

# **What did buying firms do to outperform other competitors and become the preferred customers of suppliers? – An empirical study from 41 interviews with purchasers and salespersons from various countries.**

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## **ABSTRACT,**

*As there is an increasingly cutthroat competition among buying firms for the best suppliers to attain sustained competitive advantage, this paper attempted to apply qualitative research of 41 interviews from buyers and suppliers from various industries and countries to explain this phenomenon. By unravelling some of the limitations of the previous research on the topic, growth potential and relational behaviour were found as the two most important antecedents to the preferred customer status. This was consolidated by the fact that successful companies tended to focus more on these two compared to their unsuccessful counterparts. Lastly, the existence of cultural issues in international procurement was identified through several testing means, giving the implication that buying firms should cultivate their cultural understanding to improve the relationship with their suppliers for favourable treatments.*

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## **Keywords**

Preferred customer status, preferential treatments, antecedents, growth opportunity, relational behaviour, cultural differences.

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# 1. A PRACTICAL MANIFESTATION ON ACHIEVING THE PREFERRED CUSTOMER STATUS

Nowadays, there exists the rising trend in competitive pressure among firms in the supply market. In the current supply market, the decreasing number of potential suppliers have become a challenge for buying firms (Hüttinger, Schiele, & Schröer, 2014, p. 697). Simultaneously, either in sales markets or supply markets, the predominant issue is that “really good suppliers” are in short supply, according to Cordón and Vollmann (2008, p. 55). Hence, the competition for access to the suppliers’ best resources is getting fiercer and fiercer (Hüttinger, Schiele, & Veldman, 2012, p. 1194). Besides, the fact that factors such as environmental threats that cause the bottleneck situation in the supply market further emphasises the importance of being preferred by your suppliers (Schiele, Calvi, & Gibbert, 2012, p. 1179). In addition, the needs to be preferred by suppliers to avoid external threats, buying firm are granted several benefits associating with this privileged status. For instance, preferred buying firms have access to supplier’s scarce resource (Schiele, 2012, p. 44) such as “ideas, capabilities, and materials that build competitive advantages that may not be achieved otherwise” (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 129). This results in buying firms competing for the preferred customer status to be accessible to the favourable resource allocation from their suppliers, which facilitates sustained competitive advantage. In addition, many Western manufacturing companies are reported to have been implementing an international procurement strategy to maintain and foster their competitive advantage (Kotabe & Murray, 2004, p. 7).

Despite the widespread globalisation, in many parts of the world, cultural legal, and social differences remain inherently different and thus become barriers for international business (Den Butter & Linse, 2008, p. 78). For instance, the Japanese and American cultures are contrary to each other. While American culture focusses on individualism and evolves around egalitarianism, the Japanese culture is collectivism-centric strictly hierarchical (Brett & Okumura, 1998, p. 496; Hofstede, 1980, p. 50; Schwartz, 1994, p. 87). The cultural differences have significant effects on the way the business is conducted. Because of these inherent differences, any misalignment of interest may severely impair the relationship between a buyer and a supplier. For instance, a severe effect of this cultural difference can be the disapproval to grant preferential treatments and privileges to the buying company due to the misunderstanding or the lack of trust from its foreign suppliers

Previous literature outlined several limitations in the research field of the preferred customer status. First of all, there is an insufficient number of study about supplier satisfaction from the buyer perspective (Meena & Sarmah, 2012, p. 1250). Secondly, there remains the lack of diversity in the previous study as most of them were concentrating on the automotive industry (Hüttinger et al., 2014, p. 713). Furthermore, the “actionable tools” for managers on how to acquire the preferred customer status are in need for the field to mature (Hüttinger et al., 2012, p. 1204). Additionally, the globalisation pace has increased ever since 1989, due to the collapse of the Soviet bloc, the creation of European single market, the implementation of North American Free Trade Agreement (NAFTA), or the establishment of World Trade Organization (WTO) (Johnson, Lenartowicz, & Apud, 2006, p. 525). The lack of cross-cultural competence was ascribed to the failures of many international business (Johnson et al., 2006, p. 525). According to these authors, cross-cultural competence in international business is “*an individual’s effectiveness in drawing upon a set of knowledge, skills, and personal attributes in order to work successfully with people from different national cultural backgrounds at home or abroad*” (Johnson et al., 2006, p. 530). There was a shortage of studies that lay attention on whether cultural understanding was an essential antecedent to the preferred customer acquisition for the buying firms from their foreign partners. In this paper, cross-cultural competence and cultural understanding will be used interchangeably.

Thus, the aim of this bachelor thesis is to deepen managerial understandings of how to achieve the preferred customer status at a cross-cultural level by scrutinising how buying firms that are from various industrial and national backgrounds achieve the preferential treatments from their suppliers.

The three following research questions for this case study addressing some gaps of the topic are formulated as below:

Question 1: To what extent do the findings of this case study confirm the existing body of literature on the drivers to the preferred customer status and to what extent are there findings yet undisclosed in the literature?

Question 2: To what extent are there variation in perception of antecedents to the preferred customer status between buying firm and supplier and how to diminish the perception gap?

Question 3: To what extent are there differences in implementation practices towards suppliers to achieve the preferred customer status between successful and unsuccessful buying firms?

The remainder of this case study will be structured as follows: It will start with a comprehensive literature review covering main ideas from the existing literature on sustained competitive advantage, the theory of the preferred customership, in general, and the antecedents to the preferred customer status, in specific. The methodology section then will give a detailed explanation on how the interviews were conducted for data collection and the mean of data analyses. The result section will present the main findings from the analyses. The discussion part will elaborate on the findings in comparison with existing literature. Managerial implication will also be provided using the results of this case study in combination with existing research. The limitations of the case study will be identified for further research. The thesis will end with a section of acknowledgements.

## 2. LITERATURE REVIEW

### 2.1. The preferred customer status and its current state of the art: Achieving PCS for sustained competitive advantage

The concept of the preferred customer status was first introduced in 1970 by Hottenstein. In his work, Hottenstein referred to companies that structure and rank their customer base based on their past orders and expectations of future interaction (Hottenstein, 1970, p. 46). However, it was until two decades later, the topic of the preferred customer status started to receive more attention when it was investigated under the concept of “reverse marketing” by Leenders and Blenkhorn (1988, p. 187). Much later on, in contrary to the common assumption that suppliers should always initiate the trading relationship, Nollet, Rebolledo, and Popel (2012, p. 1186) made a remark that there was an increasing trend that nowadays buyers attempting to engage in reverse marketing to increase their attractiveness to the supplier.

Good cooperation with partner companies is essential for firms to attain sustainable competitive advantage (Teece, 2018, p. 43). In a similar vein, (Schiele et al., 2012, p. 1178) proposed that the benefits a preferred customer receives from its supplier can lead to competitive advantage. According to Barney (1991), a firm is said to possess competitive advantage when it is *“implementing a value creating strategy not simultaneously being implemented by any current or potential competitors”* (Barney, 1991, p. 102). However, the competitive advantage a firm may have a limited time span due to unanticipated

changes, for example, the case of “Schumpeterian shocks”<sup>1</sup> (Barney, 1991, p. 103). Therefore, in addition to the ability to possess competitive advantage, firm can obtain sustained competitive advantage if, and only if, other companies are unable to duplicate its strategy (Barney, 1991, p. 102). Teece (2018, p. 43) emphasised on the need for firm to acquire dynamic capabilities for sustainable competitive advantage through *“developing and coordinating, or “orchestrating” the firm’s (and partner firms’) resources to address and even shape changes in the marketplace, or the business environment more generally.”* The explanation is that in the age of technology development, the preferred customer status can grant buying firm to get access to more innovativeness from its supplier, thus increasing its competence (Pulles, Veldman, & Schiele, 2014, p. 415) and as stated by Ellis, Henke, and Kull (2012, p. 1259), suppliers depict “key source of technological innovation for buying firms”. This is due to the shift of a closed and laboratory-centred view to open innovation, granting suppliers higher discretion (Chesbrough, 2003, p. 562; Gianiodis, Ellis, & Secchi, 2010, p. 562). Besides, B2B market consolidation led to the oligopolistic situation in certain markets, consequently, the supplier scarcity is becoming a phenomenon (Schiele et al., 2012, p. 132; Schiele, Ellis, Eßig, Henke, & Kull, 2015, p. 132). As a result, buying firms need to build up the relationships with this very few number of available suppliers. Furthermore, from the supplier perspective, some customers are strategically more important than the others (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 179). Last but not least, catastrophic events such as the tsunami in Japan and the flood in Thailand may again occur unexpectedly, leaving suppliers located in these countries with severe damage and being lacked of capability to fulfil all the commitment with their customers (Abe & Ye, 2013, p. 572). As the result, the preferred customer is to be offered the preferential resource allocation from its supplier, while leaving other downstream supply chain partners suffering from losses due to supply shortage (Abe & Ye, 2013, p. 572; Steinle & Schiele, 2008, p. 578). For the past years, the amount of research on the topic of buying firms striving to attain the preferred customer for preferential treatment from its suppliers has been rocketing (K.S. Hald, 2012, p. 1229; Schiele et al., 2012, p. 1178). To be specific, recent empirical research includes the case of a Danish firm enjoying a reduction of 10 weeks lead time thanks to being preferred by its supplier (Christiansen & Maltz, 2002, p. 182). Other benefits resulting from successful collaboration with suppliers are to be presented in the following table:

**Table 1: Preferential treatments for the preferred customer**

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<sup>1</sup> Also known as Creative Destruction, with Henry Ford’s assembly line and the internet as noticeable examples

Benefits of being the preferred customers	Amount/Supplementary information	Source
<b>Economic benefits</b>		
- Purchasing price	Price reduction can be as high as 30%.	(Blenkhorn & Banting, 1991, p. 963; K.S. Hald, Cordón, & Vollmann, 2009, p. 963; Nollet et al., 2012, p. 1187)
- Efficiency (Reduction of cycle time and lead time)	The amount of time needed to design a product can be reduced to several months.	(Christiansen & Maltz, 2002, p. 188; Ulaga, 2003, p. 686)
<b>Innovative benefits</b>		
- New innovation - Customisation - Quality improvement	Supplier grant buyer to be part of new product development.	(Ellis et al., 2012, p. 1260; Nollet et al., 2012, p. 1187; Schiele, 2012, p. 48; Steinle & Schiele, 2008, p. 11)
<b>Operational benefits</b>		
- Warehouse storage - Relocation of facilities - Priority in supply shortage	- Buyer can store its products at suppliers' warehouse. - Supplier may be willing to relocate near to buyer's facilities. - Preferred buyer is "first in line" to be served.	(Nollet et al., 2012, p. 1187; Schiele, 2012, p. 48; Williamson, 1991, p. 79)
<b>Interactional benefits</b>		
- Collaboration and knowledge sharing	Supplier assign its "best personnel" to work hand in hand to foster collaboration with selected buying firms.	(Schiele et al., 2012, p. 1178; Trott & Hartmann, 2009, p. 730)

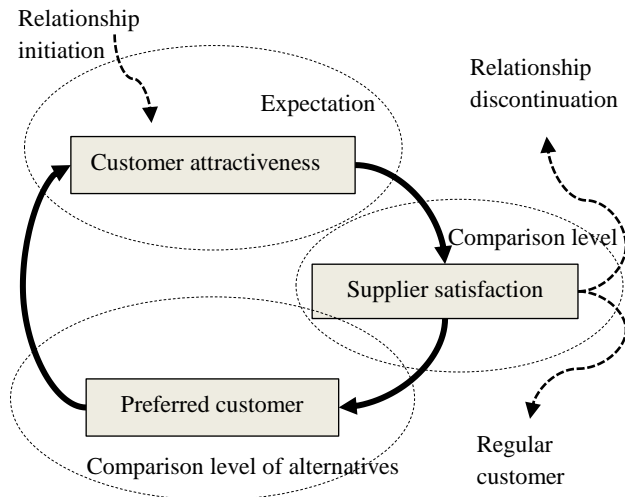
As aforementioned, there are several benefits resulting from the successful collaboration with a supplier, thus makes a direct contribution on the competitiveness of buying firm

(Mortensen & Arlbjørn, 2012, p. 152). This implies the need for buying firms to achieve the preferred customer status from suppliers to maintain sustainable competitive advantage, as suppliers can "provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise" (Pulles et al., 2016, p. 129).

## 2.2. Antecedents to the preferred customership

In specific, the three main drivers that lead to a supplier granting a buying firm the preferential treatment include: customer attractiveness, supplier satisfaction, the preferred customer status. There are first and second tier antecedents of the drivers. Taking supplier satisfaction as an instance: first tier antecedents are growth potential, profitability, relational behaviour and operative excellence; second tier antecedents include supplier engagement, reliability, support in terms of having a specific contact person for a supplier (Hüttinger et al., 2014, p. 700). A theoretical framework that can be used to explain the emergence of the preferred customer is the social exchange theory. The social exchange theory acts as an underlying framework to justify why an exchange partner is motivated to put efforts on deepening the bond with his partner and treating them superior (Schiele et al., 2012, p. 1180). The social exchange theory consists of three fundamental components: expectation (the initial attraction to an exchange partner), outcomes of the exchange, and the comparison level of alternatives<sup>2</sup>. These components refer to customer attractiveness, supplier satisfaction, and the preferred customer, respectively. For the interconnection between these components, Schiele et al. (2012, p. 1180) referred to the "cycle of preferred customership", which considers customer attractiveness, supplier satisfaction and the preferred customer status as an ongoing process. Prior to the actual start of the business relationship, buyer must possess some attractiveness towards its supplier for the exchange to take place (Schiele et al., 2012, p. 1182). Once the relationship is active, supplier satisfaction (of its customer) is the determinant of whether the exchange relationship would continue (Schiele et al., 2012, p. 1182). This would also determine whether the customer gets awarded with the preferred customer status. A brief overview of the cycle is presented below:

<sup>2</sup> Cross-relationship comparison



**Figure 1: The cycle of the preferred customership (Schiele et al., 2012, p. 1180)**

Necessarily, it needs to be taken into consideration that although there is correlation between customer attractiveness and supplier satisfaction, it does not apply for all the scenarios. A customer could be attractive but fail to satisfy its supplier (Hüttinger et al., 2012, p. 1198). The different stages of the preferred customership are discussed in the following subsections.

### 2.2.1. Customer attractiveness

It can be observed that customer attractiveness is assessed by supplier's expectations of future collaboration with its potential customer. The decision whether to partake in such contract is decided by supplier before the first exchange take place (La Rocca, Caruana, & Snehota, 2012, p. 1242). Among the research on the topic of customer attractiveness, Fiocca (1982) was among the first researchers who tapped into this aspect. In his article, he classified customer attractiveness into different categories, including market factors, competition, financial factors, economic factors, technological factors and socio-political factors (Fiocca, 1982, p. 54). In a study in 2012, Hüttinger proposed the five main drivers to customer attractiveness, including market growth factors, risks factors, technological factors, economics factors and social factors (Hüttinger et al., 2012, p. 1203). Later on, based on a study focusing on group discussion, Hüttinger et al. (2014, p. 702) identified 8 categories that were frequently mentioned when asked about the antecedents of customer attractiveness, amongst which growth potential, operative excellence, and relational behaviour were regarded as the most important antecedents contributing to the customer attractiveness. Hüttinger's research however was only limited within the OEM industry (Hüttinger et al., 2014, p. 713). Notwithstanding the role of economic value in determining whether a buying firm is granted the preferred customer status, it is not the utmost factor. Some buying firms would not be able to fulfil

the purchasing volume to be preferred customers, but there are other aspects that they can take into consideration to improve their attractiveness. Cordón and Vollmann (2008, p. 55) made a remark that increasing attractiveness to supplier is not only about paying higher price but becoming a "smart customer", such as disclosing explicit information exchange or opening to new ideas. Along the same line, offering better technological solutions or new approaches to cooperation were suggested by Christiansen and Maltz (2002, p. 188) for buying firms to be more attractive in the eyes of its suppliers.

### 2.2.2. Supplier satisfaction

According to Pulles et al. (2016, p. 129), suppliers can "provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise", which emphasises the need for buying firm to collaborate with supplier to upgrade its performance. Since supplier satisfaction plays an considerable role in whether buying firm get awarded preferential resource allocation, several researches advised buying firm on paying special attention to learn its supplier expectations (Pulles et al., 2016, p. 139; Vos, Schiele, & Hüttinger, 2016, p. 4621). For this reason, more and more researchers have developed different methodologies to measure the supplier satisfaction, such as supplier satisfaction survey (Maunu, 2003, p. 62) or scale and module to construct supplier satisfaction index (Essig & Amann, 2009, p. 106; Meena & Sarmah, 2012, p. 1238).

