollet et al. (2012, p. 1189) who stated that reputation can substitute for experience with a buyer when first doing business (Ford, 1980, p. 341). Stern et al. (2014, p. 527) found that it is easier for reputable company founders to enter into alliances. Hence, reputation may be one of the drivers of customer attractiveness. Lindwall et al. (2010, p. 1)'s notion of 'upstream branding' is a way of improving a firm's reputation towards its suppliers. In this process, companies brand themselves towards the supplier market rather than the consumer market, to obtain preferential treatment (Lindwall et al., 2010, pp. 1-2). This approach can also be regarded as increasing a company's attractiveness.

2.5 A high buyer status brings several benefits

The status of a company can be understood as its position in a socially constructed ordering or ranking (Stern et al., 2014, p. 513). Much like reputation, a company's status can have an effect on the company's perceived quality and expected performance (Stern et al., 2014, p. 516). The main difference between reputation is that whereas reputation is based on actions, status is based on a difference in rank in a social system (Stern et al., 2014, p. 516). Thus reputation is absolute, whilst status is relative to other members of the social system, in this case competitors. A higher status can have many benefits for a firm. Some of the benefits that have been associated with an elevated status are better performance (Bothner, Kim, & Smith, 2012, p. 428) and a greater attractiveness in relationships, which according to Podolny (2001, p. 41) is due to the fact that a high status implies a high quality. Castellucci and Ertug (2010, p. 162)'s findings agree, as they argued that having a higher status than suppliers in an industry leads to greater effort and consequently higher quality from the suppliers. Furthermore, firms with higher status may be perceived as providing higher quality than low-status firms with the same quality product (Benjamin & Podolny, 1999, p. 585). (Schiele, 2012, p. 48) advised buyers to consider the buyer's status with a supplier when choosing a supplier to collaborate with. In that case the buyer's status is relative to that of the supplier's other customers, and the implications are clear: a supplier will choose a customer with a higher status over a customer with low status to collaborate with.

2.6 Strategic fit is a driver of preferred customer status

Fit has been defined as *"the degree to which the needs, demands, goals, objectives, and/or structures of one component are consistent with the needs, demands, goals, objectives, and/or structures of another component."* (Griffith & Myers, 2005, p. 255; Nadler & Tushman, 1980, p. 36). Strategic fit of a buyer with a supplier is then achieved when the long-term goals and objectives are consistent with those of the supplier. Although the literature on strategic fit in the context of preferred customer status is sparse, there have been findings that relate the two topics. Bew (2007, p. 3) considered strategic fit a driver of preferred customer status that plays an important role in evaluating a supplier's customers (Hüttinger et al., 2012, p. 1201). Similarly, Wilson (1995, p. 338) argued that mutual goals – a condition for strategic fit – will influence performance satisfaction (Baxter, 2012, p. 1253), which would contribute to the PC status according to the model of Hüttinger et al. (2012). Several other authors found evidence of enhanced performance as a result of an increased level of adaptations (Dyer, 1996, p. 288; Dyer & Singh, 1998, p. 668). From the existing literature it can thus be derived that strategic fit – and measures to increase it – may be a driver of preferred customer status.

2.7 Attractiveness, satisfaction and preferred status are linked; literature on reputation, status and strategic fit is sparse

Customer attractiveness, supplier satisfaction and preferred customer status are three concepts that have only recently begun attracting research attention. Though they have mostly been studied separately, they may be sequentially linked; SET provides the theoretical basis for this theory. In the attractiveness phase, the decision to do business is based on expectations; in the satisfaction phase, the relationship performance must exceed the comparison levels Cl and Cl_{alt}; however, to reach preferred customer status, satisfaction is necessary but not sufficient: it takes benevolent strategic prioritisation from the supplier to achieve a preferred status (Schiele et al., 2012, p. 1181). There is little research on the topics of buyer reputation, status, and strategic fit in the context of preferred customer status, although the existing evidence suggests that having a good reputation, a higher status than the suppliers, strategic fit and mutual goals with the suppliers have a positive effect on the amount of effort suppliers are willing to make for a buyer, as they increase attractiveness.

