

# **Antecedents and Benefits of Preferred Customer Relations and the Influence of Corporate Culture: A Case Study at Company X and Three of its Key Suppliers**

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## **ABSTRACT,**

*So far, limited research has focused on the phenomenon of preferred customer status in buyer-supplier relationships. In contrast to the common understanding, that suppliers compete against each other for customers, buying firms are eager to establish key relationships with its suppliers and compete against each other for preferential treatment. This case study further explores the antecedents and benefits of preferred customer status and the influence of corporate culture. For this purpose, one preferred buying firm and three of its key suppliers were interviewed. The findings contribute to this research area by confirming and extending antecedents and benefits of preferred customer status and by highlighting a positive influence of cultural similarity. Further, this case study was conducted at small and medium-sized enterprises in the Food Retail Industry and results remain limited in scope. Therefore, the case study calls for further exploration of the influence of corporate culture on preferred customer relations in different research settings.*

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## **Keywords**

Preferred Customer, Reverse Marketing, Attractiveness, Attraction, Corporate Culture, Organizational Culture

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# 1. INVERSION OF THE TRADITIONAL MARKETING APPROACH: BUYING FIRMS COMPETE FOR SUPPLIERS

In the past, it was custom in business that suppliers are competing against each other for customers (buying firms) and try to give a good account of them, in order to win a contract. However, in recent years, manufacturing markets around the world develop towards an oligopolistic structure, where a few large suppliers of industrial materials dominate. (Kopf, 2013, p. 97; Schiele, Calvi, & Gibbert, 2012, p. 1) Nowadays, certain materials are only available from two to three suppliers. This supplier scarcity is increasing in business-to-business markets. (Schiele, Calvi, & Gibbert, 2012, p. 1178) Consequently, supplier scarcity increases the demand for suppliers and boosts the competition among buying firms to receive goods. As a result, the supplier is in a position to choose its customer rather than the other way around. In addition to that, several events in 2011 demonstrated the need for close relationships with suppliers. (Schiele et al., 2012, p. 1179) The Arab spring, the tsunami in Japan and the flood in Thailand, gave rise to the concern for short and secure supply by many suppliers. Therefore, buying firms have to find new ways to ensure that they are preferred by suppliers and also receive their goods in difficult times. (Schiele et al., 2012, p. 1179) Additionally, suppliers are getting more important since there is a trend from closed to open innovation, where companies collaborate closer with their suppliers and wider network. (Roberts, 2001, p. 36) Companies are increasingly looking for key relationships with suppliers, in order to give them more responsibility and outsource more activities.

This situation, in which buying organizations are forced to attract suppliers to ensure its supply of resources for its operations, reflects a perversion of the common understanding that suppliers compete for customers. (Schiele et al., 2012, p. 2) Buying firms are now competing to obtain a preferred status from its suppliers and gain a competitive advantage. However, little research has been conducted which investigates the antecedents and consequences of preferred customer status in practice. This thesis aims to contribute to the research in this matter by exploring further the drivers and benefits of preferred customer relations. For this purpose one buying firm (Company X) and three of its key suppliers (S1, S2 and S3) in the German Food Retail Industry were interviewed.

The research of this thesis is twofold. The first research question reads as follows: *What are the antecedents and benefits of preferred customer status in buyer-supplier relationships in the German Food Retail Industry?* The second research question is: *How does cultural fit in buyer-supplier relationships influence the chances of preferred customer status in the German Food Retail Industry?* As Schiele et al. (2012) pointed out, one can expect relational success if two organizations share the same corporate culture. (Steinle & Schiele, 2008, p. 5) So far, the influence of corporate culture on preferred customer status has been largely unaddressed. The following research explores whether a buying firm becomes preferred customer more easily if supplier and buying firm share a similar corporate culture. As a result, this research adds value by investigating how corporate culture influences preferred customer status and how cultural fit can increase the chances for relational success.

In the following, the literature on preferred customer status and its antecedents and benefits will be reviewed. After that, corporate culture will be conceptualized. Next, the interview results will be discussed and compared against theoretical drivers and benefits, beginning with Company X and continuing

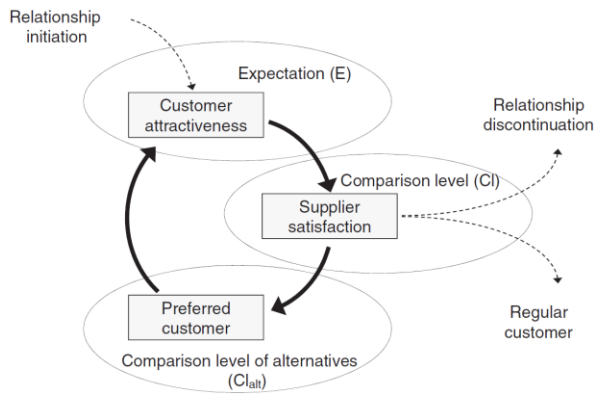
with its three suppliers S1, S2 and S3. It follows an analysis of the culture profiles of the case companies which reveals similarities and differences. Last but not least, a conclusion will be drawn and a recommendation presented. Finally, the contribution to the literature, limitations of the study and potential further research will be highlighted.

## 2. THEORY: PREFERRED CUSTOMER RELATIONS

### 2.1 The Cycle of Preferred Customership

The concept of the preferred customer status implies that suppliers are selective and have preferences in serving buying companies. (Schiele et al., 2012, p. 1179) Often, suppliers classify customers according to aspects such as strategic position, attractiveness, volume, prestige and potential. (Eng, 2004, p. 57; Mortensen, 2012, p. 1217) A preferred customer receives 'preferential resource allocation' and better treatment, i.e. bundling forces for New Product Developments (NPD), innovations, customizations or Existing Product Developments (EPD), product availability, quality, price and agreements for cases of short supply. (Nollet, Rebolledo, & Popel, 2012, p. 1186; Schiele et al., 2012, p. 1180; Schiele & Vos, 2015, p. 144)

Schiele et al. (2012) developed the 'cycle of preferred customership' with the help of social exchange theory. The cycle illustrates that, in order to become preferred customer, first a buying firm has to be attractive, and second the supplier needs to be satisfied. Schiele et al. (2012) claim that "a customer is perceived as attractive by a supplier if the supplier in question has a positive expectation towards the relationship with this customer." (Schiele et al., 2012, p. 1180) Moreover, supplier satisfaction is realized if the actual relationship between supplier and buyer meets or outstrips the expectations of the supplier. (Schiele et al., 2012, p. 1181) In addition to that, supplier satisfaction increases the tendency of the supplier to award the buying firm preferred customer status which eventually leads to preferential treatment by the supplier. (Vos, Schiele, & Hüttinger, 2016, pp. 4621-4622) However, the positive effect of supplier satisfaction on preferred customer status can be diminished in the presence of alternative customers. (Schiele et al., 2012, p. 1181) If the customer is not attractive or the supplier is not satisfied, the relationship will be regular, transactional, or the relationship will be terminated. Schiele et al. (2012) state that, "a supplier awards a buyer with preferred customer status if this customer is perceived as attractive and if the supplier is currently more satisfied with this customer than with alternative customers. As a consequence of this satisfaction, a supplier reacts by providing privileged resource allocation to this preferred customer." (Schiele et al., 2012, p. 1181) Also, the preferred customer status can create a competitive advantage for the buying firm. (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 130; Steinle & Schiele, 2008, pp. 11-12) Pulles et al. (2016) also found that the selective and relational capability of the buying firm have a positive influence on a competitive advantage and are mediated by preferential resource allocation. (Pulles, Veldman, & Schiele, 2016, p. 1470) If customer attractiveness and supplier satisfaction are present, and the buying firm outperforms alternatives, the supplier may become preferred customer and profit from preferential resource allocation. In turn, being a preferred customer has a positive effect on customer attractiveness since the supplier has more knowledge about the customer and expectations increase. (Schiele et al., 2012, pp. 1180-1181) (see Figure 1)



**Figure 1. Cycle of Preferred Customership**  
(Schiele et al., 2012, p. 1180)

## 2.2 Customer Attractiveness: What Makes a Customer Attractive towards its Suppliers Before and During a Relationship?

Attractiveness or attraction in business-to-business relationships has been largely unaddressed in the literature so far. (Ellegaard, 2012, p. 1219) In addition to that, from a conventional viewpoint, customer attractiveness has been used to describe how somebody or something attracts the customer. In contrast, in this matter of research, customer attractiveness is meant to explain the situation in which a customer (buying firm) attracts suppliers. (Hüttinger, Schiele, & Veldman, 2012, p. 1195) This phenomenon is also known as ‘reverse marketing’ in the literature. (Leenders & Blenkhorn, 1988, p. 2) Thus, the focus lies on what makes the buying firm attractive towards suppliers.

