

Preferred customer status, its antecedents and the influence of psychological contract fulfillment and breach - a dual case study

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ABSTRACT,

Over the last years, a shift has been noticeable in the relationship between buyers and suppliers. Instead of fighting over customers, companies are increasingly trying to become a preferred customer of strategic suppliers as this has become essential for obtaining competitive advantage. This study aims to empirically examine and enhance the existing literature on the antecedents of supplier satisfaction and preferred customer status and its benefits. Furthermore, psychological contracts govern buyer-supplier relationships, which can lead to reciprocal expectations. Meeting or breaching these expectations potentially affects supplier satisfaction, as suppliers are satisfied when their prior expectations are met or exceeded. This research therefore also explores the effects of psychological contract fulfillment and breach on supplier satisfaction and preferred customer status. This study is set up as a dual case study where four suppliers and four purchasers are interviewed. The findings confirm most antecedents and benefits in the existing literature and identify business fit and similar culture as possible new antecedents of supplier satisfaction and supplier support, innovation potential, similar culture and business fit as possible new antecedents of preferred customer status. Furthermore, the results indicate that fulfillment of psychological contracts are positively correlated with supplier satisfaction and preferred customer status, where the type of psychological contract is a moderating variable. Psychological contract breach appears to have no effect on supplier satisfaction in collaborative relationships and a positive effect on preferred customership when a relational psychological contract is breached.

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Keywords

Supplier satisfaction, preferred customer status, preferential treatment, psychological contracts, psychological contract breaches, expectations, antecedents, benefits

1. INTRODUCTION

During the last decades, a shift in the perspective on buyer-supplier relationships has been noticeable. The perspective where suppliers are supposed to make themselves attractive in the eyes of the buyer in order to sell the most products, has made room for the perspective that customers are fighting over excellent suppliers and also considers the effort the buyer should invest into the relationship to become a preferred customer (Schiele et al., 2012a, p. 1178). The increased attention in research on preferred customer status has at least two driving forces, with the first force being the progressive use of outsourcing since the 1990s (Prahalad, 1990, p. 79; Romaniello & Medlin, 2008, p. 21). The increase in outsourcing activities makes companies more reliant on their suppliers for the creation of additional value and thus seems to make suppliers of strategic importance (Mol, 2003, p. 49). In the 1990s, the process of innovation also started to shift from a closed to an open innovation model as a result of the greater diffusion of knowledge (Chesbrough, 2003, pp. 43-45; Schiele & Vos, 2015, p. 139). Van Echtelt et al. (2008) stated: "Suppliers have been shown to provide a source of innovative ideas and critical technologies" (p. 4). Therefore, suppliers can enlarge the scope of possible innovations, emphasizing the importance of suppliers. The second driving force for the increased attention is the overall decline of suppliers in business-to-business markets, which may cause competing customers to seek resources from the same number of suppliers (Hüttinger et al., 2014, p. 697; Schiele et al., 2012a, p. 1178). This supplier scarcity, in turn, can lead to resource allocation problems so that "suppliers might be in a position to decide to which customer they allocate the bulk of their resources" (Schiele et al., 2015, p. 132). Being the preferred customer of a supplier can enhance product availability and, therefore, competitive advantage (Pellegrino et al., 2020, p. 961; Schiele & Vos, 2015, p. 139; Schiele et al., 2011b, p. 961).

These driving forces increase the importance of preferred customer status, and therefore the importance of knowing which factors antecede this status. Two factors that seem to be related are trust and commitment (Benton & Maloni, 2005, p. 16; Nyaga et al., 2010, p. 109). Empirical research has shown that relational trust and commitment are positively related to psychological contracts (Kingshott, 2006, p. 730) and that psychological contract breach negatively influences trust and commitment (Eckerd et al., 2016, pp. 77-78; Kaufmann et al., 2018, p. 71). Hence, the fulfillment or breach of psychological contracts can influence a buyer-supplier relationship. A psychological contract is, as stated by Rousseau (1989): "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (p. 123). A psychological contract does not involve what is actually written in a contract but what the individual believes has been promised by the other party and what consideration the individual offered for it in exchange, leading to a binding set of reciprocal obligations (Rousseau, 1989, p. 123). These obligations are perceptual in nature, and the supplier's understanding of the contract might not be shared by the customer (Robinson, 1996, p. 575).

Psychological contracts can govern a buyer-supplier relationship. For example, when a customer asks a supplier for input on the manufacturability of a new product, the supplier could perceive the question for help as a promise that the customer will order the new product after receiving the input. From the supplier's perspective, this creates two obligations: the supplier is obliged to give input and the customer is obliged to order the product. When the customer breaches this perceived obligation and orders the product elsewhere, the

supplier's trust in the customer or commitment to the relationship could be reduced. This decrease, in turn, can affect supplier satisfaction and the tendency to award preferred customer status. However, the exact effects of psychological contract fulfillment and breach on supplier satisfaction and preferred customer status are unknown.

The objectives of this research are to empirically examine and enhance the existing literature on the antecedents and benefits of preferred customer status and to identify the effect of psychological contracts on supplier satisfaction and preferred customer status. These research objectives lead to the following research question: *To what extent can the existing theories on the antecedents and benefits of preferred customer status be confirmed by the findings of this case study and to what extent do psychological contract fulfillment and breach affect supplier satisfaction and preferred customer status?*

This research aims to contribute to the literature on the cycle of preferred customership (Schiele et al., 2012a), and the antecedents of preferential treatment (Hüttinger et al., 2014; Vos et al., 2016), by gaining practical insights into the antecedents of preferred customer status. Additionally, the research aims to contribute to the literature on psychological contracts in buyer-supplier relationships (Blessley et al., 2018; Kaufmann et al., 2018; Kingshott, 2006; Kingshott et al., 2020) by identifying how psychological contract fulfillment and breach affect supplier satisfaction and preferred customer status.

The paper is structured as follows: in the following chapter the literature regarding preferential treatment and psychological contracts will be reviewed, based on which propositions will be formed in the last paragraph. In the third chapter, the research method will be discussed. Then, the results of the interviews will be summarized and discussed based on existing literature in the fourth and fifth chapter, respectively. Finally, a conclusion will be drawn and the limitations and directions for future research will be given.

2. LITERATURE REVIEW

2.1 Preferred customer status: theoretical background, antecedents, and benefits

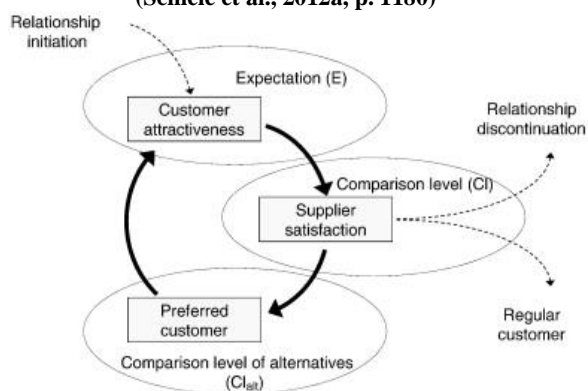
2.1.1 The cycle of preferred customership: defining the core concepts using the SET perspective

Although the concept of preferred customer status has gained increased attention over the last years, the concept can already be found in research long before that. In 1970, Hottenstein (p. 46) argued that suppliers have preferred customer lists based on past orders or expected future business. Years later, Williamson (1991) emphasized the advantages a preferred customer can experience, when arguing that suppliers "will allocate the available favours when popular varieties become scarce, to their preferred customers" (p. 88) while less preferred customers "are forced to wait in a queue" (p. 81). Until 2012 research on preferred customers status was only sporadic, which may have been due to a lack of common theoretical basis (Schiele et al., 2012a, p. 1179). In recent years, the social exchange theory (SET) has become the dominant theory used to explain why suppliers serve a few selected customers better than others (Schiele et al., 2012b, p. 136). Social exchange has been defined by Blau (1964) as "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others" (p. 91).

Based on SET, Schiele et al. (2012a, p. 1180) developed the cycle of preferred customership that is built upon three core elements, which are used to explain how parties evaluate

outcomes of an exchange relationship in order to decide on the level of commitment to this relationship (Schiele et al., 2012b, p. 136). The first element is expectation, which influences the decision to initiate and intensify an exchange relationship (Hüttinger et al., 2014, p. 698). The second element is the comparison level (CL), which is defined by Thibaut and Kelley (1959) as “the standard against which the member evaluates the “attractiveness” of the relationship or how satisfactory it is” (p. 21). The CL is influenced by experiences with similar relationships and knowledge of other party’s similar relationships (Schiele et al., 2012b, p. 136). The last element is the comparison level for alternatives (CL_{alt}), defined by Thibaut and Kelley (1959) as “the standard the member uses in deciding whether to remain in or to leave the relationship” (p. 21). CL_{alt} is the overall benefit available to the party from the best alternative exchange relationship (Nollet et al., 2012, p. 1188). The three elements are linked to each other in the cycle of preferred customership, as illustrated in Figure 1.

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



Firstly, for the supplier to engage in the exchange relationship, a buyer must be sufficiently attractive to the supplier (Schiele et al., 2012a, p. 1182). A customer is seen as attractive when the supplier has a positive expectation regarding the relationship with the customer (Schiele et al., 2012a, p. 1180). These expectations are based on the expected value of the buyer, which is the benefit received from the relationship (Pulles et al., 2016a, p. 131; Ramsay, 2005, p. 554). When the supplier finds the buyer attractive and the exchange relationship has come into existence, the supplier will compare the expected value of the outcome to the actual quality of the outcome, i.e. the difference between the rewards and costs of the relationship (Thibaut & Kelley, 1959, pp. 81-82; Wilson, 1995, p. 338). The second step in receiving preferred customer status is, therefore, to satisfy the suppliers expectations (Nollet et al., 2012, p. 1189). Schiele et al. (2012a) define supplier satisfaction as “a condition that is achieved if the quality of outcomes from a buyer-supplier relationship meets or exceeds the supplier’s expectations” (p. 1181). Empirical research by Pulles et al. (2016a, p. 137) has shown that in order to achieve a preferred customer status, customers should not only be attractive but should also meet or exceed the supplier’s expectation. Therefore, to satisfy the supplier, it is crucial to be aware of the supplier’s expectations.

Once a supplier and buyer have entered into a relationship and the supplier is satisfied, according to the SET, the supplier is likely to evaluate the outcome of the exchange relationship by comparing it with the average quality of outcomes from the best alternative exchange relationships (Hüttinger et al., 2014, p. 698; Thibaut & Kelley, 1959, p. 21). Supplier satisfaction is a necessary but not sufficient condition for preferred customer status since a supplier may still discontinue the relationship even though the supplier is satisfied with the customer when

another customer can provide a better alternative and both potential customers cannot be served at the same time (Schiele et al., 2012a, p. 1181). Ultimately, Schiele et al. (2012a) conclude on the definition of preferred customer status: “A supplier awards a buyer with preferred customer status if this customer is perceived as attractive and if the supplier is currently more satisfied with this customer than with alternative customers. As a consequence of this satisfaction, a supplier reacts by providing privileged resource allocation to this preferred customer” (p. 1181). Preferred customer status, in turn, can positively influence the attractiveness of a customer, because the customer may acquire better knowledge of the supplier’s needs, which makes a circular relationship between the three constructs likely (Schiele et al., 2012a, p. 1181). Empirical research has shown that suppliers that are highly satisfied with a buyer have a higher tendency to award preferred customer status (Vos et al., 2016, p. 4621). Other recent empirical research has shown that in awarding preferred customer status, the evaluation of the outcome of the relationship with a customer relative to the outcomes from alternative customers (CL_{alt}) is more important than the relationship-specific evaluation (CL), in which the supplier compares the expected value of the outcome to the actual quality of the outcome (Piechota et al., 2021, p. 11). This finding confirms Schiele et al.’s (2012a) cycle of preferred customership and shows that supplier satisfaction is a necessary but not a sufficient condition for preferred customer status.

In order to determine how to become a preferred customer, the antecedents of supplier satisfaction and preferred customer status must be identified. This research will not focus on customer attractiveness because the buyers and suppliers that are being analyzed in this research have already entered into an exchange relationship. Since all parties are already in a relationship, attractiveness is assumed, based on the definition of Schiele et al. (2012a, p. 1180). It can be seen as highly unlikely that a supplier would engage into a business relationship without having positive expectations. The focus in the following paragraph is therefore solely on the antecedents of supplier satisfaction and preferred customership.