2.7.1 The literature is exploratory and focuses on manufacturers

There are several limitations of the existing literature. One of these is that the studies are often exploratory in nature, based on case studies and qualitative research (Hald, 2012, p. 1229; Hovmøller Mortensen et al., 2008, p. 800; Lindwall et al., 2010, p. 2). This is a problem because it means that the findings are not generalisable. Another issue is that much of the literature focuses on manufacturing companies (Baxter, 2012; Hald, 2012; Schiele et al., 2011). This has led to the identification of preferred status drivers such as technological factors (Hüttinger et al., 2012, p. 1199), and many benefits that are related to innovation (Ellis et al., 2012, p. 1259). These will not apply to many service firms, as they are less involved in technology and thus cannot share technical knowledge or benefit from supplier involvement in NPD. As a result, it is uncertain whether service firms have the same drivers of attractiveness and supplier satisfaction, and whether the benefits of preferred status are the same for them. Finally, there is little research on the concepts of reputation, status and strategic fit in the context of preferred customer status.

3. METHODS: A CASE STUDY AT COMPANY X AND THREE SUPPLIERS

The data collection is based on two questionnaires. These questionnaires, constructed by earlier generations of Bsc participants, contain a number of open questions concerning the topics of customer segmentation and attractiveness, supplier satisfaction, and preferred customer status and benefits. Six questions were added to the questionnaires to explore the effects of reputation, status and strategic fit. Two questions per topic were added: one asked the buyer and supplier what the reputation/status/fit of and with company X is, and one asked how the interviewees thought about the effects on PC status. The questionnaires were used to conduct semi-structured interviews with two employees of the buying firm responsible for purchasing, and their contact persons from four suppliers. Four of the interviews were conducted in person; one was held on the phone and one via e-mail (this supplier could not conduct an interview in person). The interviews were recorded and transcribed. One interview was later found to contain too little information; the paper therefore contains three supplier cases. The answers have been used to construct the cases in the next section.

4. INTERVIEWS WITH COMPANY X AND THREE SUPPLIERS

4.1 Company X is a regional accounting firm

Company X is an accountancy firm in the Netherlands. It specialises in accounting and tax advising for businesses and individuals. With around 25 employees it is small to medium in size, and its activity is mostly regional. It was founded in the 1940s and has since moved to a different location, where it is well established. The company is very much focused towards its customers: it pursues a strategy of genuine concern for the customer, good customer care and service, and high quality.

Due to company X's size, it has no purchasing department; purchasing is a task carried out by a few employees alongside other tasks. There is no supplier management system, but there are preferred suppliers: the company prefers to stick with suppliers who are also customers. With all suppliers in the case, company X has a sole supply relationship. The company feels that it is classified as a customer by suppliers. This feeling results from clues such as fixed discounts, special offers, and exceedingly good service from some suppliers. The interviewees of the company are an office manager (B1) and a secretary (B2).

4.1.1 Increasing attractiveness and satisfaction to improve suppliers' perception and get benefits

Company X sees itself as an attractive customer. This belief is in part due to the amount of business it can offer suppliers, but other factors play a role. The company takes part in regional networks, and it performs CSR activities. These activities are done partly with building reputation and goodwill in mind, and can help to become more attractive.

Company X tries to keep its suppliers satisfied. It does this by staying faithful to the suppliers (at least while they are also a customer), and doing steady business. The contact with all four case companies is described as pleasant and swift, and there are never any complaints from the suppliers. Thus, company X believes that its suppliers are satisfied.

Company X has tried to improve its status with suppliers in the past. It is fair in negotiations, and does not try to squeeze until the last cent; it is always polite and diplomatic, and benevolent to its suppliers. Company X tries to build a good relationship with its suppliers, to foster goodwill and build a good reputation. It suspects that it has a preferred status with the three case suppliers.

4.1.2 Lower costs and better service hint at a preferred status

This belief is due to several benefits that company X receives from certain suppliers, which it does not get from other suppliers. However, it cannot determine whether other buyers also get these benefits. From supplier 1 (S1), a catering business, company X gets particularly good service: if so much as one item is missing or damaged, an employee will come just to replace it. S1 goes to extreme lengths to keep company X happy, and this leads company X to believe they are a preferred customer of S1. From supplier 3, a lease business, company X gets better prices than expected, and extra service: they can choose which car dealer gets to supply their cars, and there is always room for negotiation. Finally, company X has the idea that S3 always goes to great lengths to meet its demands. This behaviour is the reason why company X assumed preferred customer status with S3.

4.1.3 History has no influence, upstream reputation receives little attention

Company X has been dealing with the different suppliers for various time, with S1 the longest (more than 15 years) and supplier 2 the shortest (4 years). However, in company X's view, the length of the relationship does not affect the behaviour of the suppliers. The longer relationships are not necessarily closer than the shorter ones; the company has switched long-time suppliers on at least one occasion just after a supplier stopped being a customer.

