

Preferred customer status with key suppliers and its effect on sustainability initiatives

Author: Karreman, Vince
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands

ABSTRACT,

Last years has seen a shift regarding the buyer-supplier relationship. Instead of only suppliers competing, buyers are also fighting to receive a so called preferred customer status. The purpose of this study is to provide empirical evidence towards previous literature on the antecedents of supplier satisfaction and preferred customer status and its associated benefits. Additionally, firms wanting to improve their sustainable performance should also take into account the performance of their suppliers. The study therefore also researched whether the buyer-supplier relationship has any effect on sustainability initiatives between buyer and supplier. In order to study this, a case study at Company X and five of its key suppliers has been conducted through the use of interviews. The results support previous literature on the antecedents and benefits and contributes with identifying loyalty of the buyer, long-term relationships, sharing information on products and markets, and being patient and fair as antecedents of supplier satisfaction. Whilst suppliers also highlighted the importance of buyers buying high volumes as an antecedent towards preferred customer status. The results also present that a preferred customer status has a positive influence on sustainability initiatives between buyers and suppliers, leading to more collaboration between the parties and an increased willingness by suppliers to collaborate with the buyer on these matters. The converse effect that sustainability performance by the buyer is found to not be an antecedent to preferred customer status. What was also discovered was that the suppliers awareness and willingness to collaborate on sustainability initiatives differed dependent on the general interest on sustainability of their geographical location, with suppliers in European countries more aware and willing when compared to Asian suppliers. The focus of future research should look to find out whether there are differences between sectors on the effects of the buyer-supplier relationship on sustainability.

Graduation Committee members: Dr. F.G.S Vos
Dr. C. Belotti Pedroso

Keywords

Buyer-supplier relationship, social exchange theory, customer attractiveness, supplier satisfaction, preferred customer status, sustainability initiatives

1. INTRODUCTION: DEVELOPMENTS IN THE BUYER-SUPPLIER RELATIONSHIP AND SUSTAINABILITY

The common approach among individuals in the buyer-supplier relationship, is the assumption that suppliers compete among each other in order to become as attractive as possible for potential buyers. What is however also possible is another perspective where buyers try to become as attractive as possible for their key suppliers. Buying firms do this in order to obtain the best resources from their suppliers (Schiele, Calvi, & Gibbert, 2012, p. 1178). This relationship where a buyer is preferred above others by suppliers is termed preferred customer status. A firm has preferred customer status when a supplier offers the buyer preferential resource allocation. The benefits acquired through preferred customer status can lead to a competitive advantage relative to competing buyers. This development can be explained due to a change in the supply chain organisation. This change has led to suppliers having an increase in their responsibilities and this development coincided with a reduction in the amount of suppliers (Schiele, Calvi, et al., 2012, p. 1178).

Firms are looking to collaborate with supplying firms in order to improve their performance. Supplying firms can offer ideas, capabilities and materials that build a competitive advantage which might not be achieved otherwise (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 129). A problem however is that due to the limited amount of suppliers which would be of interest for the buying firm to collaborate with, they are also of interest to other competing buying firms (Schiele, 2012, p. 44).

With buying firms competing among each other to become the preferred customer, it is also interesting to look into the aspect of sustainability and whether the buyer-supplier relationship has an effect on sustainable business practices between the buyer and the supplier. The topic of sustainability is relevant due to a change in the business world regarding the values and mindset which are required for new business models and consumption practices to flourish (Painter-Morland, Hibbert, & Cooper, 2019, p. 885). The effort to rethink current business models attempt to more likely balance economic, social and environmental needs (Painter-Morland et al., 2019, p. 885).

The effects of preferred customer status on sustainable business practices has not been previously been studied in literature. In order to study this effect, a case study will be conducted at Company X and five of its key suppliers which are located across the globe. This is done to find out whether geographical location has any added effect on the perceived importance of sustainability by suppliers.

The objectives of this study would be to note how an organization could achieve preferred customer status at its key suppliers and what the benefits are by achieving this. Another objective would be to note what the effects of the buyer-supplier relationship are on sustainable business practices whilst taking into account the added effect of geographical location between the buyer and the supplier. In order to study this, the following research question has been formulated:

What are the effects of preferred customer status on sustainability initiatives between buyer and supplier?

The results of this study will provide empirical evidence on previous literature on the antecedents of supplier satisfaction and preferred customer status and its associated benefits such as previous literature from Hüttinger, Schiele, and Veldman (2012, pp. 1194-1204) and Schiele, Calvi, et al. (2012, pp. 1178-1183). Company X perceived that they were treated on a different

manner when compared to other competing buyers when looking at price, and availability of components. The results of this research can aid organizations, such as Company X, on how to achieve preferred customer status with their key suppliers in order to achieve preferential resource allocation. The study also contributes to literature on the relationship between buyers-suppliers and sustainability such as Kumar and Rahman (2015, pp. 110-124). This is important to many organizations with the shift in the value and mindset on how business should be conducted and should flourish (Painter-Morland et al., 2019, p. 885). Organizations trying to improve their performance regarding sustainability might look more into their buyer-supplier relationships in order to reach their sustainability goals if the results of this study show that the buyer-supplier relationship does indeed have a strong effect on sustainability initiatives.

The research question will be answered through the use of interviews which will be conducted at Company X and five of its key suppliers. Next to information acquired through the use of interviews, information will also be acquired through the use of a literature review on the topics of which the buyer-supplier relationship comprises of which are customer attractiveness, supplier satisfaction and preferred customer status. These topics are linked together based on a Social Exchange theory perspective. Next to that, information will also be acquired on the use of sustainability in business. The information acquired through the literature review will be used to construct a model trying to present the effects of preferred customer status on sustainability initiatives between buyer and supplier.

2. THEORETICAL FRAMEWORK

2.1 More firms are relying on a smaller supply base and look for preferential resource allocation

Competition has lead firms to improve their performance regarding quality, delivery performance, and responsiveness whilst simultaneously needing to reduce costs. One of the activities done in order to achieve this has been that firms have evaluated the role of suppliers in their activities. This has led to an increase of firms outsourcing activities which were not deemed as core competencies of the firm. Outsourcing enables firms to better utilize their resources whilst also allowing them to become more flexible and responsive to changing needs. This however has also lead to suppliers becoming more important with firms needing to rely more on their suppliers. The increase in reliance meant that firms needed to manage their supplier base. In some instances, this has lead in a reduction of the supply base whilst also developing closer relationships with the remaining suppliers (Kannan & Choon Tan, 2006, pp. 755-756).

An increasing number of manufacturing and service firms rely on fewer suppliers. Due to this development, there has been a shift regarding the focus in the supply chain. From striving towards the lowest purchasing price to paying more attention to the role of strategic suppliers. This strategy of increased attention is done in order for buying firms to guarantee themselves access to the resources of their strategic suppliers. With the access of these resources, firms secure their competitiveness of the future by trying to become the preferred customer of their key suppliers (Hüttinger et al., 2012, p. 1194). A preferred customer has managed to get preferential resource allocation of their key suppliers (Hüttinger et al., 2012, p. 1194). This preferential treatment includes a wide range of options such as an exclusive agreement between the two parties, privileged treatment whenever bottlenecks in the production process occur,

customised products according to the customers wishes and more (Schiele, Calvi, et al., 2012, p. 1178).

2.2 Social exchange theory and the linkage between customer attractiveness, supplier satisfaction and preferred customer status

Social exchange theory concentrates on the relationship between exchange parties as the main governance mechanism of exchange. It looks into the social processes which influence the relationships between individuals and groups. With social exchange theory, the central explanatory mechanism is the interdependence in the relationship which develops over time through interactions between buyer and supplier. Norms, personal relations, trust and commitment towards the relationship are effective governance mechanisms in exchange relationships. The social exchange theory can be used in order to analyse exchange relationships between buyers and sellers (Schiele, Veldman, Hüttinger, & Pulles, 2012, p. 136).

With social exchange theory, the concepts Comparison level (CL) and Comparison level of alternatives (CL_{alt}) are used to explain how parties, such as buyers and suppliers, evaluate the outcomes of their exchange relationship. The CL is a standard on what a party expects the quality of the outcome will be of a relationship. The actual outcome will then be compared against this standard in order to determine the level of satisfaction. The CL_{alt} is a standard which reflects the average quality of outcomes which are available from the best alternative exchange relationship. CL_{alt} represents the lowest level of outcomes which will be accepted by the supplier whilst still remaining in the relationship with the buyer (Schiele, Veldman, et al., 2012, p. 136)

Based on social exchange theory, the three constructs customer attractiveness, supplier satisfaction and preferred customer status determine whether buyers are awarded privileged treatment by their supplier. Customer attractiveness is required for a supplier to commence an exchange relationship. The buyer must then meet or exceed the expectations of the supplier in order to reach supplier satisfaction. Suppliers which are more satisfied with a particular customer relative to alternatives can reward the preferred customer with preferential treatment (Hüttinger et al., 2012, pp. 1194-1195). There is also a circularity aspect with the three constructs for a buyer to receive preferential treatment. The reward of preferred customer status also adds additional expectations by the supplier and can further increase the attractiveness of the buying firm, restarting the relationship cycle between the supplier and the buyer (Schiele, Calvi, et al., 2012, p. 1182). This circularity is also seen in figure 2.

