

Interconnections between crisis management and antecedents of preferred customer status – a case study

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ABSTRACT

As of now, little research has focused on the status of preferred customer status within buyer-supplier relationships. Buying organizations are often in competition in order to get preferential treatment and therefore competitive advantage. This case study further investigates the antecedents and the benefits of the preferred customer status while trying to find interconnections with crisis management. In order to do so, three firms were interviewed. The findings contribute to the existing literature by confirming and enhancing current benefits with respect to the current crisis caused by Covid-19. This study was conducted in the food-, manufacturing- and waste management industry, while the crisis was still ongoing. Further research after exact consequences are revealed might thus be required, especially in other industry segments.

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Keywords

Preferred customer status; preferential treatment, antecedents, crisis management, Covid-19

1. SITUATION AND COMPLICATION

Since certain supply markets are currently heavily competitive due to the decreasing amount of suppliers, buying firms are in fierce competition. The common understanding that suppliers have to compete for customers is thus not always applicable, as there is supplier scarcity (Hüttinger et al., 2012, p. 1194). This scarcity leads to a competition of buying firms rather than a competition of supplying firms.

Moreover, buying firms also have to deal with environmental threats, that even add to the desire of becoming a preferred customer (Schiele, 2012, p. 44). With that being said, research suggests there are also additional benefits next to avoiding uncertainty that come along with preferred customer status (Nollet, Rebolledo, & Popel, 2012, p. 1187; Schiele, 2012, p. 44)

Being a preferred customer allows buying firms to get access to resources that cannot be gained otherwise, which can be referred to as “scarce resources” (Schiele, 2012, p. 44). These scarce resources include not only ideas and capabilities, but also materials that cannot be achieved otherwise. In addition to this, having the status of a preferred customer can also enable the buying firm to save costs (Blenkhorn & Banting, 1991, p. 188).

Having these benefits in mind, buying firms obviously are interested in how to achieve this status, especially in today's global business world. As many firms source strategically important components globally (Kotabe & Murray, 2004, p. 11), one major challenge is how to gain and maintain a preferred customer status, even with intercontinental suppliers. As literature identified that cooperating with intercontinental suppliers even impedes the achievement of preferred customer status (Steinle & Schiele, 2008, p. 3), it is of increased relevance to put further research towards the achievement of preferred customer status with intercontinental suppliers.

In addition to this, the recent crisis caused by the Covid-19 also emphasizes the importance of supply chain management. Many companies are struggling within their procurement processes, especially those who do not excel

at supply chain mapping and can therefore hardly estimate the consequences (Linton, 2020a). Moreover, due to the measures undertaken in order to prevent a spread of the virus, lead times are much longer with some materials being completely unavailable, which even forces several factories to stop the production (Haren, 2020).

Suppliers might be in shortage of goods and are therefore forced to treat customers with preferences, as they are not able to supply every customer. This thus suggests that being a preferred customer can mitigate risk, especially in times of crisis.

However, it is also worth mentioning that some articles identified crisis management as an opportunity for buying firms (Linton, 2020b):

As not only buying firms were struggling, but also supplying firms, some buyers were able to support their suppliers during these difficult times, creating multiple benefits: On the one hand, supporting their suppliers to ensure their survival leads to buying firms not being forced to seek for new suppliers, saving costs and time; on the other hand, suppliers might reward this support with extraordinary loyalty, which could even lead to preferential treatment (Linton, 2020b). It is also worth investigating whether the usual antecedents to the preferred customer status and its relevance changes during a crisis: since firms are usually financially constrained during crises (Campello, Graham, & Harvey, 2010, p. 471), especially the relative relevance of economic factors could be subject to change. On the other hand, social exchange theory suggests that the strength of the buyer-seller relationship can determine how the crisis will be handled (Mora Cortez & Johnston, 2020, p. 126).

Understanding the impact crisis management has on these antecedents is thus of high relevance, which further underlines the importance of handling the current crisis properly, especially with regard to achieving and maintaining preferred customer status, which can then again be a source of competitive advantage.

This leads to the following research question: *How are crises such as the covid-19 pandemic affecting the antecedents as well as maintenance of preferred customer status for buying firms?*

Before giving insight about how this question will be approached, it is of importance to point out the academic as well as practical relevance of this topic:

As already mentioned, the common understanding that suppliers have to compete in order to attract customers is not universally applicable anymore (Schiele, Calvi, & Gibbert, 2012, p. 2). Recent literature has put a lot of focus towards this and the concept of preferred customer status including supplier satisfaction and customer attractiveness, which is underlined by 2,170 publications on Scopus when looking for the key word “preferred customer”. In addition to this, searching for “risk management” and “supply chain” results in 7,638 results, showing that risk management as well as risk mitigation strategies within supply chain management have been a popular topic of research. However, with that being said, only a few papers have explicitly dealt with risk management in combination with the concept of preferred customer status, as there are only 2 publications that include both key words. Thus, despite emergent research on both, risk management and preferred customer status, the interconnection between the two variables has barely been discussed in the existing body of literature.

This paper will explicitly address this issue and therefore contribute towards research on preferred customer status within risk management. In more detail, it is of interest to identify what the role of risk-management is in buyer-supplier relationships with preferred customer status.