Supplier satisfaction can be explained with the use of insights from expectation confirmation theory and social exchange theory (Glas, 2018, p. 92). According to the expectation confirmation theory, initially, a supplier would expect performance and quality from its buyers in term of work and communication quality of buyers' business, through buying firm's procurement as an example. If the buyer underperforms, supplier satisfaction will decrease and vice versa (Glas, 2018, p. 93). Whereas, according to social exchange theory, a supplier would deliver its best performance to buyer that it perceives of having the ability to maximise its long-term satisfaction. In a study of supplier satisfaction in an indirect procurement context, (Vos et al., 2016, p. 4621) showed that regardless the product context, antecedents such as growth opportunities, reliability and profitability are pertinent to supplier satisfaction.

While traditional models put heavy emphasis on the importance of economic factors on supplier satisfaction, this is however not the only means to attain a high level of supplier satisfaction. Alternatively, as mentioned above, buying firm that is unable to offer the highest economic value to its supplier can be a "smart customer" (Cordón & Vollmann, 2008, p. 55). In a similar manner, Vos et al. (2016, p. 4621) study stated that the assumption of economic factor as the most important antecedents to supplier satisfaction was misleading. Their study showed that relational factors<sup>3</sup> possess similar or

<sup>3</sup> Relational behaviour, reliability and operative excellence

even greater variance in supplier satisfaction than economic factors<sup>4</sup> (Vos et al., 2016, p. 4621).

Overall, despite that supplier satisfaction is deemed as a principal antecedent to the preferred customer status, it does not accompany absolute guarantee (Schiele et al., 2012, p. 1181). The reason for this is that a supplier can be satisfied with many customers but does not grant preferential treatment to every customer (Hüttinger et al., 2012, p. 1200)

### 2.2.3. The preferred customer status

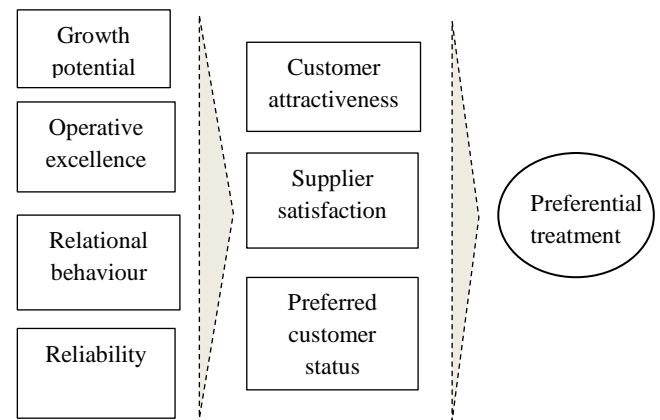
Once an exchange relationship has been initiated, a buying firm may aim to become its supplier's preferred customer, aiming to take advantage of the wide range of benefits associated with this privilege status. The concept of 'the preferred customer' has been referred as 'best customer', 'attractive customer', and 'interesting customer' in the existing literature (Christiansen & Maltz, 2002, p. 179; Moody, 1992, p. 52; Ramsay & Wagner, 2009, p. 127). Steinle and Schiele (2008) recognised a company with the preferred customer status as long as it is "receiving better treatment than other customers" (p. 11). Whereas Pulles, Schiele, Veldman, and Hüttinger (2015) referred to the preferred customer status was what a buying firm had obtained, given that it "whom the supplier allocates better resources than less preferred buyers because the supplier favours the buyer's behaviours, practices, business values, or some combination thereof" (p. 8).

Williamson (1991, p. 80) suggested that a buying firm ought to consolidate its purchases with one primary supplier in order to obtain preferential treatment from its supplier for its record of loyalty. In the research field of global sourcing, Steinle and Schiele (2008, p. 3) noted that "achieving preferred customer status is easier for firms located in the same regional or national cluster than it is for foreign firms attempting to access a remote supplier". This notion thus highlighted the significance of geographical proximity between buyer and supplier and cluster membership as antecedents to the preferred customer status. Hüttinger et al. (2012, p. 1202) proposed four main drivers of preferred customer status, namely economic value, profitability, relational quality, instruments of interaction, and strategic compatibility. In a later research within the automotive industry, growth opportunity and reliability were shown to impose significant influence on whether a buying firm is granted the preferred customer status (Hüttinger et al., 2014, p. 178). Hüttinger et al. (2012, p. 1202) concluded that in the end, supplier would grant the preferred customer status to the buyer that generate the more value [for supplier] than other customers. Furthermore, Hüttinger et al. (2014, p. 712) stated that the preferred customer status is determined primarily on economic factors (growth opportunity) and social factors (reliability and relational behaviour). The detailed discussion on the

antecedents to the preferred customer status will be elaborated in the following section 2.3.

## 2.3. The antecedents to the preferred customer status: How buying firm outperforming other customers

The theoretical framework for this study is based on research papers that cover the major factors as well as their antecedents (first and second) that lead to a buying firm being granted the preferential treatment from its supplier (Hüttinger et al., 2014, p. 703; Hüttinger et al., 2012, p. 1202; Schiele et al., 2012, pp. 1181-1182). In the study in the automotive industry, Hüttinger et al. (2014, p. 712) was able to show the four most important drivers that induce suppliers to award preferential treatment to specific customers. The framework is illustrated through the figure below.



**Figure 2: Factors and their antecedents to preferential treatment granted for buying firm by its suppliers (Hüttinger et al., 2014, p. 703; Hüttinger et al., 2012, p. 1202; Schiele et al., 2012, pp. 1181-1182)**

Concerning the preferred customer status, Hüttinger et al. (2014, p. 712) showed there were only two significant antecedents, namely growth opportunity and reliability, whereas the remainders lacked strong evidence of influencing supplier's evaluation and decision to award preferential treatment to buying firm.

For a broader and deeper understanding, a literature review on the antecedents to the preferred customer status will be summarised and presented in a table. The first antecedents to the preferred customer status is based on the two research papers: Hüttinger et al. (2014, p. 703); Hüttinger et al. (2012, p. 1202). An overview of the first and second antecedents to the preferred customer status from the body of existing literature is presented in the following table:

<sup>4</sup> Profitability and growth potential

**Table 2: The first and second antecedents to the preferred customer status**

First antecedents	Second antecedents	Source
Growth opportunity	Mutual growth, access to other customers, brand image	(Hüttinger et al., 2014, p. 718; Ramsay & Wagner, 2009, p. 131)
	Profitability, purchasing volume	(Moody, 1992, p. 52; Williamson, 1991, p. 80)
	Financial attractiveness	(Baxter, 2012, p. 1255)
Reliability	Credibility in agreements, fairness in negotiations	(Hüttinger et al., 2014, p. 718)
	Buying firm acts as expected [by supplier] through consistent manner and agreement fulfilment/relational reliability	(Ellis et al., 2012, p. 1265; K.S. Hald et al., 2009, p. 968)
Operative excellence	Communication and feedback	(Moody, 1992, p. 52)
Relational behaviour	Mutual trust, commitment to partnership, strong bonds, loyalty	(Blonska, 2010, p. 40; Moody, 1992, p. 52; Williamson, 1991, p. 80)
Innovation potential	Investment in product design	(Moody, 1992, p. 52)
Supports of suppliers	Crisis management	(Moody, 1992, p. 52)
	Supplier development	(Blonska, 2010, p. 40)
Supplier involvement	Early supplier involvement	(Ellis et al., 2012, p. 1265; Moody, 1992, p. 52)
Contact accessibility	Personnel available for information exchange process to develop structural bonds [with supplier]	(Walter, 2003, p. 729)
Strategy compatibility	Mutual goals	(Wilson, 1995, p. 341)
	Geographical proximity and cluster membership	(Steinle & Schiele, 2008, p. 3)

	Shared future	(Blonska, 2010, p. 103)
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While it is commonly assumed that growth opportunities such as purchasing volume and premium price is the most vital elements to achieve the preferred customer status from supplier (Hüttinger et al., 2014, p. 718; Williamson, 1991, p. 80), some other researchers argued that it is not the ultimate way to achieve the preferential treatment from buyer. In a supplier study of the production good in the automotive industry in 2012, Ellis et al. (2012, p. 1265) debunked the importance of shares of sales in being preferred by suppliers and proposed in their study that there were other means to achieve the preferred customer status, such as early supplier involvement, thus encouraged and urged small and medium-sized firms striving to achieve this privileged status effected by the preferential treatment. As can be seen from the summary table above, there is a variety of drivers to the preferred customer status, which then implies that the preferred customer status is achievable for companies of all sizes.

