

# Qualitative case study on the antecedents and benefits of the preferred customer status in times of crisis

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## ABSTRACT,

*The rise of competitive pressure among buying firms leads to increased attention to the concept of the preferred customer status, as it can give buying firms a sustained competitive advantage. A crisis could impact the buyer-supplier relationship, thus leading to this paper making use of the rare opportunity of the current Covid-19 pandemic to investigate the effect a crisis might have on the antecedents of the preferred customer status. A case study was conducted to collect data for this paper. Interviews were conducted with the purchaser of Company X and with three representatives of leading suppliers of Company X. In this paper, the current knowledge on the antecedents and the benefits of the preferred customer status is fortified and extended with the knowledge of the crisis influence. From the findings it is concluded that during a crisis relational behaviour becomes the most important antecedent; The crisis has a positive moderating effect on relational behaviour and reliability; the crisis has a negative moderating effect on the growth possibility antecedent. Lastly, a possible new antecedent of social importance is at play for providing a preferred customer status during this specific pandemic crisis.*

## Graduation Committee members:

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## Keywords

Preferred customer status, buyer-supplier relationships, preferential treatment, supplier satisfaction, customer attractiveness, Covid-19, crisis

# 1. INTRODUCTION: PREFERRED CUSTOMER CASE STUDY

'In current supply markets, customers often face the challenge of a decreasing number of potential suppliers.' (Hüttinger, Schiele, & Schröer, 2014, p. 697) These suppliers most often have limits to the resources that can be dedicated (Pulles, Ellegaard, Schiele, & Kragh, 2019, p. 1) and thus '[...] suppliers often become highly selective and do not dedicate their resources equally to all of their customers.' (Schiele, Calvi, & Gibbert, 2012, p. 1179; Williamson, 1991, p. na) Thus, in an environment with less available suppliers, buyers do not want to be excluded. (Schiele, Ellis, Eßig, Henke, & Kull, 2015, p. 132) To ensure not to be excluded, it is important for buyers to be the preferred customer of their leading suppliers. Moreover, a preferred customer status could give buyers a competitive advantage over competing firms (Schiele et al., 2012, p. 1178) as suppliers can provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise. (Koufteros, Vickery, & Dröge, 2012, p. na; Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 129) In addition, in times of crisis or natural disasters, it is especially beneficiary to be preferred customers as suppliers have the opportunity to select customers due to disrupted supply chains. During crises suppliers have to choose whom to allocate the remaining resources to which were stored in safe locations or which customer to serve first after production slowly ramps up again. (Schiele et al., 2012, p. 1179) In these types of situations, preferred customers are able to take advantage of their status to achieve market share gains. (Schiele et al., 2012, p. 1179) In the research of Schiele et al. (2012, p. 1179), it was mentioned as well, that the opportunity for suppliers to select customers does not only occur in extreme situations like an environmental crisis, such as the 2011 tsunami in Japan or the 2011 flood in Thailand, but also during boom phases, political disruptions or supplier scarcity. Thus, understanding how to become a preferred customer of leading suppliers is important to secure resources and get beneficial treatment.

In the existing body of literature, the benefits and the antecedents of the preferred customer status have already been researched. In this paper, there will be built upon that knowledge. (Hüttinger et al., 2014; Hüttinger, Schiele, & Veldman, 2012; Schiele et al., 2012). However, we find ourselves today in a worldwide crisis. The current Covid-19 pandemic gives the rare opportunity to investigate the effect a crisis might have on the antecedents of the preferred customer status, as this has not been clearly identified yet. Implications for businesses is that this pandemic is not only causing supply chain disruptions, which marks the importance of being a preferred customer (Schiele et al., 2012, p. 1179), but also causes liquidity problems (Carlsson-Szlezak, Reeves, & Swartz, 2020, p. 7) and a possible change in the importance of antecedents for the preferred customer status. Therefore, research will be done into the antecedents of staying a preferred customer of leading suppliers during a crisis. The data will be gathered by conducting a case study at company X.

The aim of this paper is to, not only, extent and complement the already existing knowledge on how to become a preferred customer of leading suppliers in general and the benefits that it brings along, but research which antecedents are important for purchasers to stay a preferred customer of a leading supplier in times of crisis and whether certain antecedents become more important during a crisis. To research this, the following research question is set up:

RQ: *To what extent can the already existing knowledge on the benefits and antecedents of the preferred customer status be confirmed and extended by the findings of this case study during the current crisis?*

With this research question, the practical contribution is that the focal company gets specific business insights regarding the buyer-supplier relationship with the suppliers interviewed and the theoretical contribution is that the existing knowledge on the preferred customer status from the papers of Hüttinger et al. (2014), Vos, Schiele, and Hüttinger (2016) and Schiele et al. (2012) will be fortified and expanded regarding the importance of antecedents during crises. In addition to that will this paper contribute to the existing knowledge of Nollet, Rebollo, and Popel (2012), regarding the beneficial treatment that comes with the preferred customer status.

The outline of this paper will be structured as follows: The next section, section 2, provides a literature review on the relevant concepts, antecedents and preferential treatment of the preferred customer status, as well as an introduction to buyer-supplier relationships when supply chains are disrupted due to external events, such as this pandemic, and the proposed effect it has on the antecedents leading to a preferred customer status. Section 3 will explain the research design and data collection methods used. Next, section 4 will introduce the focal company at which the data was collected, and the findings will be presented. In section 5, the findings will be interpreted in a critical discussion. Section 6 will conclude on the findings, give practical business insights for the focal company, state the contributions of this paper to the field of research, state the limitations this paper has and makes suggestions for future research. Finally, this thesis will end with a note of gratitude in the acknowledgements in section 7.

## 2. THEORY: PREFERRED CUSTOMER STATUS

### 2.1 The seek for preferred customer status and increased attention

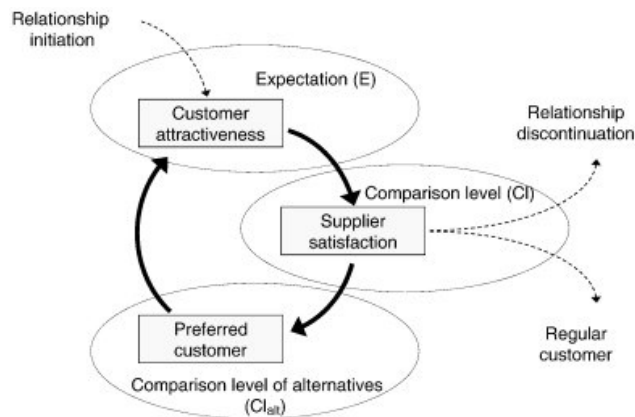
Already as early as 1970 has the concept of preferred customer status been a topic in research. In the work of Hottenstein (1970, p. 46; Schiele et al., 2012, p. 1179) it is already mentioned that 'Most businesses have a preferred customer's list, which may be based on past orders or expectations of future business.' While traditionally, suppliers would approach customers, a reverse marketing shift was noted by Blenkhorn and Banting. (1991, p. 187) Meaning customers needed to approach suppliers to satisfy short- and long-term supply objectives. (Blenkhorn & Banting, 1991, p. 188) In the more recent years the concept of preferred customer status has gained a lot of attention and in recent work by Schiele et al. (2012, p. 1179), the concept is described as, suppliers being selective and having preferences in serving buying companies. Furthermore, could the benefits of being a preferred customer status lead to a competitive advantage. (Schiele et al., 2012, p. 1178) A definition of when a customer is preferred by a supplier is introduced in the work of Steinle and Schiele (2008, p. 11) with the definition being: 'A firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation'. However, suppliers are selective with the resources they can allocate, thus raising the question: How to attain the preferred customer status?

### 2.2 Preferred Customership: customer attractiveness, supplier satisfaction and preferred customer status

#### 2.2.1 Cycle of preferred customership

Being the largest customer of a supplier does not automatically grant preferred customer status. (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 192) Therefore, Schiele et al. (2012, pp. 1180-1182) developed the preferred customership cycle to identify the

antecedents of the preferred customer status. The preferred customership cycle was created with the use of the social exchange theory. The social exchange theory acts as an underlying framework in the preferred customership cycle. The theory builds upon three core elements that can be linked into a cycle of preferred customership (Schiele et al., 2012, p. 1180), as illustrated in figure 1.



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

The first core element of the social exchange theory is expectation, which can be linked to the customer attractiveness. Customer attractiveness can be defined in multiple ways. In the study of Schiele et al. (2012, p. 1180), the following definition was given for customer attractiveness: ‘A customer is perceived as attractive by a supplier if the supplier in question has a positive expectation towards the relationship with this customer. The conditions for this perception of the supplier include an awareness of the existence of the customer and the knowledge of the customer’s needs.’ In this virtuous preferred customership cycle, a buyer-supplier relationship is initiated with the buyer being attractive towards the supplier. Even though customer attractiveness and supplier satisfaction are related, they are conceptually different from one another. (Pulles et al., 2016, p. 129) That also means that if the buyer is attractive, it does not necessarily mean the supplier is satisfied with the customer as well. (Hüttinger et al., 2012, p. 1198)

The next step for being a preferred customer is having a satisfied supplier. In this context, supplier satisfaction is defined as follows: ‘If the supplier feels that a relationship produces outcomes that are equal to or exceed expectations, the supplier will be satisfied.’ (Schiele et al., 2012, p. 1181) The second core concept of the social exchange theory, comparison level, could therefore be linked to the supplier satisfaction. If the buyer cannot satisfy the supplier, the relationship might be discontinued, or the buyer might become a regular customer. Essig and Amann (2009, pp. 104-107) argue that supplier dissatisfaction, can even negatively influence the quality of delivered products. This in turn could, eventually, influence the sales volume and thus the profitability of the company.