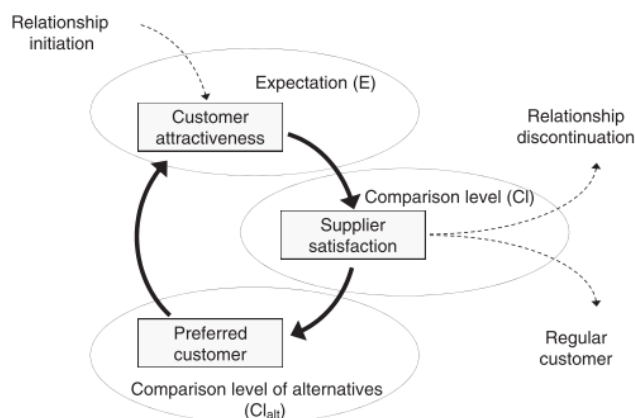


Figure 1: The cycle of preferred customership (Schiele, Calvi, et al., 2012, p. 1180)

2.3 Customer attractiveness: difference between suppliers expectations and reality

Based on the social exchange theory, attractiveness plays an important role. The perception of initial attraction between the parties is based upon beliefs and expectations. Attractiveness can be explained as the difference between the expected reward of the relationship and the costs of being in the relationship. A buyer can be deemed as attractive by a supplier in the case where the supplier has positive expectations of having a relationship with the buyer (Schiele, Calvi, et al., 2012, p. 1180). Because there are costs associated with the engagement of an exchange relationship, the social exchange theory indicates that participants will only remain in this relationship as long as the rewards, which are deemed satisfactory, surpass the costs of this relationship (Schiele, Calvi, et al., 2012, p. 1181). It is important that the supplier in question is aware of the existence and needs of the buyer (Schiele, Calvi, et al., 2012, p. 1180). Attractiveness is necessary in order for buyers and suppliers to want to engage in an exchange relationship (Hovmöller Mortensen, Kovacs, Vagn Freytag, & Stentoft Arlbjörn, 2008, p. 800). If the buying firm is attractive, it can attract management attention which can help increase performance and loyalty. Being an attractive partner can also minimize relational costs as the supplier will act more proactively in the relationship (Hovmöller Mortensen et al., 2008, pp. 801-802). Buyers try to create this attractiveness by showing potential value in order to incentivize the suppliers in engaging into collaborations with the buyer (Pulles et al., 2016, p. 131). A factor of attractiveness is that it does not remain the same in a relationship. It grows as interactions increase between the buyer and the supplier through stages in the relationship (Schiele, Calvi, et al., 2012, p. 1181).

So how does a buying firm become more attractive towards their suppliers? Previous research on the antecedents of customer attractiveness attempts to answer this question. According to Fiocca (1982, p. 5), factors on customer attractiveness can be grouped under five headings: market factors, competition, financial and economic factors, technological factors, and socio-political factors. With these factors, customer's size and purchasing power play a major role regarding customer attractiveness (Hüttinger et al., 2012, p. 1198). That would make large firms have an advantage, however small firms can also offer something of interest towards suppliers. Christiansen and Maltz (2010, p. 189) conducted a case study on smaller firms which were trying to become interesting customers and they found that smaller firms could also create value for their suppliers. This value creation was done by joint development between the buyer and the supplier such as joint product, process, and logistics development. Walter, Ritter, and Gemünden (2001, p. 368) also mention indirect functions which create value outside of volume and profit. Suppliers put importance in customers which are at the forefront of technology or customers with high product expertise. Suppliers also put importance in customers with market expertise. This is because customers can gather information on the developments of the market which is relevant to the supplier earlier than the suppliers could. Customer attractiveness is however not only company-driven but there are also social factors which can make a customer attractive. Tight social and professional relations between employees of the buyer and the supplier provides goodwill in the relation which increases attractiveness on both sides (Ellegaard, Johansen, & Drejer, 2003, p. 354). The social aspect also includes factors such as trust, commitment and emotions (Ellegaard & Ritter, 2007, pp. 5-6) having an effect on attractiveness.

Customer attractiveness is important in order for business to initiate between the buyer and the supplier. And at the same time it is also important for the relationship to intensify which can

influence the behaviour of the supplier in their allocation of their best resources. The attractiveness of the customer has an influence on supplier satisfaction, which will be discussed in more detail in the next subsection. Supplier satisfaction has a further influence on the resource allocation of the supplier (Pulles et al., 2016, p. 137).

2.4 Supplier satisfaction: meeting or exceeding suppliers expectations

Previous studies on supplier satisfaction regarded satisfaction as a stand-alone construct not relating it to antecedents and effects of customer attractiveness and preferred customer status (Schiele, Calvi, et al., 2012, p. 1181). As mentioned previously, a social exchange theory perspective can connect these constructs. Based on this theory, the relationship can be evaluated by comparing the expected value to the actual realised outcome of the relationship. These outcomes are the actual rewards and costs of the supplier during the course of interaction. The difference between the suppliers expectations and the actual achieved value determines the level of satisfaction that is experienced by the supplier. When the value is lower than expectations, the supplier will be dissatisfied with the exchange relationship. Contrary to this, if the achieved value is equal or exceeds expectations, the supplier will be satisfied with the exchange relationship (Schiele, Calvi, et al., 2012, p. 1181). Next to customer attractiveness, supplier satisfaction can also change during the relationship (Schiele, Calvi, et al., 2012, p. 1181). The assessment of the achieved outcomes is important as it helps parties in deciding whether to upgrade or downgrade their relationships (Wilson & Mummalaneni, 1986, p. 51). Suppliers which are more satisfied with their relationship with the buyer, are more willing to grant the buying firm preferential treatment in comparison to other competing buying firms (Brokaw & Davisson, 1978, p. 10).

Previous research on the antecedents of supplier satisfaction provides us an extensive list of actions a buyer could take in order to satisfy their suppliers. Wong (2000, pp. 429-430) stated that the buyer should take a relational and co-operative approach towards their suppliers in order to achieve supplier satisfaction. Buying firms should also be committed to satisfying their suppliers needs and constructive controversy is another factor which affects supplier satisfaction. Information sharing is an important tool which should be used by the buying organisation in order to reach supplier satisfaction. An increase in the amount of information which is shared by the buyer, has a positive impact on supplier satisfaction. Suppliers put importance in timeliness of the information. The earlier the information is shared, the better the supplier can plan their internal operations (Whipple, Frankel, & Daugherty, 2002, p. 76). According to Maunu (2003, p. 95), supplier satisfaction can be split under two group. These are business-related dimensions and communication-related dimensions. Business related dimensions are hard, fact based values and communication-related dimensions are more soft, human based values.

1. Business-related dimensions are: Profitability, Honour agreements, Early supplier involvement, Business continuity, and forecasting/planning.
2. Communication-related dimensions are: Roles and responsibilities, Openness and trust, Feedback, and the values of the buying company.

With these dimensions, Maunu (2003, pp. 116-120) described a Supplier Satisfaction Survey to be used by a buying company to further improve and develop its processes within its supply chain.

Frederik G. S. Vos, Schiele, and Hüttinger (2016, p. 4621) concluded that profitability, growth opportunity, relational

behaviour and operative excellence directly impact supplier satisfaction. Including in these factors, innovation potential has a positive impact on growth potential; support, reliability and involvement have a positive impact on relational behaviour; and the availability for a supplier to have access to contacts in the buying firm has a positive impact on the perceived operative performance. Meena and Sarmah (2012, p. 1249) identified that supplier satisfaction is affected by the purchasing policy, payment policy, coordination policy, and corporate image of the buying company. Apart from mode of interaction which applies to all functions, supplier satisfaction can be attributed to different functions. These functions include factors influenced by purchasing, the production/logistic areas and factors attributed to the R&D department. It tells that supplier satisfaction requires a cross-functional approach (Hüttinger et al., 2012, p. 1200).

One factor which will be discussed in more detail in the next subsection is that of buyer status. The status of the buyer has a strong and highly significant effect on supplier satisfaction. A high status promotes supplier satisfaction whilst at the same time reduces relational conflict between the buyer and the supplier. A high status can be used by buying firms for their own advantage as it can influence the actions of the supplier (F.G.S. Vos, Van der Lelij, Schiele, & Praas, 2021, p. 10).