However, the study of Hüttinger et al. (2014, p. 713) was conducted within the automotive industry. This context has engendered a discrepancy between academic research concerning the antecedents to the preferred customer status of other industries. The aim of this study is to identify the most important first-tier antecedents to preferential treatment of suppliers through qualitative research. In addition, in order to narrow down the lack in studies of perception between buyers and sellers in antecedents to the preferred customer status, another objective of this study is to attempt to compare and pinpoint such variations. Moreover, this case study seeks ways to clarify whether buying companies that succeeded in and failed to achieve the preferred customer status implement different practices in interacting with their suppliers. Lastly, by conducting a research in a scope of cross-cultural and diverse industries and countries, which is different from most of the existing studies, this bachelor thesis is directed towards scrutinising newly emerged antecedents to the preferred customer status.

### 3. METHODOLOGY: RESEARCH DESIGN AND DATA COLLECTION

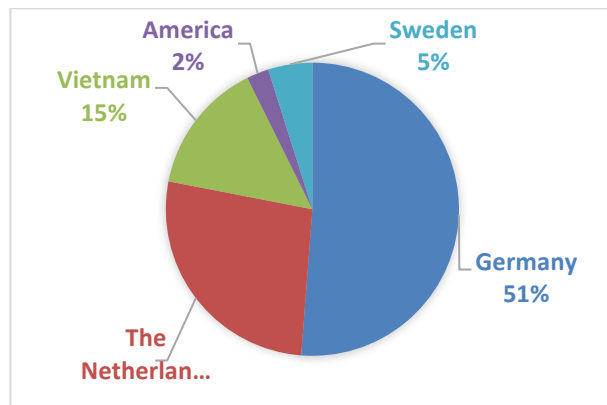
#### 3.1. The content of interviews

A set of questionnaires with 7 structured questions with two or three sub-questions was conducted based on the existing literature by the peer group efforts of students in bachelor thesis circle 5.2 at the University of Twente between March and June in 2019. The topics being dealt within the questionnaires include: positive episodes – which events contribute positively to buyer-supplier relationship, customer attractiveness – buyer’s attractiveness prior the exchange, supplier satisfaction – what buying firm do to improve its

supplier's satisfaction, the preferred customer status – what a buying firm does to outperform its competitors and become supplier's preferred customer, regular activities – what activities a buying firm engages to improve its standing with supplier, negative episodes – what a buying firm does that deteriorate the relationship with supplier, and the ease of implementation – the important steps that buying firm need to implement to improve its standing with supplier. This bachelor thesis sets the focus on the fourth question of how a buying firm outperforms its competitors and become its supplier's preferred customer. In addition, in order to enhance the comprehensiveness on the topic of the preferred customer status from different angles, two set of questionnaires were especially tailored, one for purchaser (in buying firms) and the other for salesperson (in supplier firms) to identify the mismatch in perception regarding the antecedents to the preferred customer status between buyers and suppliers. All questions in the interview set are open question with the purpose of not limiting interviewee's response in a certain scope but extracting as much as information as possible.

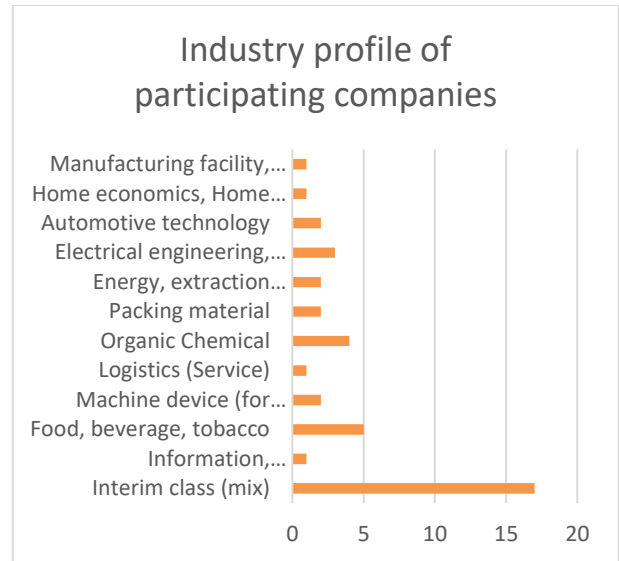
### 3.2. Background of interviewees

In this case study, in total, 41 interviews were conducted with purchasers and salespersons in various industries, such as Logistics, Food and Beverage, and Machine, that come from various countries, including Germany, The Netherlands, Sweden, The United States, and Vietnam. In total, there were 29 purchasers and 12 salespersons participating in this case study. A brief overview of the background of the interviewees are represented below:



**Figure 3: Geographical locations of participating interviewees**

It can be seen from the pie chart that the majority of participating companies are from Germany with a dominant figure of 51%. Companies from the Netherlands as the follow-up account for more than one fourth of the participants. The rest of the participants from Vietnam (15%), Sweden (5%), and The United States (2%).



**Figure 4: Industry profile of participating companies**

In addition, according to surveys, 41 interviewees are active in a wide range of industries. It can be inferred from figure 4 that 24 out of 41 participants are from distinctive industries, ranging from Manufacturing to Information, communication to media technology. The other 17 participants are typically from sizeable and influential groups that are derived from different industries, thus being classified as “Interim class (mix)”

### 3.3. The interviews' preparation and analyses procedure

Prior to the interviews, the set of questionnaires were sent to some salespersons and purchasers who had posed the request, in order for them to develop a sufficient understanding of the topic. Despite that the interview questions had been prepared in advance, during the actual interviews, spontaneous extra questions did come up and were tackled by the interviewers to clarify misunderstandings of interviewees on the topic as well as to further extract information.

Most of the interviews were conducted face-to-face, with a few cases being conducted via Skype software due to the far distance between interviewer and interviewees. Most of the interviews took place between April and May 2019. All of the participants agreed to consent prior the start of the interviews. The interview duration varied between 20 minutes to 1 hour and 30 minutes. 4 out of 41 interviews were conducted in German then translated into English. All the interviews were tape-recorded, which freed the interviewers to focus on the dynamics of the interview (Kvale & Brinkmann, 2009, p. 179). The recordings were then transcribed with the assistance of Amberscript, a SaaS software that enables users to automatically transcribe audio files into transcript text by using speech recognition (Amberscript, 2019). Transcripts were then checked by students of bachelor thesis circle 5.2 for transcription errors. At the end of the interviews, participants



were asked to fill in a set of survey regarding of their general information and perspectives on different aspects of the preferred customer status. From the survey collected, the separation of successful and unsuccessful companies was taken place to prepare data set for analysing of whether the two entities possess different practices towards interacting with their suppliers. It was found that the median score of how much a buying firm perceives itself as a successful preferred customer is 3.6. Companies whose score was exactly the median score would be classified as neutral and therefore excluded from the preparation data for testing. In total there were four companies excluded. There were 18 unsuccessful companies and 19 successful companies based on their median scores. The information of successful and unsuccessful companies is attached in appendix excel file.

Regarding data analyses, manual and software evaluation were to be carried simultaneously. The software used were Natural Language Understanding developed by IBM Watson and Weka (Explorer) invented by the University of Waikato in New Zealand.

For manual analysis, the keywords related to the antecedents to the preferred customer status were mined from the interviews' transcripts. The frequency of the keywords was then counted to identify the most important antecedent to the preferred customer status as well as the possibility of emerging of new antecedents. For further analysis, the keywords of the salesperson interview set and the purchaser interview set were separated and counted to identify the mismatch in perception of the antecedents to the preferred customer status between suppliers and buying firms, thus provide managerial implication for buying to mitigate such a variation to achieve this privileged status.

In parallel with the manual analysis, the data was sent to BMS Lab to be analysed with the use of IBM Watson, in specifically using Natural Language Understanding for measuring keywords frequency. IBM Watson Natural Language Understanding promises the possibility of analysing unstructured data to extract entities, relationships, keywords, sematic roles and so on (IBM Watson, 2019). In this bachelor thesis, the software is applied to extract important keywords and relations regarding to the topic of the preferred customer. In short, manual coding of antecedents was carried in parallel with software testing of keywords and relations to extract meaningful and usable data.