2.1.2 Growth opportunity, reliability, relational behavior, profitability, and operative excellence as antecedents of preferred customer status

Until 2012, only a small number of researchers had analyzed the possible antecedents of preferential customer treatment extensively (Hüttinger et al., 2014, p. 698). In these studies however, only a few particular antecedents were researched, such as supplier development and social capital (Blonska, 2010, p. 100), the perception of financial attractiveness of the relationship (Baxter, 2012, p. 1255) or supplier involvement, relational reliability and share of sales (Ellis et al., 2012, p. 1265). Hüttinger et al. (2014, p. 698) therefore developed a model to provide a comprehensive and empirically grounded overview of the relevant antecedents of preferential treatment by suppliers, which was later enhanced by Vos et al. (2016, p. 4614). These studies suggested growth opportunity, relational behavior, reliability, operative excellence, and profitability as antecedents of supplier satisfaction, where innovation potential, supplier support, reliability, supplier involvement and contact accessibility act as second-tier antecedents (Hüttinger et al., 2014, p. 712; Vos et al., 2016, p. 4621). Furthermore, growth opportunity and reliability were found to be factors influencing preferred customer status (Hüttinger et al., 2014, p. 712). The definitions of the antecedents can be found in Appendix A.

In recent research, Piechota et al. (2021, pp. 10-11) divided supplier satisfaction in economic and social dimensions and

proposed that whereas social satisfaction has a higher direct influence on supplier satisfaction, economic satisfaction has a higher direct effect on the relative evaluation of the relationship compared to alternatives from other customers, and thus on preferred customer treatment. In this context social satisfaction was defined as the psychosocial aspects of a relationship and economic satisfaction was seen as the evaluation of the financial outcome as well as the general effectiveness and productivity of the relationship (Piechota et al., 2021, p. 5). Considering that the economic factors have a higher indirect effect on preferential treatment, it may be beneficial to divide antecedents into economic and social factors, making it more apparent which factors should receive increased attention.

Over the years, academic researchers have presented numerous different antecedents of supplier satisfaction and preferred customer status. Most of these antecedents have shown little overlap. An overview of a considerable amount of these antecedents, divided into social and economic factors, can be seen in Table 1. Appendix B contains a more detailed overview.

2.1.3 Benefits leading to competitive advantage

A preferred customer benefits from its status because of the supplier's loyalty (Prakash, 2011, p. 371) and commitment

Table 1. Antecedents of preferential treatment

Factor	Antecedent	Reference
Supplier satisfaction		
Economic factors	Purchase policy	Meena and Sarmah (2012, p. 1249)
	Payment policy	Meena and Sarmah (2012, p. 1249)
	Growth opportunity	Hüttinger et al. (2014, p. 712); Vos et al. (2016, p. 4621)
	Profitability	Vos et al. (2016, p. 4621)
Social factors	Cooperative culture	Wong (2000, p. 430)
	Commitment to satisfy supplier's needs	Wong (2000, p. 430)
	Constructive controversy	Wong (2000, p. 430)
	Information exchange	Whipple et al. (2002, pp. 75-76)
	Forecasting/planning reliability	Maunu (2003, p. 95)
	Relationship factors	Benton and Maloni (2005, p. 16)
	Influence strategies	Ghijssen et al. (2010, p. 22)
	Supplier development/support	Ghijssen et al. (2010, p. 22)
	Trust	Nyaga et al. (2010, p. 109); Benton and Maloni (2005, p. 16)
	Commitment	Nyaga et al. (2010, p. 109); Benton and Maloni (2005, p. 16)
	Coordination policy	Meena and Sarmah (2012, p. 1249)
	Corporate image	Meena and Sarmah (2012, p. 1249)
	Reliability	Hüttinger et al. (2014, p. 712)
	Relational behavior	Hüttinger et al. (2014, p. 712); Vos et al. (2016, p. 4621)
	Operative excellence	Vos et al. (2016, p. 4621)
	Dependence	Caniëls et al. (2018, p. 348)
	Preferred customer status	
Economic factors	Purchasing volume	Williamson (1991, p. 80); Steinle and Schiele (2008, p. 11)
	Financial attractiveness/profitability	Moody (1992, p. 52); Baxter (2012, p. 1255)
	Growth opportunity	Hüttinger et al. (2014, p. 712)
Social factors	Loyalty	Williamson (1991, p. 80)
	Trust	Moody (1992, p. 52)
	Communication/feedback	Moody (1992, p. 52)
	Supplier commitment	Moody (1992, p. 52); Baxter (2012, p. 1255)
	Supplier involvement	Moody (1992, p. 52); Ellis et al. (2012, p. 1265)
	Geographical distance	Steinle and Schiele (2008, p. 11)
	Cluster membership	Steinle and Schiele (2008, p. 11)
	Relational reliability	Ellis et al. (2012, p. 1265); Hüttinger et al. (2014, p. 712)

(Glas, 2018, p. 108). As a result, organizations can create competitive advantage by building close relationships with its suppliers (Pulles et al., 2016b, p. 1471). Operational benefits make competitive advantage even stronger, as preferred customers, for example, gain priority when the overall demand exceeds supply (Bew, 2007, p. 2), or enjoy reduced lead times (Christiansen & Maltz, 2010, p. 189). Furthermore, preferred customer status induces benevolent pricing behavior (Moody, 1992, p. 57; Schiele et al., 2011a, p. 16) and better cost outcomes (Patrucco et al., 2019, p. 359). By supplier cost improvements and avoiding losses from supply disruptions, an organization can save 2 to 4% of its spending base (Bew, 2007, p. 2). Research by Blenkhorn and Banting (1991, p. 188) even suggest the possibility of cost savings up to 30%. Supplier innovativeness is one of the other benefits of preferred customer status, which is the supplier's contribution in joint innovation processes with the buyer (Schiele et al., 2011a, pp. 3,16). Having a preferred customer status can increase the willingness of the supplier to engage in new product development projects without dependency issues for the customer (Schiele & Vos, 2015, p. 144). Besides working together on innovation projects, suppliers are also more eager to share innovations with preferred customers (Ellis et al., 2012, p. 1265; Patrucco et al., 2019, p. 359). These customers are also more likely to be offered innovations, possibly even before other customers (Bemelmans et al., 2015, p. 193; Bew, 2007, p. 2).

In conclusion, enjoying preferred customer status brings competitive advantages because of financial, operational, innovative, and relational benefits (see Appendix C).

2.2 Psychological contracts

2.2.1 Psychological contract history: perceptions, expectations, beliefs, promises or obligations

The concept of psychological contracts originates from outside the purchasing field. Argyris (1960, p. 96) was the first to utilize this concept and terminology by referring to a psychological work contract to describe the implicit understanding between the foremen in a factory and the employees, although he did not define or elaborate on the term (Anderson & Schalk, 1998, p. 638). Levinson et al. (1962) later were the first to define the term psychological contract by describing it as: "a series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other" (p. 21). From this viewpoint, both the expectations of the organization and the employee are seen as components of the psychological contract and the expectations are mutual in the sense that both parties tacitly agree to the expectations and thus expect the same (Roehling, 1997, p. 203). Schein (1980, p. 22) made the definition of psychological contract more specific by pointing out that these expectations are unwritten and operating at all times between an organization and an employee. Herriot et al. (1997, p. 151) used the term perceived mutual obligations instead of expectations to define the psychological contract, which makes the concept sound more binding. Instead of concentrating on the expectations of both parties, Rousseau (1989) focused on the perception of merely one part by defining the psychological contract as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party" (p. 123).

Over the years, several definitions of the term psychological contract have been put forward in academic research. A list with the better-known definitions can be found in Appendix D to allow for a better comparison. The various definitions of psychological contract differ in terms of what the contract constitutes: perceptions, expectations, beliefs, promises or

obligations. All of these concepts imply different levels of psychological engagement, as perceptions and promises sound more binding than perceptions, beliefs and expectations (Guest, 1998, p. 651). In the next paragraph the different frameworks that underlie the definitions are being discussed and subsequently a definition of psychological contracts for this research is chosen.

2.2.2 Frameworks of the psychological contract: bilateral relationship or individual perceptions

Another aspect on which the conceptualizations vary, is which parties should be included in the analytical framework, the employee and/or the organization (Cullinane & Dundon, 2006, p. 115). Two different streams have emerged in the literature. In the conceptualization of Levinson et al. (1962), Schein (1980), and Herriot et al. (1997), the focus is on a bilateral relationship between two parties at different levels, individual and organizational (Anderson & Schalk, 1998, p. 639). According to these definitions, the psychological contract constitutes the perceptions and expectations of both parties. These approaches are based on the assumption that an exchange relationship between the employer and employee exists and thereby the expectations of both parties and the level of mutuality and reciprocity need to be taken into account to ascertain whether there is agreement or disparity of opinion (Anderson & Schalk, 1998, pp. 638-639; Cullinane & Dundon, 2006, p. 115). In this stream, psychological contracts only exist to the extent that both parties agree on the expectations (Roehling, 1997, p. 205). Determining whether a psychological contract exists would increase the difficulty of empirical research, since the expectations of different levels, organizational and individual, are compared and since the expectations of the organization are a collective of diverse expectations of multiple actors within the organization (Anderson & Schalk, 1998, p. 639).

The other stream in the conceptualization of psychological contracts circumvents these problems and is mainly based on the work of Rousseau (1989) who defined the concept as: “an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (p. 123). In this view, the psychological contract is a subjective, individual perception of the employee's obligations towards the employer and the employer's obligations towards the employee (Anderson & Schalk, 1998, p. 639). The focus is on the individual level instead of a two-way exchange. Most of the literature on psychological contracts followed this conceptualization of Rousseau (1989) by primarily concentrating on the individual employee's understanding (Conway & Briner, 2009, p. 77; Cullinane & Dundon, 2006, p. 116). Since a higher amount of research leads to a higher amount of empirically-grounded data, the conceptualization of the psychological contract in this research is consistent with the definition of Rousseau (1989, p. 123) and the literature that elaborated further on her research. The characteristics of this conceptualization will be discussed next.

2.2.3 Psychological contract characteristics: subjective perception and of promissory nature

The psychological contract is a subjective perception and thus one party's understanding of the terms and conditions of the contract may not be shared by the other party (Robinson, 1996, p. 575). Therefore, the parties to the contract do not have to agree (Roehling, 1997, p. 205). A psychological contract emerges when an individual perceives that its contributions obligate the other party to reciprocity (Rousseau, 1989, p. 124). An example is when an employee offers a consideration, such as hard work, accepting a transfer or completing a training, in exchange for a promise such as pay, promotion or advancement

(Robinson & Rousseau, 1994, pp. 245-246). Thus, when the employee believes that the employer is obliged to increase pay because the employer promised this and the employee has offered the consideration, a psychological contract has emerged.

A psychological contract does not involve what is actually written in a contract but what one party believes has been promised by the other party, the consideration that has been offered for it in exchange, and the binding set of reciprocal obligations arising from this (Rousseau, 1989, p. 123). With this conceptualization, Rousseau has made the promissory nature of the contract more prominent. A promise refers to the communication of a commitment regarding some future course of action, which can be communicated through several mechanisms, e.g. written documents, oral discussions or organizational practices (Morrison & Robinson, 1997, p. 228; Rousseau & McLean Parks, 1993, p. 6; Rousseau et al., 2018, p. 1083). Promises can be explicit, referring to the interpretation of written or oral agreements, or implicit, referring to the interpretation of “consistent and repeated patterns of exchange” with the other party (Conway & Briner, 2009, p. 78). Hence, organizational actions can also communicate commitments and words are not required to create promises (Rousseau & McLean Parks, 1993, p. 6).

To summarize, in this research a psychological contract is defined as an individual's beliefs about reciprocal obligations between the individual and another party, which are based on a promise by the other party. The contract has a perceptive nature. As parties do not need to share the same understanding of the psychological contract, a breach is also perceptive in nature. In the next paragraph the concept of psychological contract breach will be defined.