Harris (2003) defined attraction “as the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility.” (Harris, 2003, p. 9)

So far many researchers explored what causes customer attractiveness and, in turn, preferential treatment based on social exchange theory. Hüttinger et al. (2012) developed a literature overview of the antecedents and classified the drivers of customer attractiveness into five categories: market growth factors, risk factors, economic factors and social factors. (Hüttinger et al., 2012, pp. 1198-1199)

The collection of customer attractiveness antecedents is based to a great extent on the work of Fiocca (1982). In his work Fiocca (1982) pointed out that a selling company has to assess the attractiveness of a customer before it enters a business relationship. Further, the researcher proposed factors which determine a customer’s attractiveness and developed a categorization of factors: economic and financial factors, market factors, competition, sociopolitical factors and technological factors. (Fiocca, 1982, p. 57) Whereas economic and financial factors are contribution margins, experience, economies of scale, technological factors are maturity of technology, technological skills and Intellectual Property Rights (IPO). Moreover, competition is analyzed by the concentration and types of competitors and the threat of substitution. Sociopolitical factors, however, are defined by environmental changes and how the customer can adapt and fit in. Last but not least, market factors are market share, company size, growth and power position in the market. (Fiocca, 1982, p. 57) Next to market factors such as size and market share, Christiansen and Maltz (2002) mention that customer attractiveness is driven by information exchange and collaboration in logistics, manufacturing and product development. (Christiansen &

Maltz, 2002, p. 193) In addition to knowledge transfers, the researchers identified antecedents such as risk sharing, product standardization, access to new markets and innovations, joint trainings and visits, as well as trust and commitment. (Christiansen & Maltz, 2002, p. 189)

Ramsay and Wagner (2009) conducted a pilot study and investigated what suppliers value in business relationships, in order to provide insights for customers how to increase their own attractiveness. The work revealed several sources of supplier value, i.e. the net benefit of a business relationship. (Ramsay & Wagner, 2009, p. 128) The researchers distinguished eight categories of supplier value sources: Finance (e.g. profit, revenue, costs, sales), Efficiency (e.g. trained and skilled staff, learning opportunities), Communication and relations (e.g. motivation, meetings, interactions, roles and responsibilities), Ethical behavior (e.g. trust and fairness), Risk and uncertainty (e.g. demand stability, risk diversification, forecast reliability), Technology (e.g. innovation and support), Market linkages (e.g. market information and access) and Corporate image (e.g. reputation). (Ramsay & Wagner, 2009, p. 130)

Hald et al. (2009) conceptualized attraction in buyer-supplier relationships and identified three components: 1) expected value of an association with the other company, 2) perceived trust in the other company and 3) perceived dependence on the other company. Additionally, the researchers revealed underlying drivers such as access to new markets or companies, reduction of time and costs, price, volume, innovation and growth. (Hald, Cordon, & Vollmann, 2009, p. 968)

The study by Hüttinger et al. (2014) revealed that customer attractiveness is significantly influenced by relational behavior, growth opportunity and operative excellence. (Hüttinger, Schiele, & Schroer, 2014, p. 712) Relational behavior is driven by, for instance, readiness to talk, openness and problem solving in bad times. Drivers of growth opportunity are market entry, image or brand name and growth. In contrast, operative excellence is determined by reliable forecasting, planning reliability and transparency. (Hüttinger et al., 2014, p. 718)

## 2.3 Supplier Satisfaction: What Makes a Supplier Satisfied During a Relationship?

Whereas customer satisfaction is a common concept in research, supplier satisfaction still remains lesser-known. (Hüttinger et al., 2012, p. 1198) Hüttinger et al. (2012) conducted a literature review on the antecedents of supplier satisfaction and categorized its drivers into Technical excellence, Supply value, Mode of interaction and Operational excellence. (Hüttinger et al., 2012, p. 1201)

Wong (2000) found that in order to achieve supplier satisfaction the buying firm has to follow a relational strategy and has to develop a cooperative culture with the supplier. (Wong, 2000, p. 429) In contrast to transactional relationships, relational relationships increase the satisfaction and commitment of both partners. If the buying firm supports the supplier in reaching its goals, the supplier will be more satisfied and more willing to help increase the satisfaction of the buying firm’s customers in return (reciprocity). (Wong, 2000, p. 429) In addition to that, Benton and Maloni (2005) conclude that not performance, in the first place, determines supplier satisfaction, but to a greater degree the nature of the relationship between the buying firm and the supplier. As a consequence, the researchers propose that the buying firm follows a “relationship driven supply chain strategy rather than a performance-based strategy.” (Benton & Maloni, 2005, p. 17)

Essig and Amann (2009) define supplier satisfaction as the “supplier’s feeling of fairness with regard to buyer’s incentives and supplier’s contributions [...]” (Essig & Amann, 2009, p. 104) The researchers developed a measurement index and categorized drivers of supplier satisfaction into strategic, operative and accompanying levels. On a strategic level, Essig and Amann (2009) identified the intensity of cooperation as a driver of supplier satisfaction. Next, on an operative level, factors are the order process (e.g. payment habits, quality of reaction) and the delivery process (e.g. deadlines, procedures). In contrast, on an accompanying level, communications (e.g. availability, information) as well as conflict management are major drivers of supplier satisfaction. (Essig & Amann, 2009, p. 111)

Hüttinger et al. (2012) discovered that the antecedents of supplier satisfaction mentioned in the literature so far can be clustered around the departments of a company. Whereas the factors under supply value relate to Purchasing, technical excellence relates to Research and Development (R&D) and operational excellence relates to Manufacturing and Logistics. (Hüttinger et al., 2012, p. 1200) As a consequence, supplier satisfaction is the result of internal collaboration in a company and needs to be managed across the functions of a business. A more recent study of Hüttinger et al. (2014) showed that supplier satisfaction is determined by relational behavior, growth opportunity and reliability. (Hüttinger et al., 2014, p. 712) Relational behavior such as openness and reciprocity in agreements facilitates supplier satisfaction as well as growth opportunity drivers, such as planning possibilities. In addition to that, reliability is determined by contract compliance and transparency. (Hüttinger et al., 2014, p. 718) Vos et al. (2016) based their work on the study of Hüttinger et al. (2014) and further explored the drivers of supplier satisfaction. The study revealed that supplier satisfaction is determined by reliability, growth opportunity and profitability. (Vos et al., 2016, p. 4614)

In addition to that, due to the notion that the antecedents of supplier satisfaction are interdependent, Vos et al. (2016) developed a revised model which distinguishes first-tier and second-tier antecedents of supplier satisfaction. First-tier antecedents are drivers that have a direct impact on supplier satisfaction such as 1) profitability, 2) growth opportunity, 3) relational behavior and 4) operative excellence. Additionally, second-tier antecedents are drivers with an indirect impact such as 2a) innovation potential, 3a) support, 3b) reliability, 3c) involvement and 4a) contact accessibility. (Vos et al., 2016, p. 4620)

## **2.4 Antecedents and Benefits of Preferred Customer Status**

### ***2.4.1 Customer attractiveness, supplier satisfaction and preferred customer status***

Pulles et al. (2016) further examined the relation of the three concepts customer attractiveness, supplier satisfaction and preferred customer status. The results of the analysis show that customer attractiveness and supplier satisfaction both have a significant influence on preferred resource allocation respectively in separate models. Another model with all three concepts shows that the effect of customer attractiveness on preferred resource allocation is significantly mediated by supplier satisfaction. (Pulles, Schiele, et al., 2016, p. 129) However, these results do not indicate that customer attractiveness is unimportant in this research matter.

Mortensen (2012) pointed out that attractiveness is the trigger for a business relationship, i.e. attractiveness starts and develops a relationship between the buying firm and suppliers.

(Mortensen, 2012, p. 1216) Consequently, suppliers enter relationships with customers which they perceive as attractive. The literature review of Hüttinger et al. (2012) showed that customer attractiveness plays a crucial role before and during a business relationship. Whereas market and risk factors determine the attractiveness of a customer before a relationship evolves, social, economic and technological factors determine customer attractiveness both before and during a business relationship. For instance, the supplier can select an existing customer for a joint project based on its attractiveness. (Hüttinger et al., 2012, p. 1202) However, supplier satisfaction is a concept that only emerges during a relationship. Drivers of supplier satisfaction specify how the business between the buying firm and the supplier should be conducted. If the actual performance of the buying firm can live up to the initial expectations of the supplier, its satisfaction should be guaranteed. (Hüttinger et al., 2012, p. 1202) Customer attractiveness and supplier satisfaction share some antecedents: technological and social factors relate to technical excellence (R&D) as well as mode of interaction (e.g. communication) and economic factors (e.g. volumes and margins) relate to supply value (e.g. volumes and profitability). (Hüttinger et al., 2012, p. 1203)

Further, Hüttinger et al. (2014) conducted a so-called mixed methods study, i.e. qualitative and quantitative data collection approach, in the automotive industry in order to identify drivers of preferred customer status. (Hüttinger et al., 2014, p. 697) Reliability, growth opportunity, relational behavior and operative excellence could be identified as drivers for preferred customer status and, in turn, preferred resource allocation. Reliability is defined as “the supplier’s perception that the buying firm acts in a consistent as well as reliable manner and fulfills its agreements.” (Hald et al., 2009, p. 965; Hüttinger et al., 2014, p. 703). Moreover, growth opportunity “refers to the ability to grow together with the buying firm and to generate new potential business opportunities through the relationship”. (Hüttinger et al., 2014, p. 703; Walter, Muller, Helfert, & Ritter, 2003, p. 162) In addition to that, relational behavior “refers to the buying firm’s behavior towards the supplier with regards to the relational focus of exchange capturing multiple facets of the exchange behavior such as solidarity, mutuality, and flexibility.” (Hüttinger et al., 2014, p. 703; Palmatier, Dant, & Grewal, 2007, p. 175) Furthermore, operative excellence “is the supplier’s perception that the buying firm’s operations are handled in a sorrow and efficient way, which facilitates the way of doing business for the supplier.” (Hüttinger et al., 2014, p. 703)

Finally, Hüttinger et al. (2014) found that growth opportunity and reliability have a significant influence, unlike the others, on preferred customer status. Growth opportunity can be understood as mutual growth, access to other customers and brand image. Reliability implies credibility in agreements and fairness in negotiations. (Hüttinger et al., 2014, p. 718)