Company X sees its reputation as good, due to its fairness towards suppliers. The views on status differ within the company: one interviewee sees the company as quite average in status, the other sees company X as having a high status, due to the combination of personality and expertise. However, in contrast to the downstream reputation and status, which receive a lot of attention, the upstream reputation and status are not actively managed or improved by company X.

4.2 Case 1: Little preferred with Supplier 1

Supplier 1 (S1) is a catering family business, located in the same area as company X. At 15-20 employees it is also small to medium sized, and much like company X it operates regionally. It provides daily catering, and supplies for weddings, barbecues, and other events. For the case company S1 brings daily lunch materials as a sole supplier, and caters during company events. The relationship between company X and supplier 1 is over 15 years old.

Supplier 1 is too small to segment its customers; all of the staff, including the owner, focus entirely on servicing their customers as well as they can. Supplier 1 feels that all customers are valuable and tries to treat them as such; however, it acknowledges that some customers are better than others, and they will subconsciously make an extra effort for them to ensure they are satisfied. According to the interviewee, company X is such a customer. The interviewee from supplier 1 is the owner.

4.2.1 Attractiveness stems from financial factors, satisfaction is determined by relational factors

Supplier 1 sees company X as a loyal customer. This, and the fact that they pay neatly on time, is enough for them to consider company X an attractive customer. This attractiveness is thus determined by mostly financial reasons.

While attractiveness is based on finances, the satisfaction of supplier 1 is mainly due to relational factors: company X is timely in their communication (ordering is always on time), and supplier 1 is able to make agreements with company X, knowing that they will follow them. The two companies have little contact aside from these interactions, but whenever something needs to be changed on either side, the contact is pleasant.

4.2.2 Attraction, satisfaction and lengthy relationship lead to a little preferred status

Supplier 1 thinks that company X has a better status due to its long relationship, and its employees know exactly what they want. However, supplier 1 does not have a system that treats special customers in a different way. Furthermore, the ideology of the owner is that each customer should be treated the same. As a result, the benefits of company X's good relation with supplier do not get much further than 'more effort; there is no example of an exclusive free product or service. Thus company X is a little preferred customer of supplier 1, despite the antecedents of attractiveness and satisfaction being in place.

4.2.3 Company X is only locally known

Company X has a good reputation according to supplier 1. The interviewee described them as proper, solid and reliable, just as should be expected from an accounting firm. Their status as compared to other customers, is not very high in the eyes of supplier 1: they are not a large company, so most people simply do not know them. The supplier feels that a reputable customer is good for marketing as a reference, but it has little other effects. For instance, a high status does not outweigh poor behaviour. A very bad reputation, e.g. of poor financials, will lead to less beneficial behaviour, such as imposing stricter payment conditions.

As supplier 1 is a family business, the interviewee rolled into it. This means that they never needed a strategy; the company merely adapts to whatever activities are most suitable for any given period. This flexibility is regarded by the supplier as its strength, and adapting to the environment as its strategy. Supplier 1 does not take strategic fit into account when making an offer to potential customers. However, due to its high-quality strategy, most buyers with a cost focus will shop somewhere else.

4.3 Case 2: Gold customer of supplier 2

Supplier 2 (S2) is a moderately-sized insurance broker. It is somewhat larger than company X, with around 50 employees. Supplier 2 takes care of all insurance activities for company X on a sole supply basis, and has been doing so for four years.

Supplier 2 has a customer segmentation which divides companies based on two variables: the amount of turnover they have with the supplier, and the portion of their insurance services that a customer has outsourced to them. The supplier makes distinction between bronze, silver, gold, platinum, and key customers. Platinum and key customers are usually large corporations or franchises with many individual firms. Company X is quite small in supplier 2's customer base, however they do have all of their insurance taken care of by supplier 2. As such, they are in the gold segment.

Supplier 2 finds trust to be of great importance. When a customer chooses the supplier, they place their trust in them; supplier 2 feels that they should then do their utmost best for any customer. It also believes that if a customer really trusts them, it should let them handle all of their insurance, hence the role of customers' supply strategy in their segmentation system. The interviewee of this supplier is a managing director.

4.3.1 Profitability and interpersonal contact drive attractiveness and satisfaction

Company X is attractive in the eyes of supplier 2. The supplier lists several reasons for this: firstly, company X is large enough that the supplier can make a reasonable profit; second, and the supplier stresses the importance of this, the supplier simply likes the people at company X. Supplier 2 sees company X as a decent and honest company with good integrity.