Moreover, the recent crisis caused by Covid-19 also adds to practical relevance. Many organizations are currently confronted with risk management, as the consequences of the current crisis can hardly be estimated as of now with experts pointing to different scenarios rather than giving precise estimates (Atkeson, 2020, p. 1)

In order to answer the research question, it is of relevance to take a look at the antecedents of being a preferred customer and their importance during times of crisis.

While doing so, this paper will first provide a literature review in order to identify common findings and issues yet to be solved. In the next step, this paper will then conduct quality research in the form of an interview with one buying firm and its’s suppliers.

These interviews will be transcribed in order to identify not only antecedents and benefits of preferred customer status in general, but also on how the current crisis and it’s management is affecting this status for buying firms.

2. THEORETICAL FRAMEWORK

2.1. Preferred Customer Status

In general, the concept of preferred customer status is based on the assumption that suppliers are selective and do not treat all customers with equal preference (Hüttinger et al., 2012, p. 1196). While setting these preferences, customers get classified by the supplying firm; this classification is based on different criteria such as attractiveness, prestige, strategic position and volume (Mortensen & Arlbjørn, 2012, p. 1217). Having achieved this classification of preferred customer status, buying firms benefit from shorter lead and cycle times (Christiansen & Maltz, 2002, p. 188; Ulaga, 2003, p. 686), more favorable purchasing prices (Nollet et al., 2012, p. 1187), increased willingness to share information and knowledge (TROT & HARTMANN, 2009, p. 730)

Among the most discussed benefits of preferred customer status is the access towards innovation that comes along with it (Ellis, Henke, & Kull, 2012, p. 1259). Earlier involvement of suppliers within the innovation process (Hartley, Meredith, McCutcheon, & Kamath, 1997, p. 262) reduces the time to market, while the generation of ideas as well as the opportunity to build prototypes further contribute to innovation activities (Baxter, 2012, p. 1252; Christiansen & Maltz, 2002, p. 192; Hald, 2012, p. 1228).

2.2 Cycle of Preferred Customership

On the basis of Social Exchange theory, Schiele et al. (Schiele et al., 2012) developed the cycle of preferred customership (Figure 1). This cycle consists of three main elements: customer attractiveness, supplier satisfaction and preferred customer (Schiele et al., 2012, p. 1180),

which will be discussed in the following sections together with respective antecedents.

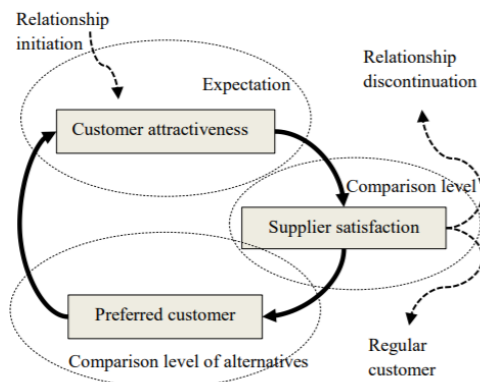


Figure 1: The cycle of the preferred customership (Schiele et al., 2012, p. 1180)

2.2.1. Customer Attractiveness

Since the decision whether to agree on a contract with buying firms is often taken before the first exchange of action has happened (La Rocca, Caruana, & Snehota, 2012, p. 1242), it can be argued that customer attractiveness is based on the supplier's expectations. Customer attractiveness is thus the result of positive expectations towards a relationship; in order to stimulate such expectations, it is required to raise awareness for existence and needs of the buying firm (Schiele et al., 2012, p. 1180).

Customer attractiveness can also be clustered into different categories, which was initially done by Fiocca (Fiocca, 1982). Fiocca identified market factors, competition, financial factors, economic factors as well as technological and socio-political factors as the main categories/drivers of customer attractiveness (Fiocca, 1982, p. 54). This work was picked up by (Hüttinger, Schiele, & Schröer, 2014) who identified growth potential, relational behavior and operational excellence as the most important drivers for customer attractiveness (Hüttinger et al., 2014, p. 702).

Moreover, it is worth mentioning that economic value alone is not sufficient when trying to achieve customer attractiveness; just being able to pay high prices will not be enough to achieve preferential treatment, it is required to share innovative ideas and explicit information (Cordón & Vollmann, 2008, p. 55) and offer technological solutions (Christiansen & Maltz, 2002, p. 188).

2.2.2. Supplier Satisfaction

It is worth mentioning that suppliers are able to "provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise" (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 129). In order to benefit from these resources that are allocated with preference, it is among others important to satisfy suppliers (Pulles et al., 2016, p. 139; Vos, Schiele, & Hüttinger, 2016, p. 4621). This clearly shows the importance of satisfying suppliers, as doing so could lead to preferential treatment and therefore contribute to achieving preferred customer status. It is thus also of interest for organizations to find out how supplier satisfaction can be achieved and measured, which will be done in the following:

As of now, supplier satisfaction is rather conceptual and there are not many publications that specifically attempt to define or even measure it (Schiele et al., 2012, p. 1181). Therefore, it makes sense to apply social exchange theory in order to provide a better understanding: In a relationship (such as a buyer/seller relationship), satisfaction is usually determined by the disparity between one parties' expectations and the actual perceived value (Wilson, 1995). This can also be linked to customer attractiveness, in which raising awareness for organizational needs was identified as a necessary condition (Schiele et al., 2012, p. 1180); this awareness can also contribute to realistic expectations and possibly higher supplier satisfaction.