Overall the mixed-methods approach showed that all three concepts, customer attractiveness, supplier satisfaction and, in turn, preferential treatment by the supplier, is encouraged by four drivers: 1) Operative Excellence, 2) Growth Opportunity, 3) Relational Behavior and 5) Reliability. As a result, preferred customer status is determined mainly by social (relational behavior and reliability) and economic factors (growth opportunity) according to Hüttinger et al. (2014). Like preferred customer status, supplier satisfaction has relational and economic antecedents. Vos et al. (2016) pointed out that relational factors have an equal or greater influence on supplier satisfaction than economic factors. As a consequence, a customer can be awarded preferred customer status by being

reliable, showing operative excellence and good relational behavior, even if the company does not strike with its economic value. (Vos et al., 2016, p. 4621)

#### 2.4.2 Benefits of preferred customer relations

Among others, Nollet et al. (2012) categorized the benefits of preferred customer status into: product quality and innovation, support, delivery reliability, price and cost benefits. (Nollet et al., 2012, p. 1187) Quality and innovation benefits relate to consistency and customization efforts. In addition to that, support includes benefits such as information exchange, joint problem-solving and direct communication. Next, delivery reliability is concerned with timely deliveries and a prioritization of customers, but also safety stocks and spontaneous deliveries if components are damaged or missing, can count as benefits for preferred customers. Last but not least, price discounts and negotiations as well as cost advantages such as reduced operational and acquisition costs are possible. (Nollet et al., 2012, p. 1187)

Schiele (2018) differentiates four levels of customer benefits. (Schiele, 2018, p. 70) In theory, a customer can be treated in four ways by the supplier. (Fig. 2) First, at level -1, the customer receives less for the common price or pays more for the standard product. Second, at level 0, the customer pays the standard price and receives standard products or services. This kind of treatment shows the greatest purchasing volumes in business. Third, at level 1, the customer receives better products or services than others, but has to pay for them. Finally, at level 2, the customer receives better products or services than others without additional costs. Preferred customers are expected to receive a level 2 treatment as illustrated in the 'tie of advantages'. (Schiele, 2018, p. 71) (see Figure 2)

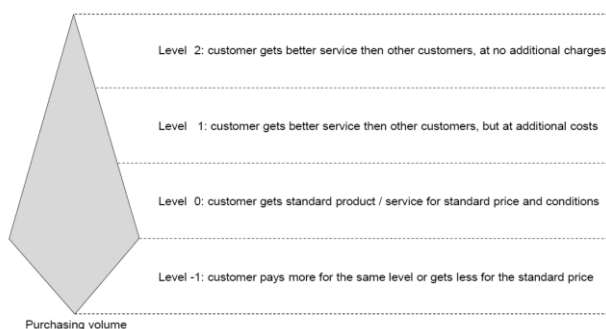


Figure 2. Tie of Advantages (Schiele, 2018, p. 71)

## 2.5 Organizational Culture in Preferred Customer Relations

### 2.5.1 Literature review on organizational culture

Organizational Culture is concept with many different definitions. Deshpande and Webster (1989) define corporate culture as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization”. (Deshpande & Webster, 1989, p. 4) However, the variety of corporate culture definitions is an indication of dissent among researchers concerning perspectives and measurement of corporate culture. Furthermore, the level of analysis in research about corporate culture differs. Organizational culture is seen as a property of the organization, or the individual, an exogenous variable in the environment, or an endogenous variable within the organization, a process or result. (Deshpande & Webster, 1989, p. 5) Early definitions of corporate culture mention shared values, beliefs, behavior and its underlying premises, ways of reacting, thinking and feeling. Further, there is

confusion in the organizational behavior literature about differentiating between climate and culture. Corporate culture describes a shared understanding of employees of how the organization functions. In contrast, climate describes the degree to which the corporation performs currently in the face of its shared expectations. (Deshpande & Webster, 1989, p. 5) Additionally, climate is managed in the short-term and culture in the long-term since it is rather fixed. (Schwartz & Davis, 1981, p. 33)

Also, Denison explored corporate culture and defines it as an evolved context and “the deep structure or organizations, which is rooted in the values, beliefs, and assumptions held by organizational members”. (Denison, 1996, p. 624) In addition to that, culture is based on historic development, is shared by a group of people and cannot be influenced easily. (Denison, 1996, p. 624; Tellis, Prabhu, & Chandy, 2009, p. 6) Pettigrew defined culture as “the system of such publicly and collectively accepted meanings” (terms, forms, categories, and images) “operating for a given group at a given time” and which “interprets people’s own situation to themselves”. (Pettigrew, 1979, p. 574) In addition to that, Pettigrew found how corporate culture is related to language, myth, belief, ritual, ideology and symbols and emphasized the forms and functions of these concepts. “Man creates culture and culture creates man.” (Pettigrew, 1979, p. 577)

As a consequence of the variety of definitions of corporate culture, Smircich (1983) developed a framework which integrates insights from culture theory and organization theory and identifies five research dimensions: “comparative management, corporate culture, organizational cognition, organizational symbolism and unconscious processes and organization”. (Smircich, 1983, p. 339) Theorists of comparative management see culture as an exogenous variable affecting core values and beliefs within the firm, whereas contingency management theorists see culture as an endogenous variable where values and beliefs are established internally by an organization. In contrast, organizational cognition theorists see culture as a metaphor for systems of organizational knowledge, whereas organization symbolism sees it as a metaphor for shared meanings and symbols. Last but not least, the psychodynamic or structural perspective sees culture as a metaphor for the unconscious mind. (Deshpande & Webster, 1989, pp. 6-8; Smircich, 1983, p. 342)

Another contribution to the discussion of corporate culture is the role of the founder in creating corporate culture by Schein (1983). The researcher argues that corporate culture “is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration – a pattern of assumptions that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”. (Schein, 1983, p. 14) Moreover, Schein emphasizes that culture only adopts something that has worked in the past. (Schein, 1983, p. 18) In addition to that, Schein states that a leader influences corporate culture by his or her personality or force. The reasons are that companies usually are created by a single founder that wants to build a company around his or her idea. In search for help, the founder will employ people that support the idea and that share some attitudes and behaviors. This way the company’s development will be influenced by the founder. Hatch (1993) builds upon the corporate culture model of Schein (1985) and created a model of cultural dynamics which not also constitutes assumptions, values and artifacts but also symbols and describes the interrelationships among those concepts as processes. (Hatch, 1993, p. 657)

Barney (1986) argues that corporate culture can create a sustainable competitive advantage and defines organizational culture as “a complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business”. (Barney, 1986, p. 657) Therefore, culture does not only determine with whom the company interacts but also how.

### *2.5.2 The influence of corporate culture on customer attractiveness*

Similar to Barney (1986), Harris et al. (2003) pointed out, that corporate culture influences how employees behave and perceive other people's behavior. (Harris, 2003, p. 19) Besides, one can assume that, if buying firm and supplier share a similar corporate culture, the chances of success of the relationship are bigger. (Parkhe, 1993; Schiele, Ellis, Essig, Henke, & Kull, 2015, p. 135) As a result, corporate culture is a concept which also relates to customer attractiveness and supplier satisfaction.

Harris et al. (2003) analyzed attractiveness and emphasized its importance not only in the initiation and development, but also in the maintenance of a relationship. In addition to that, the researchers found that social factors such as familiarity, similarity and compatibility have an effect on the attractiveness of a partner. (Harris, 2003, p. 18) Further, professionals learn in a socialization process what beliefs, skills, knowledge and behaviors are required for a certain job in a specific organization which consecutively influences their perception of attractiveness. (Harris, 2003, p. 19) Similarity in terms of partners with similar backgrounds and experiences facilitate customer attractiveness. (Harris, 2003, p. 18) Powell (1990) found that a relationship between companies is more prosperous if the companies have similar geographical, ethnical, professional or ideological backgrounds. (Powell, 1990, p. 326) Additionally, Steinle and Schiele (2008) stated that geographical and cultural proximity positively influences the relationship between buyer and supplier. (Steinle & Schiele, 2008, p. 5) Also La Roca et al. (2012) found that customer attractiveness is positively related to the similarity of characteristics among two companies. (La Rocca, Caruana, & Snehota, 2012, p. 1243)

Moreover, the compatibility of partners plays an important role in customer attractiveness. Compatibility means that partners feel socially and psychologically or emotionally connected to each other. Besides, partners who are compatible share similar beliefs, values, goals and attitudes and have complementary roles. (Morgan, 2000, p. 490; Murstein, 1980, pp. 785-786) Harris et al. (2003) emphasize that, on the one hand, partners have to share a similar background and values to initiate and develop the relationship, and, on the other hand, partners should complement each other with their performance in order to maintain the relationship and minimize costs. (Harris, 2003, p. 24) Wilkinson et al. (2005) add to this that attractiveness is based on difference and similarity, whereas similarity is core for finding attractive partners. Like tends to appeal and merge with like. (Harris, 2003, p. 28) One company may have different skills and lack a technology that the partner can bring into the relationship, but similarity of the two partners is important to ensure that the partners get along well with each other. Therefore, similarity in terms of morals, backgrounds, codes of conduct and working styles (driven by corporate culture) as well as complementary skills are relevant drivers of attraction. (Wilkinson, Young, & Freytag, 2005, pp. 677-679)

### *2.5.3 The influence of corporate culture on supplier satisfaction*

Schiele et al. (2015) “hypothesize that supplier satisfaction will be moderated by cultural differences and ask researchers to take

the cultural dimensions into account.” (Schiele et al., 2015, p. 132) Also, Pulles et al. (2016) found in the course of a World Café discussion that cultural fit plays an important role in supplier satisfaction. Additionally, companies have to create a cooperative culture which fosters commitment and effective interaction and in the end leads to supplier satisfaction. As a consequence, goals can be shared and achieved with joint efforts and solutions can be found together. (Wong, 2000, p. 429)

## **2.6 The Competing Values Framework**

Since corporate culture is an extensive and complex concept which has been largely discussed in the literature, there is no model which incorporates all factors and dimensions of organizational culture.