2.2.4 Psychological contract breaches

2.2.4.1 Psychological contract breach: perceived unfulfillment of promised obligations

Unlike the disparity in conceptualizing the psychological contract, there has been more cohesion regarding the definition of psychological contract breaches (Botha & Steyn, 2020, p. 5). According to Robinson and Rousseau (1994) violation of the psychological contract occurs when “one party in a relationship perceives another to have failed to fulfil promised obligation(s)” (p. 247). Morrison and Robinson (1997, p. 230) subsequently distinguished between psychological contract violations and breaches since the term violation is associated with a strong affective response that goes beyond the simple mental calculation that a promise has been broken. Thereafter, they used the previously mentioned definition of Robinson and Rousseau to define the term psychological contract breaches. Since this definition seems to be most frequently used to define psychological contract breaches in empirical research (Botha & Steyn, 2020, p. 5; Conway & Briner, 2009, p. 77) and since it is built upon the definition of psychological contracts used in this research, the definition of psychological contract breach in this research will be consistent with the definition of Robinson and Rousseau (1994, p. 247). Violation however, refers to the emotional and affective state that might follow from the psychological contract breach (Morrison & Robinson, 1997, p. 230).

The following paragraph discusses the key concepts related to psychological contract breach and the empirical data on the effects of a breach in employee-employer relationships, which is at the base of the psychological contract literature. Subsequently, in the next paragraph, the focus will be on psychological contract breaches in buyer-supplier relationships

2.2.4.2 *Reneging and incongruence lead to psychological contract breach and affects attitudes*

According to Morrison and Robinson (1997, p. 232) two conditions may eventually lead to perceived breach of contract: renegeing and incongruence. Renegeing occurs when a party knowingly breaks a promise (Morrison & Robinson, 1997, p. 233). Incongruence is when both parties have a different understanding of a promise, so that one party believes they have fulfilled all promises while the other party believes they have actually fallen short (Morrison & Robinson, 1997, pp. 234-235). Renegeing or incongruence may cause discrepancy between what the party understands was promised and what was actually received, leading to a perceived unmet promise (Morrison & Robinson, 1997, p. 231). This ultimately leads to a perceived breach of contract. Whether the discrepancy is perceived, is partially dependent on the salience of the discrepancy, which is the degree to which the discrepancy stands out from its immediate context because of its size, the importance of the promise or the recency and explicitness of the promise (Morrison & Robinson, 1997, p. 237). Besides salience, the extent to which a party has been monitoring the fulfillment of the obligation affects whether discrepancy is perceived (Morrison & Robinson, 1997, pp. 237-238).

In a meta-analysis on the impact of psychological contract breach on employee outcomes, Zhao et al. (2007, p. 667) showed that psychological contract breach is positively related to violation, mistrust and turnover intentions and negatively related to job satisfaction, organizational commitment, organizational citizenship behavior and in-role performance. An overview of these results can be found in Table 2. Appendix E contains an overview with the definitions of the correlated variables. Furthermore, psychological contract breach has much stronger associations with attitudes than with behavior (Conway & Briner, 2009, pp. 98-99). In the study by Zhao et al. (2007, p. 662) for example, turnover intentions were strongly correlated to psychological contract breach, whereas there was no association found between actual turnover and psychological contract breach. However, firm conclusions require more longitudinal research (Conway & Briner, 2009, p. 99).

Table 2. Variables related to psychological contract breach in employment relationships (Zhao et al., 2007, p. 667)

Variable	Correlation
Violation	Positive
Mistrust	Positive
Turnover intentions	Positive
Job satisfaction	Negative
Organizational commitment	Negative
Organizational citizenship behavior	Negative
In-role performance	Negative

The last paragraphs discussed psychological contracts in employment relationships. The following paragraph sheds light on the construct within buyer-supplier relationships.

2.2.5 *Psychological contracts in buyer-supplier relationships*

The focus in psychological contract research has originally been on employment relationships. Yet, the construct can be applied to any reciprocal relationship (Blancero & Ellram, 1997, p. 618). When discussing the subjectivity of contracts, Rousseau (1989, p. 122) for example argued how an organization and its customers can have different perceptions regarding the terms of a contract. Blancero and Ellram (1997, p. 616) seem the first to apply the concept of psychological contracts on the relationship between buyers and suppliers to understand the interaction that

occurs within strategic supplier partnering. They concluded that strategic supplier partnering is more successful when based on fair and not violated psychological contracts (Blancero & Ellram, 1997, p. 628).

Empirical evidence of the presence of psychological contracts within the context of buyer-supplier relationships started with the focus on the by a distributor perceived psychological contract with suppliers (Kingshott, 2003, p. 8). Subsequently, the perceived presence of a psychological contract with a supplier has shown to be positively related to relational trust and commitment (Kingshott, 2006, p. 730; Kingshott & Pecotich, 2007, p. 1062). The relationship between psychological contracts and commitment seems to be strengthened by relational oriented psychological contracts, and weakened by transactional oriented contracts (Lövbld & Bantekas, 2010, pp. 172-173). Furthermore, psychological contract breach of major severity and caused by renegeing of the supplier negatively affects ordering behavior and increases supplier switching behavior (Eckerd et al., 2013, p. 574; Mir et al., 2017, p. 15). Breach of a psychological contract by the supplier is negatively correlated to trust and commitment (Eckerd et al., 2016, pp. 77-78; Lövbld & Bantekas, 2010, p. 173). Blessley et al. (2018, p. 216) made a distinction between transactional and relational renegeing, where the former refers to economic obligations of psychological contracts and the latter refers to non-economic obligations of psychological contracts. The study showed that in the case of relational renegeing, even without the presence of economic consequences, managers tend to look for evidence of transactional renegeing as a way to end the relationship with the supplier (Blessley et al., 2018, p. 222).

Instead of focusing on the effect of by the customer perceived psychological contracts and breaches on the behavior of customers, Hill et al. (2009) shifted the focus on by the supplier perceived contracts and the effect on the behavior of suppliers. In this study, psychological contract violation has been shown to partially mediate the relationship between unethical behavior by the buyer and the supplier's trust (Hill et al., 2009, p. 289). However, psychological contract violation fully mediates the relationship between deceit and benevolence in long-term relationships between buyers and suppliers (Hill et al., 2009, p. 290). Kaufmann et al. (2018, p. 62) studied the effect of the nature of the buyer-supplier relationship on trust loss resulting from a buyer-induced negative event, differentiating between collaborative and transactional relationships. Where the former is characterized by a norm of information exchange, cooperation and continuity, the latter is characterized by little voluntary cooperation and uncertainty about the continuation of the relationship (Kaufmann et al., 2018, p. 64). The findings indicated that an unexpected negative event reduced interorganizational trust loss for both collaborative and adversarial relationships but the results are stronger for collaborative relationships (Kaufmann et al., 2018, p. 71). Besides, interorganizational trust repair was stronger for relationships that were initially adversarial (Kaufmann et al., 2018, p. 74). The effects of psychological contract breach have also been researched within the context of Western firms buying from Eastern suppliers (Kingshott et al., 2020, p. 220). This research revealed that psychological contract breach by the customer increases neglect and reduces the tendency to express voice towards the customer, leading to a decrease in trust, commitment and loyalty (Kingshott et al., 2020, p. 228).

To summarize, the current literature has empirically demonstrated the existence of psychological contracts within buyer-supplier relationships. Table 3 shows an overview of the variables related to psychological contract fulfillment and breach in buyer-supplier relationships (see Appendix F).

Table 3. Variables related to psychological contract (breach) in buyer-supplier relationships

Variable	Correlation	Contingency factor
Psychological contracts		
Trust	Positive	
Commitment	Positive	Relational/transactional contract
Psychological contract breaches		
Trust	Negative	Collaborative/adversarial interorganizational relationship
Commitment	Negative	
Ordering behavior	Negative	
Supplier switching	Positive	
Benevolence	Negative	
Neglect	Positive	
Voice	Negative	
Loyalty	Negative	
Interorganizational trust repair		Collaborative/adversarial interorganizational and interpersonal relationship

Based on the literature review regarding preferred customer status and the effects of psychological contract fulfillment and breach, propositions can be made in regard to the effects these constructs have on one another.

2.3 Synthesis

Previous research has shown that the perceived fulfillment of psychological contracts can affect multiple antecedents of supplier satisfaction. Firstly, fair and not violated psychological contracts between suppliers and buyers, seem to increase the likelihood of successful strategic supplier partnering, meaning both parties perceive fairness, trust and organizational benefits (Blancero & Ellram, 1997, p. 628). The concept of strategic supplier partnering was defined in the study by Blancero and Ellram (1997) as: “a co-operative and collaborative way in which buying and supplying firms interact to achieve mutually beneficial outcomes” (p. 616). A cooperative and collaborative way of working includes for example supplier involvement, development, and support, which all have been found antecedents of supplier satisfaction (Ghijsen et al., 2010, p. 22; Hüttinger et al., 2014, p. 712; Vos et al., 2016, p. 4621). Secondly, psychological contracts can have a positive bonding effect between a buyer and supplier because of the positive influence on trust and commitment (Kingshott, 2006, p. 732). This can also be seen in the employer-employee relationship. When employees perceive that their expectations have been met, they are more committed to the organization and feel more obligated to contribute to the good of the organization (Flood et al., 2001, p. 1163). Trust and commitment have also been found antecedents of supplier satisfaction (Benton & Maloni, 2005, p. 16; Nyaga et al., 2010, p. 109). Since the fulfillment of psychological contracts has a positive influence on trust, commitment, and a collaborative and cooperative way of working, and since these aspects are all antecedents of supplier satisfaction, it can be hypothesized that psychological contract fulfillment positively influences supplier satisfaction.

Even more so, supplier satisfaction and psychological contracts have similar underlying constructs, as both are based on expectations. A supplier is satisfied when the quality of outcomes from the buyer-supplier relationship meets or exceeds the expectations (Schiele et al., 2012a, p. 1181). Psychological contracts are also based on expectations of one party towards

another party. Because of implicit or explicit promises made by a customer, a supplier has a certain expectation. Psychological contract fulfillment means that the expectation has been met, which could influence supplier satisfaction.

Proposition 1: A by the supplier perceived psychological contract fulfillment positively influences supplier satisfaction.

Supplier satisfaction is a necessary condition for preferred customer status (Piechota et al., 2021, p. 11; Schiele et al., 2012b, p. 1181). Moreover, empirical research has shown that suppliers have a higher tendency to award preferred customer status when the supplier is highly satisfied with the buyer (Vos et al., 2016, p. 4621). As it is expected that the perceived fulfillment of psychological contracts positively influences supplier satisfaction, the perceived fulfillment is expected to positively influence preferred customership through an increase in supplier satisfaction.

Proposition 2: A by the supplier perceived psychological contract fulfillment positively influences the tendency to award preferred customer status through the mediating variable supplier satisfaction.

The study by Lövblad and Bantekas (2010, p. 162) indicated that individuals are more likely to have affective commitment to a business relationship when a psychological contract has a relational orientation than a transactional orientation (Lövblad & Bantekas, 2010, pp. 172-173). Whereas transactional contracts are characterized by short-term, specific and monetary obligations, relational contracts emphasize obligations that are broad, long-term and socio-emotional (Lövblad & Bantekas, 2010, p. 165). In this research the focus was on the buyer’s perspective of the psychological contract, but it is expected that the same holds true for the supplier’s perspective. As stated before, commitment is an antecedent of supplier satisfaction and therefore psychological contract fulfillment is expected to be positively related to supplier satisfaction and preferred customer status. However, based on the research by Lövblad and Bantekas (2010), this relationship is expected to be moderated by the type of psychological contract.

The concepts of relational and transactional psychological contracts have similarities with the concepts of collaborative and adversarial relationships, which have also shown to be variables related to psychological contracts (Kaufmann et al., 2018, p. 77). According to Kaufmann et al. (2018): “In adversarial interorganizational relationships, interactions are built on transactional psychological contracts” (p. 65), exchanges are purely economic and there is general uncertainty regarding the continuity of the relationship. In collaborative relationships, parties have also formed relational psychological contracts and exchanges are based on cooperation, information exchange and continuity (Kaufmann et al., 2018, p. 64). Based on these definitions, parties to an adversarial relationship can only have established transactional psychological contracts and parties to a collaborative relationship can have established both transactional and relational contracts. When seen in conjunction with the findings of Lövblad and Bantekas (2010, pp. 172-173), it is expected that when dealing with adversarial relationships and transactional contracts in collaborative relationships, the relationship between fulfillment and commitment will be weaker. Fulfillment of relational psychological contracts in collaborative relationships are expected to strengthen the relationship.