Simultaneously, Weka testing was carried out to predict the newly emerged antecedent, in this case, "cultural understanding". Weka makes use of a collection of machine learning algorithms that aim to support the process of experimental data mining (Frank, Hall, & Witten, 2016, p. 7). The formulated hypothesis for Weka testing is:

*H1: Acquiring cultural understanding is necessary for buying firm to achieve the preferred customer status from its supplier.*

A training set was prepared to train Weka's system to identify whether the interviews with purchasers or salesperson were related to cultural understanding. The training set consisted of 20/41 interviews, with 9 interviews classified as "cultural differences" and 11 interviews classified as "no cultural differences". In other words, the former 9 interviews implied that it is necessary for buyer to cultivate a cultural understanding in order to achieve the preferred customer status from (foreign) suppliers. The classes "cultural differences" or "no cultural differences" were assigned manually, based on the information provided by interviewees during the interviews. The other 21/41 interviews were classified unknown (with "?" symbol in arff file) to be predicted either "cultural differences" or "no cultural differences" based on the algorithm developed by Weka through the training set of 20 instances that had been fed to it previously. A detailed procedure of Weka classifier building and testing are explained in appendix A.

## 4. RESULTS

### 4.1. Results of manual analysis

#### 4.1.1. The most important antecedents to the preferred customer status

The manual classification of keywords yielded the following table of result:

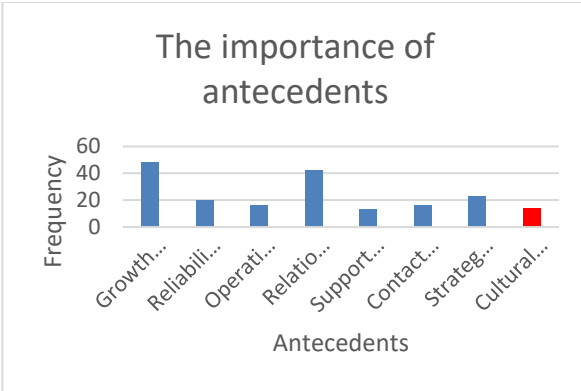
**Table 3: The classification of keywords into different antecedents to the preferred customer status**

First antecedents	Second antecedents	Keywords in interviews	Total keywords
Growth opportunity	Mutual growth, access to other customers, brand image	Promote supplier (2), customers' impact in their territory (1), growth potential (8), turnover (3), value creation (2), financial capability (3), mutual growth (4), shared future (2), purchasing volume (14), premium price (4), economic efficiency (1), attractiveness (1), size (2), return on investment (1)	48
	Profitability, purchasing volume		
	Financial attractiveness		
Reliability	Credibility in	Act accordingly	20

	agreements, fairness in negotiations	to supplier's expectations (1), reliability (3), timely payment (5), transparent (3), fulfill agreements (1), honest (5), keep promise (1), consistency with your words (1)	
	Buying firm acts as expected [by supplier] through consistent manner and agreement fulfillment/relational reliability		
Operative excellence	Communication and feedback	Frequent information exchange (2), know who to contact (2), keep each other clear about expectations (2), efficient operation (5), feedback (3), flexibility (2)	16
Relational behavior	Mutual trust, commitment to partnership, strong bonds, loyalty	Trust (5), know the owner (2), visits (6), loyal (4), reverse marketing (1), invitation (2), not overdemand (1), let supplier know all the things you do for them (1), supplier day (1), commitment (6), relationship (5), personal (4), find new ways in cooperation (1), cooperative (2), apologise for mistakes (1)	42
Innovation potential	Investment in product design		0
Supports of suppliers	Crisis management	Crisis sharing (2), bundle orders (3), help supplier (1), protect supplier (1), technical support (1), support supplier	13
	Supplier development		

		(1), Supplier development plans (3), supplier improvement programs (1)	
Supplier involvement	Early supplier involvement		0
Contact accessibility	Personnel available for information exchange process to develop structural bonds [with supplier]	Keep supplier updated (3), communication (9), contacts (4)	16
Strategy compatibility	Mutual goals	Live close (1), same timezone (1), know supplier's objective (1), sustainability (8), win-win (3), strategic fit (7), low complexity of portfolio (1), shared knowledge (1)	23
	Geographical proximity and cluster membership		
	Shared future		
Possibly new antecedent		Language support (1), cultural differences (9), know the language (2), know the culture (1), language difficulty (1)	14

In total, there are 192 keywords coded from strings of information in the interviews. 178 of these keywords belong to seven out of 9 categories proposed in the literature review, with the other 14 keywords listed aside with the possibility of forming new antecedents. The higher the keywords frequency, the more important the categories that these keywords belonged to are. The importance of first tier antecedents are listed in the figure below:

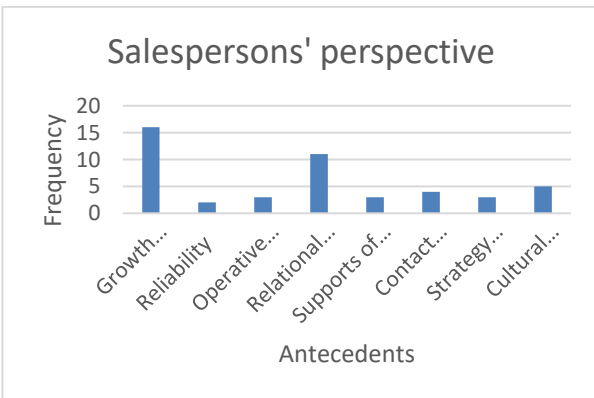


**Figure 5: The overall importance of antecedents to the preferred customer status**

As mentioned previously, there are 14 keywords listed aside with the possibility of forming a new antecedent, cross-cultural competence/cultural understanding can arise as a new antecedent, with the evidence of interviewees repeatedly reporting the differences in conducting business with their foreign partners. Cultural understanding as a new antecedent will be tested with the use of Weka software as described in the methodology section.

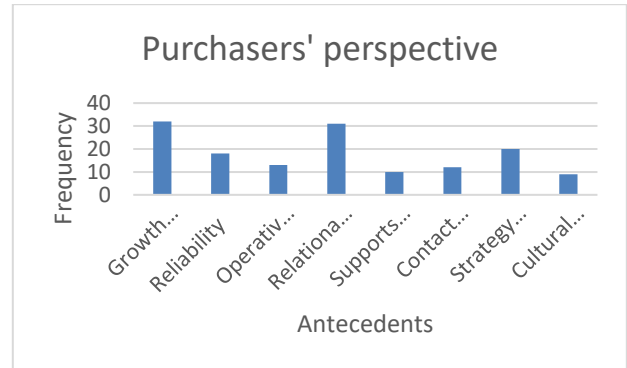
4.1.2. *The comparison of perception between salespersons and purchasers on the preferred customer status's antecedents*

For further analysis, the salesperson interview set and purchaser interview set were separated to identify the variation in the perception of antecedents to the preferred customer status. Overall, there were 12 salespersons with 47 keywords found and 29 purchasers with 145 keywords identified. The results are presenting in Appendix B in the table format as well as in the following figures:



**Figure 6: The importance of antecedents to the preferred customer status from salesperson's perspective**

Simultaneously, strings of information in purchasers' interviews were assigned relevant keywords, as displayed in figure 7 below:



**Figure 7: The importance of antecedents to the preferred customer status from salesperson's perspective**

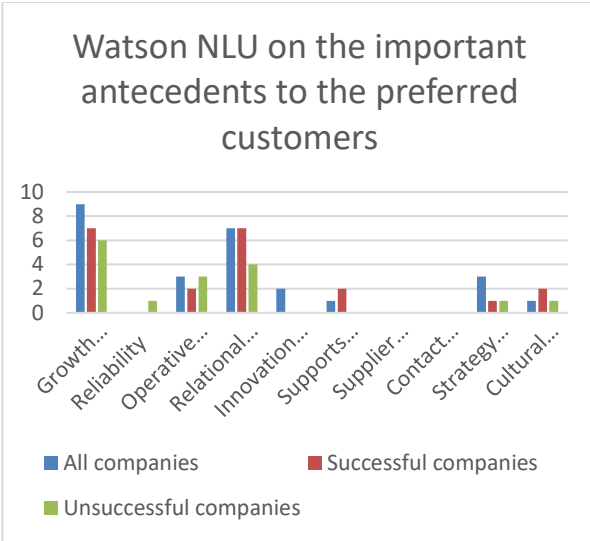
The discussion of buyers' and suppliers' perception on the antecedents to the preferred customer status discussed in section 5.