However, one way to analyze and profile corporate culture is to make use of the established Competing Values Framework by Cameron and Quinn (2014) which is also designed to support leadership, organizational effectiveness and, as a consequence, value creation. (Cameron, 2014, p. 6) (see Figure 3) The 2x2-matrix illustrates four quadrants based on two dimensions. The first dimension relates to organizational focus and ranges from Internal Maintenance to External Positioning. The second dimension relates to effectiveness criteria and ranges from Individuality and Flexibility to Stability and Control. The four quadrants exhibit different and competing core values as well as assumptions of an organization which represent the corporate culture. Each quadrant is given a name which displays how value is created: Collaborate (Clan), Create (Adhocracy), Control (Hierarchy) and Compete (Market). (Cameron, 2014, p. 11)

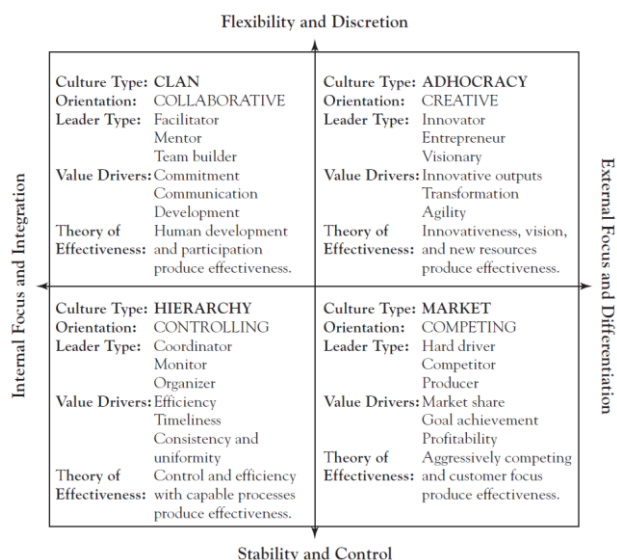
The first type of organization, the Clan culture exhibits individuality and flexibility as well as internal maintenance. This culture is comparable to a family-owned business where people share goals and values. In addition to that, individuality, team spirit and participation are key characteristics, but also commitment, teamwork and involvement. Employees, for instance, receive rewards based on the performance of the team and not on an individual level. The work place is a familiar place where leaders act as coaches and loyalty, commitment and tradition are important. Overall, success is measured by the personal development of the employees and the climate within the organization. (Cameron & Quinn, 2011, pp. 41-43)

The second type of organization, the Adhocracy culture exhibits individuality and flexibility, as well as external positioning. This culture focuses on innovation, new product developments (NPD) and first mover projects, in order to achieve success in the market. Anticipating future developments and staying ahead with state-of-the-art and creativity are key characteristics of this culture. Besides, risk taking and individuality are important. Companies with an Adhocracy culture have temporary task groups which are formed to accomplish specific goals. This way, the organization stays highly flexible and adaptive to the external environment. Overall, the workplace is shaped by creativity as well as entrepreneurial and dynamic behavior. Moreover, leadership is not centralized and provides innovative ideas and visions and takes risk to accomplish subordinate goals. Employees are linked by engagement in experiments and innovation. After all, success is determined by growth, adaptation and the launch of new and unique products and services. (Cameron & Quinn, 2011, pp. 43-45)

The third type of organization, the Hierarchy culture, exhibits stability and control as well as internal maintenance. This culture focuses on “stable, efficient and highly consistent products and services.” (Cameron & Quinn, 2011, p. 37) Leadership and decision making is clearly defined in a

hierarchical way. A company with a Hierarchy culture is highly formalized, i.e. rules and responsibilities are clear-cut and standardized. As a result, the work place is considered structured and employees follow procedures at what they do. Moreover, leadership takes the role of a coordinator and organizes the business activities in ways that the operations or the company run efficiently. Overall, the Hierarchy culture values efficiency, stability and prediction.

The fourth type of organization, the Market culture exhibits stability and controls, as well as external positioning. This culture focuses on transactions with other parties in order to gain competitive advantage. Transactions can be exchanges of goods or services, sales and contracts. Important key performance indicators are profit, power position in market niches and a stable customer base. In addition to that, for an organization with a Market culture, productivity and competitiveness are important; those aspects match with a focus on control and external positioning. The Market culture organization follows clear goals and an aggressive strategy in order to achieve results. Leadership is pushing for productivity and outworking the competition. Overall, success is measured by the share of and the power position in the market.



**Figure 3. The Competing Values Framework (Cameron, 2014, p. 8)**

### 3. METHODS: QUALITATIVE DATA COLLECTION

#### 3.1 Interviews and Questionnaire

In social research, the interview is still the most universally used method. (Dooley & Vos, 2008, p. 98) In this study, qualitative face-to-face interviews were conducted in order to gain more insights about the antecedents and benefits of preferred customer relations. These verbal and obtrusive interviews were matched to the buying firm X and to three key suppliers S1, S2 and S3. In addition to that, the interviews were semi-structured, i.e. questions were created and organized in advance, but also spontaneous questions that came up during the conversation were answered. (DiCicco-Bloom & Crabtree, 2006, p. 315) First, the respondents were asked about their position and company in general. Second, the questions related to the product that was exchanged and whether customers/suppliers are classified. Third, respondents were asked about the relationship with Firm X and the antecedents of preferred customers and its benefits. (Appendix 1)

Moreover, a self-completion questionnaire with closed-format questions was developed to analyze and profile the corporate culture of the respondent's companies. This questionnaire was brought to the respondents in person and filled out after the interview, thus the interviewee could be helped if something remained unclear and the answers could be checked for completeness. The corporate culture of the case companies was analyzed with the help of the Organizational Culture Assessment Instrument (OCAI) which is regarded as accurate in research. (Cameron & Quinn, 2011, p. 23) The OCAI consists of a questionnaire with six categories, related to the own organization: dominant characteristics, organizational leadership, management of employees, organizational glue, strategic emphases and criteria of success. (Appendix 3) Each category has four statements. Respondents have to divide 100 points among these statements depending on how these statements reflect the company. The evaluation of the OCAI is based on arithmetic calculation. (Cameron & Quinn, 2011, pp. 26-30) All points for A statements are added up and divided by 6 to derive an average score. The same is done for B, C and D statements. Then, final scores were linked to the four different types of cultures presented by Cameron & Quinn (2011): A→Clan, B→Adhocracy, C→Market and D→Hierarchy. After all, the points were plotted in a corporate culture profile in order to visualize the culture of each company and draw comparisons. (Cameron & Quinn, 2011, pp. 63-65)

#### 3.2 Interviews with One Retailer and Three Regional Key Suppliers

In May and June 2018, interviews with the manager of a retailer (Firm X) and three suppliers (S1, S2 and S3) have been conducted, in order to analyze preferred customer relations from two perspectives and the influence of corporate culture. All three suppliers are relatively small and located close by (regional) and therefore regarded as key by Firm X. The interviews with the suppliers were held separately at the site of the respective company and took 20 to 30 minutes. In contrast, the interview with the manager of Company X took around 50 minutes. Since the suppliers are small and medium sized enterprises, the interviews were held with the CEOs (S1, S3) and secretary (S2). Moreover, the interviews were conducted in German. All interviewees were informed upfront about the content of the interview as well as questionnaire and agreed to the recording of the answers.

### 4. COMPANY DESCRIPTIONS AND PRESENTATION OF INTERVIEW FINDINGS

Left out due to confidential information.

### 5. DISCUSSION OF RESULTS AND CONCLUSION

#### 5.1 Comparing Case Study Findings against Theory in Literature

##### 5.1.1 Summary of insights: Firm X is attractive, suppliers are satisfied and Firm X regarded as a preferred customer

All in all, it can be noted, that the relationship between the suppliers and Firm X is very successful. Firm X is very satisfied with the suppliers and recognizes them as strategically important. In addition to that, the suppliers perceive Firm X as attractive and are satisfied. As a consequence, Firm X is a so-called preferred customer from the viewpoint of the suppliers. Firm X buys from supplier 1 and 2 since the year 2014, when

the manager took ownership of the company. Supplier 3 delivers its products for around 1 ½ years now. The manager usually knows the CEOs of the suppliers and encourages a close and direct contact. Also, from time to time, the manager and supplier representatives meet on special occasions and events. The manager emphasizes that he prefers these suppliers since they are located nearby and or deliver regional and innovative products. Firm X considers itself as a preferred customer, because all three suppliers communicate this feeling. Moreover, the manager points out that all suppliers spare no effort in the business relationship. Therefore, Firm X and the suppliers perceive the relationship as successful.

In the following, the results the case study will be discussed and compared to the theory mentioned in the literature. First, the findings for the antecedents of customer attractiveness will be compared with the model by Hüttinger et al. (2014) and other literature presented in the review by Hüttinger et al. (2012). Next, supplier satisfaction will be compared with a more recent model by Vos et al. (2016) which also incorporate profitability as a driver and distinguishes first-tier and second-tier drivers of supplier satisfaction. Last but not least, the benefits of preferred customer status are compared against the literature review by Nollet et al. (2012). Finally, the corporate culture of the companies will be investigated.