Supplier 2 is also very much satisfied in its dealings with company X. This satisfaction stems mainly from the good relationship with the contacts at company X, with whom the supplier enjoys talking. Company X's profitability also helps; supplier 2 notes that when he cannot make a profit from a customer for a longer time, this will affect their satisfaction and their perception of a customer. In summary, the relational aspect is very good for company X; the only way supplier 2 can think of for them to enter a higher segment, is to grow.

4.3.2 Company X gets extra services and referrals

A customer in a higher segment, platinum or key, is a customer which is important for supplier 2, and for whom supplier 2 is also important. These customers get offered extra services which may be useful to them. However, supplier 2 also offers some of those services to company X, for example a professional accountability insurance to protect the company from complaints made by their customers. Supplier 2 however, strongly dislikes the premise of preferential treatment, as it sees all its customers as equal. As such, all extra services are not free; normally the regular price is charged for all services. There are exceptions but these are unrelated to customer status.

Supplier 2's high regard of company X may help it in a less direct manner. Because of the high amount of trust and respect between the companies, both are more than willing to refer customers to each other when they feel the other party may be better able to help them. This referral is not forced and not contractual – it is based purely on providing the customer with the best service. Supplier 2 indicated that it would like to make this aspect of their relationship closer, becoming more like business partners without any financial obligations or expectations.

4.3.3 Company X is too small to be a high-profile customer

Supplier 2 sees the reputation of company X as being reliable and involved. They are known to be a decent, hardworking accounting firm with good relationships with its customers. Supplier 2 will not be deterred by prospects with a bad reputation, rather it will find out why this is so. A good reputation will lead to more mutual respect and the supplier will have more fun working for a reputable customer. Supplier 2 does not regard company X as a firm with particularly high status, because they are simply too small to have a high status, and they are not a key player within the national accountants' association (SRA).

Supplier 2 sees strategic fit with company X in the sense that they both focus on customer intimacy, and they work with partially the same customers. Their core values of doing what you say, and saying what you do, are also similar. However, this has little effect on the perception of a customer; one with very different ideas can bring interesting new insights as well.

4.4 Case 3: C-segment customer at supplier 3

Supplier 3 (S3) is a major car lease company. Its parent business is one of the largest in Europe; its Dutch branch is in turn one of the largest in the Netherlands, thus it is far larger than company X. Company X leases nine cars from supplier 3 on sole supply basis, and has a few other cars owned by themselves. Supplier 3 employs a customer segmentation system, wherein customers are divided into A, B, C and D. A-customers are large companies with sole supply from supplier 3, who choose the most elaborate products and commit fully to supplier 3; D-customers choose purely based on price, leading to low profits, and arm's length relationships. Most customers are in between, in the B and C segments. Company X is a C-customer because it leases few vehicles and does not have its entire fleet managed by supplier 3.

Supplier 3 has a strategy of good customer service and it has a special focus on sustainability: the supplier actively helps its customers to make their fleet as 'green' as possible. The interviewee of this supplier is a mobility consultant.

4.4.1 Company X is an easy customer

From a business perspective, company X is not particularly attractive due to its small scale. To become more attractive, the company should lease more cars from supplier 3, for instance by leasing all of its cars instead of owning some of them itself. Supplier 3 is satisfied with its relationship with the company: they are an easy customer who needs very little attention. Furthermore, supplier 3 has a long-term goal for every customer, and company X meets that goal. The return from supplier 3's business with company X is above the average of the responsible agent's portfolio, so it increases profits and this leads to satisfaction. Other indicators, such as the amount of damage to the fleet are also green, which contributes to the satisfaction. Supplier 3 has not noticed any efforts by company X to try and reach a higher customer segment.

4.4.2 Only A and B-customers get extra benefits

A and B-customers get full attention from supplier 3. B-customers get offered incentives to e.g. switch to sole supply, and once they are A-customers they still get these benefits. C and D customers, including company X, are serviced mostly online to save costs on the supplier side. They have an online system where the company can view the fleet details in real time. To reach a better status, company X might take initiative to have all cars managed by supplier 3. This would be a surprise to supplier 3 as most companies do not take such initiatives themselves. However, due to the company's small fleet, it is very unlikely that it will reach the B-segment with this.

4.4.3 Company X is a low-profile customer

Supplier 3 has a relatively new contact with company X, so they do not know much about company X. aside from their contact in the company, its fleet, and its core business. According to supplier 2, company X does not have a big name; if they mention it to others, they probably will not recognise them. The same is true for its status, it is too small to have a high status as a customer. Company X is at the bottom of the interviewee's portfolio in terms of size; at the top are well-known national or international companies, who are higher in status. Supplier 3 observes a certain degree of strategic fit between the two companies, as the supplier focuses on CSR just as company X does. However, the behaviour to customers does not depend heavily on reputation, status or strategic fit. It is mainly based on the size of a customer's fleet. Supplier 3 does admit, however, that it will put in more effort to keep a customer with a good reputation or a high status.