Table 1: Antecedents of supplier satisfaction

Antecedent	Reference
Social factors	
Cooperative relationships	(Wong, 2000, p. 429)
Commitment to supplier satisfaction	(Wong, 2000, p. 430)
Constructive controversy	(Wong, 2000, p. 430)
Early information sharing	(Whipple et al., 2002, p. 76)
Honouring agreements	(Maunu, 2003, p. 95)
Forecasting/planning	(Maunu, 2003, p. 95)
Communication (roles & responsibilities, openness & trust, feedback, company values)	(Maunu, 2003, p. 95)
Relational behaviour	(Frederik G. S. Vos et al., 2016, p. 4621)
Coordination policy	(Meena & Sarmah, 2012, p. 1249)
Corporate image	(Meena & Sarmah, 2012, p. 1249)
Economic factors	
Profitability	(Maunu, 2003, p. 95; Frederik G. S. Vos et al., 2016, p. 4621)
Early supplier involvement	(Maunu, 2003, p. 95)
Business continuity	(Maunu, 2003, p. 95)
Growth opportunity	(Frederik G. S. Vos et al., 2016, p. 4621)
Operative excellence	(Frederik G. S. Vos et al., 2016, p. 4621)
Status of the buyer	(F.G.S. Vos et al., 2021, p. 10)
Purchase policy	(Meena & Sarmah, 2012, p. 1249)
Payment policy	(Meena & Sarmah, 2012, p. 1249)

Through the use of these antecedents, buying firms could improve their performance regarding supplier satisfaction. Firms which achieve high on supplier satisfaction can then be rewarded for this by receiving preferred customer status by their suppliers (Frederik G. S. Vos et al., 2016, p. 4621). This will be discussed in more detail in the next section.

2.5 Preferred customer status: performing better than alternatives

As what is now established, customer attractiveness and supplier satisfaction are linked to preferred customer status. If a buying firm fails to meet or exceed the expectations of the supplier, then they might fail to achieve preferential resource allocation. Attractive customers are not guaranteed preferential resource allocation if they do not satisfy the expectations of the supplier. At the same time customer's which are not as attractive might receive preferential treatment if they do satisfy the suppliers expectations (Pulles et al., 2016, p. 137). Customer attractiveness is however necessary as suppliers would otherwise not engage in an exchange relationship (Hovmøller Mortensen et al., 2008, p. 800). It shows that both customer attractiveness and supplier satisfaction are necessary constructs in order for a buying firm to receive a preferred customer status.

Related to the social exchange theory, the construct comparison level for alternatives explains preferential resource allocation to customers (Schiele, Calvi, et al., 2012, p. 1181). As discussed previously, CLalt is a standard which reflects the average quality of outcomes which are available from the best alternative exchange relationship (Schiele, Veldman, et al., 2012, p. 136). The outcomes of the relationship must be superior than from alternative buying organisations. A supplier could be satisfied with their relationship if it matches expectations, but they could still discontinue the relationship if there is a better alternative, and the supplier is not able to serve both customers. Dissatisfied suppliers can also still continue the relationship if there is no better alternative available. Buyer's would benefit if they acquired knowledge on which other competing firms their suppliers serve. A buyer receives preferred customer status if they are perceived as attractive and if they satisfy their suppliers better than alternatives (Schiele, Calvi, et al., 2012, p. 1181).

Nollet, Rebollo, and Popel (2012, p. 1186) suggest four steps to achieve preferred customer status which somewhat resembles what was already previously mentioned, as step one and two are about customer attractiveness and supplier satisfaction. Nollet et al. (2012, p. 1190) say that it could be possible that just these two steps are not enough to keep a preferred customer status. Step three adds that a buyer must ensure operative excellence and they must create relational value with its suppliers, in order to make suppliers more committed to the relationship. What is important is that synergy must exist in order for this to happen (Nollet et al., 2012, pp. 1190-1191). The last step states that a buyer is continuously evaluated by their suppliers. The buyer must therefore ensure that they are constantly evaluated better than other competing buying firms. Good communication is an approach buyers must take to maintain a preferred customer status (Nollet et al., 2012, p. 1191). Other antecedents to achieve preferred customer status is that suppliers put importance in relationships with the potential to let the suppliers grow. Buyers for example could do this by promoting them as new market opportunities for the supplier (Schröer, Schiele, & Hüttinger, 2014, p. 712). Nollet et al. (2012, p. 1187) also mentioned that suppliers put buyers which are able to make suppliers more competitive at the top of their list. Next to this, Schröer et al. (2014, p. 712) found that a buyer's operative excellence, reliability and relational behaviour are also important antecedents for suppliers rewarding a buyer with preferential treatment. What should be noted is that geographical proximity has an effect for buying firms receiving a preferred customer status. Steinle and Schiele (2008, p. 3) argued that it is easier for firms to receive preferred customer status if they are closely located to their suppliers when compared to other firms which have a larger geographical distance with the supplier. A cluster membership makes it easier for buyers to become a preferred

customer with local suppliers. The ability of an organization to become a preferred customer is also largely dependent on the purchasing department. They are responsible for the development and the maintainment of this status. The purchasing department is responsible for identifying and selecting the best supplier, structuring and segmenting the supply base, building close relationships with the suppliers, and developing working relationships (Tchokogué & Merminod, 2021, p. 1).

Table 2 presents all mentioned antecedents for achieving a preferred customer status.

Table 2: Antecedents of preferred customer status

Antecedent	Reference
Social factors	
Relational value	(Nollet et al., 2012, p. 1190)
Good communication	(Nollet et al., 2012, p. 1191)
Supplier commitment	(Nollet et al., 2012, p. 1191)
Reliability	(Schröer et al., 2014, p. 712)
Relational behaviour	(Schröer et al., 2014, p. 712)
Geographical proximity	(Steinle & Schiele, 2008, p. 3)
Cluster membership	(Steinle & Schiele, 2008, p. 3)
Competence of purchasing department	(Tchokogué & Merminod, 2021, p. 1)
Economic factors	
Operative excellence	(Nollet et al., 2012, p. 1190; Schröer et al., 2014, p. 712)
Growth opportunity	(Schröer et al., 2014, p. 712)
Increase supplier's competitiveness	(Nollet et al., 2012, p. 1187)

When a buyer receives preferential treatment, it is important to know what benefits can actually be achieved. Table 3 contains a list of benefits that a buying firm could acquire through receiving a preferred customer status from its key suppliers.

Table 3: Benefits of preferred customer status

Benefit	Reference
Financial benefits	
Cost reduction	(Bew, 2007, p. 2)
Benevolent pricing	(Nollet et al., 2012, p. 1187)
Operational benefits	
Allocation of resources in short supply	(Bew, 2007, p. 2)
First access to new product developments	(Bew, 2007, p. 2)
Reduction in lead times	(Christiansen & Maltz, 2010, pp. 182, 186)
Process improvement	(Christiansen & Maltz, 2010, p. 189)
Improved supplier's innovativeness	(Schiele, Veldman, & Hüttinger, 2011, p. 8)
Customize products to customer's wishes	(Nollet et al., 2012, p. 1187)
Access to supplier's knowledge on markets	(Nollet et al., 2012, p. 1187)
Relational benefits	
More availability and responsiveness	(Nollet et al., 2012, p. 1187)

As can be read from table 3, a firm which has achieved preferred customer status can obtain a large range of benefits, which is classified between either financial, operational or relational. These benefits provide the basis for inter-organisational innovative capabilities (Schiele et al., 2011, p. 8). Research by Schiele et al. (2011, p. 16) also concluded that preferred customer status has a positive influence on the suppliers innovativeness, which could be of great importance depending on the buyer's needs.

In order to map the benefits which are received by a buying firm through preferred customer status, we use a pyramid which is seen in figure 1. The pyramid contains three stages in which the customers of a supplier can locate themselves in. The lowest level contains all customers which receive the same treatment as others and they have to pay for it. The second stage are customers which receive small preferred benefits but they have to pay for this. The last and top stage are customers which are preferred and receive benefits for this without the need for extra payment.