### *5.1.2 Antecedents of customer attractiveness correspond with theory – new drivers identified*

Since customer attractiveness plays a role in the initiation and early stages of a relationship and supplier satisfaction emerges where two companies already work together, the antecedents of both concepts can overlap. (Hüttinger et al., 2012, p. 1202) All three suppliers perceive customers as attractive if direct and personal contact is in place and persons make decisions quickly. Also, Christiansen and Maltz (2002) found that face-to-face contact drives attractiveness. (Christiansen & Maltz, 2002, p. 180) In addition to that, a comfortable customer contact, where the relationship of two parties is based on reciprocity, has a high value to the suppliers S1, S2 and S3. Especially, supplier 1 emphasized that the best relationships are based on the give-and-take principle (reciprocity). Baxter (2012) discusses in his article the drivers of customer attractiveness and what the buyer can do to become more attractive to the supplier. The researcher found that a buyer-supplier relationship's performance is based on the give-and-take principle and that buying firms need to make an investment in the supplier to receive preferential treatment in return. (Baxter, 2012, p. 1255) Further, the case study revealed that the suppliers like to work with buying firms where the contact persons are easygoing, on the one hand, and proactive decision-makers, on the other hand. These drivers of customer attractiveness can also be found in the literature. In theory, the antecedents mentioned by all three suppliers can be regarded as relational behavior. Relational behavior describes the behavior of the buying firm in the relationship and includes concepts like mutuality and flexibility. (Hüttinger et al., 2014, p. 703)

Besides, reachability plays an important part in a relationship. Supplier 1 perceives customers as attractive, which are also reachable and responsive in difficult times, when problems arise. This is in line with the literature which talks about contact accessibility. Customers who are available and take care of the matters of the supplier are more attractive. (Hüttinger et al., 2014, p. 703) Moreover, supplier 1 emphasizes that trustworthiness is already important at the initiation of a relationship. If the buying firm does not seem to be trustworthy, this firm is unattractive and supplier 1 will not conduct business with this company. Trustworthiness can also be found in the

literature as a driver of customer attractiveness. (Christiansen & Maltz, 2002, p. 192) Reliability describes whether the buying firm acts reliable and sticks to its agreements. (Hüttinger et al., 2014, p. 703) After all, reputation is one important antecedent which can be assessed before a relationship is initiated. Supplier 1 wants to work with firms that have a good local reputation. In addition to that, the association with the buying firm should not negatively affect the prestige and performance of the business. This is in line with what Hald et al. (2009) call expected value of an association with another company. (Hald et al., 2009, p. 968) Reputation is also covered in the literature under the concept growth opportunity. Growth opportunity does not only relate to brand name and image but also describes the potential to grow jointly by doing business together. (Hüttinger et al., 2014, p. 703) If the buying firm has a good reputation in the local community, then the supplier can profit from this during the business relationship. A concept that is less mentioned by Hüttinger et al. (2014) as a driver of customer attractiveness is proximity. Supplier 2 is a small company that is not capable of delivering its products. As a consequence, supplier 2 prefers customers that are nearby and easily can collect the goods. Thus, short distances are preferred by that supplier. Overall, all three suppliers mention proximity as a driver of customer attractiveness. Proximity makes personal communication and deliveries easier and at the same time, the supplier can get an idea on site how its products are presented in the store. In addition to that, proximity is especially important in the Food Retail Industry where food has to be delivered under special conditions such as cooling. Furthermore, customer attractiveness is a matter of potential access to new markets and customers according to supplier 3. Access to new markets can also be found in the literature. (Hald et al., 2009, p. 163) Additionally, supplier 3 values customers which buy a minimum volume of goods and show profitable margins since the product is relatively new to the market and needs to grow. Also, customers are attractive if they show the potential for expandability and viability. Supplier 3 wants to work with customers that are capable to develop in the future. All these factors fall under the concept of growth opportunity in the literature and increase the chances that new business opportunities open up for the supplier. Last but not least, supplier 3 describes attractiveness in terms of knowledge. The buying firm should have knowledge of the product, its origin and price development and how the market is developed. Especially this knowledge factor is less popular in the literature as an antecedent of customer attractiveness so far. Christiansen and Maltz (2002) found that the transfer of knowledge is a driver of attractiveness. (Christiansen & Maltz, 2002, p. 179) However, supplier 3 is less interested in the transfer of knowledge, but rather expects that necessary knowledge about the product is already available to the buying firm prior to the relationship. Moreover, the buying firm should also be backing the product itself and promotion projects related to it. This has to do something with operative excellence, i.e. the buying firm performs as expected by the supplier and facilitates further business. (Hüttinger et al., 2014, p. 703) Additionally, this aspect is related to reliability, i.e. for instance, the buying firm should fulfill its verbal agreement to participate in sales campaigns.

Summarizing the antecedents of customer attractiveness in the case study, one can conclude that, based on the model of Hüttinger et al. (2014), customer attractiveness in practice is driven by growth opportunity, operative excellence, relational behavior, contact accessibility and reliability. This finding is in line with the work of Hüttinger et al. (2014) which also found that the first three factors have a significant effect on customer attractiveness. (Hüttinger et al., 2014, p. 711) (Appendix 2)

### 5.1.3 *Supplier satisfaction and its drivers in practice correspond with theoretical background*

First of all, the customer (buying firm) has to prove to be trustworthy, committed and reliable in order to satisfy the supplier in a business relationship, according to all three suppliers in the case study. Next, the suppliers like to conduct business with customers that foster a close and personal contact and are reachable. In addition to that, supplier 1 emphasized that contact via E-Mail is neglected. In the theory of Hüttinger et al. (2014), reliability (2<sup>nd</sup>-tier), contact accessibility (2<sup>nd</sup>-tier) and relational behavior (1<sup>st</sup>-tier) reflect these antecedents of supplier satisfaction. Also, Essig and Amann (2009) identify factors such as communication, availability of direct contact as well as general care. (Essig & Amann, 2009, p. 111) Besides, supplier 1 and 3 are in agreement about that short delivery channels are preferred. Short delivery channels save time and money and can make an impact on the quality of the products at arrival especially in the Food Retail Industry. In addition to that, supplier 3 sells a product which is relatively new on the market and therefore wants the customer to buy a certain amount of goods with a profitable margin. Next to relational factors, economic factors such as growth opportunity (1<sup>st</sup>-tier) and profitability (1<sup>st</sup>-tier) are also mentioned as antecedents of supplier satisfaction in theory. (Vos et al., 2016, p. 4614) If the supplier can profit from the business with the buying firm too, the companies can grow together and new business opportunities may open up. Sometimes, problems arise in a relationship. In these times, all three suppliers point out that a quick reaction time of the buying firm is important. Also, the joint problem discussion and problem-solving is required to satisfy supplier 1 and 3. This aspect also relates to the kind of interaction and relational behavior (1<sup>st</sup>-tier) as well as operative excellence (1<sup>st</sup>-tier). Quick and joint problem-solving increases the efficiency of the operations and leads to operative excellence. A customer, who is reachable and can easily be contacted, can react and solve problems faster and run the operations in a more efficient way. Also, in the literature, conflict management as well as the quality and speed of reaction are major drivers of supplier satisfaction. (Essig & Amann, 2009, p. 111) Furthermore, supplier 1 and 3 emphasize that customers are preferred that are not only backing the product, but also provide sufficient areas in the store for the products and conduct promotion as verbally agreed (reliability – 2<sup>nd</sup>-tier). It is not only important under what conditions the product is bought by the customer, but also how it will be presented and promoted in-store according to supplier 3. This way, operative excellence (1<sup>st</sup>-tier) can be achieved and the supplier is more satisfied. In addition to that, the media penetration and potential access to new markets and customers is important for supplier 3. Access to new markets increases the growth opportunity (1<sup>st</sup>-tier). Moreover, supplier 3 prefers straightforward business relationships with buying firms as well as easy transactions concerning the delivery and payment. If people are proactive and make decisions, supplier 3 is more contented. Besides, the sales people of the buying firm should be instructed and informed about the product. The importance of knowledge transfer was also emphasized by Christiansen and Maltz (2002). It is important, that employees do not only know the kind of product on the shelf, but also its origin and background story. These aspects support the promotion of the product and facilitate the sales of the buying firm as well as the performance of the supplier. In theory, it is about supplier involvement (2<sup>nd</sup>-tier) and support (2<sup>nd</sup>-tier), but also reliability (2<sup>nd</sup>-tier) is important, i.e. verbal agreements about promotion campaigns are fulfilled and not neglected. After all, supplier 3 is always satisfied if the product range in-store can be extended

and if sales and promotion are running good. Also, the own performance and counterperformance of the customer should be balanced. This is in line with the definition of supplier satisfaction by Essig and Amann (2009): Supplier satisfaction is the “supplier’s feeling of fairness with regard to buyer’s incentives and supplier’s contributions [...]” (Essig & Amann, 2009, p. 104) Next, supplier 2 describes a special antecedent of supplier satisfaction. Supplier 2 is a small company with limited logistical capabilities – thus, customers usually collect the products. As a consequence, supplier 2 is more satisfied if customers collect the goods and does not have to deliver them to the customer as it is common practice. The Support of the supplier (2<sup>nd</sup>-tier) means that the buying firm helps to increase the performance and capabilities of the supplier by collecting the products. (Hüttinger et al., 2014, p. 703)

All in all, one can summarize that supplier satisfaction is determined by several factors in practice: operative excellence (1<sup>st</sup>-tier), relational behavior (1<sup>st</sup>-tier), growth opportunity (1<sup>st</sup>-tier), profitability (1<sup>st</sup>-tier), reliability (2<sup>nd</sup>-tier), support of suppliers (2<sup>nd</sup>-tier), supplier involvement (2<sup>nd</sup>-tier) and contact accessibility (2<sup>nd</sup>-tier). (Vos et al., 2016, p. 4620) (Appendix 2)