Proposition 3a: The relationship between psychological contract fulfillment and supplier satisfaction is stronger when relational psychological contracts in collaborative relationships are fulfilled.

Proposition 3b: The relationship between psychological contract fulfillment and supplier satisfaction is weaker when transactional psychological contracts in collaborative relationships are fulfilled.

Proposition 3c: The relationship between psychological contract fulfillment and supplier satisfaction is weaker in adversarial relationships.

The meta-analysis by Zhao et al. (2007, p. 667) showed that psychological contract breaches by employers are negatively related to trust and commitment. Studies on psychological contract breaches in buyer-supplier relationships also showed a negative influence on trust and commitment in these business relationships (Eckerd et al., 2016, pp. 77-78; Kaufmann et al., 2018, p. 71). Since trust and commitment are antecedents of supplier satisfaction, psychological contract breach is expected to be negatively related to supplier satisfaction.

Proposition 4: A by the supplier perceived psychological contract breach is negatively related to supplier satisfaction.

As stated before, supplier satisfaction is necessary for a buyer to be awarded with preferred customer status and it has a positive influence on the tendency to award a customer with preferred customer status (Piechota et al., 2021, p. 11; Schiele et al., 2012b, p. 1181; Vos et al., 2016, p. 4621). Since psychological contract breach is expected to influence supplier satisfaction, it can be hypothesized that preferred customer status is negatively influenced by psychological contract breach through the effect of the breach on supplier satisfaction.

Proposition 5: A by the supplier perceived psychological contract breach is negatively related to preferred customer status through the mediating variable supplier satisfaction.

The effect of psychological contract breach can be influenced by the type of relationship the parties to the contract have. The negative effect of psychological contract breach on trust has found to be stronger for collaborative relationships than for adversarial relationships (Kaufmann et al., 2018, p. 71). Since the type of relationship moderates the effect of psychological contract breach on trust, and since it is proposed that a breach negatively affects supplier satisfaction, it is expected that the type of relationship moderates the relationship between psychological contract breach and supplier satisfaction.

Proposition 6a: The relationship between psychological contract breach and supplier satisfaction is stronger in collaborative relationships.

Proposition 6b: The relationship between psychological contract breach and supplier satisfaction is weaker in adversarial relationships.

The propositions are visualized in Figure 2. The next chapter will elaborate on the methods used to test the propositions.

3. METHODOLOGY: QUALITATIVE CASE STUDY

3.1 Research design: dual case study with eight interviews

To gain a deeper understanding of the definitions, theories, and empirical results of the concepts of preferred customer status and psychological contracts, a literature review has been conducted. An overview of the review approach and the key words that were searched on can be found in Appendix G.

This research utilizes a qualitative dual case study at Company A and B to identify the antecedents of preferential treatment and understand the effects of psychological contract fulfillment and breach on preferred customer status. A qualitative research

is chosen since it is well-suited for addressing “how” questions and for, as Pratt (2009) stated: “understanding the world from the perspective of those studied” (p. 856), i.e. how to become a preferred customer in the eyes of the supplier. The research has an explorative nature, as limited empirical research on the antecedents of preferred customer status exists. Even more so, the effect of psychological contract fulfillment and breach on preferred customer status has until recently not been studied. Explorative research is needed to get more familiar with the relationship between these variables (Voss et al., 2002, p. 197). A qualitative case study is useful for building new theory or elaborating on existing theory, which is the aim of this research (Fawcett et al., 2014, p. 6; Yin, 2003, p. 10).

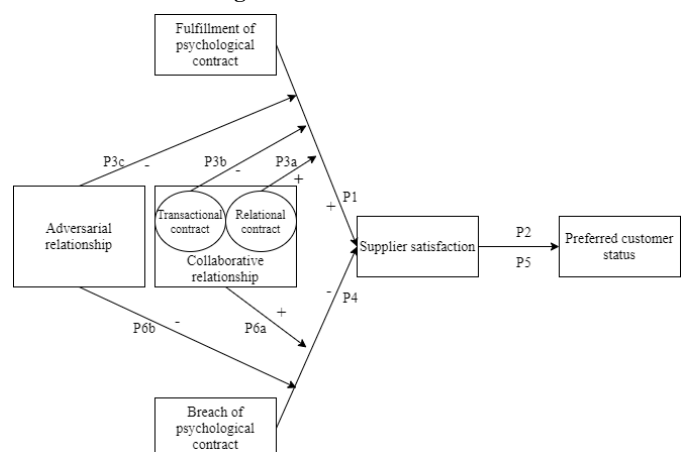
A limitation of case studies is that they provide little basis for scientific generalization (Yin, 2003, p. 10). Quantitative research, like surveys, are more likely to be generalizable when large, randomly selected samples are used (Rahman, 2016, p. 106). However, these quantitative methods fail to determine deeper underlying meanings and explanations in social phenomenon, as it is impossible to ask follow-up questions to ascertain underlying reasons (Rahman, 2016, p. 106). The concepts of preferred customer status and psychological contracts are complex and comprise multiple connected factors. A qualitative case study, unlike a quantitative study, allows the research question to be answered with a relatively full understanding of the nature and complexity of this phenomenon (Fawcett et al., 2014, p. 6; Voss et al., 2002, p. 197).

To gain a deeper understanding of the concepts of preferred customer status and psychological contracts, the analysis of the experiences, beliefs and motivations of the buyers and suppliers are required, as these social concepts are complex and unquantifiable. Interviews enable this analysis and provide a deeper understanding of the phenomenon (Gill et al., 2008, p. 292). A focus group was not chosen because it is likely that participants do not want to discuss company specific information together with competitors or other companies within the industry (Gill et al., 2008, p. 293). Participants are more likely to share detailed information in one-on-one interviews. To make the findings slightly more generalizable, two purchasing companies and its strategic suppliers are subject to the research, instead of only one purchasing company. Eight interviews were conducted to gather the quantitative data.

3.2 Sampling four purchasers and four suppliers

To collect data on psychological contracts and preferential treatment, two high-tech companies in the Netherlands were chosen, Company A and B. Both companies were found suited

Figure 2. Research model



for the research as they have well developed purchasing departments that see the purchasing function as a strategic rather than an operative function. This made it more likely that the companies have invested in becoming preferred customer, which was necessary to conclude on the antecedents and benefits of preferred customer status and the impact of psychological contract fulfillment and breach. Within Company A only one purchaser has been interviewed. This purchaser is the team lead for the team that purchases at S1 and S2 and had therefore all the necessary information about the relationships with these suppliers. Three purchasers from Company B were interviewed. P2 and P4 are team leads and possessed all the information regarding the strategic choices that were made. However, since P2 was not able to give specific information on the psychological contracts between Company B and S3, another interview with P3, who has frequent contact with S3, was conducted. Since within Company B the different purchasers were responsible for the relationship with different suppliers, the cases have been split between case B1 and B2. Especially when it comes to psychological contracts, different individuals have different perceptions and, therefore, the cases cannot be combined. For the study, Company A and B have chosen strategic suppliers with which they assumed to have a good relationship and of which they thought to potentially be preferred customer. Table 4 shows an overview of which suppliers and purchasers belong to which case.

Table 4. Overview interviews

Case company	Purchaser (industry)	Supplier (industry)
A	P1	S1 S2
B1	P2 P3	S3
B2	P4	S4

3.3 Interview protocol

Semi-structured interviews were chosen as it provides some guidance on which key elements to talk about while maintaining flexibility for elaboration on information not previously been thought of as pertinent (Gill et al., 2008, p. 291). Two questionnaires were developed, one to examine the buyer's perspective, and one to investigate the suppliers' perspective (see Appendix H). The questions are sectioned into four parts: classification of customers, benefits and antecedents of preferred customer status, and the effect of psychological contracts. The questionnaires have been translated to Dutch. Afterwards, a Dutch and English-speaking independent person has checked the translation for accuracy. The interviews were conducted online, with the use of multiple conferencing software tools, depending on which tool was allowed by the company. All interviewees were asked for consent to record the interview because this allowed for a more efficient way to transcribe, which will be discussed in the next paragraph.

3.4 Data analysis approach

The interviews were transcribed with the use of Amberscript, a software program that automatically converts audio or video to text. All the transcripts have been checked manually to correct for mistakes made by the program. The transcripts were then coded with Atlas.ti. A mix of inductive and deductive coding has been used, depending on the topic. Deductive coding was used to identify antecedents and benefits of supplier satisfaction and preferred customer status, as a framework was involved to analyze the data (Burnard et al., 2008, p. 429). Deductive coding is useful when testing the findings in the existing literature (Elo & Kyngäs, 2008, p. 111). The antecedents as

displayed in Appendix B and the benefits presented in Appendix C have been used as a base for the codes. Antecedents and benefits that could not be placed in one of these categories were assigned to new categories with a new code. An overview of which quotes regarding the antecedents and benefits have been placed under which category can be found in Appendices I and J, respectively.

A mix of deductive and inductive coding was used for the data on psychological contracts. Inductive coding was used since there is little predetermined theory on the psychological contracts present within buyer-supplier relationships (Burnard et al., 2008, p. 429). Deductive coding was applied for the parts of the data that could be linked to the theory. The data was first checked on psychological contract content, where the expectation was based on, if the contract had been breached or fulfilled and the effect of the breach or fulfillment. This was mostly done inductively. The data was first analyzed to identify themes or categories. After the whole text had been analyzed, the codes have been checked on similarities and merged to reduce the number of codes and identify reoccurring themes. For example, order after input and order after high service were combined because they showed overlap. When analyzing the effect of psychological contract fulfillment and breach, the data was checked on effects on trust, commitment, supplier satisfaction and preferential treatment. To answer the propositions, the suppliers were formed into two groups, one group that perceived fulfillment and one that perceived a breach. The relationships between these suppliers and the purchasers were then coded as collaborative or adversarial with the use of the theory and vignette by Kaufmann et al. (2018, pp. 64-65, 83). Psychological contracts were coded as transactional or relational according to the theory by Lövblad and Bantekas (2010, p. 165). Then, in each group, the level of supplier satisfaction and preferred customer status were compared to see if there was a relationship between the type of relationship and supplier satisfaction or preferred customer status.

This data analysis approach has led to the findings presented in the next chapter. An overview of the results per interview can be found in Appendix K. First, to allow for a better perspective on the findings, the companies will be introduced.

4. ANALYSIS & RESULTS

4.1 Company introduction

Left out due to confidentiality

Left out due to confidentiality

4.2 Findings

4.2.1 Antecedents of supplier satisfaction: operative excellence, profitability, relational behavior, business fit, growth opportunity, reliability, similar culture

All of the suppliers seemed to be satisfied with the relationship. S4 was only partially satisfied and believes the collaboration between the two companies could be intensified. The partial dissatisfaction was mostly based on the different interpretations both companies have when it comes to technological development. Figure 3 gives an overview of the frequency of the mentioned antecedents of supplier satisfaction. A case-by-case overview of the antecedents of supplier satisfaction can be found in Appendix L in Table L1.