**4.2. Results of software analysis**

4.2.1. *IBM Watson Natural Understanding*

4.2.1.1. *Keywords frequency and relations: successful companies, unsuccessful companies and combination set*

After being fed with sets of data prepared, IBM Watson Natural Understanding responded with two kind of analyses: keywords and relations. The analysis of keywords included reporting the count – the number of times the keyword appears in the analysed text and relevance – ranging between 0 and 1, with higher values indicate greater relevance of the keywords to the topic (IBMCloud, 2019b). The analysis of relations is the recognition of whether two entities are related as well as identify the type of relations (IBMCloud, 2019a). Relations that were found in Watson output includes: affectedBy, agentOf, Basedin, Colleague, employedBy, locatedAt, ManagerOf, ownerOf, participantIn, partOf, partOfMany, residesIN, and timeOf. The definitions of these relations are in appendix D. The relations will be used as supportive arguments for important antecedents in the discussion part. Although in three outcome sets, approximately 50 keywords were given for each set, not all of the keywords can be made used of, given their meaningless without a specific context. Therefore, meaningful keywords were extracted manually from Watson's outputs and presented in appendix D. The result was also plotted as can be seen in the following figure:



**Figure 8: Watson Natural Language Understanding on the important antecedents to the preferred customer status from different points of view**

4.2.2. *Weka testing on cultural understanding as a newly emerged antecedent*

In the training phase, two options of training were run simultaneously: “Use training set” that yielded a figure of 100% (all the instances in the training file were correctly classified) and “cross-validation” option that yielded a figure of 75% (75% of the training instances were correctly classified). The results of the training are listed in figure A1 and A2 in the appendix A.

The result from the figure A1 as the result of “Use training set” option confirms that in the training set, 9 instances related to “cultural differences” and 11 instances related to “no cultural differences”, as previously classified in a manual way (the manual assignation of determinant “cultural differences” or “ no cultural differences” was 100% correctly classified). Whereas, Figure A2 as a result of “cross-validation” option implies that in the training set, overall, there are 8 cases related to “cultural differences” and 12 cases related to “no cultural differences” (the manual assignation of determinant “cultural differences” or “no cultural differences” was 75% correctly classified).

Although “Use training set” and “cross-validation” options for training test yielded different outcomes, the way Weka trained were essentially the same. Thus, the training result of either “Use training set” and “cross-validation” training option can be used in Weka for prediction test. The result for prediction of “cultural understanding” as an antecedent to the preferred customer status in the 21 instances of test set is given below:

```

=== Predictions on user test set ===

inst#   actual   predicted error prediction
1       1:? 1:culturaldifferences 1
2       1:? 2:noculturaldifferences 1
3       1:? 2:noculturaldifferences 1
4       1:? 2:noculturaldifferences 1
5       1:? 2:noculturaldifferences 1
6       1:? 2:noculturaldifferences 1
7       1:? 2:noculturaldifferences 0.995
8       1:? 1:culturaldifferences 1
9       1:? 1:culturaldifferences 1
10      1:? 1:culturaldifferences 1
11      1:? 2:noculturaldifferences 1
12      1:? 2:noculturaldifferences 1
13      1:? 2:noculturaldifferences 1
14      1:? 2:noculturaldifferences 0.977
15      1:? 2:noculturaldifferences 1
16      1:? 2:noculturaldifferences 1
17      1:? 1:culturaldifferences 0.999
18      1:? 2:noculturaldifferences 1
19      1:? 2:noculturaldifferences 1
20      1:? 2:noculturaldifferences 1
21      1:? 2:noculturaldifferences 1

```

**Figure 11: Weka prediction of the existence of “cultural understanding” in 21 unclassified cases (test set)**

Using the training result from the training set to perform the test set, Weka predicted 5 out of 21 instances in the test set are related to “cultural differences”.

The results of manual and software analyses are discussed in the following section.

**5. DISCUSSION**

**5.1. The most important antecedent to the preferred customer status from different perspectives (all companies, suppliers, buyers, successful companies, and unsuccessful companies)**

Based on a study in the automotive industry, Hüttinger et al. (2014, p. 712) proved that growth opportunity and reliability were among the major antecedents to the preferred customer status. However, once taking into consideration a larger range of industries for research conduction, a different picture is given. While growth opportunity remained the utmost antecedent to the preferred customer status, the number of keywords belonging to reliability category were far behind that of the runner-up category – “relational behaviour”. In the manual analysis, one fourth of the keywords referred to growth opportunity, with the evidences of buyers and suppliers repeatedly emphasised the importance of purchasing volume, growth potential, premium price, mutual growth, and so on. In a similar vein, IBM Watson Natural Language Understanding also revealed that growth opportunity was the key antecedent to the preferred customer status. Furthermore, successful companies and even unsuccessful companies also emphasised on the presence of growth opportunity for buying firm to be preferred by its supplier. This finding serves as the

confirmation of several previous research, including research by Moody (1992, p. 52) on highlighting the significance of the profitability that buying firm could bring to its suppliers, or Williamson (1991, p. 80) with the emphasis for buying firm to consolidate its orders to increase the purchasing volume for a primary supplier, or Hüttinger et al. (2014, p. 712) with the statement that preferred customer is determined primarily on economic factors such as growth opportunity, to name but a few. While several research put heavy emphasis on reliability, including credibility in agreements and fairness in negotiation (Hüttinger et al., 2014, p. 718), or buying firm should act according to supplier expectation through consistent manner and agreement (K.S. Hald et al., 2009, p. 968), this study found that relational behaviour possessed greater importance in aiding buying firms to achieve preferred customer status. As can be seen from figure 5 and 8, in 41 interviews, the number of keywords belonging to relational behaviour category were mentioned significantly higher than that of reliability category. In addition, although growth opportunity had the highest number of keywords in all of the analyses, the number of keywords relating to relational behaviour is not far behind from that of growth opportunity. Thus, it gives an indication that it is essentially important for buying firms to generate mutual trust, commitment to partnership, strong bonds, and loyalty towards their suppliers to increase the chance of getting the preferred customer status.

Regarding the analysis of investigating the variation in the perceptions between buyers and sellers on the antecedents for the acquisition of the preferred customer status, it was found that growth opportunity and relational behaviour were the most important antecedents. However, while cultural understanding was the third most important antecedent from the salespersons' perspective, in the opinion of the purchasers, strategy compatibility was among the most vital antecedents, only after growth opportunity and relational behaviour. This finding, however, need further investigation to confirm the validity, given the small sample size of the data.

Regarding the comparison between successful and unsuccessful companies, according to figure 8, it was identified that both successful and unsuccessful companies both perceive that growth opportunity and relational behaviour as the most necessary antecedents to the preferred customer status. However, successful companies place a greater weigh on these two antecedents than their unsuccessful counterparts.

It is noticing that by any means of testing, the most vital antecedents to the preferred customer include growth opportunity and relational behaviours. With regards to growth opportunity, buying firms repeatedly mentioned "growth potential" and "purchasing volume" with the highest frequency in comparison with other keywords, as the mean to be preferred by their suppliers. Purchasers were frequently

reported to emphasise heavily on "sell as much as you can" and "try to grow"<sup>5</sup>, or "the more money you spend, the more preferred you get"<sup>6</sup>, or buying firm "will reach the [preferred customer] status" after "a certain turnover size"<sup>7</sup> and so on. Some of the salespersons from supplier firms did confirm the principal condition for buying firms to get preferred by them is indeed purchasing volume, such as "the preferred customer is the one who takes the biggest amount"<sup>8</sup> or a supplier referred to his favourite customers as those "are doing very well", implying "if they are doing well, they buy a lot"<sup>9</sup>. However, there are exceptions from flexible salespersons whom although perceive the importance of purchasing volume but also take into consideration other factors when deciding which customers are to be granted the preferential treatments. Example includes a case from a local joint venture of a multinational corporation in Vietnam that manufactures beverage. In this interview, the vice president stated that whether the customer gets preferential treatment not only depends on the purchasing volume but also the company's objective at the point in time. With the example of scenarios around Lunar New Year, the biggest annual holiday in China and Vietnam, he specified that before the Lunar New Year, "whoever pay first will get the delivery", whereas after the Lunar New Year, "whoever order more will get the delivery" because "we [the company] have sufficient money after the Lunar New Year"<sup>10</sup>. It is due to a common belief among Chinese and Vietnamese that if you do not pay off your debt before the Lunar New Year, you will own people money for the rest of the upcoming year.