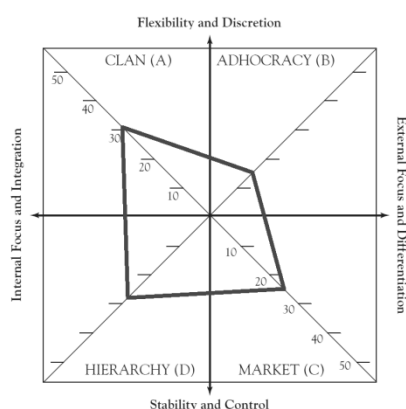
### 5.1.4 *Confirming and extending benefits of preferred customer status*

All three suppliers emphasized a good business relationship with Firm X and perceive the company as a preferred customer. As a result, supplier 1 provides short-term deliveries to Firm X if stock is short in supply or an order was forgotten. In addition to that, problems are solved with a quicker response time than with other customers. These factors are similar to the concepts support, availability and responsiveness in the literature. (Nollet et al., 2012, p. 1187) Moreover, supplier 1 provides more frequent deliveries for Firm X. This also considered as delivery reliability by Nollet et al. (2012). Sometimes, supplier 1 and 3 provide free advertising material for Firm X to increase sales. Furthermore, these suppliers also participate in sales campaigns, i.e. the retailer sells the product cheaper and the suppliers compensate the difference in profit. These advantages are so-called cost related benefits. Usually supplier 2 only accepts cash payments on the day of collection, however, preferred customers such as Firm X have the possibility to purchase on account. This is only possible, because supplier 2 and Firm X trust each other. In addition to that, supplier 2 is willing to deliver products in exceptional cases, even though it exceeds the capabilities of the company. This special effort increases the reliability of delivery and supports the customer. (Nollet et al., 2012, p. 1187) Also, during company holiday, Firm X receives the contact details of the CEO for emergencies. In contrast, supplier 3 provides market development funds for Firm X. For instance, they financed a newspaper advertisement. Moreover, Firm X gets exceptional prices if they place the product at a second location in-store in order to increase sales and publicity. Next to that, supplier 3 provides in general better conditions to Firm X such as better prices and free goods, but also campaign discounts and even prize games for consumers. Last but not least, supplier 3 also invited the manager of Firm X to exclusive events.

All in all, the results of the discussion are similar to the theory mentioned in the literature so far. Many of the benefits mentioned are in line with the work of Nollet et al. (2012). The benefits relate to delivery reliability, support, price and costs. However, invitations to events could not be categorized according to this model. Events are more of strategical nature. Building closer bonds with the representatives of the customer can influence the business in a positive way.

### 5.1.5 Clan culture dominant in Firm X and its three key suppliers

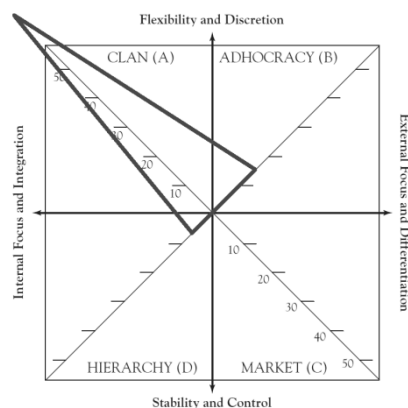
In order to measure the influence of corporate culture on preferred customer relations, three suppliers were selected that perceive Firm X as a preferred customer. The corporate culture of all four companies was evaluated with the Organizational Culture Assessment Instrument (OCAI) in form of a questionnaire. In the following, the results of this test will be discussed and culture profiles will be analyzed to find cultural similarities and differences between Firm X and its three suppliers. Firm X is a general partnership between the manager and the parent company. As a consequence, the culture of Firm X is largely influenced by its parent company. A dominant characteristic is that the company places importance on results. The people working for the company focus on achievements and try to stay as competitive as possible in the industry. In addition to that, the activities are formalized, i.e. the working style is given and controlled. Employees follow procedures which are pre-defined. Competitive and results-oriented behaviors as well as formalization are characteristics that can be mainly found in large companies and, therefore, seem to be reflections of the parent company's culture. In contrast, the company shows also that its working place is a familiar place, where the employees feel united as a big family. The dominant characteristics can be backed by observation before and after the interview with the manager. The employees do exactly know what to do and, at the same time, the interaction seems to be intimate. Next, the leadership of the organization shows a focus on entrepreneurship, innovation and risks. The manager emphasized that he has a standard range of goods that he likes to upgrade with regional and innovative products. Since innovative products are often new to the market, there is always a risk of failure. The company supports workplace security and stable relationships. This fits to the familiar climate at the workplace and to the practice to hire personal for the long-term. The organizational glue of the company is based, on the one hand, on loyalty, trust and a feeling of belonging and, on the other hand, on formal rules and procedures and smooth-running operations. Last but not least, the strategy of the company emphasizes the development of its employees as well as openness, trust and employee involvement. The Firm wants to have a team and not people that go solo. Next to that, running the current operations in a smooth and stable way, as well as arranging for innovations such as the procurement of new innovative and regional products. Overall, the company determines success based on its market position.



**Figure 4. Culture Profile of Firm X**

The culture profile of Firm X shows congruities with all four culture types: Clan (32%), Adhocracy (15%), Hierarchy (28%) and Market (25%). (see Figure 4) The Clan culture remains the most dominant culture in Firm X. The Clan culture emphasizes

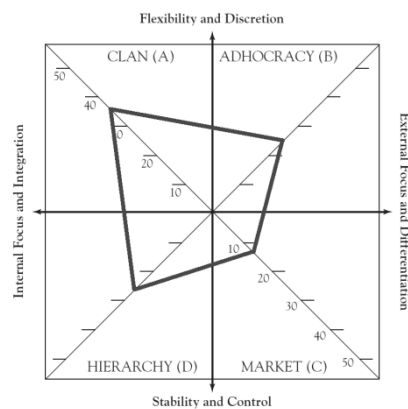
collaboration and cooperation. Employees of a Clan culture feel belonging to the company and value trust as well as commitment. Employees feel connected as a unity and customers are considered as broader family. The similarity with a Hierarchy culture can be attributed to the parent company. Performance, control and smooth-running operations are of major importance. Leadership focuses on the optimization of the operations, cost cutting and following rules and procedures.



**Figure 5. Culture Profile of Supplier 1**

The culture profile of supplier 1 shows congruities with three culture types: Clan (78%), Adhocracy (15%) and Hierarchy (7%). (see Figure 5) Since supplier 1 is a family business found in 1408, the company shows strong similarities with a Clan culture (collaborate) as Firm X does. There is less focus on a Hierarchical culture (control) since the company employs only a few employees. Additionally, the Market culture (compete) is not developed according to the results. The congruity with the Adhocracy culture (create) is similar to that of Firm X.

Supplier 1 describes itself as a family business. Therefore, dominant characteristics are a familiar workplace, close ties and many commonalities among the employees. Moreover, leadership supports and develops personal as well as facilitates innovation. Additionally, leadership coordinates and organizes the work and encourages smooth-running operations. Loyalty, trust and a feeling of belonging hold the organization together. The strategy has a focus on its employees and their development. In addition to that, the company likes to develop new products and try new things. Overall, its success is determined by the development of the employees and their engagement in projects and teamwork.

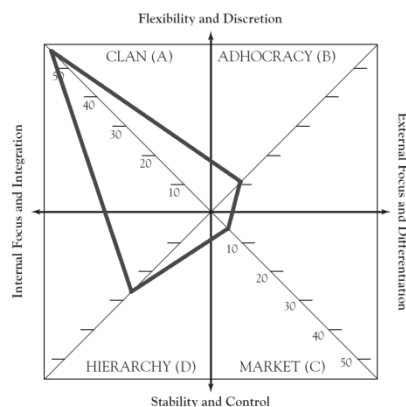


**Figure 6. Culture Profile of Supplier 2**

The culture profile of supplier 2 shows congruities with all four culture types: Clan (36%), Adhocracy (24%), Hierarchy (27%) and Market (13%). (see Figure 6) Supplier 2 has a dominant Clan culture (collaborate) like Firm X and supplier 1. The

culture profile looks like a 90° rotation of the culture profile of Firm X. The Adhocracy (create) and Hierarchy culture (control) dimensions display almost similar results. Market culture (compete) is less developed at supplier 2. Overall, Clan culture remains dominant.

Also, supplier 2 describes itself as a familiar workplace. Employees share many attitudes and trust each other. Characteristics such as dynamic and entrepreneurial behavior (risk taking), an orientation for results and achievement and structure and control, including formal procedures, are of similar importance. Leadership has a focus on encouraging and developing employees as well as searching for innovation. The supplier sells its products to limited number of customers in the region, since the products address tourists mainly. Furthermore, the company emphasizes the development of employees and supports the security of workplace as well as stable and close relationships with the employees. As a consequence, loyalty, trust and commitment hold the company together. Also, the organizational glue builds on the engagement in new developments and innovations and formal procedures and guidelines. The strategy of supplier 2 concentrates on employee development and involvement. In addition to that, innovation and efficient operations are also important parts of the strategy. Last but not least, the company defines success in terms of teamwork, innovativeness of the products and efficiency.



**Figure 7. Culture Profile of Supplier 3**

The culture profile of supplier 3 shows congruities with all four culture types: Clan (57%), Adhocracy (11%), Hierarchy (27%) and Market (5%). (see Figure 7) Supplier 3 has a Clan culture (collaborate) predominantly as Firm X. In addition to that, the culture of supplier 3 shows a manifestation of a Hierarchy culture (control). Adhocracy (create) and Market culture (compete) are less developed at supplier 3. The supplier describes itself as a familiar workplace where employees have much in common. In addition to that, employees work together in teams and have workplace security as well as stable and close relationships.