With that being said, recent studies showed that aspects such as reliability, profitability as well as growth potential are main determinants of supplier satisfaction (Vos et al., 2016, p. 4621). However, although many models put emphasis on economic factors when referring to supplier satisfaction, literature (Cordón & Vollmann, 2008, p. 55) also stated that buying firms who are not able to offer the highest economic value can still satisfy suppliers. The common understanding that economic factors are the main determinant for supplier satisfaction is thus not always applicable, as relational factors are sometimes of equal or even higher importance than economic factors (Vos et al., 2016, p. 4621).

2.2.3. Preferred Customer Status

The third element of the cycle of preferred customership is the preferred customer status itself. In general, this status

is fulfilled when a certain customer receives better treatment than other customers (Steinle & Schiele, 2008, p. 11). With that being said, literature also refers to this status as “interesting customer” or “best customer” (Christiansen & Maltz, 2002, p. 179)

There are also certain factors that can influence the process of achieving preferred customer status: While Steinle and Schiele (Steinle & Schiele, 2008, p. 3) stated that it is easier for firms to achieve preferential treatment when they are operating in the same regional cluster, older literature also suggested that single-sourcing could consolidate loyalty and therefore contribute the achievement of preferred customer status (Williamson, 1991, p. 80). Moreover, as identified by (Hüttinger et al., 2012), there are several main antecedents to preferred customer status: These antecedents include profitability and economic value, relational quality, strategic compatibility as well as suitable instruments of interaction (Hüttinger et al., 2012, p. 1202). An overview of these antecedents can be found in the table below

Table 1: Antecedents to the cycle of preferred customership

Antecedent	Description	Source
Profitability and economic value	Purchasing volume, costs to serve customer, business opportunities	(Steinle & Schiele, 2008, p. 6)
Relational quality	Trust, loyalty, satisfaction	(Blonska, Storey, Rozemeijer, Wetzels, & de Ruyter, 2013, p. 1297; Moody, 1992, p. 52)
Strategic compatibility	Strategic fit, proximity	(Bew, 2007, p. 3; Steinle & Schiele, 2008, p. 5)
Instruments of interaction	Early involvement of supplier,	(Bew, 2007, p. 3; Moody, 1992, p. 52)

	predictable decision processes	
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2.3. Benefits of the Preferred customer Status

Having achieved preferred customer status, a buyer can benefit from various advantages, giving the buyer potential access to competitive advantage (Schiele, Veldman, & Hüttinger, 2011, p. 18). The benefits that can be found in recent literature can be clustered into operational benefits, technological and quality benefits and financial benefits. An overview of these benefits is provided in the figure below (Figure 3), while the sections below go into more detail for respective benefits.

Operational and service benefits		
Benefits of being preferred customer	Additional information regarding benefits	Source
Delivery reliability	Being at the top of allocation lists	(Bew, 2007, pp. 1-2)
Delivery speed	Shorter lead times and close allocation of warehouses	(Nollet, Rebolledo, & Popel, 2012, p. 1187) (Christiansen & Maltz, 2002, p. 189)
Acceleration of (innovation) processes	Faster prototype development and validation	(Hald, Cordón, & Vollmann, 2009, p. 963)
Technological and quality benefits		
Benefits of being preferred customer	Additional information regarding benefits	Source
Innovation support	Access to new products; sharing information with preference	(Bew, 2007, p. 2; Ulaga, 2003, p. 685)
Increased quality	Consistent quality improvement of products; dedication of best employees from supplier	(Nollet et al., 2012, p. 1187; Steinle & Schiele, 2008, p. 11)
Financial Benefits		
Benefits of being preferred customer	Additional information regarding benefits	Source
Price benefits	More open-minded in future negotiations; lower prices for preferred customers	(Bew, 2007, p. 2; Nollet et al., 2012, p. 1187)
Cost benefits	Savings of 2-4% of the total volume; savings of 5-30% in acquisition processes	(Bew, 2007, p. 2; Blenkhorn & Banting, 1991, p. 188)

Figure 2: Benefits of preferred customer status

2.3.1. Operational and Service Benefits

The concept of reverse marketing can lead to the “achievement of seemingly impossible objectives” (Blenkhorn & Banting, 1991, p. 18), underling the variety of operational and service benefits preferred customers can experience.

One of the main benefits for preferred customers is delivery reliability, as they are at the top of allocation lists and are supplied when they are in need (Bew, 2007, pp. 1-2). This also includes the willingness of suppliers to keep

safety stocks, adjust to schedules as well as allocate warehouses closer to the facilities of that specific customer (Nollet et al., 2012, p. 1187). Moreover, suppliers are in general more flexible and responsive towards preferred customers (Nollet et al., 2012, p. 1187; Williamson, 1991, p. 81)

Further, suppliers tend to offer shorter lead times to preferred customers (Christiansen & Maltz, 2002, p. 189). They thus also facilitate in accelerating processes, as preferred customers benefit from validation processes and prototype development (Hald, Cordón, & Vollmann, 2009, p. 963).

2.3.2. Technological and Quality Benefits

In addition to service benefits, the preferred customer status also grants several technological and quality benefits such as supplier innovativeness (Schiele et al., 2011, p. 16).