If the customer is attractive and the supplier is satisfied with the customer, a preferred customer status can be awarded, after being compared to the alternatives. ‘Thus, customer attractiveness and supplier satisfaction are the necessary conditions for achieving preferred customer status.’ (Schiele et al., 2012, p. 1181) Pulles et al. (2016, p. 136) defined being a preferred customer as ‘a buyer to 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.’ Preferred customers would then be offered beneficial treatment, which could lead to a competitive advantage for that customer. (Pulles et al., 2016, p. 130; Schiele et al., 2012, p. 1178) Moreover, the preferred customer status can positively influence the customer attractiveness for the supplier, as the supplier acquires better knowledge of the customer’s needs. (Schiele et al., 2012, p. 1181) Thus, explaining the circularity of the preferred customership circle. The question that arises from this is: How could a customer increase their attractiveness, have a more satisfied supplier to eventually get the preferred customer status and the accompanied beneficial treatment. Therefore, the next sections will state the antecedents to customer attractiveness, supplier satisfaction, and preferred customer status.

### *2.2.2 Growth opportunity, operative excellence, relational behaviour, profitability and reliability as antecedents of attractiveness, satisfaction and preferred customer status*

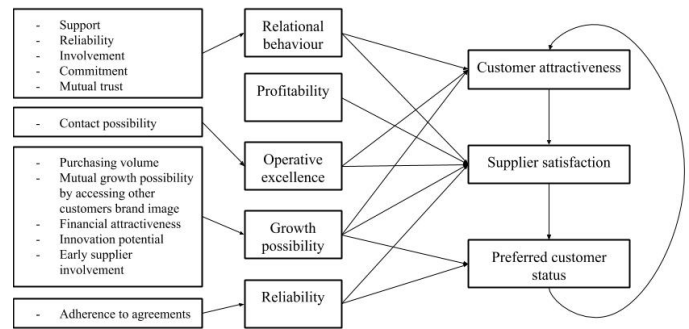
As mentioned in the previous section, to achieve a preferential treatment, a customer must be attractive first, secondly, satisfy the supplier and third, achieve the preferred customer status. In this section the antecedents for those concepts will be discussed in that order and visualised in figure 2 based on the papers of Schiele et al. (2012, p. 1180), Hüttinger et al. (2014, p. 704) and Vos, Schiele and Hüttinger (2016, p. 4620). In addition to figure 2, in appendix A1 is a table overview of the first- and second-tier antecedents for customer attractiveness, supplier satisfaction and preferred customer status, based on the literature discussed below.

The importance of customer attractiveness in buyer-supplier relationships was already discussed in the work of Fiocca (1982). Market, competition, financial and economic, technological, and socio-political factors were identified in the research of Fiocca to be ‘the factors that make a customer attractive’. (Fiocca, 1982, p. 57) In a more recent study of Hüttinger et al. (2014, p. 712), multiple antecedents were tested on their contributing factor to customer attractiveness, supplier satisfaction and the preferred customer status. It was determined that the antecedent’s growth opportunity, operative excellence and relational behaviour were positively influencing customer attractiveness. Growth opportunity can be subdivided into multiple components such as the purchasing volume of a firm, (Steinle & Schiele, 2008, p. 11; Williamson, 1991, p. 80), mutual growth possibility by accessing other customers brand image (Hüttinger et al., 2014, p. 702; Ramsay & Wagner, 2009, p. 131) and financial attractiveness (Baxter, 2012, p. 1255). All these components contribute to the ‘[...] suppliers’ ability to grow together with the buying firm and to generate new potential business opportunities through the relationship.’ (Hüttinger et al., 2014, p. 703) However, solely share of sales does not make a firm attractive, meaning a large firm cannot simply leverage its power to become a preferred customer. (Ellis, Henke, & Kull, 2012, p. 1265) Operative excellence can be defined as: ‘[...] 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) This in turn can make a customer more attractive by having forecast reliability which minimizes supplier risks. (Hüttinger et al., 2014, p. 702; Ramsay & Wagner, 2009, p. 134) Furthermore, relational behaviour is argued to be an antecedent for customer attractiveness. In which mutual trust and commitment to the partnership are important components. (Blonska, 2010, p. 40; Moody, 1992, p. 52) Thus, referring back

to the preferred customership cycle in figure 1, the initiation of a buyer-supplier relationship is based on the customers attractiveness and the attractiveness is, according to recent literature, determined by growth opportunity, operative excellence and relational behaviour.

As supplier satisfaction plays an important role in the tendency of suppliers to award the preferred customer status, which in turn leads to preferential treatment (Vos et al., 2016, p. 4621), it is important for customers to know what the antecedents are for supplier satisfaction. Hüttinger et al. (2012, p. 1198), found that customer attractiveness and supplier satisfaction are related, but it does not necessarily mean that an attractive customer makes a supplier satisfied. In later research by Hüttinger et al. (2014, p. 712) similar antecedents, to the ones of customer attractiveness, were found to be positively contributing to supplier satisfaction, with the addition of the significant effect of the reliability antecedent and operative excellence found to be not significant anymore. Whereas, in an article published by Vos, Schiele, & Hüttinger (2016, p. 4620), the antecedents growth opportunity, profitability, relational behaviour and operative excellence, were found to have a significant effect on supplier satisfaction. Therefore, in the model created in figure 2, the combination of significant antecedents are taken for supplier satisfaction. The reliability antecedent can be defined as ‘[...] the supplier’s perception that the buying firm acts in a consistent as well as reliable manner and fulfils its agreements’ (Hald, Cordón, & Vollmann, 2009, p. na; Hüttinger et al., 2014, p. 703) In the paper by Vos et al. (2016, p. 4620), multiple second-tier antecedents were identified as well: Innovation potential has a positive impact on growth potential, contact possibility positively influenced operative excellence and support, reliability and involvement positively influenced relational behaviour. Hüttinger et al. (2014, p. 704) stated that from the antecedents for supplier satisfaction, reliability was ‘clearly’ the most important influencing factor. Where reliability means that customers adhere to their written or oral agreements. This is similar to a conclusion made by Vos et al. (2016, p. 4621), in which it was stated that relational factors, such as relational behaviour, reliability and operative excellence, are even greater in explaining variance in supplier satisfaction, than economic factors. Even companies that cannot offer the highest economic value can satisfy suppliers by becoming a ‘smart customer’. (Cordón & Vollmann, 2008, p. 55) Thus, economic factors are contributing, but solely economic factors are not enough to satisfy suppliers.

Finally, suppliers can be satisfied with many customers but not all customers can receive preferential treatment. (Hüttinger et al., 2012, p. 1200) From the customers that satisfy the supplier only a few customers would be awarded the preferred customer status. Continuing to look at the findings of Hüttinger et al. (2014, p. 712), only growth opportunity and reliability were identified in this paper as significant antecedents for the preferred customer status. This is in line with the findings of Ellis, Henke, & Kul (2012, p. 1265), finding that reliability is positively influencing the suppliers’ perception of the buying firm as a preferred customer. Another finding of the study of Ellis et al. (2012, p. 1265), was that early supplier involvement was positively affecting the suppliers perception of the buying firms as a preferred customer. Thus, for awarding the preferred customer status suppliers would make a choice between customers based on their ability to create value and grow together and their reliability in made agreements and credibility. When a customer has achieved the preferred customer status, customers would expect to get preferential treatment. Therefore, the next section will elaborate on the benefits of being a preferred customer.

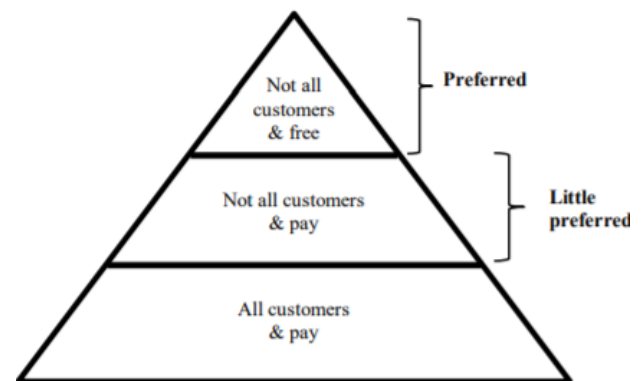


**Figure 2: Antecedents to the preferred customership cycle (Hüttinger et al., 2014, p. 704; Schiele et al., 2012, p. 1180; Vos et al., 2016, p. 4620)**

## 2.3 Preferential treatment for preferred customers

### 2.3.1 Exclusive benefits for preferred customers

When suppliers offer benefits to certain customers, three distinctive customer types can be seen, visualised in figure 3 below. In the lowest layer are all the normal customers located. Benefits for normal customers are only attained by paying extra for them and these benefits are available for all customers. In the middle layer are the customers that are a little bit preferred. These customers can pay for benefits from the supplier that are not available to all customers. In the top layer are the preferred customers that get benefits from the supplier for free and most often not available to other customers or even exclusive to them. The benefits of being a preferred customer are not solely economic or monetary. (Nollet et al., 2012, p. 1186) In literature, a variety of different benefits are discussed as being preferential treatment for preferred customers, ranging from benevolent pricing, to innovative and operational benefits. Therefore, these benefits will be discussed and listed in table 1 in the next section.