## **5.2. The emergence of cultural understanding as a new antecedent to the preferred customer status**

Nowadays, given the propagation of media technologies throughout the world, the world is becoming more interconnected more than ever. One may assume that cultural difference is no longer an issue as the world is becoming a global village. One purchaser manager from a Dutch company that diversify into various industries recalled in his interview:

*"Distance in this world is no longer an issue, but the further you are, the more important it is to make sure they know who you are. It is not related to distance."*

On the other hand, in this age of globalisation, the cross-cultural differences have captured the attention of researchers

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<sup>5</sup> Rick's interview 3

<sup>6</sup> Franziska's interview 1

<sup>7</sup> Franziska's interview 5

<sup>8</sup> Sebastian's interview 1

<sup>9</sup> Rick's interview 5

<sup>10</sup> Nhu's interview 6

from various fields (Husted & Allen, 2008; Nisbett, 2005; Oyserman, 2002). A common assumption of Westerners is that Asians, in general, are quiet, reserved, or shy (Meyer, 2014, p. 14). Asians, on the other side, may perceive of Westerners as those who are overtalkative (Meyer, 2014, p. 14). One Chinese reporter recalled his experience of working with Western colleagues:

*“In China, we often feel Westerners speak up so much in meetings that they do this to show off, or they are poor listeners. (Meyer, 2014, p. 14)”*

Culture takes thousands of years to be cultivated and is hardly erased. It possesses influences in the way people from different countries behave, in general, and how they conduct their businesses, in particular. Earlier in this study, cultural understanding was hypothesised as a new antecedent to the preferred customer status, given that multiple companies participating in this interview has been engaged in international procurement. According to figure 5 from manual analysis, 14 out of the total 192 keywords (7%) identified was related to cultural understanding, including “language support”, “cultural differences”, “know the languages”, “know the culture”, and “language difficulty”. In addition, Weka Explorer also noticed the existence of cultural differences, with 5 out of 21 instances was found to be related to this concept. Besides, IBM Watson Natural Language Understanding suggested several relations relating to cultural issues, with the following few relations as examples:

*“I think it is not done in other countries, not in the Middle-East, not in Russia.”* (Relation “locatedAt”)

*“And is there still a difference in how you treat those suppliers instead of a real Dutch supplier firm.”* (Relation “BasedIn”)

*“For example, Turkish and Italian suppliers are not good at English and foreign languages.”* (Relation “BasedIn”)

In conclusion, all of the three means of testing acknowledged the existence of cultural issues for interviewed firms that have been engaged in international procurement.

## **6. CONCLUSIONS**

### **6.1. A practical perspective and confirmation of previous research on the antecedents to the preferred customer status**

The topic of the preferred customer status has received more and more attention from academic researchers as well as from businesspeople from various industries, given the current competitive pressure among buying firms in the supply market. This paper attempted to apply qualitative research to unravel some limitations from previous research. It was found that growth opportunity and relational behaviour are the two most important antecedents to the preferred customer status. These two antecedents were also received similar confirmation, both

in buyers and purchasers’ comparison set, and successful and unsuccessful companies’ comparison set. In addition, it was pinpointed that successful companies emphasised a greater importance weight on these two antecedents in comparison to their unsuccessful counterparts. A considerable number of keywords were listed aside to form a hypothesis of cultural understanding as a new antecedent to the preferred customer status. In the end, manual analysis, IBM Watson Natural Language Understanding analysis, Weka Explorer analysis all confirmed the existence of cultural issues in international procurement, thus urges buying firms to equip themselves with sufficient cultural knowledge in order to be favoured by their foreign partners. Today, whether buying companies are based in New York, Berlin or Beijing, they are part of the global network, and this makes the need of navigating through the wildly different cultural realities hard to ignore. Cultivating a cross-cultural understanding is thus a necessary step for buying firms to get awarded the preferred customer status from its far away suppliers for preferential treatments to sustain their competitive advantage. This paper thus offers purchasing manager a more comprehensive view on the drivers to the preferred customer status from the perception of both buyers, suppliers, successful companies, and unsuccessful companies. It was also identified the need for buying firm to cultivate its cultural understanding in order to foster the relationship with its supplier for favourable treatments.

### **6.2. Limitations and recommendations for future research**

The findings of this case study are only based on analysing only 41 interviews, therefore it is not possible to draw generalised conclusions regarding the topic of the preferred customer status. In the thesis, it was found some of the findings may not be presented in the previous literature, nonetheless, they are not generally valid and can only be served as hypothesis for more comprehensive researches in the future. The study can be replicated in a larger sample size for more validity. In addition, more quantitative research can be undertaken to cross check the findings as well as avoid the bias and the limitations of qualitative research.

Regarding the classification of successful and unsuccessful companies, but a few companies might generally be so close to the median that they can be considered neither successful or unsuccessful, for example, in this bachelor thesis, the median score for the preferred customer status is 3.6, meaning those companies that below yet very close to this number would be classified as unsuccessful, which may lead to biased classification. In future research, different measurement can be taken into consideration when classifying successful and unsuccessful companies.

### **6.3. Conclusions on methods**

This project made the attempt to apply Weka Explorer in order to use learned models to generate predictions on new instances. However, it was not certain how to check the validity of Weka's prediction. In the future, there may be additional software to be run in parallel with Weka to learn how significant cultural understanding is for buying firm in order to achieve the preferred customer status, instead of being limited at noticing only its existence.

Regarding IBM Watson, it may be perceived as difficult to manually understand the relations that IBM Watson Natural Language Understanding suggested, given that the strings of information were assigned different types of relations individually. At the end of the analysis, there was no synthesis suggested, causing the readers to be confused of the relations of different strings that lack of supportive context. In future research, given the longer timespan and larger research sample, researchers can make use of IBM Watson Natural Language Classifier that classifies text into custom categories at a large scale. By applying cognitive computing techniques, Natural Language Classifier is capable to classifying phrases that are expressed in natural language into categories with a confidence score (Manhaes, 2017). Considering the phrases: "We visit supplier three times per year", "We have been in partnership with our supplier for the last ten years", or "There is mutual trust among us", Natural Language Classifier can determine that these questions are all about "relational behaviour" as an antecedent to the preferred customer status for buying firm. This would be a supplementary to the use of IBM Watson Natural Language Understanding for mining and generating meaningful results from unstructured data.

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Appendix A: The training, testing procedure and training results of Weka Explorer

I. The training and testing procedure of Weka Explorer

The procedure of Weka classifier building and testing was lectured to students of bachelor thesis circle 5.2 in June 2019 by second supervisor, Dr. Matthias de Visser. The procedure has been re-tailored for this bachelor thesis by its author for cultural testing of interviews with the following steps:

**1. Training:**

- Open ARFF training file through Explorer in Weka.
- Under Attributes, select second attribute (class).
- Go to Filter -> unsupervised -> attribute -> classassigner -> Apply to make Weka understand the class attribute as the class to be predicted (cultural differences/ no cultural differences) in this case.
- Go to Classify -> meta -> FilteredClassifier.
- Click on Filtered Classifier to adjust the settings.
  - + NaiveBayes algorithm is chosen.
  - + Go to Filter -> unsupervised -> attributes -> StringtoWordVector, the command makes the filer converting string attributes into a set of numeric attributes representing word occurrence information from the text contained in the strings.
- Under Test Options, select Use training set -> Click Start
- Result of the training set is to be saved for the test set.