Technological information is often shared with preferred customers (Ulaga, 2003, p. 685) and preferred customers are often the first ones that gain access to new products or services (Bew, 2007, p. 2).

Moreover, preferred customers are provided with products of higher quality (Moody, 1992, p. 4), as the products of these buyers underly consistent quality improvement (Nollet et al., 2012, p. 1187). This benefit of increased quality can also be found within the allocation of human resources: suppliers tend to dedicate their best employees for innovation developments, again leading to a benefit for preferred customers (Steinle & Schiele, 2008, p. 11).

2.3.3. Financial Benefits

Finally, there are also financial benefits that are granted to preferred customers. Many suppliers offer not only better prices to their preferred customers (Bew, 2007, p. 2), but they are also more open-minded towards future negotiations (Nollet et al., 2012, p. 1187).

In addition to price benefits, preferred customers can potentially experience from cost benefits: Suppliers often find ways to reduce prices within the relationship, which can result in savings of 2-4% off the total spending volume (Bew, 2007, p. 2). Especially costs related to acquisition and operational processes are object of reduction, leading

to cost reduction between 5-30% (Blenkhorn & Banting, 1991, p. 188).

These benefits can also be clustered into different levels, which can be seen in the figure below (Figure 3):

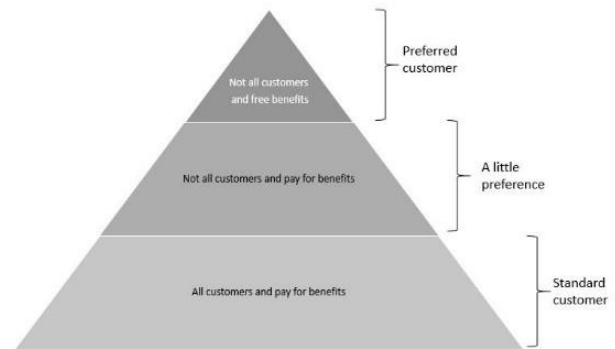


Figure 3: Pyramid of benefits

The lowest level of the pyramid illustrates standard customers, that can get access to specific benefits by paying a premium. The middle level refers to customers who are little preferred: the benefits on this level are not available for all customers, however, they still require extra payment.

Customers who are in fact preferred can access the upper level: they get benefits that not all customers have access to while not paying any premium (Tang, 2005).

3.4. Risk and Crisis Management within Supply Chain Management

In order to take a look at the current Covid-19 pandemic and implication for risk-management within buyer/supplier relationships, it is useful to provide a general introduction into risk management.

In general, risk refers to the product of two variables: the probability that a certain event occurs and the severity of this particular event (Pellegrino, Costantino, & Tauro, 2020, p. 3).

Within supply chain management, risk specifically refers to events that are caused by the failure of inbound suppliers. The occurrence of these events would then lead to the buying firm not being able to meeting customer demands as well as expected levels of quality and/or safety (Pellegrino et al., 2020, p. 3). One can also distinguish between operational risks and disruption risks. While operation risk refers to uncertainty such as demand and

supply uncertainty as well as cost uncertainty, disruption risk describes disruptions within the supply chain that can be caused by both, nature and mankind (Tang, 2005, p. 453).

In addition to this, (Pellegrino et al., 2020) also stated that risk and its management is determined by the relationship between the organizations involved (Pellegrino et al., 2020, p. 2). For this work, it is thus of high interest to investigate risk management in relationships where the buyer has a preferred customer status: Within this specific relationships, the organization is not only object to the traditional risks, but also to additional risks: As organizations in such a relationship are likely to cooperate closely, project stability and volume are the basis for the stability of the supplier (Pellegrino et al., 2020, p. 15). This is also critical for the buying firm, as the supplier might then look for alternatives, which could even lead to a loss of the preferred customer status (Pellegrino et al., 2020, p. 13).

It is thus important to not only keep in mind the antecedents of preferred customer status, but also observe how a crisis or risk can impact these antecedents. This can also be found on the right side of the research model (Figure 2), which illustrates the link between risk/crisis and the antecedents of preferred customer status. While the effect is not really researched yet, literature suggested that buying firms should closely observe this in order to prevent losing their preferred customer status ((Pellegrino et al., 2020, p. 13)

In general, one can say that disruption risks have a bigger impact on supply chains and their respective business than operational risks (Tang, 2005, p. 453).

In addition to regular risk management, it also makes sense to take a look at crisis management, as companies deal with consequences of the covid-19 pandemic right now:

When taking a look at possible consequences of an economic crisis, the financial crisis 2008 can serve as an example: in the U.S, firms responded to the crisis by reducing their spendings; in particular, they reduced employment and investments in technology and innovation (Campello et al., 2010, p. 471) Moreover, listed companies also reduced their payment of dividends (Campello et al., 2010, p. 471). All in all, this shows that

firms were focused on gaining additional liquidity, which leads to the assumption that firms were financially constrained during the crisis. These financial constraints were also found by , who identified that most companies react to crises by reducing short- and mid-term expenditures.

This will probably also be the case in the current crisis, as 80% of all respondents within a British study stated that they expect a decrease in turnover (Nicola et al., 2020, p. 186).