Figure 3. Findings antecedents supplier satisfaction

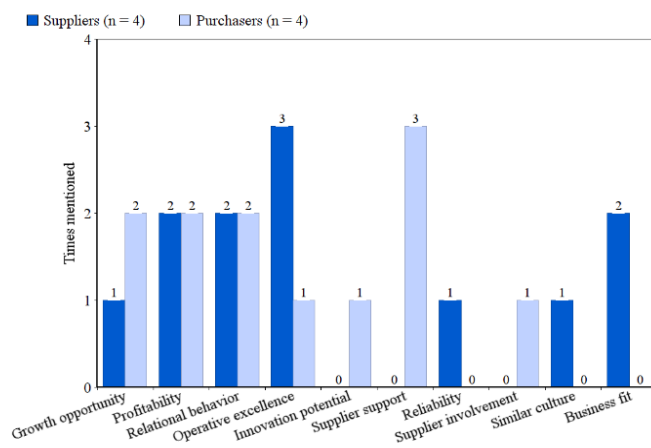
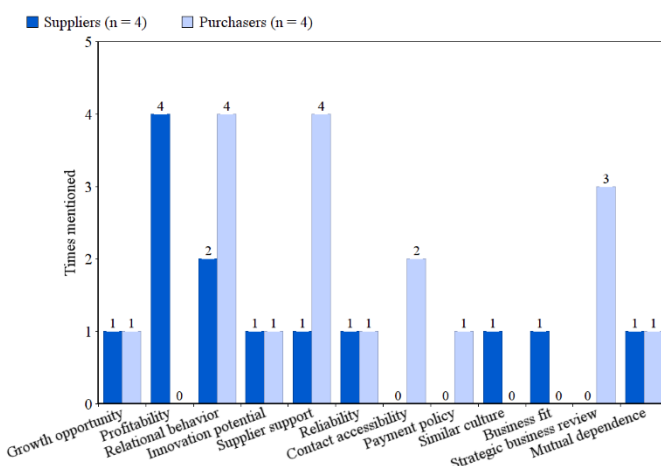


Figure 4. Findings antecedents preferred customer status



Operative excellence has been mentioned by three out of four suppliers as a factor that leads to supplier satisfaction and is therefore the most stated antecedent (S1, S2, S3). In particular, the suppliers were satisfied because of the customer's simple internal processes and planning reliability. Half of the suppliers named profitability (S2, S4), relational behavior (S1, S4) and business fit (S2, S3) as antecedents of supplier satisfaction. Relational behavior was mainly reflected in the way and frequency of communication. S1, for example, thought constructive controversy is important and appreciates that P1 is able to "look at itself critically". Business fit means the extent to which the products ordered by the purchasing company fit the supplier's business. For example, S3 described: "Company B is a customer that makes technically complex products and that fits us very well. We say that we are good at that". A few other antecedents have been named by merely one supplier. Growth opportunity has been brought up by S4, as the supplier knows that P3 will provide them with future business if the order fits the supplier's products. Reliability of the customer is another aspect which increased S4's satisfaction. Lastly, S1 mentioned similar culture as an antecedent of supplier satisfaction because it results in a similarity of mentality, language, and dialect. The supplier concluded: "On operational level, this is a very important one".

The purchasers on the other hand, focused mostly on supplier support (P1, P2, P4) by giving advice on which machines and work methods to invest in and by regularly discussing the customers performance and points of improvement. Growth opportunity (P1, P3), profitability (P1, P3) and relational behavior (P2, P4) have been named by half of the purchasers. With relational behavior the purchasers mostly meant asking the customer to provide feedback. Operative excellence (P2), through simple internal processes, innovation potential (P1) and supplier involvement (P1) are only seen as antecedents of supplier satisfaction by one out of four purchasers.

When it comes to factors that lead to supplier satisfaction, the buyers and suppliers have some overlapping opinions on the importance of profitability, relational behavior, and growth opportunity. Suppliers, however, seem to value operative excellence considerably more than the purchasers are aware of. Reliability, similar culture, and business fit have not been named by any of the purchasers although some suppliers seem to value these factors. Innovation potential, supplier support, and supplier involvement are all mentioned by purchasers as factors that lead to supplier satisfaction but none of the suppliers have confirmed these antecedents. Overall, in trying to satisfy the suppliers, purchasers seemed to focus more on the economic factors than suppliers did.

4.2.2 Antecedents preferred customer status: growth opportunity, profitability, relational behavior, innovation potential, supplier support, reliability, similar culture, business fit, dependence

Three out of four suppliers (S2, S3, S4) saw their customer as a preferred customer although they sometimes had different names for the concept, like strategic partner or premier customer. Although not all suppliers used the term preferred customer status, the interviews made clear that the customers in question received privileged resource allocation. The only exception is S1, who said to treat all customers the same. The only difference made by the supplier in the behavior towards customers is based on profitability. Figure 4 provides an overview of the antecedents. A case-by-case overview can be found in Appendix L in Table L2.

Profitability, therefore, is the only antecedent mentioned by all suppliers and is most often mentioned. Relational behavior has

been named by half of the suppliers (S2, S3). The suppliers mostly focused on the way of communicating by the purchasers. More specifically, S2 preferred customers that are flexible and keep communicating openly instead of pressuring when issues arise. S3 found it also important that a customer expresses the intention of a long-term relationship with the supplier. Furthermore, several factors have only been pointed out by individual suppliers. The opportunity to grow in profit together with the customer was an important factor for S4 to award preferred customer status. The supplier stated clearly: “But ultimately, the biggest trigger is of course the profit, or the potential a customer has to grow with us”. Innovation potential and supplier support have been listed as most important antecedents of preferred customer status by S2. Because of the customer’s continuous technical innovation, the supplier also gets the opportunity to innovate, even more so, because the customer helps to implement these innovations by educating and training the supplier. S2 reckoned that P1 is preferred customer because of supplier support and innovation potential in conjunction with mutual dependence: “They know that they need us, and we need them. So, the reciprocity is okay”. The other aspects that are important in the eyes of the suppliers regarding distinguishing between normal and preferred customers are a similar culture (S2), business fit (S2), and reliability of the customer (S3).

All of the purchasers invested in relational behavior to become a preferred customer by ensuring frequent and open communication, visiting the supplier, asking the supplier to provide the customer feedback, discussing how both parties can help each other, and by being more flexible. Besides, all four purchasers try to obtain preferred customer status by supporting the supplier. The purchasers do this by organizing supplier days, where the purchaser gives workshops or discusses innovations and new market trends, and by managing the supplier’s performance, through dedicated supplier performance managers, vendor ratings or audits. Even more so, to support its supplier, 30 of P2’s employees have become employees of S3 when Company B started to outsource a particular product to S3. Most purchaser also implemented strategic business reviews (P2, P3, P4) and half of them emphasized contact accessibility through appointing dedicated purchasers (P2, P3). Growth opportunity (P1), innovation potential (P3), reliability (P3), payment policy (P1), and mutual dependence (P2) were seen as antecedents by one out of four purchasers.

When comparing the views of the suppliers and purchasers on the antecedents of preferred customer status, it becomes apparent that all suppliers saw profitability as an important factor but none of the purchasers recognized this. The suppliers emphasized economic factors more than the purchasers. Suppliers also valued similar culture and business fit, even though the purchasers did not perceive these factors as antecedents. Furthermore, most purchasers invested in strategic business reviews, while none of the suppliers seemed to focus on this. Both groups show some overlap regarding growth opportunity, innovation potential, and reliability. Tables 5 provides an overview of all the antecedents mentioned by the interviewees (see Appendix B).

4.2.3 Benefits preferred customer status: benevolent pricing, preferential resource allocation, supplier commitment, and innovative benefits

Joint innovation (P1, P2, P4, S2, S3, S4) and supplier commitment (P2, P3, P4, S2, S3, S4) as benefits of preferred customer status are named by six out of eight interviewees. Supplier commitment is evident from the extra service towards customers in the form of customer focus teams, a dedicated

contact person and on demand service. For example, S2 is willing to go the extra mile for preferred customers: “We do everything for them. We drive back and forth. We produce fast. If there is rejection, I drive there myself, then I open it and then we fix it”. Joint innovation ranges from input on manufacturability to collaboration in new product development. Another innovative benefit is early access to innovation (S4).

The operational benefits that were referred to by the interviewees are preferential resource allocation (P1, P2, S2, S4) and logistic benefits (S4). The preferential resource allocation that purchasers experience is mostly reduced lead times and priority in the production process. The logistic benefit mentioned by S4 is the option for customers to keep a safety stock at the supplier. The last benefit of preferred customer status according to the interviewees is benevolent pricing (P1, P2, S1). Figure 5 shows the frequencies of the mentioned benefits. In Appendix M a table can be found which allows for a per-case comparison of the perceived benefits.

Figure 5. Findings benefits preferred customer status

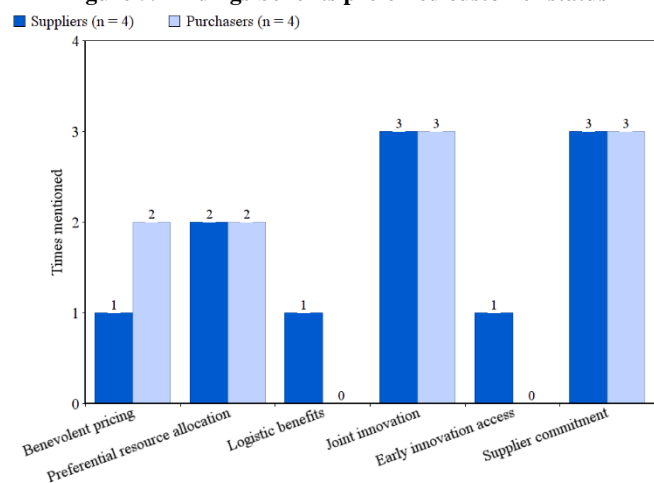


Table 5. Findings antecedents

Factor	Antecedent	Interviewee
Supplier satisfaction		
Economic factors	Growth opportunity	P1, P3, S4
	Profitability	P1, P3, S2, S4
Social factors	Forecasting/planning reliability	S1, S3
	Supplier development/support	P1, P2, P4
	Reliability	S4
	Relational behavior	P2, P4, S1, S4
	Operative excellence	P2, S1, S2, S3
	Similar culture	S1
	Business fit	S2, S3
Preferred customer status		
Economic factors	Profitability/Financial attractiveness	S1, S2, S3, S4
	Growth opportunity	P1, S4
	Payment policy	P1
Social factors	Communication/feedback	S2
	Supplier commitment	S3
	Relational reliability	P3, S3
	Innovation potential	P3, S2
	Supplier support	P1, P2, P3, P4, S2
	Similar culture	S2
	Business fit	S2
	Mutual dependence	P2, S2
	Contact accessibility	P2, P3
Strategic business review	P2, P3, P4	

Antecedent = new antecedent introduced in this study by suppliers

Antecedent = new antecedent introduced in this study by purchasers only

A considerable amount of overlap exists between the benefits purchaser experience and supplier perceive they provide, but there are also some small differences. One supplier believes that preferred customers receive logistic benefits and early access to innovation while this is not experienced by purchasers.

4.2.4 Psychological contract similarities: based on history and input of supplier obliges buyer to order

When it comes to expectations towards the purchaser, a couple of commonalities in psychological contracts have been found. When asked whether the interviewees experienced reciprocal obligations outside of the legal contract, five out of eight interviewees mentioned the purchasing company is expected to order a specific product at the supplier after the supplier has given input on the manufacturability or performed high levels of service (P1, P2, P3, S2, S4). The interviewees saw the purchaser accepting the input or high levels of service and commitment as a promise that the supplier would get the future business. S2 mentioned: "If we do a lot for them We expect new orders in return". Most of the purchasers also perceived this psychological contract. P1, for example, explained: "If you start a conversation about a design of a product and that you would like to receive the input of the supplier for the manufacturability, then you actually create such a promise". These contracts have not been breached. Next to that, three interviewees thought the purchaser is expected to support the supplier with logistics and quality or if problems arise when the supplier is implementing new methods for the purchasing company (P1, P4, S2). S2 for example expects to always profit from the experience and innovativeness of Company A by training and education about new work methods and techniques, based on a repeating pattern in history. P1 recognized this psychological contract. All psychological contracts that contain expectations towards the purchaser and whether they have been breached, can be seen in Table 6. A more detailed overview can be found in Table N1 in Appendix N.

On the other hand, some similarities in psychological contracts that constitute expectations towards the supplier were found. Half of the interviewees recognize that the supplier is expected to produce products with higher standards than agreed to in the

Table 6. Findings expectations towards purchasers

Psychological contract	Based on	Reference
Order after input/high levels of service Purchaser is expected to order a product after obtaining input on manufacturability from supplier or after large investments into the relationship by supplier	Input/effort	P1, P2, P3 S2, S4
Early information Purchaser is expected to inform suppliers on time about new developments and future orders	History	P1
Supplier support Purchaser is expected to support supplier in the logistics and quality area or when problems arise	History/ Promise in precontractual phase	P1, P4, S2
Communicate problems in relationship Purchaser is expected to notify the supplier of problems within the relationship	Repeating orders creates sense of good relationship	S1
Delivery time and conditions Purchaser is expected to deliver spare parts of the outsourced product within a certain time and for a certain price	Interpretation of legal contract	P3
Product specifications Purchaser is expected to order products with correct and explicit specifications	Necessary for efficient process	S3

Reference = refence perceived fulfillment of psychological contract
Reference = refence perceived breach of psychological contract

specifications, which is often based on history or the principle of good workmanship (P3, P4, S3, S4). For example, P4 expects the supplier to follow certain test procedures to see if the products are extreme weather resistant. This expectation is, according to P4, based on: "Good workmanship that we expect from the supplier which is also difficult to describe but mostly you expect this to be part of their internal process". These psychological contracts were mostly breached, resulting in both parties having to invest extra time and energy into the relationship. Two out of eight interviewees, both suppliers, experienced that purchasers expect fast service and constant commitment (S2, S3). S2 clarified: "Nowhere is written that we have to run the extra mile for them, that we have to drop everything for them when they call. But that is kind of what they expect ... a lot." According to S2, P1 for example expects the supplier to take another order out of production and put their order first. S3 believes that the purchasing company expects a certain delivery time, based on when the product was still made in-house. Besides, two out of eight interviewees experienced psychological contracts regarding prices (P3, S1). P3 expected the supplier to repair products for a certain price based on the repair costs when the purchasing company was still producing the product itself. S1 believed that purchasers expect prices to stay constant even after the validity period ends. Table 7 shows the psychological contracts containing obligations of the supplier and whether they have been breached. Table N2 in Appendix N offers a more detailed version.