**Figure 3: Benefits pyramid**

### 2.3.2 Benevolent pricing, cost, innovation, quality and operational benefits for preferred customers

Being a preferred customer can lead to reduced costs and prices. In a survey by Bew (2007, p. 2), 87% of suppliers questioned, offer unique cost reduction opportunities to their most-preferred customers first. Schiele, Veldman and Hüttinger (2011, p. 16), argue that ‘[...] being a customer of choice positively influences benevolent pricing behaviour [...]’ In the literature, these costs savings differ. According to Bew (2007, p. 2), cost savings can be from two to four percent, while Blenkhorn and Banting (1991, p. 188) state that cost savings can be from 5 to thirty percent. Price reduction percentages are not stated in the literature, however Nollet et al. (2012, p. 1187), argue that preferred customers are offered one of the lowest prices on the market and

are more receptive to further price negotiations. Preferred customers not only enjoy financial benefits.

By having the preferred customer status customers could have a '[...] competitive advantage relative to competing buyers by deriving greater benefits from suppliers' resources and capabilities.' (Schiele et al., 2012, p. 1178) One such capability is that preferred customers, often have first access to new product or service ideas and technologies (Bew, 2007, p. 2; Ellis et al., 2012, p. 1265). Nollet et al. (2012, p. 1187) stated that, preferred customers can 'Suggest or/and initiate quality improvements and innovations for the products required by the customer.', and have 'Increased technological capability applied to products sold to the customer.' Furthermore, Schiele et al. (2012, p. 1178) argued that 'A supplier may dedicate its best personnel to joint new product development, customise its products according to the customer's wishes, offer innovations or even enter into an exclusivity agreement.' Finally regarding innovative benefits, preferred customers can enjoy supplier involvement in new product development. (Baxter, 2012, p. 1252)

Besides pricing, costs, quality and innovation benefits, various operational benefits come forward in literature. Most importantly is that preferred customers can expect to be '[...] at the top of the allocation lists for materials or services in short supply [...]' (Bew, 2007, p. 2). This might be even more important when bottlenecks occur due to constraints in the production capacity and the preferred customer receives privileged treatment. (Steinle & Schiele, 2008, p. 11) Furthermore, does a preferred customer on a regular basis have access to supplier knowledge to improve product, manufacturing process and logistics capability. '(Christiansen & Maltz, 2002, p. 188) Moreover, preferred customers can expect delivery reliability from suppliers. This means that suppliers are willing to be ready to deliver missing components in a reasonable amount of time; keep safety stocks; adjust delivery schedules; prioritize preferred customer when overall demand exceeds supply. (Nollet et al., 2012, p. 1187) Finally, Nollet et al. (2012, p. 1187) argued that suppliers are more supportive towards preferred customers, implying that suppliers are more available, responsive and provide information on a timely basis.

**Table 1: Preferential treatment benefits**

Benefit	Description	Source
<b>Benevolent pricing and cost benefits</b>		
Cost reduction	Acquisition and operational cost reductions	(Bew, 2007, p. 2; Nollet et al., 2012, p. 1187)
Benevolent pricing behaviour	Lowest price on the market offered and increased receptiveness to further price negotiations	(Nollet et al., 2012, p. 1187; Schiele et al., 2011, p. 16)
<b>Innovation and quality benefits</b>		
First access to new product or service ideas and technologies	Increase product quality	(Bew, 2007, p. 2; Ellis et al., 2012, p. 1265)
Best personnel dedication	Aid in product development and adapt products to customers wishes	(Schiele et al., 2012, p. 1178)
Supplier involvement	Resource allocation in forms such as idea	(Baxter, 2012, p. 1252)

in new product development	generation and prototype building	
<b>Operational benefits</b>		
Preferred resource allocation	Preferred access to resources over the competition	(Bew, 2007, p. 2; Nollet et al., 2012, p. 1187; Schiele et al., 2012, p. 1178; Steinle & Schiele, 2008, p. 11)
Access to supplier knowledge	Improve product, manufacturing process and logistics capability	(Christiansen & Maltz, 2002, p. 188)
Delivery reliability	Delivery schedules adjusted to customer	(Nollet et al., 2012, p. 1187)
Supplier support	Increased responsiveness and information provided on a timely basis	(Nollet et al., 2012, p. 1187)

## 2.4 The effect of a crisis on the preferred customer status

### 2.4.1 Increased importance of supplier satisfaction in Buyer-supplier relationships in crisis times

Disruptions in the supply chain caused by natural disasters particularly impact those supply chains that rely on a few sources or a single source for certain inputs. (Abe & Ye, 2013, p. 573) Moreover, '[...] buyer-supplier relationships are becoming crucial tools for companies to respond adequately to competitive challenges.' (Dowlatsahi, 1999, p. na; Loppacher, Cagliano, & Spina, 2011, p. 159; O'Toole & Donaldson, 2000, p. na) The current Covid-19 pandemic or any crisis such as an environmental disaster or economic depression is definitely a competitive challenge and thus it is crucial to look at the buyer-supplier relationship during this time to be able to respond adequately to this crisis.

Furthermore, has a crisis the impact that the needs of businesses might change. The hierarchy of needs created by Maslow (1943), can be used to explain this implication. The hierarchy of needs pyramid describes the behavioural motivation of human beings in 5 layers of needs. Maslow (1943, p. 376) mentioned that if the physiological needs, the lowest needs, are gratified, only then a new set of needs emerges. It could be argued that businesses also need their lowest needs fulfilled to want higher needs. In crisis times common needs that were previously fulfilled may not be gratified anymore, changing the needs of the company.

Finally, supply-chain disruptions are impacting the buyer-supplier relationships. Due to the current Covid-19 pandemic some production firms have shut down partially or completely and as a consequence supply chains are globally disrupted. (Johnson & Ghiglione, 2020, p. 4) The apple factories in China were an early indicator that supply chains were being disrupted already in February and as a result iPhone deliveries were delayed. (Fontaine, 2020, p. 2) Overall 'the effect of virus containment measures is visible in data on industrial production in China, which has fallen by 13.5 per cent in January and February combined.' (Seric, Görg, Möhle, & Windisch, 2020, p. 3) Schiele et al. (2012, p. 1179), argued that in events of disrupted supply chains suppliers will be selective with allocating the resources among customers and that preferred customers are able to take advantage of their status to achieve market share gains. Thus, it is important for customers to know which antecedents to

the preferred customer status are important in a crisis. In the next section propositions will be set up regarding the importance of the antecedents during a crisis leading to supplier satisfaction, which in turn leads to a preferred customer status.

#### 2.4.2 Importance shift of antecedents of the supplier satisfaction status during a crisis and visualising it in a research model

As mentioned above, it would be expected that a crisis has the effect of influencing the importance of antecedents. In figure 4 the proposed effects of the crisis factor are visualised in a research model. As the focal company already has a preferred customer status with the suppliers interviewed, this case study will focus on maintaining the relationship and thus the antecedents that lead to supplier satisfaction and how they are influenced by the crisis.

The first proposition is that it could be reasoned that during a crisis the communication and thus the relational behaviour becomes more important. A reason for this proposition is that in the Netherlands containment measures against the virus are in place (RIVM, 2020a). Due to these measures contact must be avoided as much as possible, making physical contact difficult and impacting the relational behaviour. However, people tend to '[...] seek the company of others when they feel threatened. This implies that during the crisis more people will be communicating with others within their network.' (Hossain, Murshed, & Uddin, 2013, p. 21; Mora Cortez & Johnston, 2020, p. 127) An increase of the importance of relational behaviour can also be argued on the basis of the quantitative research by Servais and Jensen (2012). In this study, research was done on the relation between customer satisfaction in the buyer-supplier relationship during an economic recession. In this research, a positive effect was found between trust and satisfaction. It has to be noted that this research also found that: 'although cooperation does not produce satisfaction per se, cooperation may reduce the prevalence of conflict and build trust, thereby increasing satisfaction.' (Servais & Jensen, 2012, p. 26) Even though this research makes a conclusion about customer satisfaction, a proposition could still be made that in a crisis, trust is more important in a buyer-supplier relationship to increase satisfaction, where trust is a second tier antecedent of relational behaviour. For these reasons the following proposition is set up:

*Proposition 1: The importance of relational behaviour increases during a crisis*

The second proposed shift which would be suspected, would be the shift towards more flexibility between the buyer and supplier. As it can be noted that during this crisis liquidity is a large problem for many firms (Carlsson-Szlezak et al., 2020, p. 7) and thus requires customers and suppliers to be flexible in payment terms. Buyers could use advanced purchases or provide loans and other measures to keep suppliers afloat. (Linton & Vakil, 2020, p. 2) This behaviour facilitates the way of doing business with the supplier and therefore this flexibility could be linked to a company's operative excellence. Thus, the following proposition could be set up:

*Proposition 2: The importance of operative excellence increases during a crisis*

Another proposition that could be made is the importance increase of the reliability antecedent during a crisis. Due to the liquidity problems that a crisis might bring along, companies might go back to the survival needs, based on Maslow's (1943, p. 376) hierarchy of needs. For that reason, suppliers might be relying more on already existing relationships and the made agreements for survival and thus having an increased interest in