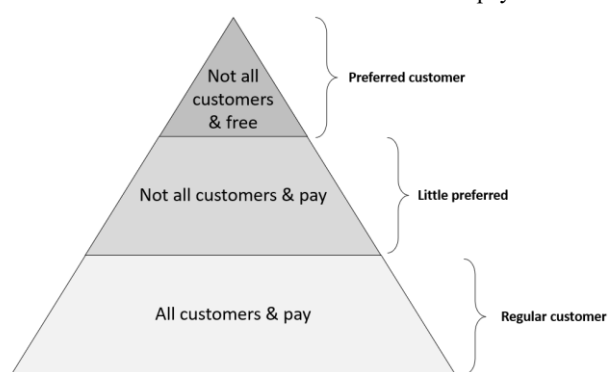


Figure 2: Mapping the benefits of preferred customer status

2.6 Sustainability can be tackled in various ways but barriers to implementation remain to exist

The adoption of sustainability practices has increasingly become more of concern among firms (Rao & Holt, 2005, p. 900). Firms have two general motivating factors to implement sustainability practices (Kumar & Rahman, 2015, p. 110):

1. External pressure from stakeholders. External pressure in the form of threat to reputation, penalties, and fear of business loss comes most from regulatory bodies, consumer groups and competitors (Kumar & Rahman, 2015, p. 115)
2. Through adoption of sustainability practices, firms can achieve certain benefits and advantages (Kumar & Rahman, 2015, p. 110)

Previous research on the impact of sustainable development on purchasing by Krause, Vachon, and Klassen (2009, p. 18) looked at how sustainable development could be integrated in the purchasing management. Sustainable development could either be centred around the environmental, economic or social aspect. The environmental aspect looks at the preservation of natural resources, waste minimization and reduced emissions. The economic aspect includes that the economic needs of the firms and its stakeholders are met. The social aspect is concerned with topics such as poverty, injustice and human rights. This includes health and safety of the workforce (Krause et al., 2009, p. 20). Table 4 is based on a literature review by Kumar and Rahman (2015, pp. 113-115) in which they mention a more extensive list of sustainable practices which can be implemented by firms regarding the three dimensions environmental, economic and social sustainability.

Table 4: Sustainability practices in business

Dimensions	Sustainable practices
Environmental	Improvements regarding packaging
	Increase in energy efficiency
	Substitution of energy towards renewables
	Minimization of pollution and emissions
	Minimization of waste
	Reverse logistics
	Green purchasing
	Reduction in input material
	Substitution of material towards more sustainable material
Economic	Eco labelling
	Optimum asset utilization
	Reduction in resource use
	Reduction in costs
	Minimization of quality-based rejection
Social	Minimization of delayed deliveries
	Good working conditions
	Rights to employees
	Fair trade and transparency
	Education of employees
	Career development
	Social welfare
	Fair wages
	Employee safety
	Employee health

This list shows that sustainability can be tackled through various ways and is not just, as an example, reducing emissions and pollution. The adoption of these sustainability practices can lead to economic benefits to the firm such as: competitive advantage, quality increase, cost reduction, improved company image, customer satisfaction, and increased profitability (Kumar & Rahman, 2015, p. 116). It is however not easy to just implement these practices. A lack of knowledge in the supply chain is a problem for organizations which want to adopt sustainable business practices (Kumar & Rahman, 2015, p. 117). Other barriers towards adoption of sustainability practices are organizational resistance, incomplete understanding of the production process, and a lack of collaboration in the supply chain (Vachon & Klassen, 2007, p. 402). One constraint which firms associate with sustainability is that it actually increases cost and thus reduces the profitability of the firm (Fortes, 2009, p. 59). By increasing the awareness as to why the firm must become more sustainable and why change is necessary, it can reduce the resistance to change. In order to do this, employees must be involved and informed on the process as to why the changes are necessary (Zutshi & Sohal, 2004, p. 406).

With sustainability, one aspect which has not been discussed before is the difference between countries regarding their interests on sustainability. Tata and Prasad (2015, p. 284) mentioned that previous research had identified differences between countries on people's attitude about the environment. As an example, Kellert (1996, p. 1) stated that people in Japan had less interest in ecological processes and wildlife conservation when compared to German people which had more interest in these matters. The differences between countries on people's attitude regarding sustainability could affect the willingness of

companies to engage into sustainability initiatives. Next to a difference in willingness based on geographical location, organisational culture also has an effect. Ki Fiona Cheung and Rowlinson (2011, p. 480) found that a mismatch between the organisations culture and its structure has a negative impact on employee's commitment towards sustainability. Concluding that a match is necessary between organisational structuring, culture, and commitment. One of the key questions to ask is, how do you measure the sustainability performance of a company? As stated before, sustainability is a very broad concept and a lot of attention on sustainability in the media goes towards the environmental aspect. Sustainability includes factors which are difficult to characterise and use value judgments instead of hard data (Keeble, Topiol, & Berkely, 2003, p. 149). Keeble et al. (2003, pp. 152-157) had conducted two case studies on measuring sustainability performance at the corporate and project level. Their approach to measure sustainability is that a firm needs to identify relevant indicators which they deem important combined with indicators which are used by other organisations. The identification of indicators on the corporate level is done through answering these questions:

- What is critical and relevant to the organisation?
- What commitments does the organisation need to support?
- How will they benchmark performance
- What do stakeholders expect of them?

From this large pool of potential indicators, criteria needs to be identified and applied in order to select the indicators which meets the needs of the organisation. These indicators need to be able to measure progress over time or measure through the use of benchmarking. The final shortlist of indicators can then be used by organisations in order to measure the performance. What can be argued however is that this is not original as using indicators seems standard procedure in order to measure performance such as using profit and revenue to measure economic performance. What is however included is the expectations and concerns of stakeholders which is an important aspect in determining the indicators.

As discussed in this chapter, sustainability is a very broad concept. Even though there are barriers towards the implementation such as lack of knowledge in the organisation, the potential benefits outweigh the hurdles which must be overcome by firms if they want to reach their sustainability goals.

2.7 Preferred customer status: a strategy to implement sustainability

One of the strategies which has been adopted by companies in order to address the issues regarding sustainability is that of Green purchasing. Green purchasing promotes efficiency and synergy with suppliers whilst improving environmental performance, minimizing waste and achieving cost savings (Rao & Holt, 2005, p. 899). With Green purchasing, buying firms monitor the performance of their suppliers in order to ensure that the supplied materials are environmentally friendly. With a strategy such as Green purchasing, it is important that next to the buying firm, the suppliers are also committed in reaching the sustainability goals (Rao & Holt, 2005, p. 900). In the previous chapter, the focus of sustainability was mostly on what the possibilities are for a firm regarding their own operations. As seen with Green purchasing, the supplying side is also important in order for a buying firm to reach their sustainability goals. Companies with a goal to become more sustainable need to think of their relationships with their suppliers. The sustainability of a buying firm is not only affected by their own operations but also by the sustainability performance of its entire supply chain. The

role of the buyer-supplier relationship is therefore crucial in order to improve the sustainability performance of the supply chain (Kumar & Rahman, 2015, p. 110). Tseng, Islam, Karia, Fauzi, and Afrin (2019, p. 157) stated that according to previous research on green supply chain management, collaboration with suppliers is necessary to reach mutual environmental goals. Suppliers however are not always interested in becoming more sustainable (Hall, 2000, p. 469) and if they are, suppliers are not always capable to innovate and adopt sustainability practices (Kumar & Rahman, 2015, p. 118). It is important that buying firms develop a system in which they promote the utilization of sustainable business practices with their supplying partners (Côté, Lopez, Marche, Perron, & Wright, 2008, p. 1569). Kumar and Rahman (2015, p. 119) mentioned that firms which want to reach their sustainability goals need to implement relationship management strategies in order to influence and support their suppliers. This is where the strategy of achieving preferential treatment comes in. As stated before, buyers which are perceived as attractive and consequently satisfy their supplier can be rewarded with preferred customer status. According to social exchange theory, suppliers which have rewarded buying firms with preferential treatment will likely have a closer relationship compared to regular customers (Hüttinger et al., 2012, pp. 1202-1203). This could make suppliers more willing to implement sustainability initiatives together with the buying firm due to the closer relationship. Another aspect previously mentioned in this chapter as a barrier to the implementation was that suppliers are not always capable to innovate and implement sustainability initiatives (Kumar & Rahman, 2015, p. 118). Previous research by Schiele et al. (2011, p. 16) however revealed that preferred customer status has a positive influence on the suppliers innovativeness. Suppliers being more willing to implement sustainability together with buying firms and suppliers sharing more innovations with their preferred customers aids buying firms which want to enhance their sustainability performance. This leads to the following three propositions:

Proposition 1a: *A preferred customer status has positive influence on a supplier's willingness to engage into sustainability initiatives with buyers*

Proposition 1b: *A preferred customer status has positive influence on a supplier's openness to share innovations*

Proposition 1c: *Preferred customer status has a positive influence on the implementation of sustainability initiatives between buyer and supplier*

This would be a new benefit of achieving preferred customer status. As sustainability initiatives themselves provide a range of benefits (Kumar & Rahman, 2015, p. 116) which can then be exploited more effectively by the buying organization in the situation where the suppliers are willing and capable to collaborate with the buyer.

What should be taken into account is the differences in interest by certain countries on sustainability (Tata & Prasad, 2015, p. 284). Even though I expect a positive relationship between preferred customer status and willingness to engage into sustainability, this relationship could change dependent on the general interest on sustainability of the supplier's country.