Another aspect that was mentioned several times is the promise on which the psychological contract was based. Eight out of eighteen psychological contracts were based on history (P1, P3, S1, S2, S3, S4). For example, P1 has repeatedly supported S2 in the logistics and quality area when implementing new work methods or improving processes. Therefore, S2 is always providing high levels of service and commitment towards P1. Because S2 has offered this consideration, high levels of service and commitment, and P1 has accepted this consideration, S2 perceived that P1 was obliged to continue with supporting the supplier in its production process.

Table 7. Findings expectations towards suppliers

Psychological contract	Based on	Reference
New revision, same conditions Supplier is expected to produce a new revision for the purchaser under the same conditions	History	P1
Reduce costs Supplier is expected to lower its cost so that it can lower the price as agreed in the legal contract	Interpretation of legal contract	P1
Price expectations Supplier is expected to repair for a certain price or to maintain prices after validity period of contract	Interpretation of legal contract/ History	P3, S1
Delivery time and conditions Supplier is expected to keep delivery time and conditions constant	History	S1
Fast service and commitment Supplier is expected to always be at the customer's service and drop everything for the customer when needed	Support given by supplier/history	S2, S3
Higher product demands then specified Supplier is expected to produce products with higher standards than specified	History/ Good workmanship	P3, P4, S3, S4
Technical support Supplier is expected to support purchasing company with technical issues	History	S4

Reference = refence perceived fulfillment of psychological contract
Reference = refence perceived breach of psychological contract

4.2.5 Findings related to propositions

4.2.5.1 Psychological contract fulfillment positively correlated with supplier satisfaction and preferred customer status moderated by type of contract

In the last paragraph, an overview of all the psychological contracts was given. This paragraph only takes into account the psychological contracts that contain expectations towards purchasers experienced by the suppliers, because these contracts are related to the propositions. Two suppliers experienced psychological contracts that have not been breached (S2, S4). Therefore, half of the by the supplier perceived psychological contracts have been fulfilled. Both suppliers are satisfied with the relationship, which seems to confirm Proposition 1. Both suppliers have awarded their customer with preferred customer status, which also seems to confirm Proposition 2.

However, it does appear as if the type of psychological contract moderates the relationship between fulfillment and supplier satisfaction. Both S2 and S4 perceived the fulfillment of a similar transactional psychological contract. They both expect the customer to order at the supplier when the customer itself receives an order, because the supplier has given input on the manufacturability or is committed to the relationship. As expecting to receive new orders is a specific, short-term, monetary obligation, this is a transactional contract. The difference between the situations of both suppliers is that S4 only experienced the fulfillment of this transactional and relational contract. S2 additionally expects the customer to support the supplier by educating and giving training on new work methods. This is a long-term, broad, and socioemotional obligation and, therefore, a relational contract. Although both suppliers experienced supplier satisfaction, a difference in satisfaction between S2 and S4 is noticeable. When the suppliers were asked if they were satisfied with the relationship, S2 said: “we are satisfied with Company A, for sure”. S4 said: “Yes and no, let me put it that way. Partially”. Based on the answers it seems like S2 is more satisfied. The supplier did not only mentioned satisfaction but also said to be sure about its experience. S2 is also the supplier with a perceived relational contract. Hence, it seems as if a relational psychological contract strengthens the relationship between psychological contract fulfillment and supplier satisfaction. S4 only experienced the fulfillment of a transactional contract and is partially satisfied, which gives the impression that a transactional psychological contract weakens the relationship. Proposition 3a and 3b, therefore, seem to be confirmed. Since both buyer-supplier relationships are collaborative, Proposition 3c cannot be confirmed. The type of psychological contract also seems to affect the relationship between fulfillment and preferred customer status and preferential treatment. S4, with only a transactional psychological contract, classifies their customers based on profitability and growth opportunity and treats all the customers within this class the same. Therefore, all the preferred customers receive benefits. Company A, which also has a relational psychological contract, is S2’s first priority customer and receives even more benefits than other customers.

4.2.5.2 Supplier satisfaction not affected by psychological contract breach and preferred customer status partially

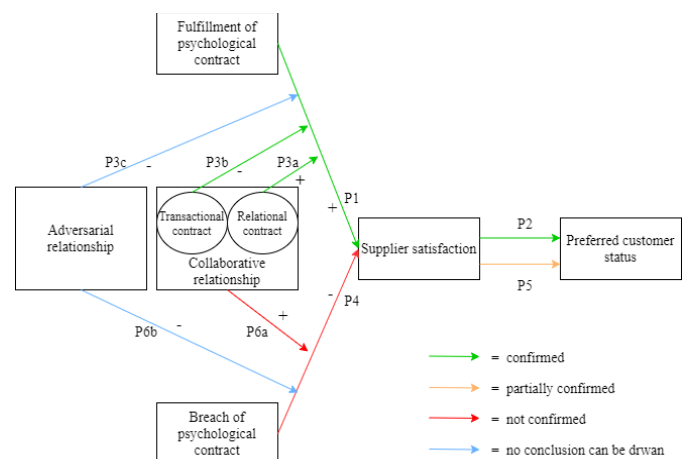
In the other two relationships, the suppliers perceived a breach of psychological contract (S1, S3). According to S1, the psychological contract breach initially led to a breach of trust,

but because of open and critical communication the issue could be resolved. For S3 the breach led to friction within the relationship. As a result, both parties had to invest extra time and energy in the relationship. However, both suppliers are satisfied with the relationship. Based on these interviews, Propositions 4 and 6a are not confirmed. Because both relationships are collaborative, no conclusion can be drawn about Proposition 6b.

Company A is not a preferred customer of S1. Company B is a preferred customer of S3, despite the psychological contract breach. According to S3, after the breach the parties had to invest time to solve the problem because they are partners: “It is not so much a seller-buyer relationship, no, you are partners. And then you have to solve it together”. So even after the breach, Company B remained to be a preferred customer. Therefore, Proposition 5 seems to be partially confirmed.

Based on the interviews, the propositions can be partially confirmed. Figure 6 displays the changes to the research model.

Figure 6. Results regarding propositions



5. DISCUSSION OF FINDINGS

5.1 Preferred customer status

5.1.1 Antecedents of supplier satisfaction

The aim of this research is to empirically examine and enhance the existing literature on the antecedents and benefits of preferred customer status and to identify the effect of a psychological contract (breach) on supplier satisfaction and preferred customer status. This chapter first contains a discussion on the findings regarding the antecedents and benefits. Subsequently, the findings in relation to the propositions will be discussed.

The findings confirm all the first-tier antecedents of supplier satisfaction pointed out in the studies by Vos et al. (2016, p. 4620) and Hüttinger et al. (2014, p. 712), being operative excellence, profitability, relational behavior, growth opportunity, and reliability. Although supported in the research by Vos et al. (2016, p. 4620), the importance of operative excellence appears to be higher in this research. Suppliers were mostly satisfied because of the planning reliability and simple internal processes of the purchasing company, confirming forecasting and planning reliability as antecedents of supplier satisfaction (Maunu, 2003, p. 95). Relational behavior was mainly reflected in the way and frequency of communication, which is in line with the effect of information exchange on satisfaction (Whipple et al., 2002, p. 78).

Business fit has not been found in the literature as an antecedent of supplier satisfaction. A possible explanation for business fit

antecedent supplier satisfaction could be that because the products fit the supplier's business well, and the supplier is accelerating in this type of work, the costs of the production will be lower. The supplier will not have to invest in new machines or other resources and will also not have to educate employees on new methods. More of the same work could also lead to economies of scale. Furthermore, when the products would not fit the business and the supplier would not be good at this type of work, it could lead to rejections and repairs, resulting in more costs. As suppliers are analyzing the costs of serving customers and maybe even de-prioritizing high cost-to-serve customers (Bew, 2007, p. 4), business fit could potentially be an antecedent of supplier satisfaction. Similar culture is another antecedent of supplier satisfaction that has not been identified in the literature. S1 mentioned similar culture because it results in a similarity of mentality, language, and dialect. The supplier concluded: "On operational level, this is a very important one". The similarity in mentality, language, and dialect could potentially lead to better inter-organizational staff relationships, which is a source of supplier value (Ramsay & Wagner, 2009, p. 132). Future research should be done to see if business fit and similar culture affect supplier satisfaction.

5.1.2 Antecedents preferred customer status

Profitability has been found an important antecedent of preferred customer status, which confirms the findings of Moody (1992, p. 52), where suppliers rated profitability as one of the most important factors for becoming "the best customer", and the finding in the study by Baxter (2012, p. 1255) that the supplier's perception of the financial attractiveness of the relationship influences preferred customer treatment. All suppliers found profitability an important factor influencing preferred customer status. This is in consonance with the findings of Piechota et al. (2021, p. 5), which showed that economic satisfaction has a higher indirect influence on preferred customer treatment than satisfaction because of social factors. Growth opportunity and reliability as antecedents of preferred customer status confirm the findings by Hüttinger et al. (2014, p. 712). The relational behavior affecting preferred customer status comprises the way of communicating by the customer and expressing relational commitment, which is in line with Moody (1992, p. 52) and Baxter (2012, p. 1255).

Supplier support and innovation potential are not mentioned in the literature as first-tier antecedents of preferred customer status. The importance of these factors to the supplier could be explained by the effect these factors have on growth opportunity, which is mentioned in the literature as an antecedent (Hüttinger et al., 2014, p. 712). The supplier could use the innovations to target other or new customers. There is also no literature that proposes mutual dependence, similar culture, and business fit as antecedents of preferred customer status. However, research has shown that mutual dependence can positively affect supplier satisfaction (Caniëls et al., 2018, p. 348). The interviews also showed that a similar culture and business fit affect supplier satisfaction, as explained in the previous paragraph. It could be that mutual dependence, similar culture, and business fit affect the tendency to award preferred customer status through increased supplier satisfaction.

The results show that the suppliers have very diverse reasons for awarding preferred customership, as the four suppliers named nine different antecedents. Furthermore, most antecedents (six out of nine) were only named once. These results could indicate that many different antecedents can lead to preferred customer status and that not all of them must be present in order to become a preferred customer. Furthermore, contact accessibility, payment policy and strategic business reviews are all referred to by purchaser as factors that influence

preferred customer status, whereas not a single supplier confirmed these factors. A possible reason for strategic business reviews not being confirmed as an antecedent by suppliers is that no one from the top management of the suppliers was interviewed, which are normally the ones involved in these reviews. This could be a factor to research in future studies on preferred customer status. Besides, more comprehensive research could be done to empirically test if supplier support, innovation potential, mutual dependence, similar culture, and business fit significantly affect preferred customer status.

5.1.3 Benefits preferred customer status

Most benefits that have been introduced in Chapter 2 have been confirmed by the interviewees. Interviewees experienced benevolent pricing and joint innovation, which was mentioned in previous studies (Moody, 1992; Schiele et al., 2011a). Early access to innovation, supplier commitment, reduced lead times and priority in the production process were other benefits that were often named and are in line with previous research (Bemelmans et al., 2015; Bew, 2007; Christiansen & Maltz, 2010; Glas, 2018). The logistic benefit of keeping stock at the supplier confirms the findings by Nollet et al. (2012, p. 1187).