4.5 There is a lack of evidence for preferred status despite the antecedents being in place

Now that each supplier has been introduced, and the antecedents and benefits of company X's have been discussed, this section will review the most important benefits of X's status, or if there are none, why this is so.

All three suppliers regarded company X as an attractive customer, and all were satisfied with the relationship and performance. These important antecedents are in place, so a preferred status would be expected. However, there is a lack of evidence for a much preferred status. In fact, statements made by the suppliers suggest that they do not like the idea of treating some customers better than others. Two out of three interviewees (supplier 1 and supplier 2) were firmly against differential treatment, and deemed any deviation from this policy to be unintentional. One supplier (supplier 3) supported this idea and does indeed offer benefits to customers in a higher segment. However, these are mainly used to attract more business and lock the customer in, rather than out of goodwill.

The suppliers agreed that while company X has a good reputation in its direct environment, it is too small and unknown to have a big name or a high status as a customer. Thus its small size may be a barrier to achieving true PC status.

4.5.1 Company X gets some benefits from suppliers, but it is only little preferred

Supplier 1 goes to great lengths to keep company X happy, for instance by sending an employee over if even a single piece of fruit is missing. However, the buyer expects that they are not the only customer who receives this service, thus putting this benefit into the 'little preferred' category. Supplier 2 offers company X some services that not all customers get offered, for example a professional accountability insurance. However, this is not exclusive to only company X and it still costs money, so this points to a little preferred status. Supplier 2 also would like to partner more with company X in serving their customers, but this is mainly because they want to serve their customers better. Supplier 3 does not offer special services to company X; like the other customers in their C-segment, they are serviced mostly online and have little direct interaction with the supplier. The main reason why company X is not in a higher segment is their size.

5. DISCUSSION

5.1 Customer attractiveness is supported as an antecedent of preferred customer status

According to the model by Hüttinger et al. (2012, p. 1203), the drivers of preferred customer status – customer attractiveness and supplier satisfaction – can be generally divided into two dimensions: economic value and relationship quality.

The economic value dimension is represented in all three cases. For supplier 1, the attractiveness is in part created by company X's good payment behaviour (p. 1). Supplier 2 mentioned that it considers the company attractive because it is large enough to be a profitable customer (p. 4). The supplier also considers the attractiveness higher because it knows company X is honest with its claims (pp. 4-5). This can be regarded as an economic argument, because fewer fraudulent claims are better for the supplier's business, but it can also be regarded a relationship argument, because the supplier has faith in the company that it is honest. Supplier 3 determines the attractiveness of customers mostly based on the size of their fleet (p. 4), which is a purely economic factor. Company X shares the suppliers' vision: the company perceives itself as attractive largely due to the amount of turnover the suppliers can get from it (B1, p. 3; B2, p. 3).

The relationship dimension also comes forward, albeit less pronounced than the economic arguments posed above. Supplier 1 lists loyalty as contributing to company X's attractiveness (p. 1). Supplier 2 finds integrity important, as well as being able to get along with a customer (pp. 4-5). The economic factor is thus the most important in assessing a customer's attractiveness. It has the most influence on suppliers' behaviour and the segment that a customer is placed in, and is supported as a driver of preferred customer status. It is notable that some of the drivers of attraction occur during business with the supplier, e.g. loyalty. This could mean that attractiveness plays a role beyond the initial phase; alternatively, it is possible that incumbent suppliers do not think much about attractiveness, and attribute satisfaction drivers to it. Most of the mentioned attractiveness drivers are in line with the ex-ante view of customer attraction that is common in the literature (Hald, 2012, p. 1228; Schiele et al., 2012, p. 1182), and reflect the forming of a comparison level as SET poses. Company X lists a driver of attractiveness that the suppliers do not talk about: networking and referring to other companies (B1, p. 3). Although one supplier mentions this in the context of satisfaction, it does not appear to add much to attractiveness.