Proposition 2: *When the supplier's interest on sustainability is low, the relationship between preferred customer status and sustainability initiatives decreases*

Proposition 1b looks at the effect of preferred customer status on sustainability initiatives. What will also be studied is the converse effect whether sustainability initiatives from the buying firm has a positive effect on the assessment of the supplier on the relationship with the buyer. It could be that suppliers are more

willing to collaborate and supply to buying firms with a better record regarding sustainability. This leads to the third proposition:

Proposition 3: *Suppliers are more likely to grant preferential treatment to buyers which also score high on sustainability*

These propositions together could lead to a circularity effect where preferred customer status has a positive effect on sustainability initiatives, this then has a positive effect on the sustainability performance of the buyer which then could lead to the buyer becoming more attractive. This leads to the fourth proposition:

Proposition 4: *Preferred customer status, sustainability initiatives between buyer and supplier, and buyer's sustainability performance have a circularity effect*

These propositions are formed into a model to give a clearer presentation. The model was inspired by figure 1: The cycle of preferred customership (Schiele, Calvi, et al., 2012, p. 1180). Proposition 2 in the model shows either a negative or positive effect dependent on the general interest of the country from the supplier on sustainability.

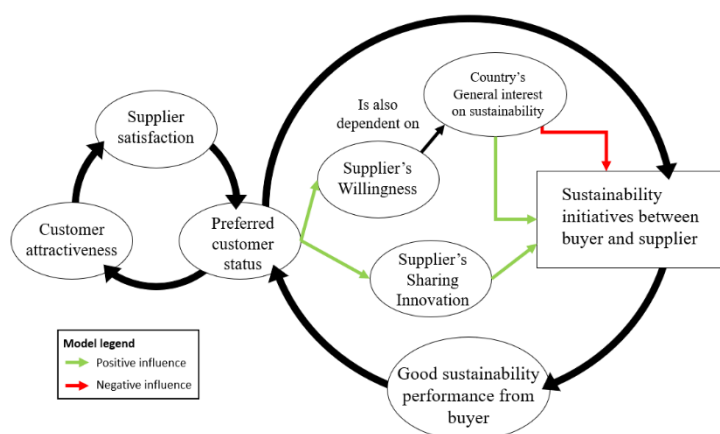


Figure 3: Effect of preferred customer status on sustainability initiatives

After the circularity of preferential treatment, the model presents the positive effect on supplier's willingness and capability. The supplier's willingness splits into a positive or negative effect based on the general interest on sustainability by certain countries. The model shows receiving preferred customer status has a positive influence on supplier willingness and capability which then further has a positive influence on sustainability initiatives. The circularity effect is also added between preferred customer status, sustainability initiatives, and sustainability performance.

3. METHODOLOGY: CASE STUDY

3.1 Research design: case study at a buying firm and its key suppliers

To gain a deeper understanding of the buyer-supplier relationship constructs related to preferential treatment, and the use of sustainable business practices, a literature review has been conducted. Supporting this literature review, a case study at Company X and five of its key suppliers has been conducted to find out about antecedents and benefits in the relationships and to find out about the effects of the relationship on sustainability initiatives. A qualitative research approach, via interviews, is taken as it provides a deeper understanding, and has the ability to further explore the reasoning behind the answers given by participants (Rahman, 2016, p. 104). The approach however does have limitations such as smaller sample sizes and the approach is

time consuming (Rahman, 2016, p. 102). Another issue with qualitative research is that due to the smaller sample size, the results of the study can only be generalized to a limited extend to the whole population (Flick, 2011, p. 1). A quantitative approach, such as surveys, would negate these limitations but is less in-depth and does not have the ability to further explore the meaning of participants (Rahman, 2016, p. 102). The constructs of preferential treatment and the potential relationship with sustainability initiatives are complex for which a qualitative approach would be best suited as it can find out about the motivations, beliefs and actions of the participants (Lakshman, Sinha, Biswas, Charles, & Arora, 2000, p. 371) on the subjects of preferential treatment and sustainability initiatives. The participants of the research on the supplying side were chosen by the head of the purchasing department from Company X as they were deemed 'critical' to their operations. An extra request was added that the suppliers were located across the globe in order to find out whether there were any differences in the results based on geographical location.

3.2 Interview at Company X and five of its 'critical' suppliers

Company X is a company which produces and distributes hoses and fittings for every market except the medical market. Their customers come up with specifications regarding the type of hose or fitting they require, and Company X distributes directly from their suppliers or they assemble parts on location. Company X's headquarters is located in (Confidential) with multiple locations across Europe, making them one of the largest producers and distributors in Europe and the world. This is one of the reasons why they are of interest to many suppliers as Company X can purchase high volumes, and they operate in a wide range of markets. The interview at Company X had been conducted at location where the head of purchasing was interviewed with additional comments made here and there by the second hand of purchasing. After the interview, the head of purchasing selected five of its key suppliers which they termed as 'critical' suppliers. Most of the critical suppliers are located either in Turkey, Italy, or Asia, so companies from those locations were chosen. The interviews for the supplying firms were done in English via Microsoft teams. The first supplier (S1) which was interviewed was a production plant located in Turkey. The company produces customer branded hydraulic, industrial, and thermal plastic hoses. The second supplier (S2) interviewed is one of the leading producers in Europe for hydraulic hoses and hydraulic fittings. The third company (S3) is also one of the largest producers for hydraulic hoses and fittings, with many branches located across the world but the headquarters is located in Milan, Italy. The fourth supplier (S4) is a relatively small company which produces hoses and fittings for industry purposes. The last supplier (S5) produces hydraulic hoses and is located in China.

3.3 Interview structure

Two questionnaires were used to conduct the case study, one for the buyer and one for the supplier. Both questionnaires consist of the same structure, with differences regarding the perspective of the buyer and the supplier on their relationship and their views. Before the interviews start, the participants are asked whether they give permission for the interview to be recorded as this makes it easier to analyse the data. The recording was done through Microsoft teams for the suppliers, and the interview for Company X was recorded through the use of a mobile phone. All participants are also reminded that the interviews will be anonymous in order to get more open answers. When the recording starts, participants are then asked to give a small introduction of their company and themselves. Then the questionnaire starts with the first set of questions relating to

whether the companies classify their relationship with the other party. This is to find out whether the buyer and the supplier have a classification system in place which resembles that of a preferred customer status, and whether the buying company has actually achieved this status. The questionnaire then follows with questions regarding whether companies are assigned benefits due to having preferred customer status and what these benefits are. The next section of questions are about the antecedents of preferred customer status in order to find out what companies need to do to become a preferred customer. The questionnaire ends with questions regarding sustainability in order to find out about the influence of the buyer-supplier relationship on sustainability initiatives. It is proposed, as in chapter 2.7, that suppliers are more likely to grant preferential treatment towards buyers which score high on sustainability. The answers from the participants should aid to answer this. All interview questions are open with the goal to find out more about the thoughts and opinions of the participants and it has the ability to ask further questions in order to find out extra information.

3.4 Data analysis approach

The results of the conducted interviews will be transcribed via Amberscript or Microsoft teams. These programs automatically convert audio to text, and an additional manual check has been conducted to correct mistakes in the transcription. The transcribed text where then coded via the program ATLAS.ti. The coding process uses deductive and inductive coding. With a deductive approach, the data will be analysed based on already existing theory (Gale, Heath, Cameron, Rashid, & Redwood, 2013, p. 3). With this approach, table 1, 2, and 3 will be used as a base list to identify and cluster key aspects of the data in groups relating to the pre-existing theory on the constructs of preferential treatment and sustainability initiatives (Azungah, 2018, p. 392). With the inductive approach, the data will be analysed through an open coding process (Gale et al., 2013, p. 3). Through adding the inductive approach, it can ensure that other key aspects of the data is considered (Azungah, 2018, p. 393) which was not previously mentioned by theory. When all data is coded, a cross-table will be utilised to find out and compare whether participants experience what theory mentions, and to discover other experiences not previously mentioned by theory (Azungah, 2018, p. 392).

The data analysis approach has led to the findings presented in chapter 4 starting on buyer-supplier classification, then on antecedents of supplier satisfaction, antecedents and benefits of preferred customer status, and ending on the relationship between buyer-supplier and sustainability initiatives.

4. ANALYSIS AND RESULTS

4.1 Suppliers classify their relationship and have preferred customers

This chapter lists the findings of the conducted interviews, starting on the classification system used by participants. Following this, the results regarding antecedents of supplier satisfaction, preferred customer status and its associated benefits are mentioned. The results on the effects of preferred customer status on sustainability initiatives are then listed and the chapter ends with findings related to the propositions and the model.

Company X, hereafter B1, classifies the relationship they have with their suppliers between main and alternative supplier. Every product has at least one main supplier and two to three alternative suppliers. Next to this, there are also the 'critical suppliers' which supply most of the products to B1. These critical suppliers are selected based on whether products are difficult to obtain at multiple suppliers, whether the products are important to the amount of sales, whether the product represents an important part

of total purchasing turnover, and whether the products are interchangeable with other suppliers. B1 does not receive any information on whether their suppliers also classify their relationship with them and was therefore not sure on if they had achieved a preferred customer status. B1 did however say that they were very important to some suppliers, especially in Asia, Italy and Turkey, and that these suppliers did give them preferential treatment. B1 was of the opinion that this preferential treatment is the consequence of two main reasons. One of those is that they are potentially the biggest customer based on volume and turnover for these suppliers. The other reason is that B1 is committed to have tight personal relationships with their critical suppliers, with the goal that the parties meet each other face to face at least once a year.