On the other hand, organizations in crises are constrained in time, as they need to come up with new solutions that can not be tested beforehand (Mora Cortez & Johnston, 2020, p. 127). In order to counteract this, literature identified cooperation with other companies as a possible solution (Mora Cortez & Johnston, 2020, p. 127), showing that relational behavior as described in social exchange theory is of high relevance during crises.

This counteract can also be found in other literature, as Shumpeter suggested that an economic crisis will not exclusively create losers, since some companies react smarter than others (Archibugi, Filippetti, & Frenz, 2013, p. 1247). Since a crisis can thus be an origin of change within the “economic hierarchy”, it seems logical to assume that behavior in times of crisis varies from regular organizational behavior. This could be because of a shift in organizational preferences or because of market inefficiencies caused by mistakes of other firms.

Linking this assumption to preferred customer status, it is of interest to investigate whether firms can gain access to the preferred customer status by successfully managing crises. If so, it would also be of relevance to compare the relative costs of becoming a preferred customer in order to find out which opportunities could arise from a crisis.

Since research so far has mainly dealt with how organizations can become a preferred customer and what the benefits of this status are, it of academical relevance to also take a look at when it is more or less beneficial to undertake these efforts.

In the following, crisis management will be linked to the research model in order to come up with hypotheses that can then be tested within the interviews:

4. RESEARCH METHODS

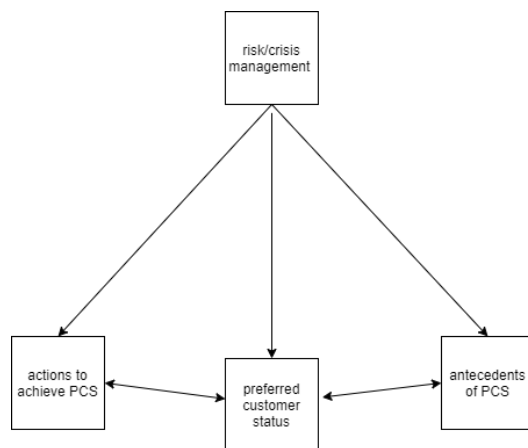


Figure 4: Research Model

The figure above (Figure 4) illustrates the research model used to investigate the interconnections of preferred customer status and risk/crisis management within supply chains. As seen above, crisis management functions as a moderating variable for both, antecedents of the preferred customer status as well as actions organizations undertake to achieve the preferred customer status. In addition to this, it could also be that the relevance of existing antecedents does change due to an existing crisis: the circumstance that organizations have to react fast and sometimes even innovative during the pandemic (Chesbrough, 2020, p. 1) implies that flexibility could become more important.

Since customer attractiveness is also based on financial factors (Fiocca, 1982, p. 54), lower volume or project instability can decrease the attractiveness of a buying firm, eventually leading to the loss of preferred status (Pellegrino et al., 2020, p. 13), which is illustrated by the central arrow. The fact that organizations are financially constrained in crises (Archibugi et al., 2013, p. 1249) could thus be a hint that economic factors become more important.

Moreover, the actions organizations undertake in order to achieve this preferential treatment are also affected: as already mentioned, crises might lead to changes within organizational preferences. It could therefore be that successful crisis management heavily facilitates the achievement of preferred customer status or that previously undertaken actions are not longer effective or realistic.

A buying firm could for example benefit from preferential treatment because (among others) they single source from a company (Williamson, 1991, p. 80). In order to keep safety stocks or just mitigate risk, they could decide to overthink this strategy, potentially harming the relationship with the respective supplier.

To summarize the implications, it can be concluded that current literature leads to the following hypotheses:

I. Financial factors become more important in an economic crisis due to financial constraints.

II. Relational factors become more important in an economic crisis due to fast and innovative nature of action.

4.1. Research Design

In the following, there will be insight given about how the research will be carried out, including the collection and analysis of data.

In general, there are two approaches to collecting data: qualitative data collection and quantitative data collection. While quantitative data collection refers to finding patterns within larger samples (conducted via surveys etc.), qualitative collection specifically aims to get knowledge/information from experts in respective topics. While quantitative data can be advantageous when one is trying to find patterns for large groups/societies, qualitative research is preferable when the research is rather specific and linked to context (Polit & Beck, 2010, p. 1452)

This paper is based on qualitative research via conducting interviews due to various reasons. First of all, information that has to be collected in order to classify firms and their suppliers with regard to customer attractiveness and supplier satisfaction is rather sensitive, as many companies are reluctant in revealing information about their operations. In addition, surveys are not usable for this research, as the target group is too specific and the topic is too complex to code it into rather simplistic figures.

Regarding the interviews, it can be said that there will be four interviews with firms operating in different segments. As the topic of research is also the current corona crisis, it is worth mentioning that there are differences between segments; it might thus also be of additional interest to

compare the results later in order to identify disparities between segments and respective segments.

It also worth mentioning that there are differences within interviews, as they can be conducted face-to-face or via platforms such as phone or internet (Opdenakker, 2006, pp. 1-2). However, due to restrictions caused by the Covid-19 pandemic, it was not possible to conduct interviews face-to-face; the interviews were thus done via an online platform.

Before summarizing the main findings of the interviews, there will be some information about the participants and their respective companies: In the first interview, Andre Plattel, a purchaser of “Attero”, a Dutch waste management company was asked. Attero is generating energy from waste and they are currently the market leader in the Netherlands.