5.1.1 Supplier satisfaction helps on the way to preferred customer status

The same two dimensions, economic value and relationship quality, recur in the drivers of satisfaction. The economic dimension is important in all three cases. Supplier 1 is satisfied because the business runs smoothly: company X orders on time and the delivery is made easy (p. 2). Supplier 2 lists some economic reasons leading to its satisfaction as well: company X is professional and good at what it does, and the supplier can get enough profit from company X (p. 5). Supplier 3 has several indicators of satisfaction, the most important of which is an economic indicator, namely the long-term goal. This goal is met for company X, so the supplier is satisfied (p. 4). Company X expected this satisfaction, because it keeps giving steady business to the suppliers (B1, p. 3). The results show that the suppliers indeed use their earlier defined comparison levels to judge whether they are satisfied or not.

The relationship dimension comes forward in two of three cases. Supplier 1's satisfaction is increased because company X keeps its promises, and there is never any fuss between them, which increases the relationship quality (p. 2). Supplier 2 also mentions that keeping promises increases the satisfaction. This supplier also states that his contacts at the company are sympathetic and likable, which further contributes to his satisfaction (p. 5). Supplier 3 has not mentioned any relational aspects when discussing satisfaction (pp. 4-5). Company X agrees with the views of suppliers 1 and 2 that the relations are good and that this contributes to satisfaction (B1, p. 3). Two suppliers (2 and 3) have mentioned that if they are dissatisfied with a customer for too long (based mostly on economic performance of the relationship), it will lower the customer's status with them, up to the point of discontinuing the business with that customer (S2, p. 5; S3, p. 3). If the opposite is also true, then supplier satisfaction can help a customer to get a better status. The drivers of satisfaction identified in this study correspond with the Supplier Satisfaction stage in Hüttinger et al. (2012, p. 1203)'s model, as they are about assessing the current relationship performance and comparing it to some standard of expectation. Following this logic and taking the above evidence into account, supplier satisfaction is supported as an antecedent of preferred customer status.

Table 1 Case drivers of customer attractiveness

Customer attractiveness		
Quote (translated)	*Reference*	*Theoretical driver*
Company X is also active in networks	B1, p. 3	-
Company X is a loyal customer	S1, p. 1	Output factors
… one who pays in time	S1, p. 1	-
It has sufficient size to be profitable for us	S2, p. 4	Margins
I just like the people	S2, p. 4	Tight personal relations
It is a nice firm, a clean firm, a decent firm, there are no integrity problems	S2, p. 4	Output factors / behaviour
If they are not integer, or I cannot get along, they will not become a customer here	S2, p. 4	Behaviour
It is mostly an easy customer for us	S3, p. 4	Behaviour
We look for customers with a large enough fleet, who also suit us	S3, p. 4	Price/volume / compatibility

5.2 Attractiveness and satisfaction are not enough to become much preferred

Despite the antecedents of customer attractiveness and supplier satisfaction being both in place in two of the case companies (suppliers 1 and 2), there is little evidence of much preferred treatment. This is not entirely contradicting the literature: Schiele et al. (2012, p. 1181) noted that satisfaction may be necessary, but not sufficient. After all, a satisfied supplier may still have other customers who have more to offer. This notion finds some support in the cases: supplier 2 and supplier 3 both have segmentations in which most attention goes to the largest customers (S2, p. 2; S3, p. 3). This does not mean that company X gets nothing from the suppliers. Important benefits such as benevolent pricing (Schiele et al., 2011, p. 16) and better service (Hüttinger et al., 2012, p. 1201) are offered by respectively one (B1, p. 1) and two (S1, p. 2; S2, p. 4) suppliers, thus supporting the literature. For two of the suppliers (2 and 3) the only way to become more preferred would be to reach a higher segment (S2, p. 5; S3, p. 6); the way to do this would be to grow. Thus it appears that size plays a role in determining preferred status. What is also striking, is that the general attitude of the suppliers is not in favour of differential treatment (S1, p. 1; S2, p. 3; S3, p. 3). This is not in line with the literature, where there is general consensus that suppliers do offer preferential treatment and resource allocation to preferred customers. Comparing the views of buyer and supplier shows that although the views were comparable regarding attraction and satisfaction, company X as buyer had a more positive view on its status with the suppliers than was actually the case.