5.2 Psychological contracts

Before asking the interviewees questions about psychological contracts, the concept was explained to make sure that all the interviewees have the same understanding of the term psychological contracts. Hence, the definition used in this research by Rousseau (1989, p. 123), as discussed in paragraph 2.2, was explained. Interviewees could have been pointed in a certain direction by the explanation, which should be kept in mind when interpreting the data. During the data analysis it became apparent that some interviewees seemed to be inconsistent in the conceptualization of psychological contracts. Although asked about obligations, some interviewees also talked about unwritten expectations. Obligations often lead to expectations but not all expectations have to be obligations. Expectations are very closely related to obligations, which is also apparent from the different terms researchers have used in the definitions: obligation, expectation, belief, promise (Herriot et al., 1997, p. 151; Levinson et al., 1962, p. 21; Rousseau, 1989, p. 123; Schein, 1980, p. 22). Future research could be conducted to clarify the differences between the terms and the effect of these differences on preferred customer status.

Psychological contract fulfillment appears to be positively correlated with supplier satisfaction and preferred customer status. This could be the result of the fulfillment of expectations and increased trust and commitment of the supplier (Kingshott, 2006, p. 732). Whereas relational psychological contracts seem to strengthen this relationship, transactional contracts seem to weaken it. Transactional contracts contain specific, short-term, monetary obligations (Lövbld & Bantekas, 2010, p. 165) and are therefore less likely to affect trust and commitment (Millward & Hopkins, 1998, p. 1532). Supplier satisfaction and preferred customer status could be more affected because relational contracts are more likely to have an effect on trust and commitment as they constitute long-term, broad and socioemotional obligations (Lövbld & Bantekas, 2010, p. 165).

Psychological contract breach does not seem to affect supplier satisfaction. It could be that the suppliers are still satisfied after the breach because both the customer and supplier invested time and energy in the relationship to solve the issue. As S1 also mentioned, the breach initially reduced trust, which could mean that the supplier would not have been satisfied if the supplier and customer would not have invested time into the relationship after the breach. Psychological contract breach seems to affect preferred customer status only partially. A possible explanation

that one of the customers was not affected by the breach in terms of preferred customer status, lies within the transactional orientation of the psychological contract. Lövblad and Bantekas (2010, pp. 172-173) found that the relationship between psychological contracts and affective commitment is weaker when a contract is transactional. It could be that the same holds true in the case of a psychological contract breach so that a transactional contract also weakens the relationship between breach and commitment. A breach of a transactional contract would merely create inequity in the economic exchange without breaching socioemotional obligations, which are critical in relational contracts (Kaufmann et al., 2018, p. 65). It is possible that because only a short-term, economic obligation is broken and the socioemotional obligations are still intact, the supplier still sees the customer as a preferred customer. More research should be conducted to be certain on the effect of the type of contract on supplier satisfaction and preferred customer status.

6. CONCLUSION

6.1 Managerial contributions

The findings of this research also provide some practical insights to purchasing managers. When trying to become or remain a preferred customer, purchasers should be aware that suppliers place more importance on economic factors, like profitability, than the purchasers are aware of. The view of the suppliers is in line with research by Piechota et al. (2021, p. 5). Although social factors were also valued by suppliers, purchasing managers should always regard their profitability towards the supplier as every supplier has found this an essential factor when awarding preferred customer status. Purchasing managers should also be aware that although there is no legal contract obliging the company to order at the supplier, most suppliers do expect this. Half of the suppliers felt as if the purchasing company expected them to always be at the customer's service and drop everything for the customer when needed, displaying high levels of commitment. This, together with the customer asking the supplier for input on the manufacturability of new products, resulted in the supplier perceiving a psychological contract where the customer is obliged to order a new product at the supplier. Purchasers should therefore be mindful of asking for input and other levels of extra service and commitment when the purchaser is not genuine about ordering the new product at the supplier as it can be seen as communication of a future intent (Rousseau & McLean Parks, 1993, p. 6).

The findings also show that half of the suppliers believed that the purchasing company expects the supplier to produce products with higher standards than written in the specifications of the legal contract. These contracts were all breached, which resulted in the investment of time, energy, and financial resources to repair the relationship. Based on the interviews, purchasing managers can prevent these costs by defining the specifications more clearly and detailed together with the supplier and by establishing a certain freezing point after which the specifications should not be changed anymore. Another finding regarding psychological contracts that could be of importance to management in practice, is that these contracts are often based on history. Purchasers should be mindful of always performing the same action and repeating patterns since this can create a by the supplier perceived obligation. This practical contribution is in line with the study by Conway and Briner (2009, p. 78), where is stated that consistent and repeating patterns can create implicit promises.

6.2 Limitations and future research

However, this study also comes with some limitations. The findings in this study represent only a small sample size. Four

suppliers from four technical companies and four purchasers from two high-tech companies in the Netherlands were interviewed. Therefore, the outcomes are not generalizable. To address this issue and draw more generalizable conclusions, it is suggested that future research should be conducted with a larger sample size, in multiple countries and within different industries. Furthermore, as the suppliers know their customers will be able to read the findings of the study, it could be that they have not been completely honest as to protect future business. Another limitation is that the interviewed suppliers are mostly account managers or program leaders of a customer focus team. It is plausible that they do not have the same information on how all the customers within a company are classified and treated in comparison to each other. This could be circumvented by also interviewing employees with higher management or strategic sales positions of supplying companies in future research (Kaufmann et al., 2018, p. 70). Lastly, the interviews made it apparent that all the relationships are collaborative. More research should be done to draw any conclusions about the effect of adversarial relationships.

Next to the suggestion for future research based on the discussion in the previous chapter, some more recommendations can be made based on the findings. Future research could be conducted on the base of the supplier's expectations. According to the interviewees, a large number of perceived psychological contracts were based on the history between parties. Because of a repeating way of conducting business, interviewees perceived this pattern as a promise. This is in line with the study by Conway and Briner (2009) who stated that promises can be implicit, referring to the individual's interpretation of "consistent and repeated patterns of exchange" (p. 78) with the other party. Future research should analyze which factors affect the individual's perception of a promise because of a repeating pattern. Furthermore, half of the suppliers expected a purchaser to order a new product at the supplier after asking for input on the manufacturability or when the supplier is providing high levels of service and commitment. More research should be done on which acts of service and commitment exactly lead to a by the supplier perceived psychological contract where the purchasing company is obliged to order the product at the supplier.

6.3 Conclusion

In conclusion, the goal of this study is to empirically examine and enhance the existing literature on the benefits and antecedents of preferred customer status and to identify the effect of psychological contract fulfillment and breach on supplier satisfaction and preferred customer status. By conducting eight interviews at Company A and B, some of the antecedents mentioned in literature have been confirmed and some new antecedents have been identified. Almost all the benefits of preferred customer status have been confirmed. Furthermore, most of the propositions regarding the effect of psychological contract fulfillment and breach on preferential treatment have been (partially) confirmed. Additionally, a few factors regarding psychological contract content and the foundation on which these contracts are build have been identified.

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APPENDICES

Appendix A: Definitions of the antecedents

Antecedents	Definition	Reference
Contact accessibility	A customer's contact accessibility refers to the availability of a person who intensively shapes and advances exchange processes and reflects the buying firm's willingness to develop structural bonds with the supplier	Hüttinger et al. (2014, p. 703)
Innovation potential	Innovation potential is understood as the supplier's opportunity to generate innovations in the exchange relationship due to the buying firm's innovative capabilities and its contribution in joint innovation processes	Hüttinger et al. (2014, p. 703)
Operative excellence	Operative excellence is the supplier's perception that the buying firm's operations are handled in a sorrow and efficient way, which facilitates the way of doing business for the supplier	Hüttinger et al. (2014, p. 703)
Profitability	Profitability describes the extent to which the relationship with the customer helps the supplier achieve good profits, gain high margins and positively influences the profitability of the supplier's firm	Vos et al. (2016, p. 4622)
Reliability	Reliability is defined as the supplier's perception that the buying firm acts in a consistent as well as reliable manner and fulfills its agreements	Hüttinger et al. (2014, p. 703)
Support of suppliers	Support of suppliers as offered by the buying firm is characterized as its effort or assistance to increase a supplier's performance and/or capabilities	Hüttinger et al. (2014, p. 703)
Supplier involvement	A customer's supplier involvement describes the degree to which the supplier's staff participates directly in the customer's product development team and is entrusted with developing product ideas	Hüttinger et al. (2014, p. 703)
Relational behavior	Relational behavior refers to the buying firm's behavior towards the supplier with regards to the relational focus of exchange capturing multiple facets of the exchange behavior such as solidarity, mutuality, and flexibility	Hüttinger et al. (2014, p. 703)

Appendix B: Antecedents of supplier satisfaction and preferred customer status

Factor	Antecedent	Reference	Interviewee
Supplier satisfaction			
Economic factors	Purchase policy	Meena and Sarmah (2012, p. 1249)	
	Payment policy	Meena and Sarmah (2012, p. 1249)	
	Growth opportunity (<i>influenced by innovation potential</i>)	Hüttinger et al. (2014, p. 712); Vos et al. (2016, p. 4621)	P1, P3, S4
	Profitability	Vos et al. (2016, p. 4621)	P1, P3, S2, S4
Social factors	Cooperative culture	Wong (2000, p. 430)	
	Commitment to satisfy supplier's needs	Wong (2000, p. 430)	
	Constructive controversy	Wong (2000, p. 430)	
	Information exchange (level, accuracy and timeliness)	Whipple et al. (2002, pp. 75-76)	
	Forecasting/planning reliability	Maunu (2003, p. 95)	S1, S3
	Relationship (commitment, conflict, conflict resolution, cooperation, trust)	Benton and Maloni (2005, p. 16)	
	Influence strategies	Ghijsen et al. (2010, p. 22)	
	Supplier development/support	Ghijsen et al. (2010, p. 22)	P1, P2, P4
	Trust	Nyaga et al. (2010, p. 109); Benton and Maloni (2005, p. 16)	
	Commitment	Nyaga et al. (2010, p. 109); Benton and Maloni (2005, p. 16)	
	Coordination policy	Meena and Sarmah (2012, p. 1249)	
	Corporate image	Meena and Sarmah (2012, p. 1249)	
	Reliability	Hüttinger et al. (2014, p. 712)	S4
	Relational behavior (<i>influenced by support, reliability, involvement</i>)	Hüttinger et al. (2014, p. 712); Vos et al. (2016, p. 4621)	P2, P4, S1, S4
	Operative excellence (<i>influenced by contact accessibility</i>)	Vos et al. (2016, p. 4621)	P2, S1, S2, S3
	Mutual dependence	Caniëls et al. (2018, p. 348)	
	Extreme dependence asymmetry	Caniëls et al. (2018, p. 348)	
	Similar culture		S1
	Business fit		S2, S3
Innovation potential		P1	
Supplier involvement		P1	
Preferred customer status			
Economic factors	Purchasing volume	Williamson (1991, p. 80); Steinle and Schiele (2008, p. 11)	
	Financial attractiveness/profitability	Moody (1992, p. 52); Baxter (2012, p. 1255)	S1, S2, S3, S4
	Growth opportunity	Hüttinger et al. (2014, p. 712)	P1, S4
	Payment policy		P1
Social factors	Loyalty	Williamson (1991, p. 80)	
	Trust	Moody (1992, p. 52)	
	Communication/feedback	Moody (1992, p. 52)	S2
	Supplier commitment	Moody (1992, p. 52); Baxter (2012, p. 1255)	S3
	Supplier involvement	Moody (1992, p. 52); Ellis et al. (2012, p. 1265)	
	Geographical distance	Steinle and Schiele (2008, p. 11)	
	Cluster membership	Steinle and Schiele (2008, p. 11)	
	Relational reliability	Ellis et al. (2012, p. 1265); Hüttinger et al. (2014, p. 712)	P3, S3
	Innovation potential		P3, S2
	Supplier support		P1, P2, P3, P4, S2

Similar culture	S2
Business fit	S2
Mutual dependence	P2, S2
Contact accessibility	P2, P3
Strategic business review	P2, P3, P4

Antecedent = new antecedent introduced in this study by suppliers

Antecedent = new antecedent introduced in this study by purchasers only

Appendix C: Benefits of preferred customer status

Type of benefit	Benefit	Reference
Financial benefits	Benevolent pricing	Moody (1992, p. 57); Schiele et al. (2011a, p. 16)
	Cost reductions	Bew (2007, p. 2); Blenkhorn and Banting (1991, p. 188); Patrucco et al. (2019, p. 359)
Operational benefits	Preferential resource allocation	Bew (2007, p. 2); Christiansen and Maltz (2010, p. 189)
Innovative benefits	Joint innovation	Schiele et al. (2011a, p. 16); Schiele and Vos (2015, p. 144)
	Innovation access	Ellis et al. (2012, p. 1265); Patrucco et al. (2019, p. 359)
Relational benefits	Early innovation access	Bew (2007, p. 2); Bemelmans et al. (2015, p. 193)
	Supplier attention and commitment	Christiansen and Maltz (2010, p. 194); Glas (2018, p. 108)
	Supplier loyalty	Prakash (2011, p. 371)