In the second interview, the purchaser Desiree Oude-Groeniger was interviewed. Mrs. Oude-Groeniger works for Merba BV, a Dutch manufacturer for bakery products. Merba BV. Is operating in the Netherlands, however, they are selling their products worldwide.

In the third interview, Simon Lansing was interviewed. Mr. Lansing works in the sales-department of Schmitz Cargobull, a manufacturer for truck trailers located in Western Germany. Schmitz Cargobull has over 1,700 business partners worldwide, with production facilities in Turkey, Australia, Spain, Russia and Lithuania.

5. FINDINGS

In this section, the interviews will be summarized in order to get an overview of the findings. An overview of the findings can also be found in the table below.

Table 3: Interconnections between crisis management and preferred customer status

Antecedent	Interview mentioned in	Change in importance due to crisis

Purchasing volume	1,2,3	-
Purchasing security	2,3	increase
Growth opportunities	1,3	decrease
Loyalty/length of relationship	1,2,3	increase
Relationship between companies/chemistry	1,2	increase
Strategic fit	2	-
Instruments of communication	3	-

5.1 First Interview

A purchaser of company A was interviewed in the first interview. When asked about what leads to preferential treatment by suppliers, he said that in his opinion the best way is to build a long-term relationship. Moreover, he referred to “chemistry” between the companies, again pointing out relational factors. On the other hand, he also stated that the size of the company and it’s purchasing volume is important in order to be attractive for customers. Since Attero is a big and prestigious company, suppliers are more inclined to do business with them.

He also revealed that his company is always one of the first companies to get supplied, especially in the current crisis. This shows that preferred customer status can help in securing raw material, as one might get served even if there is shortage. Other benefits identified by the interviewee include flexibility in payment terms as well as better reachability and quick responses.

Regarding crisis management, the interviewee stated that many aspects that are not explicitly mentioned in contracts are object of discussion in such times. Since they have a good and long-lasting relationship with their suppliers, he believes that this really facilitated these processes. In addition to this, some payment terms were changed during the crisis, however, preferred suppliers were more flexible and did not ask for early payment.

5.2 Second Interview

In the second interview, a purchaser of company B was interviewed:

She claimed that the strategy of her company was to build long-lasting relationships with only a few suppliers, which leads to preferred treatment. She also said that it is important to understand that both parties must be satisfied; she said that it might be beneficial to sometimes accept certain terms instead of complaining in order to satisfy the supplier. In addition to these relational antecedents, she also stated that financial factors are important as well. In her opinion, always trying to source as cheap as possible will hinder an achievement of preferred customer status. With that being said, she still said that relational aspects such as the length of the relationship are more important.

Regarding the benefits of being a preferred customer, the interviewee said that their suppliers grant flexible payment terms, even in times of economic crisis. Moreover, suppliers are willing to adapt for the company, as they require backup plans to secure supply.

In her opinion, the current crisis underlines the importance to have these backup plans. Moreover, she also stated that the good relationship with suppliers helped in securing supply. They were always at the top of allocation lists, which was important for them, since they actually sold more in the crisis than before. Moreover, the payment terms with preferred suppliers remained flexible, while other suppliers sometimes asked for early payment.

5.3 Interview 3

The third interview was conducted with a sales employee from company C. While he stated that the company tries to satisfy all customers as much as possible, he admitted that there are indeed classifications, which functions as an orientation for employees. When asked about how customers could achieve this status, he started by referring to economic antecedents. In particular, he stated that the purchasing volume of the customer as well as the agreed price on is influencing their satisfaction with the customer. In addition to this, flexibility in delivery time and reliability regarding demand and payment would also be appreciated by his firm. Moreover, he also mentioned that some customers were in direct contact with upper levels of the organization, which often led to employees treating these customers faster in order to prevent any complaints.

Regarding benefits of preferential treatment, he mainly mentioned faster reachability and access to innovation.

Whenever there is a new product/a limited product, they will first offer to their preferred customer. He also claimed that preferred customers often get better prices; with that being said, he also said that cheaper prices are probably caused by higher purchasing volumes. Moreover, he revealed that Schmitz Cargobull is willing to adapt certain processes in order to align with the needs of the customer. In detail, they are willing to produce custom-made products for these customers, which is causing additional work.

Asked about the impact of the current crisis on these aspects, he stated that they need to sell cheaper during the crisis in order to keep the production running. Moreover, firms that already pre-ordered for upcoming years are now urged to buy these products earlier, which could lead to longer-lasting relationship. Moreover, he also stated that relational factors are now more important than before. In particular, his firm is valuing reliability and flexibility more than before, as they can not afford to lose any offer they have planned in.

6. DISCUSSION

Having summarized the findings of the interview, it makes sense to take a look back at the literature in order to identify similarities and differences.

6.1 Theoretical and Practical Contributions

One of the key findings within the existing body of literature was that customers get classified by their suppliers, which also leads to differences in customer treatment. Moreover, this also means that some customers benefit from preferential treatment; while literature suggested that these benefits include not only financial benefits, but also operational and technology benefits (Hüttinger et al., 2012, p. 18). While all interviewees agreed that there are indeed classifications between buyer and supplier, the benefits mentioned by them included mainly operational benefits as well as access to innovation; while respondents admitted that there might also be economic benefits, they were not sure if these were really caused by the preferred status or just by higher purchasing volumes.