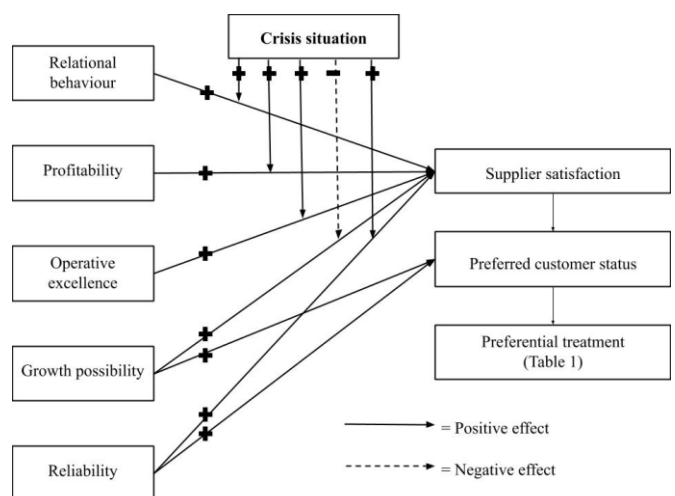
reliability of already made agreements. Thus, the following proposition could be set up:

*Proposition 3: The importance of reliability increases during a crisis*

Furthermore, as mentioned above, based on Maslow's (1943, p. 376) pyramid of needs, the needs of businesses are expected to change during a crisis. It could be argued that in a crisis less focus would be on innovation potential, which would be argued to be higher in the needs pyramid, and more focus would be on antecedents that help the companies survive, which is the first need of the hierarchy of needs pyramid. Profitability could be a first need antecedent, as money keeps a business going. That suppliers would focus less on innovation potential and change their needs during a crisis can be supported by the research of Paunov (2012). As explained above, Vos et al. (2016, p. 4620) identified that innovation potential has a positive impact on the growth potential and in the research of Paunov (2012, p. 27), it is said that due to the high demand uncertainty in a crisis, '[...] firms may need to reduce their costs and innovation projects, with no direct importance for current activities [...]' Thus, innovation potential is less important in a crisis, which lowers the importance of growth potential in a crisis. Therefore, supporting the proposition of the changing antecedents for awarding the preferred customer status during crisis times. The explicit proposition that could be made is that innovation potential and therefore growth possibility would be less important during a crisis and the profitability antecedent would be more important:

*Proposition 4: The importance of profitability increases during a crisis*

*Proposition 5: The importance of growth possibility decreases during a crisis*



**Figure 4: Research model visualising the moderating effect of the crisis factor on the antecedents leading to supplier satisfaction (Hüttinger et al., 2014, p. 704; Schiele et al., 2012, p. 1180; Vos et al., 2016, p. 4620)**

In the following section the methods used to investigate the antecedents of the preferred customer status and the proposed moderating effect of the crisis are explained

### 3. METHODS: RESEARCH DESIGN & DATA COLLECTION

#### 3.1 Qualitative case study at company X

A qualitative case study research was conducted at company X. In order to collect data on the antecedents, benefits, classification of the preferred customer status and the effect of the current pandemic on these antecedents. A qualitative over quantitative



research method was chosen, as the data for the preferred customer status is not easily quantified. Another reason for this choice of methods was that with qualitative research new insights can be gained, whereas with quantitative research deeper knowledge on existing relationships can be found. Moreover, 'because of close researcher involvement, the researcher gains an insider's view of the field.' (McLeod, 2019, p. 5) A limitation of qualitative research is however that, unlike quantitative research, it cannot easily be generalised (Polit & Beck, 2010, p. 1452). Another limitation that qualitative research has is that it is an obtrusive research method and the respondent can be influenced by the researcher. But as the focus of this research was finding new relationships, the choice of methods was therefore qualitative. To collect data, three leading suppliers of company X and a purchaser of company X were interviewed. The interview data collection method was chosen over questionnaires as questions in an interview can be explained to the respondent if they are not understood (Phellas, Bloch, & Seale, 2011, p. 182) and allows for broader answer possibilities. The interviews were done via video calling and recorded to allow the interviews to be transcribed afterwards. The reason for video calling was that a normal face-to-face interview was not possible due to the current governmental restrictions. Therefore, the next best interview method is chosen, as 'people from all over the globe can be interviewed' and the advantages of face-to-face interviews are also taken advantage of, such as social cues. (Opdenakker, 2006, pp. 3-4) The transcription was assisted with the software as a service AmberScript (2020), using speech recognition software to automatically transcribe audio to text. Each software transcription was manually checked for mistakes. There were different interview questions for the purchasers and for the suppliers. The structured questions of the interview were adapted questions from an existing questionnaire made by F.G.S. Vos and contained questions regarding the classification, benefits, antecedents of preferred customer status and the effects of the crisis. The questions asked can be found in appendix A2-A3 and are all open questions, to not limit the response possibility of the respondents. The qualitative data was deductively analysed, as a predetermined framework was used. (Burnard, Gill, Stewart, Treasure, & Chadwick, 2008, p. 429) Analyses of the data was done manually, with the use of the text-mining technique: keyword extraction (Yamada, Kato, & Hirokawa, 2013, p. 1391). Keywords related to the classification, benefits, antecedents of preferred customer status and crisis influence were mined from the transcripts. To identify the importance of the keywords the frequency was counted.

### 3.2 An interview with the purchaser and three interviews with the leading suppliers of Company X

In order to collect data for the preferred customer status for this case study, interviews were held with three leading suppliers of company X and one purchaser responsible for all purchasing within company X. In table 2 the interviewed companies are summarised. The first supplier is Supplier 1 and supplies mainly standardised assembly parts such as nuts and bolts, but recently also started to supply more, under which face masks and safety gear. The second supplier is Supplier 2, this supplier provides company X with the electrolytic galvanising process for the products company X assembles. Therefore, Supplier 2 is a critical supplier for company X. Except for electrolytic galvanising, Supplier 2 is a service company providing other surface treatments and industrial cleaning. The third and last interviewed supplier is Supplier 3. This is a supplier of laser cut and welded metal pieces for the assembly of company X's own products. All suppliers interviewed are located in the Netherlands

as these suppliers are among the largest for company X and suppliers from other countries were not able to participate in an interview due to circumstances not made known. Further context regarding market structures and the dependency of the buyer on the suppliers were also not disclosed.

**Table 2: Interviewed companies overview**

Company	Industry	Size (personnel)	Location
Company X [B1]	Metal ware industry	50	NL
Supplier 1 [S1]	Industrial wholesaler	50	NL
Supplier 2 [S2]	Surface treatment	50-200	NL
Supplier 3 [S3]	Metal ware industry	31	NL

All interviews were conducted in week 20 and 21 of 2020. Microsoft Skype video calling service was used for two of the interviews and using this service the video and audio were recorded with prior consent. The other 2 interviews were held over the phone as the situation did not allow to use Microsoft Skype. In these last 2 interviews the phone calls were recorded with consent. In the next section the interviews are summarised.

## 4. RESULTS

### 4.1 Company Introduction

[Redacted due to confidential information]

### 4.2 Interview results

In the following sections, the interviews will be shortly summarised with the most important information mentioned. Full transcriptions of the interviews can be found in appendix A4-A7 respectively.

#### 4.2.1 Interview with Company X

company X is not specifically using a model or framework to classify their suppliers or it could be that the buyer did not want to disclose this information. It is however noted by the buyer that there are clear indications that suppliers classify their customers in terms of the amount of revenue the customer brings to the supplier. Clear indications of classification by suppliers, according to the buyer are the responsiveness of the supplier and the amount of attention the customer receives from the supplier.

The buyer of company X believes that purchasing volume would be the most important factor for achieving the preferred customer status. Except for purchasing volume being important for attaining the preferred customer status, the buyer was hinting towards the importance of mutual growth possibility as well by stating: 'we aim for a relationship in which both parties can earn something.' Furthermore, is the aim of the purchaser to engage in long-term relationships and to work closely together, as this would also lead to beneficial treatment. When asked how geographical and cultural factors would play into obtaining the preferred customer status, the buyer stated that supplier from the Netherlands or Germany do not pose a barrier. A supplier from farther away however, would bring more difficulty in maintaining a good buyer-supplier relationship. The language barrier being on a reason for more difficult communication and cost of visiting each other being another reason. Moreover, does company X prefer suppliers nearby, for communication reasons and speed of delivery. Another factor named often in general for

a buyer-supplier relationship is the communication. The buyer tries to have a pleasant relationship and focusses on open and fair communication to enhance the relationship.

The buyer of company X looks at the relationship from the classical view of purchasing and wants the supplier to satisfy the customer. Thus, not seeing that if the buyer satisfies the supplier, a preferred customer status could be granted, and more benefits could be attained. But, on the other hand, the buyer of company X mentioned that: they try to satisfy the supplier by improving their ERP systems which results in better forecasting and grants the supplier more time to deliver the products needed. Due to this better operative excellence the buyer noted that the supplier therefore puts more effort into emergency deliveries and grants price and cost reductions to them specifically. Further benefits noted with the suppliers the buyer believes to have a preferred customer status with are, among other things, access to supplier's knowledge, speed of delivery and supplier support.