Appendix D: Overview of the different definitions of psychological contract

Definition	Reference
A series of mutual <i>expectations</i> of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other	Levinson et al. (1962, p. 21)
An <i>implicit</i> contract between an individual and his organization which specifies what each <i>expect</i> to give and receive from each other in their relationship	Kotter (1973, p. 92)
<i>Unwritten set of expectations</i> operating at all times between every member of an organization and the various managers and others in that organization	Schein (1980, p. 22)
An individual's <i>beliefs</i> regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. Key issues here include the belief that a <i>promise</i> has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal <i>obligations</i>	Rousseau (1989, p. 123)
The <i>perceptions of mutual obligations</i> to each other held by the two parties in the employment relationship, the organization and the employee	Herriot et al. (1997, p. 151)

Appendix E: Definitions used in the research by Zhao et al. (2007)

Construct	Definition	Reference
In-role performance	Performance of tasks being part of one's job and that are recognized by the organization's formal reward system	Zhao et al. (2007, p. 652)
Job satisfaction	A positive or negative evaluative judgment of one's job or job situation	Weiss and Cropanzano (1996, p. 2); Zhao et al. (2007, p. 651)
Mistrust	Interpersonal hostility	Zhao et al. (2007, p. 650)
Organizational citizenship behavior	Beneficial and discretionary behavior which is not included in an employee's formal job description	Zhao et al. (2007, p. 652)
Organizational commitment	The strength of an individual's identification with and attachment to an organization	Zhao et al. (2007, p. 651)
Turnover intentions	The subjective probability that an individual will leave his or her organization within a certain period of time	Zhao et al. (2007, p. 651)
Violation	A focal person's emotional responses including frustration and anger that follow breach	Zhao et al. (2007, p. 650)

Appendix F: Overview concepts psychological contract breach

Variable	Correlation	Contingency factor	Reference
Psychological contracts			
Trust	Positive		Kingshott (2006, p. 730); Kingshott and Pecotich (2007, p. 1062)
Commitment	Positive	Relational/ transactional psychological contract	Kingshott (2006, p. 730); Kingshott and Pecotich (2007, p. 1062); Lövblad and Bantekas (2010, pp. 172-173)
Psychological contract breaches			
Trust	Negative	Collaborative/adversarial relationships	Hill et al. (2009, p. 289); Eckerd et al. (2016, pp. 77-78); Kaufmann et al. (2018, p. 71)
Commitment	Negative		Eckerd et al. (2016, pp. 77-78); Lövblad and Bantekas (2010, p. 173)
Ordering behavior	Negative		Eckerd et al. (2013, p. 574)
Supplier switching	Positive		Mir et al. (2017, p. 15)
Benevolence	Negative		Hill et al. (2009, p. 290)
Interorganizational trust repair		Collaborative/adversarial relationships	Kaufmann et al. (2018, p. 74)
Neglect	Positive		Kingshott et al. (2020, p. 227)
Voice	Negative		Kingshott et al. (2020, p. 227)
Loyalty	Negative	Mediated by neglect and voice	Kingshott et al. (2020, pp. 226-227)

Appendix G: Key word search

Key words	Initial hits	Hits only in relevant subject areas	Usable and assessed papers	Search key
Preferred customer status	73	33	12	TITLE-ABS-KEY (preferred AND customer AND status) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Supplier satisfaction antecedents	91	79	1	TITLE-ABS-KEY (supplier AND satisfaction AND antecedents) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Supplier satisfaction benefits	496	196	2	TITLE-ABS-KEY (supplier AND satisfaction AND benefits) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Psychological contract review	426	112	6	TITLE-ABS-KEY (psychological AND contract AND review) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Psychological contract definition	77	25	1	TITLE-ABS-KEY (psychological AND contract AND definition) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Psychological contract conceptualization	46	31	2	TITLE-ABS-KEY (psychological AND contract AND conceptualization) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Psychological contract buyer-supplier	15	12	5	TITLE-ABS-KEY (psychological AND contract AND buyer-supplier) AND (LIMIT-TO (SUBJAREA , "BUSI"))
Psychological contract preferred	0	0	0	TITLE-ABS-KEY (psychological AND contract

customer status				AND preferred AND customer AND status)
Psychological contract breach	546	350	5	TITLE-ABS-KEY (psychological AND contract AND breach) AND (LIMIT- TO (SUBJAREA , "BUSI"))
Psychological contract breach antecedent	32	23	2	TITLE-ABS-KEY (psychological AND contract AND breach AND antecedent) AND (LIMIT- TO (SUBJAREA , "BUSI"))
Psychological contract breach outcome	127	87	1	TITLE-ABS-KEY (psychological AND contract AND breach AND outcome) AND (LIMIT- TO (SUBJAREA , "BUSI"))

Appendix H: Interview questionnaires

Questionnaire for suppliers

Classification

1. Do you assign different status types to customers? Which status types do you assign?
 2. Have you assigned a preferred customer status to Company-X?
-

Benefits

3. How do the status types influence your behavior towards customers? What benefits do you offer to a preferred customer?
-

Antecedents

4. Are you satisfied with the business relationship with Company-X? What factors are affecting your satisfaction or dissatisfaction in this relationship?
 5. 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?
 6. What are measures that customer must undertake to achieve a preferred customer status and what is the necessary behavior they must show?
 7. What do customers generally do to achieve preferred customer status? Does this differ from the behavior you would like them to show?
-

Psy contract

8. Have you ever had the belief that there are expectations outside of the legal contract regarding your obligations towards each other?
 - a. *(get first answer respondent)*
 - b. *(Then, say definition of Rousseau)* Psychological contracts are defined as “an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party.” (p. 123). Meaning explicit and implicit promises made in the relationship. *(Later in the interview emphasize more the implicit area of promises).*
 - c. And this is the definition which the following interview questions will be based on
9. How did psychological contracts affect your relationship with each other?
10. Have you ever experienced a psychological contract breach?
 - a. If yes, what was the effect on the relationship?
 - b. How did you react?
 - c. How did the counterpart react?
11. How was preferred customer status influenced or how did the preferred customer status influence the reaction to a breach?

Questionnaire for customers

Classification

1. 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?
 2. Whom do you have a preferred customer status with?
-

Benefits

3. Which benefits do you notice from having a preferred customer status?
-

Antecedents

4. 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?
 5. 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?
 6. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers?
-

Psy contract

7. Have you ever had the belief that there are expectations outside of the legal contract regarding your obligations towards each other?
 - a. *(get first answer respondent)*
 - b. *(Then, say definition of Rousseau)* Psychological contracts are defined as “an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party.” (p. 123). Meaning explicit and implicit promises made in the relationship. *(Later in the interview emphasize more the implicit area of promises).*
 - c. And this is the definition which the following interview questions will be based on
8. How did psychological contracts affect your relationship with each other?
9. Have you ever had the belief that supplier Y had expectations outside of the legal contract regarding your obligations towards Supplier Y?
10. Have you ever experienced a psychological contract breach?
 - a. If yes, what was the effect on the relationship?
 - b. In the case you breached the psychological contract: How did the counterpart react?
 - c. How did this influence preferred customer status or how did the preferred customer status influence the reaction to a breach?

Appendix I: Categorization of quotes on antecedents

Left out due to confidentiality

Appendix J: Categorization of quotes on benefits

Left out due to confidentiality

Appendix K: Findings per interview

Left out due to confidentiality

Appendix L: Findings antecedents

Antecedent	Case A			Case B1			Case B2	
	P1	S1	S2	P2	P3	S3	P4	S4
Growth opportunity	x				x			x
Profitability	x		x		x			x
Relational behavior		x		x			x	x
Operative excellence		x	x	x		x		
Innovation potential	x							
Supplier support	x			x			x	
Reliability								x
Supplier involvement	x							
Similar culture		x						
Business fit			x			x		

Table L1: Findings antecedents supplier satisfaction

Antecedent	Case A			Case B1			Case B2	
	P1	S1	S2	P2	P3	S3	P4	S4
Growth opportunity	x							x
Profitability		x	x			x		x
Relational behavior	x		x	x	x	x	x	
Innovation potential			x		x			
Supplier support	x		x	x	x		x	
Reliability					x	x		
Supplier involvement	x							
Contact accessibility				x	x			
Payment policy	x							
Similar culture			x					
Business fit			x					
Strategic business review				x	x		x	
Mutual dependence			x	x				

Table L2: Findings antecedents preferred customer status

Appendix M: Findings benefits preferred customer status

	Case A			Case B1			Case B2	
	P1	S1	S2	P2	P3	S3	P4	S4
Financial benefits								
Benevolent pricing	x	x		x				
Operational benefits								
Preferential resource allocation	x		x	x				x
Logistic benefits								x
Innovative benefits								
Joint innovation	x		x	x		x	x	x
Early innovation access								x
Relational benefits								
Supplier commitment			x	x	x	x	x	x

Appendix N: Findings psychological contracts

Psychological contract	Based on	Reference	Perceived obligation by	Perceived breach (effect)
Case A				
Order after input/high levels of service Purchaser is expected to order a product after obtaining input on manufacturability from supplier or after large investments into the relationship and high demands of the purchasing company	Input/effort	P1, S2	P1, S2	-
Early information Purchaser is expected to inform suppliers on time about new developments and future orders	History	P1	P1	-
Supplier support Purchaser is expected to support supplier in the logistics and quality area	History	P1, S2	S2	-
Communicate problems in relationship Purchaser is expected to notify the supplier of problems within the relationship	Repeating orders creates sense of good relationship	S1	S1	S1 (reduces trust)
Case B1				
Order after input/high levels of service Purchaser is expected to order a product after obtaining input on manufacturability from supplier or after large investments into the relationship and high demands of the purchasing company	Input/effort	P2, P3	P2, P3	-
Delivery time and conditions Purchaser is expected to deliver spare parts of the outsourced product within a certain time and for a certain price	Interpretation of legal contract	P3		P3 (reduces trust)
Product specifications Purchaser is expected to order products with correct and explicit specifications	Necessary for efficient process	S3	S3	S3 (friction, investing more time and energy in relationship)
Case B2				
Supplier support Purchaser is expected to support supplier with issues	Promise in precontractual phase	P4	P4	P4 (relationship under tension)
Order after input/high levels of service Purchaser is expected to order a product after obtaining input on manufacturability from supplier or after large investments into the relationship and high demands of the purchasing company	Input/effort	S4	S4	-

Table N1: Findings expectations towards purchasers

Psychological contract	Based on	Reference	Perceived as obligation by	Perceived breach
Case A				
New revision, same conditions Supplier is expected to produce a new revision for the purchaser under the same conditions	History	P1	P1	-
Reduce costs Supplier is expected to lower its cost so that it can lower the price as agreed in the legal contract	Interpretation of legal contract	P1	P1	P1 with S1 (reallocation of orders)
Price expectations Supplier is expected to maintain prices after validity period of contract	Interpretation of legal contract	S1	-	
Delivery time and conditions Supplier is expected to keep delivery time and conditions constant	History	S1	-	S1 (no effect because of communication)
Fast service and commitment Supplier is expected to always be at the customers service and drop everything for the customer when needed	Support given by supplier	S2	-	-
Case B1				
Higher product demands than specified Supplier is expected to produce products with higher standards than specified	History + Good workmanship	P3, S3	P3, S3	P3
Price expectations Supplier is expected to repair products for a certain price	History	P3	P3	-
Fast service and commitment Supplier is expected to always be at the customer's service and drop everything for the customer when needed	History	P3, S3	P3, S3	-
Case B2				
Higher product demands than specified Supplier is expected to produce products with higher standards than specified	Good workmanship	P4, S4	P4, S4	P4 (relationship under tension, more time and costs) S4 (frustration, more time and costs)
Technical support Supplier is expected to support purchasing company with technical issues	History	S4	S4	-

Table N2: Findings expectations towards suppliers