Regarding the antecedents of preferred customer status, aspects of supplier satisfaction as well as customer attractiveness could be found in all interviews. Next to purchasing volume and operational factors such as flexibility and reliability, all respondents identified the length of ongoing cooperation as a key determinant for the relationship.

Further, it is also striking that the interviewees mainly regarded the purchasing volume as the determinant for the relationship between customer and supplier. While this is also found in literature, other possible actions organizations could undertake to acquire preferred customer status (Fiocca, 1982, p. 84), were not or only briefly named by the respondents.

Due to the current corona pandemic, respondents were also asked whether crises have an impact on the relative importance of antecedents. While the hypothesis after having dealt with literature was that relational factors such as loyalty and reliability would become more important, this was indeed confirmed by interviewees. They revealed that the “chemistry” between organizations is of high importance when aspects are discussed that are not explicitly mentioned in contracts. However, the hypothesis that financial restrictions could add to the importance of economic factors cannot be confirmed: the only economic factor that was found to become more important is security of payment. However, this antecedent is not solely economic, as it also depends on trust and reliability. On the other hand, purchasing volume and prices were not found to have an increased impact in the crisis, while growth opportunities were even found to become less important. Since economic antecedents were also extensively named in the first part of the interview, it is even more striking that it was not found as an antecedent that becomes increasingly important. This can lead to the assumption that financial factors are more a qualifying factor than a distinctive factor, regardless of any crisis.

Another aspect that was interesting is the balance between single-sourcing and multiple-sourcing. While all respondents believed that sourcing from one supplier for a long period is satisfying suppliers and therefore an antecedent of preferred customer status, they also claimed that this makes companies vulnerable in times of crisis.

Further research could thus aim at this contradiction in order to weight advantages of preferential treatment against the risks that come along with this strategy, especially with regard to the recent pandemic.

It was also found that one cannot safely conclude which antecedents precisely become more important and which become less relevant. It is thus important for buyers to understand the unique characteristics and needs of their suppliers in order to identify their preferred antecedents/values.

It could therefore also occur that previously buyer-/supplier-relationships need to be adapted, as the crisis led to alternative suppliers being more compatible.

6.2 Limitations and further research

Having discussed the findings of this study, it is also of importance to point out limitations of this study. While doing so, there will also be insight about aspects that demand future research:

The respondents in this study are operating in different sectors, however, one cannot draw a general conclusion based on the findings from single firms. It is thus required to do further research in other economic sectors in order to identify more overlapping and differences.

In addition to this, the study was conducted while the crisis was still ongoing; it could thus be the case that the respondents were not able to precisely estimate the consequences of the crisis. Because of this, it might also be valuable to do more research after the pandemic; it could thus be of high value to compare organizations that changed suppliers as a reaction to the crisis with organizations that did not do so in order to identify if this paid off and whether the origin of newly gained preferred customer status/the loss of existing status could indeed lie within the management of the corona pandemic.

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Appendix A: Tables and Figures

Figure 1: The cycle of preferred customership

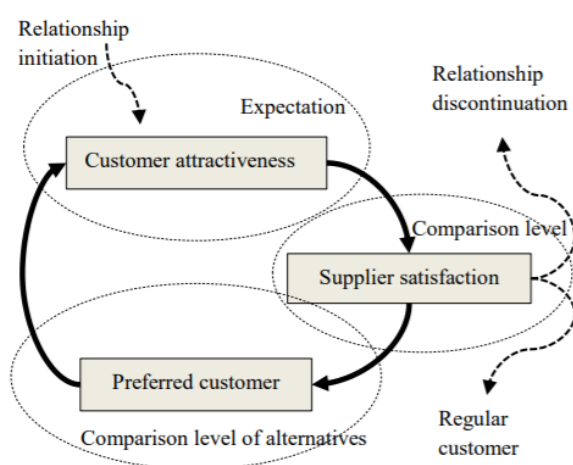


Figure 1: The cycle of the preferred customership (Schiele et al., 2012, p. 1180)

Table 1: Antecedents to the cycle of preferred customership

Antecedent	Description	Source
Profitability and economic value	Purchasing volume, costs to serve customer, business opportunities	(Steinle & Schiele, 2008, p. 6)
Relational quality	Trust, loyalty, satisfaction	(Blonska et al., 2013, p. 1297; Moody, 1992, p. 52)
Strategic compatibility	Strategic fit, proximity	(Bew, 2007, p. 3; Steinle & Schiele, 2008, p. 5)
Instruments of interaction	Early involvement of supplier, predictable decision processes	(Bew, 2007, p. 3; Moody, 1992, p. 52)

Figure 2: Benefits of the preferred customer status

Operational and service benefits		
Benefits of being preferred customer	Additional information regarding benefits	Source
Delivery reliability	Being at the top of allocation lists	(Bew, 2007, pp. 1-2)
Delivery speed	Shorter lead times and close allocation of warehouses	(Nollet, Rebolledo, & Popel, 2012, p. 1187) (Christiansen & Maltz, 2002, p. 189)
Acceleration of (innovation) processes	Faster prototype development and validation	(Hald, Cordón, & Vollmann, 2009, p. 963)