Due to the current pandemic, the sales and therefore the purchase orders have dropped significantly for company X. According to the purchaser, the first 3 months were quite well, and they may not complain about April even though sales decreased fast. In May however the sales dropped fast and therefore the purchasing orders declined from an average of 500 per week to only 5 per week. Not only did the purchasing volume drop tremendously, but disruptions were encountered in the supply chain. A specific example given was that a specific motor for one of company X's products is manufactured in Italy, but due to the full lockdown in Italy no engines could be delivered to company X. This meant company X had to decline some of their customers as their products could not be assembled.

With regards to the influence the current pandemic has on the preferred customer status the buyer noted that communication is more difficult in this time due to physical limitations and less contact due to fewer orders placed. To keep supplier satisfied, the buyer keeps in contact with the suppliers by calling. As the order quantities might not be satisfactory. Thus, suggesting an increase of importance of relational behaviour and decrease of importance of economic factors.

#### *4.2.2 Interview with Supplier 1*

Supplier 1 is a wholesaler and not necessarily a supplier of critical products for company X, as the products ordered are standardised products which could be easily bought from other suppliers. The representative said that within Supplier 1 customers are classified from A to F. This classification is based on the revenue and the growth potential the customer brings. company X is an 'A' customer for Supplier 1 and when asked the representative stated that company X is a preferred customer.

Similar to the buyer of company X, the representative of Supplier 1 indicates that revenue, purchasing volume and communication are among the key factors of becoming a preferred customer. To satisfy the supplier, more product bundling is suggested together with better forecasts to enable the supplier to order more at their supplier and get greater volume discounts. The reliability of a customer was also mentioned of being a factor for supplier satisfaction.

Price reductions for preferred customers is one of the benefits named by the representative. Another benefit the representative named was the support they give to their preferred customers, with the specific example of: [...], if an 'A' customer calls in the middle of the night, we make sure they receive their parts. This amount of effort would not be done for smaller, non-preferred customers. Further benefits named are cost reductions due to a vendor managed inventory and monthly invoices, a 24-hour 7-

day in the week service and supplier knowledge to help solve problems.

Due to the current pandemic some supply chain disruptions have been noted and specifically for this pandemic the supply of face masks has been disrupted quite severely. Due to the supply disruption, the supplier had to choose which customers to deliver the face masks to. This choice was not made based on their preferred customers or on the classification of customers, but on the consciousness of the supplier. Face masks were first supplied to medical and food companies, as the supplier thinks keeping these companies operating is more important for society, than a metal ware or concrete company. Overall, this crisis has not really impacted this supplier and the representative stated that 'we may not complain, we still are super busy'.

Even though this crisis has not influenced this company a lot, it is noted that some customers have been, under which company X. Thus, previously important factors for the preferred customer status such as revenue have declined for these customers and Supplier 1 indicates that especially in these times contact and communication is a key factor in buyer-supplier relationships.

#### *4.2.3 Interview with Supplier 2*

Supplier 2 is a critical supplier for company X and does all the electrolytic galvanising processes for the products of company X. Supplier 2 does not classify their customers with labels, but colour codes them based on what kind of cooperation is there and how often and how much is ordered. According to the representative company X is a preferred customer for Supplier 2 and regularly orders large quantities.

With regards to the attractiveness of a customer, Supplier 2 thinks that communication, reliability in agreements, purchasing volume and continuity of orders are the factors that determine if a customer is found to be attractive or not. Further, is the ability to innovate and research together also an important factor for attractiveness and the preferred customer status. When asked, Supplier 2 did not think geographical or cultural factors might influence the attractiveness or exchange relationship initiation. Adherence to the made agreements is, according to Supplier 2, the most important factor regarding supplier satisfaction. A second antecedent would then be the purchasing volume and bringing more revenue.

Due to the aforementioned large order quantities, price reductions are a benefit of being a preferred customer. A specific benefit that is free of cost and specific to company X is the knowledge and help Supplier 2 delivers in the new product development (NPD) stage. When getting involved in the NPD stage adjustments can be suggested which could lead to a more efficient process for the supplier, thus fewer costs for the buyer, but also lead to greater quality product. The preferred customer of Supplier 2 can also expect better delivery times and more supplier support.

Just like company X, Supplier 2 has seen a strong decrease in the orders placed due to the current Covid-19 pandemic. Due to the pandemic, the supplier was forced to scale down the production and work with 1 shift of employees per day instead of 2 and only 4 days per week. Another part of this company is to work on site at customers, but due to the situation this is completely at a standstill. Liquidity problems are therefore to be expected. The representative indicates that Supplier 2 is trying to be flexible in shifting payment terms but only if there is good and clear communication and relational behaviour. When asked for a previous crisis Supplier 2 had to deal with in the past, the representative made the comparison of this crisis with the 2008 financial crisis. Similar now to the previous crisis, Supplier 2 is



extremely cautious of taking on new customers. To start the exchange relationship more focus is on security of payment, communication and reliability of promises. Extra credit checks will be done before the exchange relationships starts and an example was given of a specific expansion of the factory for a customer was not started because no order certainty for 2 years could be given. For the customers Supplier 2 is already serving it is noted, by the representative, that there is more attention for the economic factors to determine if customers will make it through the crisis. An antecedent that is deemed less important in this crisis is the growth potential, as the representative said: 'at the moment we would like to improve the relationship with all the misery that is going on and only focus on extension of the work when the time is better.'

#### 4.2.4 Interview with Supplier 3

Supplier 3 is a supplier of laser cut and welded metal pieces for the assembly of company X own products. Supplier 3 classifies their customers from C to A, based on the revenue they bring and the growth potential. According to the representative of Supplier 3, company X is a preferred customer.

Revenue is, for Supplier 3, the most important antecedent for customer attractiveness. A second antecedent named was the communication and relational behaviour as a whole that are important to find a customer attractive. According to Supplier 3, purchasing volume, work preparation, repeat orders, reliability in agreements and the responsiveness are the driving antecedents for supplier satisfaction. For awarding the preferred customer status the revenue is the most important antecedent. However, the representative did notice that one of their preferred customers does not bring a large revenue to the supplier but because they are mutually dependent this smaller customer does have the benefits of a preferred customer. Furthermore, is it noticed by the representative that for two A customers, more effort will be put in for getting an emergency delivery on time for the A customer that normally always has a reliable forecast and not much effort will be put in the customer that always needs emergency deliveries or only orders a few days in advance.

Preferred customers of Supplier 3 can expect better prices, more supplier support, faster deliveries and no minimum order costs. Furthermore, can preferred customers always discuss and access the supplier's knowledge to discuss work preparation.

Supplier 3 does notice that orders have gone down, but they '[...] still have enough to do'. Production is therefore as normal except for the mandatory hygienic rules of the RIVM (2020b). However, customers are impacted by the crisis and it is noticed that a lot of orders are being shifted forward or backward in time. Supplier 3 is trying to be flexible for their preferred customers and meet these demands. Furthermore, is, according to the representative, relational behaviour more important in times of crisis.

## 5. DISCUSSION OF THE FINDINGS

### 5.1 Confirming the preferential treatment for preferred customers with the additions of the flexibility benefit

From the findings presented in section 4, all benefits mentioned in the interview for customers are listed in table 3 below. As for the first part of the research question, the benefits can be grouped along the same groupings used in the literature review, confirming the beneficial treatment of being a preferred customer. Most benefits found in this case study are in accordance with the benefits found in the literature and are benefits for business as usual. However, the crisis has led to the emergence of a flexibility benefit, meaning suppliers are more

acceptive and flexible to order changes or payment term changes in times of crisis for preferred customers. As it was noticed by supplier 3 that '[...] customer shift their orders sometimes forward and then backward in time and we try to aid this as much as possible'. In a further response it was said that this would be only done for preferred customers. For this flexibility benefit it can be said that it belongs in the top layer, when looked at the benefit pyramid in figure 3, as it is exclusive to preferred customers and free of charge. Another case benefit that belongs to this top layer is the delivery reliability. Supplier 2 gave the example that if a breakdown in their production would occur, they would '[...] work directly after resolving the breakdown on Thursday evening or even in the night, in order to deliver on Friday. In other cases, would the step be easier to pick up the phone and say the delivery time of Friday will not be met.' Thus, indicating that this delivery reliability is a benefit solely for preferred customers and free of charge. Furthermore, is the benefit of supplier support in new product development worth mentioning. This benefit fits the top layer as well but does not only benefit the preferred customer. Supplier 2 gave an example that if changes can be made during product development increasing how well it can be processed by the supplier, the product could not only increase in quality, but also be processed more easily which in turn reduces the cost for the customer and supplier.

**Table 3: Case study mentioned benefits for preferred customers (more detailed table in appendix A8)**

Element in practice (Case)	Related theory element	Case reference
<b>Benevolent pricing and cost benefits</b>		
Lower purchasing prices	Benevolent pricing behaviour	B1, S1, S2, S3
Operational efficiency	Cost reduction	S1, S3
<b>Innovation and quality benefits</b>		
Supplier support and knowledge in product development stage	Access to supplier knowledge / supplier involvement in new product	B1, S3
Supplier personnel available to help	Best personal dedication	S2
<b>Operational benefits</b>		
Allocate resources	Preferential resource allocation	S1
For urgent orders, same day delivery	Supplier support / delivery reliability	B1, S1, S3
Discuss work preparation	Supplier knowledge / supplier support	S1, S3
24-7 service <sup>1</sup>	Supplier support	S1
Adjust workflow to deliver in time	Delivery reliability	S2
Flexibility in order placement and payment terms	-	S2, S3
Extra services	-	S2

<sup>1</sup> Only direct action will be undertaken for preferred customers, less effort is put into non-preferred customers and might have to wait

## 5.2 Confirming the antecedents of the preferred customer status and determining their importance

In table 4 all antecedents regarding supplier satisfaction mentioned in the case are listed. As all suppliers interviewed had already a relationship with company X, the focus was on relationship continuation. In the last column of the table, the arrows indicate if it can be derived from the findings if the antecedent has become more or less important during this pandemic.