Through the interview, it was discovered that every supplier classifies the relationship they have with their customers, with some customers having a 'key status'. What was also prevalent was that all suppliers, hereafter also either S1, S2, S3, S4, or S5, assigned this status type to the whole company instead of only to specific departments. S2 mainly used the classification system in order to classify performance of the buyers regarding payment terms, profitability and volume in order to find out whether improvements need to be made. The interview with S2 however revealed that high performing customers received many benefits, which can be read in chapter 4.3, which relates to a preferred customer status. The system used by S4 was relatively the most extensive with even including sustainability performance. The classification system used by suppliers differs but volume was used by all participants. All classification parameters used by suppliers can be read in table 5.

Table 5: Suppliers classify their relationship with the buyer

Suppliers which classify, and have preferred customers	RESPONDENT				
	S1	S2	S3	S4	S5
Classifies relationship with buyers	X	X	X	X	X
Assigns status type to whole company	X	X	X	X	X
Assigns preferred customer status	X	X	X	X	X
Classification system used by suppliers	RESPONDENT				
	S1	S2	S3	S4	S5
Growth opportunity	X	X			X
Market presence of company			X	X	
Planning ability				X	
Loyalty				X	
Profitability		X	X		
Sustainability performance				X	
Volume	X	X	X	X	X
Payment terms		X		X	
Relationship				X	

4.2 Open communication an important antecedent towards supplier satisfaction

In order to satisfy your suppliers, one of the main aspects which a buyer must utilise according to the participants was good communication. As an example, all participants were of the opinion that feedback from the buyer was important. Communication also includes that a buyer must be open in his information and that suppliers could trust the information to be true. Almost all, except for S1, on the suppliers side said that a cooperative relationship and the relational behaviour of the buyer were important antecedents to achieve supplier satisfaction. All suppliers except for S3 also said that good payment terms were

important to make them satisfied. S3 did mention that to them it was very important that the agreements made were being honoured. S3 had cut off all business with one of its customers due to the customer suddenly wanting to change the conditions and threatening to walk away if not complied with. Almost all, except for S5, mentioned that the opportunity for both parties to grow together was very important to supplier satisfaction and also to preferred customer status which can be read in chapter 4.3. S4 said that to them, it was very important that buyers also were understanding when they had problems regarding delays in supply due to them needing to close due to the Covid-19 crisis by the government. Many buyers did not understand the situation except for some like Company X which made S4 very satisfied in how they conducted in the situation. The loyalty of the buyer were also mentioned by S1, S2, and S3 as they positively influenced the relationship between buyer and supplier which lead to higher supplier satisfaction. S3 said that the possibility to have discussions with a buyer was important, as buyers could change suppliers without informing their pre-existing supplier. Buyers which are open with this and give the opportunity to discuss what they deemed as unsatisfactory, such as price compared to alternative suppliers, were seen as fair. Even if after the discussion, the conclusion is that the buyer will change suppliers, S3 was of the opinion that this was fair behaviour which made them more satisfied with the buyer. All found antecedents of supplier satisfaction can be read in table 6.

Table 6: Found antecedents of supplier satisfaction

Antecedents of supplier satisfaction	RESPONDENT					
	B1	S1	S2	S3	S4	S5
Being fair				X		
Patience when out of control problems arise					X	
Company values			X			
Cooperative relationship			X	X	X	X
Feedback	X	X	X	X	X	X
Forecasting/planning		X	X		X	
Growth opportunity	X	X	X	X	X	
Honouring agreements				X		
Loyalty of buyer			X	X	X	
Openness and trust	X		X	X	X	
Operative excellence				X	X	
Payment Policy		X	X		X	X
Profitability	X		X	X	X	
Relational behaviour	X		X	X	X	X
Sharing information on products and markets				X		
Sustainability performance					X	

4.3 The value of long-term relationships and the ability to buy high volumes as antecedents of preferred customer status

All participants stressed that a good relation with the other party is an important antecedent to being a preferred customer. With this relationship, all suppliers put importance that Company X had a long term relationship with them. S3 specifically mentioned that in order to become a preferred customer, a buyer must be able to build a long term relationship with them. All participants, except for S4, also put importance that preferred customers were able to buy high volumes of them which is the case with Company X. Both S2 and S3 said that a customer could also be strategic due to the type of products that they buy which

are deemed strategic. With this, S3 said customers which buy these type of products allow the supplier to be present in a particular segment of the market. S2 said that buyers which buy these type of products which are not typical for the sector, can also allow them to have a further growth opportunity with the corresponding buyer. Growth opportunity was mentioned by all participants expect for S5 as important to being a preferred customer. S1, S3 and S4 also mentioned the importance of the purchaser on their knowledge of the products and them being good people to work with. S3 mentioned on this that Company X are one of their most skilled customers with them being able to give clear technical indications on the products they need. Both S3 and S4 put importance on the status that the buyer had on the market, which for Company X is a large presence.

Table 7: Found antecedents of preferred customer status

Antecedents of preferred customer status	RESPONDENT					
	B1	S1	S2	S3	S4	S5
Buying high volume	X	X	X	X		X
Buying strategic products			X	X		
Competence of purchaser		X		X	X	
Growth opportunity	X	X	X	X	X	
Long-term relationship		X	X	X	X	X
Operative excellence				X	X	X
Relational behaviour	X		X	X	X	X
Relational value	X	X	X	X	X	X
Status of the buyer				X	X	

4.4 Benefits include increased problem solving, involvement of top management, preservation of buyer's business, and more

Being a preferred customer lead to very large range of benefits which can be read in table 8. Related to figure 2: *Mapping the benefits of preferred customer status*, the three best benefits which Company X received due to their preferred customer status were that all of the participating suppliers want to collaborate with the buyer to solve problems. Closely related to this, B1 said that some of their suppliers would go very far to make them satisfied and they felt that there was an increased willingness by suppliers to discuss and cooperate to solve problems, such as price or delayed shipment, when compared to customers which are not that important. Another strategic benefit was the involvement of top management which Company X receives from both S2 and S4. S4 said on this that the owner personally made a phone call to the owner of Company X with the advice to postpone a very big order, which was already placed, as they expected that the price of the product would go down the next month and that Company X would then place the order again but for a better price. S4 said that this type of cooperation is not for everyone so this would be a substantial benefit for Company X. At last, the third best benefit would be the preservation of the buyer's business by the suppliers which were mentioned by S3. S3 said that if they receive an inquiry from Company X for a special project and also the same inquiry from another non-strategic customer, they would choose and protect the business of Company X. S3 gave as an example that if they develop a product with Company X which performs very well in the market, they would not sell this product to other customers as they developed this with Company X and only they will be able to buy it from S3. Even though that the second and third benefit were not received by Company X by all participants, they were still deemed as more interesting and important than others which were present at more of the participating suppliers.

Table 8: Found benefits of preferred customer status

Benefits of preferred customer status	RESPONDENT					
	B1	S1	S2	S3	S4	S5
Allocation of personnel			X	X	X	
Benevolent pricing	X		X		X	X
Building closer relationships			X	X	X	X
Collaboration to solve problems	X	X	X	X	X	X
Company visits	X		X	X	X	X
Customized packaging to customer's wishes	X		X	X	X	
Customized products to customer's wishes				X	X	X
Delivery priority in case of urgency		X	X	X		
Direct involvement of top management			X		X	
First access to new developments	X			X	X	X
Increase in service	X		X	X	X	
Increased willingness to discuss and cooperate	X			X	X	X
Loyalty of supplier				X		
Open information sharing	X		X	X		
Preserving business of buyer				X		
Priority for allocation of valuable resources		X		X		X
Reduction in lead times	X		X	X	X	X
Suppliers asking feedback to improve their products for important buyers	X	X		X	X	
More, and earlier innovation initiatives from the supplier	X			X	X	X

4.5 Preferred customer status does have positive influence on sustainability initiatives between buyer and supplier

B1, S2, S3, and S4 were deemed as having higher awareness on the topic of sustainability. This was due to them having an extensive definition of sustainability, which resembles the practices mentioned by table 4. The amount of practices actually being utilised however differed per participant, even though they were aware of various sustainability practices. S4 was the most into sustainability, even using sustainability performance in their classification of preferred customers, and it was also an antecedent for achieving supplier satisfaction. This is different when compared to both S1 and S5, which both only thought of quality and minimising delayed deliveries when thinking of sustainability. B1 is located in the Netherlands and S2, S3, and S4 are all located in Italy. Both B1 and S2 independently mentioned that sustainability was more prevalent in Europe when compared to Asia. Both S1 and S5 are located in Asian countries and had a smaller definition and utilisation of sustainable practices. All participants, except for S5, collaborates with their buyers or suppliers on sustainability initiatives. The amount of collaboration projects however was very small and mostly were on changes in the packaging or some substitution of materials. S4 said that they would appreciate more inputs from customers on sustainability. All, except for S1 and S5, mentioned that a preferred customer status leads to an increased willingness to implement sustainability initiatives between buyer and supplier.