Technological and quality benefits

Benefits of being preferred customer	Additional information regarding benefits	Source
Innovation support	Access to new products; sharing information with preference	(Bew, 2007, p. 2; Ulaga, 2003, p. 685)
Increased quality	Consistent quality improvement of products; dedication of best employees from supplier	(Nollet et al., 2012, p. 1187; Steinle & Schiele, 2008, p. 11)

Financial Benefits

Benefits of being preferred customer	Additional information regarding benefits	Source
Price benefits	More open-minded in future negotiations; lower prices for preferred customers	(Bew, 2007, p. 2; Nollet et al., 2012, p. 1187)
Cost benefits	Savings of 2-4% of the total volume; savings of 5-30% in acquisition processes	(Bew, 2007, p. 2; Blenkhorn & Banting, 1991, p. 188)

Figure 3: Pyramid of benefits

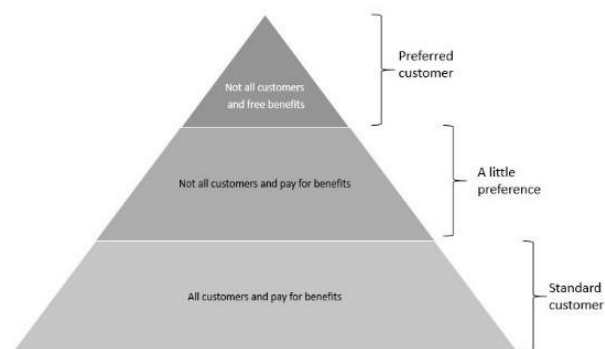


Figure 4: Research Model

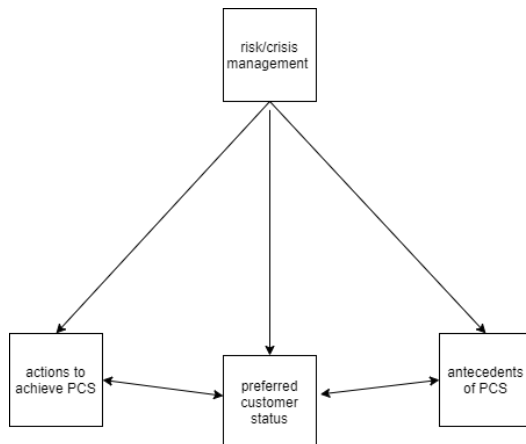


Table 2: Findings of interviews

Benefits of preferred customer status

Interview	Result from interview	Supporting literature
1,2	Flexible payment terms	(Blenkhorn & Banting, 1991, p. 188)
1,2	Access to low-stock products	(Bew, 2007, p. 2)
1,2,3	Better reachability, quick responses	(Nollet et al., 2012, p. 1187)
1,3	Access to innovation	(Bew, 2007, p. 2; Ulaga, 2003, p. 685)
3	Better prices	(Bew, 2007, p. 2; Blenkhorn & Banting, 1991, p. 188)

Antecedents of preferred customer status

Interview	Result from interview	Supporting literature
1,2,3	High purchasing volume	(Steinle & Schiele, 2008, p. 8)
1,2,3	Loyalty/long-term relationship	(Blonska et al., 2013, p. 1297; Moody, 1992, p. 52)
1,2	Relationship between companies	(Moody, 1992, p. 52)
3	Contact to upper levels within organization	

Table 3: Interconnections between crisis management and preferred customer status

Antecedent	Interview mentioned in	Change in importance due to crisis
Purchasing volume	1,2,3	-

Purchasing security	2,3	higher
Growth opportunities	1,3	less
Loyalty/length of relationship	1,2,3	Higher
Relationship between companies/chemistry	1,2	higher
Strategic fit	2	-
Instruments of communication	3	-

Table 4: Covid-19 impact summary

Impact	Internal adjustments	Supply (chain) adjustments	Great examples	PC benefits
Lack of products/material	Stock increased [2]	Ordering more often and ensuring supply [2]	Being the first one who is supplied when stock is low [2]	Almost no production loss in comparison to competitors [2]
Decrease in sales [3]	part-time work [3]	Lower need for material [3]	Company could barely fill their production capacity [3]	-
Increase in sales [2]	-	Higher need for material [2]	The company could not deliver to some customers as they were out of stock and production capacity; was almost impossible to increase production capacity because of lockdown	Being at the top of allocation lists [2]
Supplier in financial distress [3]	change of payment policy [3]	-	Some preferred customers that were waiting for products agreed on early delivery and early payment	Shorter lead times [3]
No physical interaction [1,2,3]	Home-office [2,3]	Focus towards digital communication [1,2]	Digital communication within the company as well as with suppliers/customers to keep company running [1,2,3]	-
Need for additional material (facemasks, germicide) [1,2]	Changing processes to decrease the amount of masks etc. needed [1,2]	Sourcing from new suppliers [1,2]	Preferred suppliers helped in securing the supply of such articles when possible [1]	Bundle sourcing, guaranteed supply [2,1]

Appendix B: Interview template

Preferred Customer Questionnaire: (crisis management)

Interview for Purchasers

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 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?

Benefits

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)
-

Antecedents

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?
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?)

Questionnaire for 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?)