**Table 4: Case identified drivers to the preferred customer status (more detailed table in appendix A9)**

Element in practice (Case)	Second tier antecedent (times mentioned)	Case reference	Crisis importance change
<b>Relational behaviour</b>			↑
Being able to talk	Readiness to talk (4)	B1, S1, S2, S3	↑
Help each other	support (1)	B1	-
Open and honest communication	Open and honest communication (3)	B1, S1	↑
Easy and friendly communication	Approachable communication (4)	B1, S1, S3	-
Previous conducted business	History (2)	S2, S3	-
Amount of time to respond	Responsiveness (2)	S3	-
Mutual trust	Trust (2)	B1, S2	↓
<b>Operative excellence</b>			-
Reliable forecasting	Forecast ability (4)	B1, S1, S2, S3	-
Low order changes	Low number of changes (1)	S3	-
Order well ahead	Reliable planning (2)	S2, S3	-
Repeated orders	Continuity of orders (2)	S2, S3	-
Quality of pre work	Work preparation	S3	-
<b>Profitability</b>			-
Revenue size	Financial attractiveness (7)	B1, S1, S2, S3	↓
Payment security	Payment security (3)	S2, S3	↑
<b>Growth possibility</b>			↓
Bundling of products	Purchasing volume (10)	B1, S1, S2, S3	↓
Mutual growth and accessing brand image to grow	Mutual growth possibility (4)	B1, S1, S3	↓
Constant stream of joint development projects	Research together/ innovation potential (1)	S2	-
<b>Reliability</b>			↑

Adherence of verbal agreements	Credibility in agreements (6)	B1, S1, S2, S3	↑
Relationship duration	Duration of the relationship (2)	B1	↓
Situation transparency	Transparency (1)	S2	↑
Low number of products send back	-(1)	S1	-
<b>Geographical and cultural behaviour</b>			-
Language barrier	Language (1)	B1	-
<b>Possible new crisis antecedent</b>			↑
Social importance	(1)	S1	↑

Answering the second part of the research question, to what extent this case study can confirm the current knowledge on the antecedents of the preferred customer status, there can be looked at table 4 and the mentioned case antecedents. Interestingly all suppliers and the buyer are in accordance over the antecedents, readiness to talk, forecast ability, financial attractiveness, purchasing volume and credibility in agreements being a second-tier antecedent for supplier satisfaction. These antecedents can be grouped under relational behaviour, operative excellence, profitability, growth possibility and reliability respectively. Thus, confirming the antecedents in the research model in figure 2, as all antecedents are mentioned in practice as well. This confirms the latter findings of Vos et al. (2016, p. 4620) that operative excellence is significant for supplier satisfaction, whereas Hüttinger et al. (2014, p. 704) suggested it was not.

From the findings, it can be concluded that for supplier satisfaction and awarding the preferred customer status the most important antecedents are the economic factors; growth possibility and profitability. This can be argued not only based on being mentioned the most but also as both buyer 1 and supplier 3 literally mentioned that above all other antecedents it ultimately comes down to the money. This finding is not in accordance with the findings of Hüttinger et al. (2014, p. 704), which stated that reliability was found to be the most important factor. After the economic antecedents, relational behaviour is the most important antecedent leading to preferential treatment. All suppliers and the buyer indicate that there is always communication going between them and that it is an important factor for the relationship and for providing a preferred customer status. Supplier 3 stated that the responsiveness, which is part of relational behaviour, is influencing the supplier satisfaction, as 'how fast a customer responds [...] can be experienced as pleasant.' Based on the amount of mentions it could be concluded that reliability is, after relational behaviour, the most important factor for supplier satisfaction and getting the preferred customer status. At last the operative excellence antecedent leads to preferential treatment, as supplier 1 and 3 mentioned that reliable forecasting is a determinant for giving preferential treatment.

Furthermore, the statement of Cordón and Vollmann that even companies that cannot offer the highest economic value can satisfy supplier by becoming a 'smart customer' (2008, p. 55), can also be partly confirmed by this case study. Supplier 3 mentioned that: 'We have a customer that is at the same time a small supplier for us. We have also given them a preferred customer status, even though they do not order a lot, but just to have a better bond and because we get benefits when ordering from them.' Meaning that for supplier 3 relational behaviour is more important for providing a preferred customer status than bringing a large revenue.

Finally, the perspectives between the buyer and suppliers regarding the antecedents were mostly matched. Only a few clear differences in perspectives were found. A clear discrepancy between the buyer and the supplier perspective is that buyer 1 stated that they 'aim for long term relationships' as otherwise 'suppliers would not like it'. However, only the buyer indicated that the duration of the relationship is important for getting the preferred customer status, whereas none of the suppliers mentioned it, leading to the conclusion that suppliers at least do not value the duration of a relationship more than the other antecedents for providing the preferred customer status. Further, buyer 1 mentioned that geographical proximity might be a hindering factor for becoming a preferred customer, whereas supplier 2 specifically stated geographical proximity has no influence on becoming a preferred customer. In this case study, no further clear differences were found between the buyer and the supplier perspective.

### **5.3 Importance shift of antecedents and social importance antecedent during crisis**

To further answer the research question, the current knowledge of the antecedents of the preferred customer status can be extended with the knowledge of this case study about the increased or decreased importance of some antecedents during a crisis. In section 2.4.2, propositions were made about the possible moderating effect a crisis has on the importance of the antecedents on supplier satisfaction. The first proposition was that relational behaviour becomes more important during a crisis. In this case study, all suppliers and the buyer indicated that the importance of relational behaviour becomes more important during a crisis. Both the buyer and supplier 1 indicated that spontaneous call actions, due to the decreased physical contact and reduced order quantity, are needed in order to maintain the good buyer-supplier relationship and the preferred customer status. Supplier 2 mentioned that only when communication is good preferential treatment, thus preferred customer status, will be given. Supplier 1 similarly mentioned that the benefit of price reductions would remain the same during this crisis if the communication is in order, even though the profitability is declining due to a smaller order quantity. Thus, it can be concluded that relational behaviour is more important during a crisis in order to stay a preferred customer and receive beneficial treatment, confirming the first proposition. Supplier 2 and 3 even specifically stated that relational behaviour is the most important antecedent during a crisis. The proposition can thus be confirmed by these findings, however the argumentation leading to this proposition are not supported. Regarding the argument that trust would be more important based on the literature of 'Servais and Jensen (2012, p. 26), opposite findings have been found. Rationally, this is understandable as in a crisis more certainty is needed and as indicated by supplier 2 transparency is more important, leading to suppliers not acting based on trust. That suppliers do not make decision based on trust was mentioned by supplier 2 as well in the example in the financial crisis. The second argumentation point for a proposed increase of importance in relational behaviour was based on the papers of Hossain et al. (2013, p. 21); Mora Cortez and Johnston (2020, p. 127), in which it was stated that if people feel threatened, people tend to increase communication. This was found in this case study as well and thus is conformation of this argumentation structure.

When the above-mentioned statement of supplier 1 about price reductions and communication is interpreted from a profitability point of view, it could be concluded that supplier 1 finds profitability, and in specific revenue, less important during a crisis. This is in contradiction with the proposition made that

profitability becomes more important during a crisis. On the other side, supplier 2 and 3 do support the proposition by stating that payment security becomes more important during a crisis. Therefore, no real conclusion can be made about the importance shift of the profitability antecedent during a crisis as there is mixed evidence. The argumentation that profitability becomes more important due to companies going back to their first needs based on Maslow's (1943, p. 376) hierarchy of needs, is supported.

Regarding the proposition made on the reliability antecedent, mixed evidence is found as well. Supplier 2 indicated that in times of crisis order certainty and reliability of agreements become more important. An example was given of a new order from a preferred customer during the 2008 financial crisis. This customer wanted to bring a lot of work and thus revenue to this supplier, but the supplier had to expand the factory to be able to handle this order. Supplier 2 was commercially interested in this offer and was prepared to build an extension for the factory to be able to handle this order. However, the customer could not offer payment and order security for the coming 2 years and wanted the supplier to make this deal based on trust and relationship duration. Normally this order would have been accepted and the factory would have been expanded, but due to the crisis this offer was declined. This example gives rise to multiple changes in the importance of antecedents for supplier satisfaction. It can be concluded from this example that during a crisis trust, relationship duration and growth possibility are less important and payment security and order security are more important. These importance shifts have been included in table 4 and overall it could be argued that the reliability antecedent is more important during a crisis, as multiple second tier antecedents become more important and multiple suppliers say that credibility of agreements during a crisis is more important.

Furthermore, in the example above the possibility to grow was less important than the profitability and reliability of the customer, thus suggesting growth possibility is less important during a crisis. The proposition of the negative moderating effect of the crisis on the growth possibility antecedent can also be confirmed by the statement of supplier 2, that growth possibility will be looked at after 'the misery' of this crisis. Thus, confirming proposition 5 of a decreased importance of the growth possibility antecedent.