With these factors, all participants with a higher awareness on sustainability perceived that the buyer-supplier relationship had a positive influence on sustainability initiatives. Conversely however, only S3 and S4 were of the opinion that sustainability efforts were important to achieve a preferred customer status. B1 said on this that not everyone is aware on the importance of sustainability and that it would become more important in the future, adding that their sector was not on forefront of sustainability. S2 and S3 also had the opinion that sustainability efforts would become more important in the future.

Table 9: Relationship between buyer-supplier and sustainability initiatives

Sustainability	RESPONDENT					
	B1	S1	S2	S3	S4	S5
High awareness on sustainability	X		X	X	X	
Aligned focus between buyer and supplier on sustainability	X		X	X	X	
Collaborates on sustainability initiatives between buyer and supplier	X	X	X	X	X	
Increased willingness to implement sustainability initiatives	X		X	X	X	
Buyer-supplier relationship positively influences sustainability initiatives	X		X	X	X	
Sustainability efforts are important to achieve preferred customer status				X	X	
Sustainability efforts will become more important in the future	X		X	X		

4.6 Preferred customer status positively influences sustainability, but no circularity

Relating to the propositions and the model from figure 3, participants B1, S2, S3, and S4 were all of the opinion that a preferred customer status has a positive influence on their willingness to engage into sustainability initiatives with a buyer. S2 said that the relationship always makes a difference which makes it easier to discuss and to collaborate together on sustainability. Next to this, B1, S3, S4, and S5 were all of the opinion that a benefit of preferred customer status was that buyers receive more, and earlier, innovation initiatives from the supplier. So preferred customer status also positively influences suppliers openness to sharing innovations. The results support proposition 1c as B1, S2, S3, S4 were of the opinion that a preferred customer status has a positive influence on the implementation of sustainability initiatives. Proposition two is also deemed to be true as there were large differences in the interests and awareness regarding sustainability between the European and Asian participants. This feeling was also confirmed by multiple participants stating that sustainability was more European than Asian or even American. The converse effect however was not supported, buyers which score high on sustainability are not more likely to receive preferential treatment according to all except for S3 and S4. B1 said on this that in the end, if someone else pays more for the product, they would get the product even if they had low performance on sustainability. This therefore also means that there is no circularity effect at this moment. B1, S2 and S3 did state however that sustainability would become more important in the future so this could potentially change.

5. DISCUSSION OF THE FINDINGS

5.1 Both business and social factors have substantial contributions towards preferential treatment

The intended contribution of this research was to provide empirical evidence, and enhance previous literature on the antecedents and benefits of supplier satisfaction and preferred customer status. Adding to this, the research also looked at the effects of preferred customer status on sustainability initiatives between buyer and supplier. This chapter starts with a discussion on the results related to the antecedents and benefits. It then discusses the findings and how they compare to literature regarding sustainability. The chapter ends with comparing findings towards the proposition and model whilst also providing the contributions, limitations, and what future research should look into after this research.

What was very apparent whilst conducting the interviews was that all participating suppliers were very satisfied with their relationship with Company X. All participants did indeed classify their relationship with their customers and they give preferential treatment to those which perform better than others. This is in line with social exchange theory, which suggests that suppliers which are more satisfied with a particular customer relative to alternatives, can reward the preferred customer with preferential treatment (Hüttinger et al., 2012, pp. 1194-1195). As stated before with social exchange theory, the relationship develops over time through the interactions between buyer and supplier. With norms, personal relations, trust and commitment as effective governance mechanisms in exchange relationships (Schiele, Veldman, et al., 2012, p. 136). The findings also support this with all participants mentioning the good personal relationship that they had with the other party as an essential antecedent to both supplier satisfaction and preferred customer status. All supplying participants also put importance in the relationship being long-term which was not previously discussed in the literature review.

With the relationship, the importance of open and honest communication was also highlighted by the interviews. This falls in line with both Maunu (2003, p. 95) and (Nollet et al., 2012, p. 1191) as they mentioned good communication as an antecedent to satisfying suppliers and receiving a preferred customer status. Overall, the value of the relationship and the behaviour showed by the buyer were critical which is also seen in literature (Nollet et al., 2012, p. 1190; Schröer et al., 2014, p. 4621). Next to social factors, some business factors were also in line with literature such as profitability, growth opportunity, operative excellence, status of the buyer, and payment policy (Maunu, 2003, p. 95; Meena & Sarmah, 2012, p. 1249; Nollet et al., 2012, p. 1190; Frederik G. S. Vos et al., 2016, p. 4621; F.G.S. Vos et al., 2021, p. 10).

Next to long-term relationships, there were also other antecedents found which were not previously mentioned in the literature review. One of those is that the loyalty of the buyer was an important antecedent for supplier satisfaction for more than half of the participating suppliers. Sharing information on products and markets by buyers was also seen as important to one participant as they deemed their buyers as 'sentinels of the market'. The same participant also put importance on their customers acting in a fair manner whilst they conduct business with them, with the ability to always discuss instead of changing suppliers behind their back. Sustainability was also mentioned by one participant and being understanding of the other supplier when problems arise which were out of control, such as the Covid-19 crisis, were both not previously mentioned in the

literature review. Buyers being able to buy high volumes was also something not previously discussed, but is closely related to profitability. At last, a buyer could also be seen as strategic, and thus important, due to how strategic the product they buy is towards the operations of the supplying company. Future research should focus on these new antecedents and benefits with the goal to further confirm, and to find out whether these are also present in other branches.

Contradicting to literature, geographical proximity was not found to have an effect on preferential treatment, as the buyer themselves perceived that they were very important to suppliers located in Asia, saying that these suppliers would go very far to satisfy them. This feeling was also confirmed whilst conducting the interview with S5 who is located in Asia, stating that the buyer was one of the most important customers to them. It could be that this is different in other sectors. Future research should look into this aspect with other sectors to see if this could further deny the antecedent of geographical proximity to becoming a preferred customer.

5.2 Lack of knowledge remains largest barrier on sustainability implementation

All mentioned sustainability practices which were utilised by participants fell in line with what was discussed in the literature review of Kumar and Rahman (2015, pp. 113-115). The actual practices being utilised however on the environmental aspect was low which was explained by one participant as a lack of knowledge on how to actually implement sustainability practices. This falls in line with literature which states that a lack of knowledge in the supply chain is a major problem towards organisations which want to become more sustainable (Kumar & Rahman, 2015, p. 117). According to the findings, a preferred customer status does indeed have a positive influence on sustainability initiatives. This falls in line with literature which stated that the role of the buyer-supplier relationship is important in order to improve the sustainability performance of the supply chain (Kumar & Rahman, 2015, p. 110). Most of the participating buyers and suppliers did collaborate with the other party on sustainability initiatives and there were no difficulties to collaborate with suppliers due to the increased willingness which suppliers have with preferred customers. Even though Vachon and Klassen (2007, p. 402) said that a lack of collaboration is a barrier towards sustainability adoption, it does not mean that when this is not the case, that sustainability practices can easily be adopted. The lack of knowledge on how to actually implement was more of a problem according to participants, with one participant saying that they needed more knowledge and help from research bodies on what other materials and chemicals they could utilise which are better for the environment. The buyer was also of the opinion that the sector in which they operate was lacking in awareness regarding the importance of sustainability.

5.3 Buying firms with preferred customer status could utilise this to improve their sustainability performance

Relating to the propositions and the model of figure 3, the findings support that a preferred customer status has a positive influence on the supplier's willingness to engage into sustainability and supplier's openness to share new innovations with buyers. It was also found that a preferred customer status has a positive influence on the implementation of sustainability initiatives. This confirms that preferred customer status is a strategy which buying firms could pursue in order to improve their sustainability performance with their suppliers. This falls in line with previous literature by Kumar and Rahman (2015, p. 119) which stated that firms which want to achieve their

sustainability goals, need to implement relationship management strategies. Related to what S2 stated on the importance of the relationship, the increased willingness by suppliers to engage into sustainability is deemed as a consequence of the closer relationship between buyers and suppliers. This falls in line with the social exchange theory which states that suppliers have a closer relationship with buyers which are rewarded with preferential treatment (Hüttinger et al., 2012, pp. 1202-1203). Suppliers being more open to share innovation with their buyers falls in line with Schiele et al. (2011, p. 16) which said that preferred customer status positively effects the supplier's innovativeness.