Table 2 Case drivers of supplier satisfaction

Supplier satisfaction		
Quote (translated)	*Reference*	*Theoretical driver*
They order on time	S1, p. 2	
You can make agreements with a customer	S1, p. 2	Adherence to agreements
There is never any fuss	S1, p. 2	Operational excellence (includes several drivers)
It is a nice man, a sympathetic man	S2, p. 5	-
If you make an arrangement, they just do it	S2, p. 5	Adherence to agreements
I can work profitably for them	S2, p. 5	Profitability
All indicators are green	S3, p. 4	
Net profit is nicely in line with the long term goal	S3, pp. 4-5	Profitability
The returns are above average	S3, p. 5	Profitability

5.4 Company X is too small to be high-profile

Company X has a reputation for being a decent and reliable firm, good at its trade and with attention for its customers (S1, p. 4; S2, p. 8). This reputation suits the company well, as these values are important for an accounting firm. Reputation is seen as an important factor in customer selection (Nollet et al., 2012, p. 1189), so company X could benefit from it when dealing with potential suppliers. However, the suppliers must be aware of this reputation. After all, they cannot judge the reputation of company X if they do not know it. This might pose a problem, as all suppliers say that company X is not well-known (S1, p. 5; S2, p. 8; S3, p. 7). This is in contrast with company X's view, where it is thought that the reputation to suppliers is good (B1, p. 4). Upstream branding might help to become more well-known to suppliers (Lindwall et al., 2010, p. 5), but company X does not currently do that (B1, p. 4; B2, p. 4).

The suppliers all stated that company X does not have a very high status. Not because it is a bad company; in their direct area, the company is known and in high regard (S1, p. 5). But on a national level, company X cannot compete with more well-known customers of the suppliers (S1, p. 5; S3, p. 7). Within company X the views differ: One interviewee saw the status as quite high (B1, p. 5), which is somewhat optimistic, whilst the other (B2, p. 4) saw it as average, which corresponds to the suppliers' view. The examples of high-status firms that supplier name (S1, p. 5; S3, p. 7) are all well-known national or multinational companies. This suggests that size is an important determinant of a company's status compared to other customers. One supplier admitted that his employees might work harder for customers with a higher status (S2, p. 8), but he was not in favour of this treatment. The other suppliers did not feel that status had much effect (S3, p. 7), and it certainly does not compensate for bad behaviour (S1, p. 4).

In the literature strategic fit is seen as a driver of preferred status (Bew, 2007, p. 3); When two companies have the same strategic interests, they can set mutual goals and help each other to meet them (Baxter, 2012, p. 1253). The two suppliers that had an idea of company X's strategy both saw a certain overlap with their own. Supplier 2 noted that both companies have a focus on customer intimacy and putting the customer first (S2, p. 10), and supplier 3 noticed a common focus on environmental awareness (S3, p. 8). Company X sees the strategic overlap with supplier 2, but did not mention the environmental concerns that supplier 3 attributed to it (B1, p. 5). The suppliers felt that the customers' strategy is of little importance in supplier selection (S1, p.6), and during the relationship this is no different. In contrast, customers with different strategies might help the supplier to learn (S2, p. 10).

6. CONCLUSION

6.1 Size is important in becoming preferred

RQ1: How can a company become a preferred customer?

The literature shows customer attractiveness and supplier satisfaction to be the main antecedents of preferred customer status. These in turn have many different drivers. For company X, the cases show that customer attractiveness and supplier satisfaction are largely in place. The attractiveness is caused mainly by its profitability for the suppliers and its good behaviour. Supplier satisfaction for the three suppliers is caused by profitability, operational excellence, and adherence to agreements. The findings can be placed in the framework by Hüttinger et al. (2012, p. 1203), and they show that economic and relational factors both play a role in the customer attractiveness phase and in the supplier satisfaction phase. The economic factors appear to be more important than the relational factors; all suppliers mention profitability in some way, and they indicated that an unprofitable customer would eventually be repelled.

The cases show evidence of little preferred customer status (see Figure 1). This indicates that although company X is attractive and its suppliers are satisfied, it has still not achieved the maximum preferred customer status. This is probably due to company X's size: as a small to medium-sized enterprise, it is not placed high in its suppliers' customer segments. The fact that company X receives benefits from its two medium-sized suppliers, but not from the multinational one, also points to the importance of size. In the literature, the only remedy that has been suggested is to offer more to suppliers, e.g. with collaborative innovations (Christiansen & Maltz, 2002, p. 193), however this cannot be applied by service firms. The only way to reach a higher segment is to do more business with the suppliers, and this requires a significant amount of growth for company X.

RQ2: What are the benefits of achieving preferred customer status for a service company?

The extant literature on preferred customer status has focused mainly on manufacturers and high-tech companies (Baxter, 2012, p. 1253; Essig & Amann, 2009, p. 104). This has resulted in the discovery of benefits such as supplier innovativeness (Schiele et al., 2011, p. 16) and joint new product development (Baxter, 2012, p. 1251). Not much research into service companies has been performed. The few papers that have addressed this topic have found that price advantages and better service are the most important benefits. As stated above, company X has a little preferred status (the middle of the pyramid in Figure 1). It has two suppliers from whom it receives benefits in the 'little preferred' category, and one from which it does not receive any benefits. The benefits that it receives are discounts and exclusive service. A higher position in its suppliers' segmentation could give the company access to other, more exclusive services, and other incentives such as even better prices. But there is evidence that these benefits may not be as widely available as believed: two out of three suppliers did not support preferential treatment of customers.