The last proposition made in the literature review was the possible positive moderating effect of the crisis on the operative excellence antecedent. In this case study, no real indications were given of operative excellence becoming more important during a crisis. From the literature review it would have been suspected that operative excellence would increase in importance as well during a crisis. The reasoning was that customers needed to facilitate the suppliers in doing business by being flexible, for example, with payment terms and by providing loans. The suppliers did mention that payment security is more important during a crisis. Thus, an increased importance of operative excellence might be at play during a crisis, but no evidence was found in this case study.

Finally, a possible new antecedent might be at play during a crisis. In the paper of Schiele et al. (2012, p. 1179), it was suggested that when supply chain disruptions occur, suppliers would allocate scarce or remaining resources to preferred customers. However, supplier 1 mentioned that during this pandemic 'food and medical branch are going first because they are important.' Meaning customers that are more important for the society get preferential resource allocation of, in this case, face masks, whereas previously mentioned preferred customer company X did not receive these face masks. Thus, suggesting

that social importance might be more important in a crisis than other antecedents for receiving beneficial treatment. This decision to award a larger sales volume to socially more important customers could be compared with a similar case of brand equity. In the paper of Lindwall, Ellmo, Rehme, and Kowalkowski (2010, p. 13), it was found that when supplies are scarce and power is at the suppliers, larger sales volume would be devoted to customers with a high brand equity. In this case study customers of greater social importance could be compared to customers with a high brand equity.

## **6. CONCLUSION**

### **6.1 Practical contribution case study and conformation previous research on the antecedents of preferred customer status**

Companies always seek a competitive advantage over competitors. A preferred customer status could give this advantage with the beneficial treatment of price, cost, quality, innovation and operational benefits. In this paper, a qualitative research was conducted in the form of a case study to investigate the influence of a crisis on the antecedents and benefits of the preferred customer status. The case study confirmed benefits found in various literature (Baxter, 2012, p. 1252; Bew, 2007, p. 2; Christiansen & Maltz, 2002, p. 188; Ellis et al., 2012, p. 1265; Nollet et al., 2012, p. 1187; Schiele et al., 2012, p. 1178) and gave rise to a possible new flexibility benefit, as in crisis times suppliers are more flexible regarding payment terms and order changes for their preferred customers. This in turn gives buyers more reason for becoming a preferred customer of leading suppliers. Regarding the antecedents for the preferred customer status, this case study confirmed the antecedents for supplier satisfaction based on the findings in the literature of Hüttinger et al. (2014, p. 704) and Vos et al. (2016, p. 4620) and extended the knowledge with a deeper insight into the importance. It was found that economic factors are most important for supplier satisfaction during normal business, whereas Hüttinger et al. (2014, p. 704) found reliability to be most important. Furthermore, this case study primarily focussed on the impact a crisis might have on the antecedents leading up to the preferred customer status. Propositions based on previous literature were set up to investigate the influence of the crisis. The focus of the research shifted towards the moderating effect the crisis has on the antecedents leading to supplier satisfaction, which in turn is an antecedent for becoming a preferred customer. From the findings it was concluded that during a crisis the relational behaviour antecedent becomes more important than economic factors and is even stated to be the most important antecedent during a crisis. This differs from the findings of economic factors being most important for supplier satisfaction during business as usual. From these findings it can be concluded that the argument made in the paper by Vos et al. (2016, p. 4621) that: 'relational factors, such as relational behaviour, reliability and operative excellence, are even greater in explaining variance in supplier satisfaction, than economic factors', holds true during a crisis.

From the economic factors it is concluded that the importance of the antecedent growth possibility declines during a crisis and businesses go back to their 'survival instincts' and deem economic security as more important and the ability to extend business and grow less important. In this case study, not enough evidence was found for the proposition on operative excellence and mixed evidence was found for the profitability proposition. Thus, no real conclusions can be made for the influence of the crisis on these antecedents. This does not necessarily mean that there is no effect, but just that this case study did not find any. At last, one of the suppliers in this crisis gave preferential treatment based on the social importance solely of a customer. It cannot

directly be concluded that this is a new antecedent for the preferred customer status during a crisis, as it might be a specific occurrence for medical supplies during a pandemic.

This paper thus offers managers a more comprehensive view on the benefits, antecedents of the preferred customer status and the importance increase of relational behaviour and reliability during a crisis for maintaining a supplier satisfaction, which in turn leads to the preferred customer status.

### **6.2 Practical recommendation to Company X**

This case study confirms that company X is a preferred customer for the suppliers interviewed. Even though the purchaser still has the classical view of a buyer-supplier relationship in which the supplier has to satisfy the customer, it could be beneficial to adopt the reverse marketing view and try to satisfy suppliers to obtain the preferred customer status and increase beneficial treatment. This could ultimately lead to a sustained competitive advantage. Subconsciously, the purchaser is already satisfying the suppliers by improving the forecasting and by giving more attention to the relationship in these times of crisis. This is especially important as Supplier 3 even indicated that preferred customers will get extra attention and make sure when an emergency order is placed that this order will be handled as quickly as possible and that only revenue does not necessarily make you a preferred customer. Furthermore, none of the suppliers indicate that long-term relationships are needed for obtaining the preferred customer status, while the buyer does think so. Meaning the perceived importance of the duration of the relationship might be lower in reality.

### **6.3 Limitations and future research recommendations**

Data on the antecedents of the preferred customer status of the key research used in the literature review, is gathered from the automotive industry whereas the focal company in this case study is in the metal ware industry and thus cannot directly be compared. Further limitation of this case study is that no face-to-face interviews could be held due to current pandemic and governmental restrictions.

Only Dutch suppliers participated in this case study and as the purchaser of company X and literature gave indications of language being a barrier for doing business with foreign suppliers and becoming a preferred customer. For a future research it would be suggested to focus solely on the influence of cultural and geographical proximity. In addition to that, all findings were based on data gathered during the pandemic crisis in the Netherlands and thus the findings cannot be generalised for all crises and for other countries as the Netherlands was less affected by this crisis than other countries. In general, the findings of this case study cannot be generalised due to the small number of interviewees, future research would be recommended with a larger sample size and only use the findings of this study as propositions. Another limitation due to the small sample size is that no significant conclusion can be made about the importance of the antecedents by counting the keywords. Moreover, this measure for importance is limited by the research method of choice, as the researcher can influence and steer the respondent into answering differently and thus some keywords can be named more often leading to a perceived importance of an antecedent when there might none. At last, Supplier 1 is a wholesaler and does not supply critical products to company X. Limiting the conclusion be drawn from the data gathered.

## **7. ACKNOWLEDGEMENTS**

With this word I would like to thank everyone involved in helping me make this bachelor thesis. I would like to specifically

mention and thank company X for taking the time and participating in this research to understand the antecedents of the preferred customer status in times of crisis. Furthermore, would I like to thank the representatives of the suppliers of company X for their cooperation with the interviews and their time spent. Finally, I would like to specifically thank Dr. Frederik Vos for guiding me in the bachelor thesis and his constructive feedback.

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## 9. APPENDICES

### Appendix A1: Table overview first and second tier antecedents

First tier antecedent	Second tier	Reference
<b>Customer attractiveness</b>		
Growth possibility	Purchasing volume	(Baxter, 2012, p. 1255; Hüttinger et al., 2014, p. 712; Ramsay & Wagner, 2009, p. 131; Steinle & Schiele, 2008, p. 11; Williamson, 1991, p. 80)
	Mutual growth	
	Financial attractiveness	
Operative excellence	-	(Hüttinger et al., 2014, p. 712)
Relational behaviour	Commitment	(Blonska, 2010, p. 40; Hüttinger et al., 2014, p. 712; Moody, 1992, p. 52)
	Trust	
<b>Supplier satisfaction</b>		
Reliability	Adherence to agreements	(Ellis et al., 2012, p. 1265; Hald et al., 2009, p. 965; Hüttinger et al., 2014, p. 712)
	Trust	
Growth possibility	Innovation potential	(Hüttinger et al., 2014, p. 712; Vos et al., 2016, p. 4620)
Operative excellence	Contact possibility	(Hüttinger et al., 2014, p. 712; Vos et al., 2016, p. 4620)
Profitability	-	(Vos et al., 2016, p. 4620)
Relational behaviour	Support	(Blonska, 2010, p. 40; Hüttinger et al., 2014, p. 712; Moody, 1992, p. 52; Vos et al., 2016, p. 4620)
	Reliability	
	involvement	
	Commitment	
	trust	
<b>Preferred customer status</b>		
Reliability	-	(Hüttinger et al., 2014, p. 712)
Growth possibility	Early supplier involvement	(Ellis et al., 2012, p. 1265; Hüttinger et al., 2014, p. 712)

### Appendix A2: Structured questionnaire for the purchaser

1. Could you explain the nature of your firm and the commodities under your responsibility?
2. How is your company coping with Covid-19?
3. Have you experienced any crisis in the past that disrupted the supply chain? Have you due to a crisis in the past not been able to deliver to customers? Did you have to choose which customers to supply to first?

General question

4. Do you classify the relationship you have with suppliers? If so, how(dependency)? Do you have indications that the suppliers are doing the same with you?
5. Is there management commitment to achieving preferred customer status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter?
6. Whom do you have a preferred customer status with?