**2. Testing: classification of new cases**

- Weka -> Explorer -> Open an ARFF file (testing set).
- Go to Classify -> Test options -> Supplied test set -> open test set (cultural test set).
- Load the saved training model under the Results list.
- In More Options, choose PlainText as Output predictions.
- Right-click on meta.FilteredClassifier and click re-evaluate model on current test set
- The system presents the predictions for the unlabeled cases

II. The results of Weka training

=== Evaluation on training set ===

Time taken to test model on training data: 0.82 seconds

=== Summary ===

Correctly Classified Instances	20	100	%
Incorrectly Classified Instances	0	0	%
Kappa statistic	1		
Mean absolute error	0		
Root mean squared error	0		
Relative absolute error	0	%	
Root relative squared error	0	%	
Total Number of Instances	20		

=== Detailed Accuracy By Class ===

	TP Rate	FP Rate	Precision	Recall	F-Measure	MCC	ROC Area	PRC Area	Class
	1.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	culturaldifferences
	1.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	noculturaldifferences
Weighted Avg.	1.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	

=== Confusion Matrix ===

```
a b <-- classified as
9 0 | a = culturaldifferences
0 11 | b = noculturaldifferences
```

**Figure A1: Training Weka with “Using training set” option: 100% cases were correctly classified**

=== Stratified cross-validation ===

=== Summary ===

Correctly Classified Instances	15	75	%
Incorrectly Classified Instances	5	25	%
Kappa statistic	0.4898		
Mean absolute error	0.251		
Root mean squared error	0.5		
Relative absolute error	50.1997	%	
Root relative squared error	99.5492	%	
Total Number of Instances	20		

=== Detailed Accuracy By Class ===

	TP Rate	FP Rate	Precision	Recall	F-Measure	MCC	ROC Area	PRC Area	Class
	0.667	0.182	0.750	0.667	0.706	0.492	0.798	0.657	culturaldifferences
	0.818	0.333	0.750	0.818	0.783	0.492	0.783	0.823	noculturaldifferences
Weighted Avg.	0.750	0.265	0.750	0.750	0.748	0.492	0.790	0.748	

=== Confusion Matrix ===

```
a b <-- classified as
6 3 | a = culturaldifferences
2 9 | b = noculturaldifferences
```

**Figure A2: Training Weka using “cross-validation” option: 75% cases were correctly classified**

Appendix B: Identifying perception gap between buyers and suppliers on the antecedents to the preferred customer status

*Table B.1: Salespersons’ keywords frequency*

First antecedents	Keywords in interviews	Total keywords
-------------------	------------------------	----------------

Growth opportunity	Size (2), purchasing volume (3), premium price (2), value creation (1), financial capability (1), growth potential (1), mutual growth (1), customers' impact in their territory (1), turnover (1), promote supplier (1), shared future (2)	16
Reliability	Reliable (1), timely payment (1)	2
Operative excellence	Flexibility (2), efficient operation (1)	3
Relational behaviour	Visits (3), loyalty (4), trust (1), not overdemand (1), know the owner (1), commitment (1)	11
Innovation potential		
Supports of suppliers	Early supplier development (1), joint development plans (1), risk sharing (1)	3
Supplier involvement		
Contact accessibility	Communication (4)	4
Strategy compatibility	Sustainability (1), mutual benefits (1), know supplier's objective (1)	3
Cultural understanding	Cultural differences (4), language support (1)	5

Table B.2: Salespersons' keywords frequency

First antecedents	Keywords in interviews	Total
Growth opportunity	Promote supplier (1), growth potential (7), turnover (2), value creation (1), financial capability (2), mutual growth (3), purchasing volume (11), premium price (2), economic efficiency (1), attractiveness (1), , return on investment (1)	32
Reliability	Act accordingly to supplier's expectations (1), reliability (2), timely payment (4), transparent (3), fulfill agreements (1), honest (5), keep promise (1), consistency with your words (1)	18
Operative excellence	Frequent information exchange (2), know who to contact (2), keep each other clear about expectations (2), efficient operation (4), feedback (3)	13
Relational behaviour	Trust (4), know the owner (1), visits (3), reverse marketing (1), invitation (2), let supplier know all the things you do for them (1), supplier day (1), commitment (5), relationship (5), personal (4), find new ways in cooperation (1), cooperative (2), apologise for mistakes (1)	31
Innovation potential		
Supports of suppliers	Crisis sharing (1), bundle orders (3), help supplier (1), protect supplier (1), technical support (1), support supplier (1), Supplier development plans (2), supplier improvement programs (1)	10
Supplier involvement		
Contact accessibility	Keep supplier updated (3), communication (5), contacts (4)	12
Strategy compatibility	Live close (1), same timezone (1), sustainability (7), win-win (2), strategic fit (7), low complexity of portfolio (1), shared knowledge (1)	20

Cultural understanding	Cultural differences (5), know the language (2), know the culture (1), language difficulty (1)	9

Appendix D : The definitions of the relations given by IBM Watson Natural Language Understanding (IBMCloud, 2019c)

Relations	Definition	Number of relations in Watson NLU Output
affectedBy	Exists between an entity and an event that has clear directionality and affects the entity	37
agentOf	Exists between an entity and an event in which the entity plays the most active role according to the text. No background knowledge should be required.	86
BasedIn	Exists between an Organization and the place where it is mainly, only, or intrinsically located.	2
Colleague	Exists between two People who are part of the same Organization.	1
employedBy	Exists between two entities when one pays the other for certain work or services; monetary reward must be involved. In many circumstances, marking this relation requires world knowledge.	24
locatedAt	Exists between an entity and its physical location.	39
managerOf	Exists between a Person and another entity such as a Person or Organization that he or she manages as his or her job.	12
ownerOf	Exists between an entity such as a Person, Organization, or GeopoliticalEntity and an entity that he, she, or it owns, either permanently or temporarily.	3
participantIn	Exists between a participant such as a Person, Animal, Organization, or GeopoliticalEntity and an Event in which he, she, or it is participating or has participated.	10
partOf	Exists between a smaller and a larger entity of the same type or related types in which the second entity subsumes the first. If the entities are Events, the first must occur within the time span of the second.	20
partOfMany	Exists between smaller and larger entities of the same type or related types in which the second entity, which must be plural, subsumes the first, which can consist of one or more entities.	20
residesIn	Exists between a living entity and the location at which he, she, or it permanently resides.	4
timeOf	Indicates the Date, Time, or Duration at or for which an event occurred; a TitleWork was published, performed, or broadcast; or a Law was first drafted, created, passed, or abolished.	4

Appendix D: Watson output of successful companies, unsuccessful companies and combination set

*Table D.1: Keywords frequency for successful companies (Watson output)*

First antecedents	Keywords in interviews	Total keywords
-------------------	------------------------	----------------

Growth opportunity	Mutual beneficial relationship (1), major accounts (2), higher volumes (1), big impact (1), high volume (1), sufficient amount of money (1)	7
Reliability		
Operative excellence	General talk (1), high knowledge (1)	2
Relational behaviour	Good relationship (1), honest customer (1), good contracts (1), trusting works (1), personal relationship (2), good cooperation (1)	7
Innovation potential		
Supports of suppliers	Difficult situations (1), development team (1)	2
Supplier involvement		
Contact accessibility		
Strategy compatibility	Distance problem (1)	1
Cultural understanding	Cultural differences (1), Lunar New Year facing shortage (1)	2

Table D.2: Keywords frequency for unsuccessful companies (Watson output)

First antecedents	Keywords in interviews	Total keywords
Growth opportunity	Next year (2), best price (1), biggest volume (1), large customer (1), large volume (1)	6
Reliability	Delivery terms (1)	1
Operative excellence	Better commissions (1), big complaint (1), production processes (1)	3
Relational behaviour	Interest of the supplier (1), long period of time (1), quality of the people (1), good time (1)	4
Innovation potential		
Supports of suppliers		
Supplier involvement		
Contact accessibility		
Strategy compatibility	Strategic procurement (1)	1
Cultural understanding	Global level (1)	1

Table D.3: Keywords frequency for combination set (successful and unsuccessful companies)

First antecedents	Second antecedents	Keywords in interviews	Total keywords
Growth opportunity	Mutual growth, access to other customers, brand image	Long time (3), big volumes (3), higher price (1), new potential business (1), major accounts (1)	9
	Profitability, purchasing volume		
	Financial attractiveness		
Reliability	Credibility in agreements, fairness in negotiations		
	Buying firm acts as expected [by supplier] through consistent manner and agreement fulfilment/relational reliability		
Operative excellence	Communication and feedback	Much information (1), share knowledge (1), lean processes (1)	3
Relational behaviour	Mutual trust, commitment to partnership, strong bonds, loyalty	Long term contracts (1), supplier relationship management treatment community (1), next year (1), full fact (1), good relationship (3)	7
Innovation potential	Investment in product design	High-tech (2)	2
Supports of suppliers	Crisis management	Difficult situations (1)	1
	Supplier development		
Supplier involvement	Early supplier involvement		
Contact accessibility	Personnel available for information exchange process to develop structural bonds [with supplier]		
Strategy compatibility	Mutual goals	Strategic suppliers (2), specific project (1)	3
	Geographical proximity and cluster membership		
	Shared future		
Cultural understanding		Global level (1)	1