Again, supplier 3 describes itself as a familiar workplace. Next to that, entrepreneurship, performance and formalization are evenly dominant in the culture of supplier 3. Leadership concentrates on facilitating and developing employees as well as coordinating and organizing for efficient operations. In addition to that, employees work together in teams and have workplace security as well as stable and close relationships among each other. Moreover, the firm holds together through loyalty, trust and commitment. The employees show a strong feeling of belonging. Also, New Product Development and innovations as well as formal procedures and guidelines are important. Smooth-running operations remain highly important. The strategy focuses on the workforce and its development.

Trust, reliability and commitment are facilitated, but also innovative ideas, stable performance and efficiency are part of the business plan. Furthermore, success is defined in terms of workforce training, teamwork and employee engagement. Efficiency, delivery reliability, smooth operations and low costs are important as well. Last but not least, supplier 3 determines its success based on its market position and how it can adapt to its environment and defeat the competition.

## 5.2 Conclusion: Theoretical Antecedents and Benefits Confirmed, New Drivers Found, Cultural Fit Facilitates Preferred Customer Status

The analysis revealed that the antecedents of customer attractiveness and supplier satisfaction match with the drivers mentioned in the literature so far. (Hüttinger et al., 2014; Hüttinger et al., 2012; Pulles, Schiele, et al., 2016; Vos et al., 2016) Antecedents of customer attractiveness that were found relate to growth opportunity, operative excellence, relational behavior, contact accessibility and reliability. In contrast, the antecedents of supplier satisfaction that were found additionally relate to profitability, support of suppliers and supplier involvement. Next to the common drivers mentioned in the literature, the case study found that proximity and knowledge are important drivers of attractiveness in the Food Retail Industry. Proximity is regarded as important not only for communication purposes, but also for operational efficiency and delivery quality. In addition to that, knowledge of the customer, and not the transfer of it, is considered an important driver of customer attractiveness. The findings suggest that customers with knowledge about the supplier's product and market developments are increasingly attractive. Furthermore, the drivers of supplier satisfaction could be all categorized according to the model of Vos et al. (2016). Moreover, the benefits of preferred customer status were in line with the collection of Nollet et al. (2012): product quality and innovation, support, delivery reliability, price or costs. Only the invitation to exclusive events could not be classified. Overall, according to Schiele (2018), Company X received a level 2 treatment by the suppliers, i.e. a preferred customer treatment, where additional services are offered without additional costs.

The Competing Values Framework provided useful insights about the orientation and culture of Firm X and its three key suppliers. In addition to that, the culture profiles revealed that Firm X and its three suppliers share a dominant Clan culture which focuses more on collaboration than control, creation and competition. Thus, the focus lies on flexibility and internal matters, i.e. long-term development through collaboration. Whereas Firm X and supplier 2 show a moderate manifestation, supplier 1 and supplier 3 show an obvious and clear manifestation of the Clan culture. The Clan culture might be dominant in this Case Study, because the suppliers are relatively small, with one leader and a few employees. Small hierarchies might facilitate a familiar workplace and teamwork (Clan culture). Firm X might show congruities with a Hierarchy culture, since its culture is partly determined by its parent company. All four companies are located in the same region and show very close relationships. As the manager of Firm X pointed out, the work within this community functions very well. The people know each other for many years and have developed not only a long-term business, but also a private relationship. People invite each other for events or have a talk here and there. Also, the work is considered as cooperation and togetherness and not competitiveness. This supports the claim by Vos et al. (2016) that relational and social factors outweigh economic factors in preferred customer relations. However, that

does not indicate that the people do business without profit. At the end, said the manager of Firm X, it is important that everybody can live with the price and further runs the business in the future. All in all, this case study confirmed and extended the antecedents and benefits of preferred customer status in buyer-supplier relationships mentioned in the literature so far, based on practical evidence from the German Food Retail Industry.

Since the analysis demonstrated that all four companies share a Clan culture and that all three suppliers regard Firm X as a preferred customer, one can conclude, that similar corporate cultures facilitate customer attractiveness and supplier satisfaction and, in turn, lead to preferred customer status. As Morgan (2000) pointed out, "compatible relationships are those in which partners (a) have similar attitudes, values, beliefs and goals;" (also referred to as corporate culture in the literature) "and (b) play complementary roles." (Morgan, 2000, p. 490) It follows, according to this case study in the German Food Retail Industry, similar cultures positively influence preferred customer status in buyer-supplier relationships.

## 6. RECOMMENDATION FOR FIRM X, CONTRIBUTION TO LITERATURE, LIMITATIONS, FURTHER RESEARCH

### 6.1 Recommendation: Extension of Product Range and Secondary Placements

The results of the case study highlight successful relationships between Firm X and its three key suppliers. However, suppliers also mentioned potential improvements. One supplier mentioned that an extension of the product range in the market is always profitable. In addition to that, the supplier prefers greater areas in-store for the presentation and promotion of the goods. After all, the suppliers and Firm X are very satisfied and know what status they have among themselves.

### 6.2 Theoretical Background Confirmed and Extended

This case study explored the phenomenon of preferred customer relations by comparing the theoretical antecedents and benefits of preferred customer status against practical findings. So far research in this manner has mainly focused on theoretical models. This work aims to provide practical insights about preferred customer relations and the influence of corporate culture. The antecedents of customer attractiveness mentioned in the literature were confirmed and extended by proximity and knowledge. In addition to that, the antecedents of supplier satisfaction correspond with the theoretical background. Moreover, the analysis revealed that multiple benefits of preferred customer status can be confirmed and invitations to exclusive events could be identified as one new advantage of preferred customer status. According to the findings, preferred customers are increasingly invited to exclusive events in order to tighten the business relationship.

Last, the analysis found practical evidence that cultural fit does have a positive influence on preferred customer status, i.e. if customer and supplier share a similar dominant culture, one can expect that the chances for preferred customer status are higher.

### 6.3 Case Study Remains not Generalizable but Provides New Insights for Future Research

This case study is based on qualitative data only and, therefore, does not make a statement about the magnitude and significance of the antecedents in this research matter. In addition to that, the

research was done in the German Food Retail Industry in cooperation with small and medium-sized companies. The results might differ among countries, industries, company size and the length of the relationship. Moreover, the reliability of the study is dependent on the honesty of the respondents. The interviewees of the suppliers were told that no answers will be shared with Firm X. Nevertheless, the interviewees could have modified the answers for their own good. In order to increase the generalizability of the results, further research in different research settings needs to be conducted.

This case study argues that cultural fit is a driver of attraction, supplier satisfaction and, therefore, preferred customer status in buyer-supplier relationships. In this study, cultural fit is regarded as cultural similarity. However, cultural fit can also mean two different cultures that complement each other. Also, in personal relationships there remains a discussion whether similarities or differences lead to a successful relationship among couples. What if, preferred customer status is not only positively determined by similar cultures, but also by different corporate cultures? One could ask what corporate culture types match very well together and which do not. Last, this research calls for further investigations of attraction and satisfaction in buyer-supplier relationships with regards to the influence of corporate culture on preferred customer status.

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## APPENDIX

### A1 Interviews

#### Interview mit Firma X

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##### Generelle Fragen:

- Was ist ihre Position/ Job im Unternehmen?
- Wie lange arbeiten Sie schon für das Unternehmen?

##### Fragen zum Produkt:

- Welche Produkte kaufen Sie von den 3 Lieferanten?
- Haben Sie mehrere Lieferanten für diese Produkte? Wie viele?
- Wie lange kaufen Sie schon von den 3 Lieferanten?
- Stehen Sie jedes Mal mit derselben Person in Kontakt? Für wie lange sind Sie schon mit derselben Person in Kontakt?

##### Klassifizierung:

- Klassifizieren Sie die Beziehung mit ihren Lieferanten? Wenn ja, wie? Gesichtspunkte?
- Wie beurteilen Sie die Beziehung zu den drei Lieferanten?
- Haben Sie bevorzugte Lieferanten? Woran zeigt sich dieses Verhältnis?
- Haben Sie Hinweise darauf, dass die Lieferanten ihre Kunden auch klassifizieren?
- Sind Sie bemüht ihre Lieferanten zufrieden zu stellen? Inwiefern? Welche Maßnahmen?
- Bei welchen Lieferanten gehen Sie davon aus, dass Sie einen bevorzugten Kundenstatus haben?

##### Vorteile:

- Haben Sie gewisse Vorteile bei dem jeweiligen Lieferanten?
- Welche Leistungen/Vorteile gibt es, die umsonst sind und nicht jeder Lieferant erhält?
- Welche Leistungen/Vorteile gibt es, die kostenpflichtig sind und nicht jeder Lieferant erhält?

##### Ursachen:

- Gibt es Maßnahmen, die Sie nicht unternommen haben, jedoch die Lieferanten zufrieden gestellt hätten oder zu einem „bevorzugten Kunden-Status“ geführt hätten?

#### Interview mit den Lieferanten

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##### Generelle Fragen:

- Was ist ihre Position/ Job im Unternehmen?
- Wie lange arbeiten Sie schon in dieser Position?

##### Fragen zum Produkt:

- Welches Produkt liefern Sie an Firma X?
- Wie lange liefern Sie schon an Firma X?
- Stehen Sie immer mit derselben Person in Kontakt? Wer? Wie lange stehen Sie schon in Kontakt?

##### Klassifizierung:

- Klassifizieren Sie Ihre Kunden? Anhand welche Kriterien?
- Haben Sie bevorzugte Kunden? Zählt Firma X dazu? Warum/ warum nicht?
- Würden Sie sich selbst als bevorzugten Lieferanten von Firma X sehen?