Classification

7. Do you notice shorter lead times, influences on the purchasing prices, better access to innovative capabilities and shared development projects? (explore in order to write a mini-case)
8. Which other benefits do you notice from having a preferred customer status? (pyramid)

Benefits

9. What have you done in the past to become a preferred customer of strategic suppliers? Are there other actions you did not undertake that could have helped in reaching a preferred customer status?

Antecedents

10. Do you consider your company an attractive customer to suppliers? What are the factors that are influencing this attractiveness? Have the factors for attractiveness changed during this crisis (sales volume, growth possibility, reliability)?
11. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction? And have these factors changed during this crisis?
12. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers? Are these measures different during this crisis?
13. Which antecedents are valued more during this crisis (no focus on growth, maybe more on relational behaviour, reliability or flexibility?)

### Appendix A3: Structured questionnaire for the suppliers

General question

1. Could you explain the nature of your firm and the commodities under your responsibility?
2. How is your company coping with Covid-19?
3. Have you experienced any crisis in the past that disrupted the supply chain? Have you due to a crisis in the past not been able to deliver to customers? Did you have to choose which customers to supply to first?

Classification

4. Do you assign different status types to customers? Which status types do you assign?
5. Do you assign a preferred customer status to a customer company as a whole, or to different establishments or sub-branches of this company separately?
6. Have you assigned a preferred customer status to Company-X?

Benefits

7. How do the status types influence your behaviour towards customers? What benefits do you offer to a preferred customer? (Remember the pyramid, check for logistics / production planning, innovation, special services, flexibility, earlier information etc.)

Antecedents

8. Do you consider Company-X an attractive customer? What factors are affecting this perceived attractiveness?
9. Are you satisfied with the business relationship with Company-X? What factors are affecting your satisfaction or dissatisfaction in this relationship and are these factors different in this current crisis?
10. What are your company's motivations for giving Company-X a preferred customer status? What did Company-X do to achieve the status? What could Company-X do to further improve its status? Are there different motivations for giving a preferred customer status during this current crisis?
11. What do customers generally do to achieve preferred customer status? Does this differ from the behaviour you would like them to show?
12. Which antecedents are valued more during this crisis (no focus on growth, maybe more on relational behaviour, reliability or flexibility?)

### Appendix A4: Interview transcript with the purchaser of Company X

[Redacted due to confidential information]

### Appendix A5: Interview transcript with the representative of Supplier 1

[Redacted due to confidential information]

### Appendix A6: Interview transcript with the representative of Supplier 2

[Redacted due to confidential information]

### Appendix A7: Interview transcript with the representative of Supplier 3

[Redacted due to confidential information]

### Appendix A8: Table 3 extended

Benefit layer	Quote [translated]	Benefit	Reference
Benevolent pricing and cost benefits			

1	- Lower prices, definitely! - with large volumes more discount - absolutely, we place a certain customer with a certain revenue in a group and give discounts based on a group calculation model [...] - 'A' customers are able to buy at a more favourable rate	Benevolent pricing behaviour	B1, S1, S2, S3
1	- Vendor managed Inventory (VMI) could save inventory and administrative costs - No small-order cost fee	Cost reduction	S1, S3
2 <sup>1</sup>	- [...] monthly invoice. Which is a cost reductions as opposed to receiving several invoices.	Cost reduction	S1
<b>Innovation and quality benefits</b>			
1	- When there is not enough knowledge in house during product development, you can ask the supplier and they will send someone over with the knowledge to be able to solve the problem. - When company X develops a new product, we would like to be accepted to think along concerning surface treatments and how it could be done most efficiently [...]	Access to supplier knowledge / supplier involvement in new product	B1, S3
1	- [...] come to the factory if it is necessary to address any problems.	Best personal dedication	S2
<b>Operational benefits</b>			
1	Food and medical branch are going first because they are important [because of the crisis]	Preferential resource allocation	S1
1	- If I say, it is urgent: I need it today [...]. [...] you will see that I receive it the same day. - [...], if an 'A' customer calls in the middle of the night, we make sure they receive their parts - Urgent orders are executed immediately for 'A' customers as a service	Supplier support / delivery reliability	B1, S1, S3
1	- We are always ready for the customer. We have knowledge at the service desk [...] with a lot of technical knowledge- The customer can always discuss the work preparation here - customers can always discuss work preparation	Supplier knowledge / supplier support	S1, S3
1 <sup>2</sup>	- 24-7 service	Supplier support	S1
1	- [...] work directly after resolving the breakdown on Thursday evening or even in the night, in order to deliver on Friday. In other cases, would the step be easier to pick up the phone and say the delivery time of Friday will not be met	Delivery reliability	S2
1	- If it is indicated that the customer wants to delay payment, we try to be very flexible - We notice that customer shift their orders sometimes forward and then backward in time and we try to aid this as much as possible	flexibility	S2, S3
1	- For company X we could, for example, use extra packing material and do just the extra step for no added costs	-	S2

1 free benefit but not only preferred customers get this benefit, all larger customers off this supplier have access to this benefit.

2 Only direct action will be undertaken for preferred customers, less effort is put into non-preferred customers and might have to wait

## Appendix A9: Table 4 extended

Quote [translated]	Antecedent (times mentioned)	Reference	Crisis importance change
<b>Geographical and cultural behaviour</b>			▪
- [...] a relationship with a foreign company is soon a problem because of the language barrier	Language (1)	B1	▪
<b>Relational behaviour</b>			↑

- A very important factor is therefore that you enter into a partnership - They are never difficult [to talk to] - We want to have a talk with the buyer - Good communication both ways (satisfaction)	Readiness to talk (4)	B1, S1, S2, S3	↑
- [...] you always have to help each other	support (1)	B1	▪
- I am open and honest in communication	Open and honest communication (2)	B1	▪
- You have to communicate in a fun and friendly way [...?], you have to create a bond with the supplier - [...] low threshold and friendly communication - [...] a good and informal bond	Approachable communication (4)	B1, S1, S3	▪
- Starting a relationship becomes easier when you already did business in the past with each other (attractiveness) - Special bond with company X because we had business in the past (attractiveness & preferred customer status)	History (2)	S2, S3	▪
- Everything can be arranged quickly (attractiveness) - How fast the buyer responds (satisfaction)	Responsiveness (2)	S3	▪
- Mutual trust - We had to trust the customer	Trust (2)	B1, S2	↓
<b>Operative excellence</b>			▪
- To be able to send in our orders even earlier so that the suppliers are actually a bit more unburdened (satisfaction) - Reliable forecast for the year, so we know how much to buy (satisfaction) - We have to buy chemicals on the basis of planned orders - We always ask what they expect to buy in a year (attractiveness)	Forecast ability (3)	B1, S1, S2, S3	▪
- Don't change too much	Low number of changes (1)	S3	▪
- We know what we get week in and week out - If they order well ahead (preferred customer status)	Reliable planning (2)	S2, S3	▪
- Continuity in the work they deliver (attractiveness) - That the orders are repeated	Continuity of orders (2)	S2, S3	▪
- When CAD-files are delivered that is appreciated (preferred customer status)	Work preparation	S3	▪
<b>Growth possibility</b>			↓
- [...] will be looked at the purchasing volume - More product bundling - Number of products a customer delivers to us (attractiveness) - bundle more products (satisfaction) - Orders a lot (attractiveness) - By placing more orders (satisfaction)	Purchasing volume (10)	B1, S1, S2, S3	↓
- [...] make sure both parties can make money – growth possibility, [...] how can we grow together - we have our growth partly thanks to our big customers	Mutual growth possibility (4)	B1, S1	↓
- Constant stream of joint development projects	Research together/ innovation potential (1)	S2	▪
<b>Profitability</b>			▪
- [...] will be looked [...] at the revenue - Revenue oriented - Security of payment - Brings good revenue (attractiveness)	Financial attractiveness (7)	B1, S1, S2, S3	↓

- We look almost purely to revenue (preferred customer status)			
- Payment security is more important in a crisis - We value payment security more	Payment security (3)	S2, S3	↑
<b>Reliability</b>			↑
- Reliability of keeping agreements is important - keep adhering the contract - Agreements you make with each other - we needed a certainty of orders - Adherence of verbal agreements [...] (satisfaction)	Credibility in agreements (6)	B1, S1, S2, S3	↑
- Not only a set time, but a long-lasting relationship	Duration of the relationship (2)	B1	↓
- Doesn't matter if it is good news or bad news, that we are at least aware of the situation	Transparency (1)	S2	↑
- Do not send a lot of products back	- (1)	S1	▪
<b>Possible new crisis antecedent</b>			↑
- Food and medical branch are going first because they are important [because of the crisis]	Social importance	S1	↑

### Appendix A10: Covid-19 impact summary table

Impact	Internal adjustments	Supply (chain) adjustments	Great examples	PC benefits
Order decrease [B1, S2]	Work 4 days instead of 5 [S2]	Reduction of product need[S2]	In May sales dropped fast and therefore the purchasing orders declined from an average of 500 per week to only 5 per week [B1]	-
No physical contact [B1]	No travel [B1], increase hygienic rules [S3]	Spontaneous call actions [B1, S1]	-	-
Decreased order certainty [S3]	-	Shift orders forward and backwards in time [S3]	-	Orders are only delayed for preferred customers [S3]
Products unavailable [B1]	Decline some orders of customers [B1]	Try to source from different supplier [B1]	[redacted brand name] Engine from Italy was not available [B1]	-
Liquidity problems [S2]	-	Focus on economic factors of customers [S2]	-	-