RQ3: What are the effects of reputation, status and strategic fit on preferred customer status?

In the literature buyer reputation, status, and strategic fit with the supplier are all expected to contribute to preferred customer status. A good reputation will make a customer more attractive; a high status compared to other buyers and the supplier will make a customer more desirable to have, and thus more attractive. It might also decrease supplier's propensity to repel said customer if it performs poorly. Strategic fit was expected to increase attractiveness and satisfaction, as the firm is more appealing to a new supplier, and having mutual goals is expected to raise the performance level with existing suppliers.

Company X has a good reputation according to its suppliers, but it is not widely known, which reduces its effect. The suppliers state that a reputable customer is more fun to do business with, which suggests that reputation improves customer attractiveness. However, they also firmly state that reputation will not have an effect on whether they will do business with a customer or not, which undermines this idea. Company X's size appears to be restricting its status. The status was regarded as rather low by suppliers, because company X was too small and unknown to be a prestigious customer. But this should not matter much: the suppliers all agreed that a customer with a high status did not (intentionally) get preferential treatment. The suppliers who could compare company X's strategy to their own both saw strategic fit to some extent. The role of strategic fit in the forming of relationships is downplayed by the suppliers: it may make the supplier feel more at ease which makes it easier to switch between customers, but a customer with a different strategy offers learning opportunities which are also valued.

6.2 Implications for theory and practitioners

This study contributes to the preferred customer literature in the following ways. Firstly, the field is dominated by papers focusing on technological companies. Thus this study, which was conducted in a service company, adds to the literature by examining the preferred customer construct in a service setting. No preferred customer research has been done in accounting firms, making this study the first to do so. This study used Hüttinger et al. (2012)'s model to classify the antecedents of preferred customer status, and the findings support the model: the two dimensions, economic and relational, clearly emerged from the cases. The study identified one driver each of customer attractiveness and supplier satisfaction that have not been mentioned as a driver in the existing literature (see Table 1 and Table 2). It also supports the use of SET in preferred status literature.

The size of a firm has been studied before in the preferred customer literature, and this study supports the idea that it is easier for a larger firm to become a preferred customer. Another way that size may play a role, is that it appears that larger suppliers are more likely to give preferred customers more benefits: only the largest supplier mentioned that it gave benefits that can be categorised in the 'much preferred' section of the PC pyramid in Figure 1, to customers in its top segments. Furthermore, this study supports the notion in the literature that a good reputation and a high status increase customer attractiveness and are thus antecedents of preferred status. It also suggests that these relationships may be moderated by customer size related to supplier size. Thus, practitioners looking to become preferred should grow their business to become more attractive and profitable for suppliers. They may also look for larger suppliers, as they appear to be more likely to segment customers and provide preferential treatment.

Company X is doing well with its suppliers, but it could do better: engaging in upstream branding can help it to get more benevolent treatment from suppliers. However, to get true preferred status, it will be necessary to give more business to suppliers, and a steady growth will help the company to achieve this.

6.3 Limitations and further research

The interviews, which were conducted mostly face to face, can lead to a self-report bias: respondents will answer questions in such a way that they look as good as possible, giving false answers rather than speaking the truth. This is a known problem which hinders organisational research (Donaldson & Grant-Vallone, 2002, pp. 246-247). Due to the sensitive nature of buyer-supplier relationships, and the possible negative consequences if the other party would see the respondent's answers, this bias is likely to occur. One possible way to get around the bias is to use more neutral, less threatening questions (Nederhof, 1985, p. 270). Another limitation is that qualitative case studies are not generalisable due to the small sample size. The generalisability can be ensured by a large sample, but that would require standardised questionnaires, which reduces the amount of information that can be collected.

As there is still relatively little preferred customer research in service firms, this area needs to be expanded to better map the benefits of preferred status for these firms. Another interesting idea is to explore the effect of companies' size on preferred status: on the one hand, to see whether large suppliers are more likely to have preferred customers, and on the other hand, to research what small service companies can do to increase their status further. There has been research with suggestions for small technological firms (Christiansen & Maltz, 2002, p. 193), but this does not apply to service firms.

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