##### Leistungen/ Vorteile:

- Welche Leistungen/ Vorteile bieten Sie ihren bevorzugten Kunden?
  - Welche Leistungen/ Vorteile bieten Sie, die für den Kunden umsonst sind und die nicht jeder Kunde erhält?
  - Nennen Sie drei Leistungen/ Vorteile
- Woran würden Sie generell die Zufriedenheit eines Lieferanten festmachen?

## Interview mit den Lieferanten

### Ursachen:

- Wie zufrieden sind Sie mit der Firma X?
  - Welche Faktoren spielen eine Rolle?
  - Was müsste passieren, damit Sie noch zufriedener sind?
- Welche Aspekte führen zu Unzufriedenheit in Ihrem Geschäftsverhältnis mit Firma X?
  - Beschreiben Sie Situationen, in denen Sie unzufrieden waren
  - Was waren die Gründe dafür?
- Weiß Firma X welchen Status Sie bei Ihnen hat?
  - Informieren Sie bevorzugte Kunden von ihrem Status?
  - Warum ja/ Warum nicht?
- Welche Maßnahmen muss ein Kunde ergreifen, um Ihre Firma zufrieden zu stellen und um bevorzugter Kunde zu werden?
  - Welches Verhalten ist Ihnen wichtig?
  - Worauf legen Sie wert?
- Was tun Kunden generell, um Sie zufrieden zu stellen?

## A2 Interview Evaluation

### *Antecedents of customer attractiveness*

Supplier	Practice in Case Study	Theory in Literature
S1, S2, S3	Direct and personal contact with the person in charge is important (or via telephone).	Relational behavior, contact accessibility
S1	Reachability	Contact accessibility
S1	Reputation of the customer	Growth opportunity (brand name)
S1	Trustworthiness	Reliability
S1, S2, S3	Comfortable customer contact	Relational behavior, contact accessibility
S1	Give and take principle	Relational behavior (reciprocity)
S1, S2, S3	Proximity	
S3	Potential access to new customers	Growth opportunity (new potential business opportunities)
S3	Accept basic quantity of the product	Growth opportunity (volume)
S3	Knowledge of product and market development	
S3	Expandability/ viability of customers	Growth opportunity (growth)
S3	Profitability (margins)	Growth opportunity (grow together)
S1, S3	Backing the product/ projects and support marketing/ sales	Operative excellence, reliability (fulfill verbal agreements)

### *Antecedents of supplier satisfaction*

Supplier	Practice in Case Study	Theory in Literature
S1, S2, S3	Quick reaction time	Operative excellence (1 <sup>st</sup> -tier - facilitate the way of doing business), relational behavior (1 <sup>st</sup> -tier - flexibility), contact accessibility (2 <sup>nd</sup> -tier)
S1, S2, S3	Close and personal customer contact	Relational behavior (1 <sup>st</sup> -tier), contact accessibility (2 <sup>nd</sup> -tier)
S1, S3	Backing the product/ projects and support marketing/ sales	Operative excellence (1 <sup>st</sup> -tier), reliability (2 <sup>nd</sup> -tier - fulfill verbal agreements)
S1, S2, S3	Fast and direct payment	Profitability (1 <sup>st</sup> -tier), reliability (2 <sup>nd</sup> -tier - mutuality)
S1, S2, S3	Trust, reliability and commitment	Reliability (2 <sup>nd</sup> -tier), relational behavior (1 <sup>st</sup> -tier)
S1	Reachability (personal & telephone)	Contact accessibility (2 <sup>nd</sup> -tier)
S1, S3	Joint problem discussion and fast problem-solving	Support of suppliers (2 <sup>nd</sup> -tier), operative excellence (1 <sup>st</sup> -tier)
S1, S2	Short delivery channels are preferred	Profitability (1 <sup>st</sup> -tier)
S2	Access to new markets/ customers	Growth opportunity (1 <sup>st</sup> -tier - new business opportunities)

Supplier	Practice in Case Study	Theory in Literature
S2	Collection of the product	Support of suppliers (2 <sup>nd</sup> -tier)
S3	Media penetration	Growth opportunity (1 <sup>st</sup> -tier - new business opportunities)
S3	Easy transactions (delivery & payment)	Operative excellence (1 <sup>st</sup> -tier)
S3	Straightforward business relationship	Contact accessibility (2 <sup>nd</sup> -tier), reliability (2 <sup>nd</sup> -tier), relational behavior (1 <sup>st</sup> -tier), support of supplier (2 <sup>nd</sup> -tier)
S3	Profitable margins	Growth opportunity (1 <sup>st</sup> -tier), profitability (1 <sup>st</sup> -tier)
S3	Provide sufficient areas in the store for the product & Promote the product in the store	Support of supplier (2 <sup>nd</sup> -tier), reliability (2 <sup>nd</sup> -tier - fulfill verbal agreements)
S3	Informed employees (about the kind of product and origin)	Supplier involvement (2 <sup>nd</sup> -tier - supplier staff informs customer)
S3	Good sale of goods	Growth opportunity (1 <sup>st</sup> -tier - volume), profitability (1 <sup>st</sup> -tier)
S3	Expansion of the product range	Growth opportunity (1 <sup>st</sup> -tier - grow product range)
S3	Performance and counterperformance	Relational behavior (1 <sup>st</sup> -tier)

*Benefits of preferred customer status*

Supplier	Practice in Case Study	Theory in Literature
S1	Short-term orders, quick reaction time/ problem-solving	Support (availability and responsiveness)
S1	Fast and frequent deliveries	Delivery reliability (product availability, special delivery agreements)
S1, S3	Free advertising/ promotion material	Costs
S1, S3	Joint projects (e.g. Participate in advertising campaigns)	Price
S2	Purchase on account instead of cash	Support (customize process)
S2	Deliver product (exceptional cases)	Delivery reliability (deliver missing goods)
S2	Private contact details of CEO during company holiday (reachability)	Support (sharing information)
S3	Market development funds	Costs (reduce costs of the customer)
S3	Exceptional prices for secondary placement	Price
S3	Better conditions (e.g. prices, free goods, campaign discounts, prize games)	Support, costs (advertisement and promotion)
S3	Invitations for events	

## A3 OCAI Questionnaire

Fragen zur Unternehmenskultur

1. Dominante Eigenschaften		
A	Die Firma ist ein vertrauter Ort/ eine große Familie. Die Mitarbeiter scheinen vieles gemeinsam zu haben.	
B	Die Firma ist sehr dynamisch und unternehmerisch. Die Mitarbeiter gehen viel Risiko ein.	
C	Die Firma ist sehr ergebnisorientiert. Es zählt, dass der Job erledigt wird. Die Leute sind wettbewerbs- und erfolgsorientiert.	
D	Die Firma ist ein sehr kontrollierter und strukturierter Ort. Formale Vorgehensweisen geben vor, was Mitarbeiter tun.	

2. Führungsriege		
A	Die Leitung der Firma betreut, fördert und entwickelt.	
B	Die Leitung der Firma handelt unternehmerisch, fördert Innovation und geht Risiken ein.	
C	Die Leitung der Firma ist aggressiv, ergebnisorientiert und auf das Wesentliche fokussiert.	
D	Die Leitung der Firma koordiniert, organisiert, oder unterstützt reibungslose Arbeit.	

3. Mitarbeiter-Management		
A	Der Management-Stil der Firma wird durch Teamarbeit, Einigkeit, und Teilhabe charakterisiert.	
B	Der Management-Stil der Firma wird durch individuelle Risikobereitschaft, Innovation, Freiheit und Einzigartigkeit charakterisiert.	
C	Der Management-Stil der Firma wird durch extreme Wettbewerbsfähigkeit, hohe Anforderungen und Leistung charakterisiert.	
D	Der Management-Stil der Firma wird durch Arbeitsplatzsicherheit, Anpassung, Berechenbarkeit, und Stabilität der Beziehungen charakterisiert.	

4. Firmenzusammenhalt		
A	Loyalität und gegenseitiges Vertrauen halten die Firma zusammen. Das Zugehörigkeitsgefühl zur Firma ist stark.	
B	Engagement für Innovation und Entwicklung hält die Firma zusammen. Der Fokus liegt auf dem neusten Stand der Dinge.	
C	Die Betonung auf Leistung und Fertigstellung der Aufgaben hält die Firma zusammen. Aggressivität und Erfolg sind wichtig.	
D	Formale Regeln und Vorschriften halten die Firma zusammen. Der reibungslose Ablauf der Arbeit steht im Vordergrund.	

5. Strategie		
A	Die Firma legt Wert auf die menschliche Entwicklung der Mitarbeiter. Großes Vertrauen, Offenheit und Teilhabe sind wichtig.	
B	Die Firma legt Wert auf den Erwerb von neuen Ressourcen und die Entstehung von neuen Herausforderungen. Es werden gerne neue Sachen ausprobiert und neue Möglichkeiten erforscht.	
C	Die Firma legt Wert auf Wettbewerbsstrategien und Leistung/ Erfolg. Die Dominanz im Markt ist sehr wichtig.	
D	Die Firma legt Wert auf Permanenz und Stabilität. Effizienz, Kontrolle und reibungslose Operationen sind wichtig.	

6. Erfolgskriterien		
A	Die Firma definiert Erfolg anhand der Entwicklung der Mitarbeiter, Teamarbeit und Mitarbeiter-Engagement.	
B	Die Firma definiert Erfolg anhand der Einzigartigkeit und Neuheit der Produkte. Die Firma ist Produkt-Vorreiter und Innovator.	
C	Die Firma definiert Erfolg anhand der Position im Markt. Es ist wichtig die Konkurrenz zu schlagen und Marktführer zu sein.	
D	Die Firma definiert Erfolg anhand von Effizienz. Zuverlässige Lieferungen, reibungslose Zeitplanung und geringe Kosten sind wichtig.	