What the results did not support however was the converse effect, buyers which score high on sustainability are not more likely to receive preferential treatment. This therefore also means that there is no circularity effect at this moment. Multiple participants did state however that sustainability would become more important in the future so this could potentially change. Proposition two is deemed to be true as there were large differences in the interests and awareness regarding sustainability between the European and Asian participants. This confirms previous research which Tata and Prasad (2015) mentioned, which stated that countries vary in people's attitude on the environment. This feeling was also confirmed by multiple participants stating that sustainability was more European than Asian or even American. In the short-term, buyers wanting to improve their sustainability performance could therefore first look at suppliers in countries which put sustainability in higher regard. It could be that this would be more successful, as those suppliers are more likely to have an increased awareness on sustainability and are therefore more likely to effectively engage with the buyer on sustainability. Future research should further look into this aspect to see whether this strategy is indeed more successful or if it does not matter where the supplier is from in order to successfully engage into sustainability initiatives.

5.4 Company X are preferred and could further take advantage of this

What was very apparent was that every supplier was very satisfied working with Company X. The importance that Company X puts on developing a long-term relationship with their key suppliers was stressed by multiple suppliers as crucial to them in how they assessed their relationship with Company X. The ability of Company X to buy high volumes was one of the most important antecedents to becoming a preferred customer. They should continue their strategy of building close relationships with their key suppliers whilst also grouping orders with high quantity. Even though Company X was not sure whether they were preferred customer, they actually were one of the most important customers to all of the participating suppliers. Not every supplier specifically said that Company X was a preferred customer, or they said that they do not differentiate in their treatment between customers. Their answers during the interviews however implied that they do give certain benefits to those customers which were deemed as important to them. Company X could utilise this knowledge more in their comparison between suppliers when they are assessing performance, as not every suppliers gives as many benefits as the other. Company X could also potentially put pressure on those suppliers which reward less benefits, as Company X is that important to them. However agreements should always be honoured, as one supplier said they cut off business with one of their customers after they wanted to alter agreements.

Regarding sustainability, the results showed that preferred customer status has a positive influence on sustainability initiatives between buyers and suppliers. Company X should

further utilise this as one supplier said they would appreciate it more if their buyers came to them regarding ideas to collaborate on sustainability. If company X wants to improve their performance regarding sustainability, suppliers would definitely be open to this. What should be taken into consideration is that on the short-term, suppliers from countries which have more interest and awareness on sustainability should be prioritised on this. It could be difficult to successfully collaborate with suppliers located in countries which have low awareness and interest in sustainability.

5.5 Contributions, Limitations and Future Research

This research contributes to literature with empirical evidence which further supports and reinforces previous research on the antecedents and benefits of preferential treatment. It also provides new antecedents and benefits not looked at before in literature. The research also contributes to the discovery that preferred customer status has positive effects on sustainability initiatives between buyers and suppliers.

One of the limitations of the research is that the findings are generalised due to a small sample size. Future research could look into the found antecedents and benefits with a larger sample size to either further confirm or deny the findings. The variability in attitude on sustainability between countries should also be researched more in the future with a larger sample size to further confirm or deny the findings from this study. Some of the conducted interviews were also taken before the literature review was finalised due to availability of the participants. This reduces the quality of the interviews. A pilot interview was not undertaken but would also improve the quality of the interviews, as it could aid in reflecting whether all questions were relevant, or if more questions needed to be added. Good performance on sustainability was also difficult to assess according to participants. More knowledge on the topic was necessary in the sector according to the participants. Future research should focus on whether there are differences between sectors regarding the influence of preferred customer status on sustainability initiatives. Other sectors could be more advanced which also opens up the possibility that the converse and circularity effect are supported.

6. FINAL CONCLUSION

The findings support previous research on the antecedents and benefits of supplier satisfaction and preferred customer status. Through conducting the interviews at Company X and five of its key suppliers, new antecedents and benefits were also identified. Suppliers put high importance on how buyers conduct themselves towards them. Having a loyal, long-term relationship with openness and honesty was valued highly by suppliers. Next to the social aspect, buyers need to be aware that business factors such as growth opportunity, and buying high volumes were found to be very important to suppliers in their classification of customers. Some of the propositions on the influence of the relationship between buyer-suppliers and sustainability initiatives were also confirmed. The effects of preferred customer status on sustainability initiatives are that it improves willingness and ability of suppliers to collaborate with buyers. Buyers with this preferential treatment are also first in line to receive new innovations from their suppliers which could contribute positively towards sustainability performance. What should be taken into account by buyers is that the general interests of a country on sustainability could have either a positive or negative effect on collaborations regarding sustainability projects.

7. BIBLIOGRAPHY

- Azungah, T. (2018). Qualitative research: deductive and inductive approaches to data analysis. *Qualitative Research Journal*, 18(4), 383-400. doi:10.1108/qrj-d-18-00035
- Bew, R. (2007). The New Customer of Choice Imperative: Ensuring Supply Availability, Productivity Gains, and Supplier Innovation.
- Brokaw, A. J., & Davisson, C. N. (1978). "Positioning" a Company as a Preferred Customer. *Journal of Purchasing and Materials Management*, 14, 9-11. doi:10.1111/J.1745-493X.1978.TB00412.X
- Christiansen, P. E., & Maltz, A. (2010). Becoming an "Interesting" Customer: Procurement Strategies for Buyers without Leverage. *International Journal of Logistics Research and Applications*, 5(2), 177-195. doi:10.1080/13675560210148678
- Côté, R. P., Lopez, J., Marche, S., Perron, G. M., & Wright, R. (2008). Influences, practices and opportunities for environmental supply chain management in Nova Scotia SMEs. *Journal of Cleaner Production*, 16(15), 1561-1570. doi:10.1016/j.jclepro.2008.04.022
- Ellegaard, C., Johansen, J., & Drejer, A. (2003). Managing industrial buyer-supplier relations – the case for attractiveness. *Integrated Manufacturing Systems*, 14(4), 346-356. doi:10.1108/09576060310469725
- Ellegaard, C., & Ritter, T. (2007). Attractiveness in Business Markets: Conceptualization and Propositions
- Fiocca, R. (1982). Account Portfolio Analysis for Strategy Development. *Industrial Marketing Management*, 11(1), 53-62.
- Flick, U. (2011). *Introducing research methodology: A beginner's guide to doing a research project.*: London: SAGE Publications Ltd.
- Fortes, J. (2009). Green Supply Chain Management: A Literature Review. *Otago Management Graduate Review*, 7, 51-62.
- Gale, N. K., Heath, G., Cameron, E., Rashid, S., & Redwood, S. (2013). Using the framework method for the analysis of qualitative data in multi-disciplinary health research. 13, 1-8. doi:<https://doi.org/10.1186/1471-2288-13-117>
- Hall, J. (2000). Environmental supply chain dynamics. *Journal of Cleaner Production*, 8(6), 455-471.
- Hovmøller Mortensen, M., Kovacs, G., Vagn Freytag, P., & Stentoft Arlbjørn, J. (2008). Attractiveness in supply chains: a process and maturity perspective. *International Journal of Physical Distribution & Logistics Management*, 38(10), 799-815. doi:10.1108/09600030810926501
- Hüttinger, L., Schiele, H., & Veldman, J. (2012). The drivers of customer attractiveness, supplier satisfaction and preferred customer status: A literature review. *Industrial Marketing Management*, 41(8), 1194-1205. doi:10.1016/j.indmarman.2012.10.004
- Kannan, V. R., & Choon Tan, K. (2006). The impact of supplier selection and buyer supplier engagement. *International Journal of Physical Distribution & Logistics Management*, 36(10), 755-775. doi:10.1108/09600030610714580
- Keeble, J. J., Topiol, S., & Berkely, S. (2003). Using indicators to measure sustainability performance at a corporate and project level. *Journal of Business Ethics*, 44, 149-158.
- Kellert, S. R. (1996). *The Value of Life: Biological Diversity and Human Society*. Washington, DC.: Island Press.
- Ki Fiona Cheung, Y., & Rowlinson, S. (2011). Supply chain sustainability: a relationship management approach. *International Journal of Managing Projects in Business*, 4(3), 480-497. doi:10.1108/17538371111144184
- Krause, D. R., Vachon, S., & Klassen, R. D. (2009). SPECIAL TOPIC FORUM ON SUSTAINABLE SUPPLY CHAIN MANAGEMENT: INTRODUCTION AND REFLECTIONS ON THE ROLE OF PURCHASING MANAGEMENT. *Supply chain Management*, 45(4), 18-25.
- Kumar, D., & Rahman, Z. (2015). Sustainability adoption through buyer supplier relationship across supply chain: A literature review and conceptual framework. *International Strategic Management Review*, 3(1-2), 110-127. doi:10.1016/j.ism.2015.04.002
- Lakshman, M., Sinha, L., Biswas, M., Charles, M., & Arora, N. K. (2000). Quantitative Vs Qualitative Research Methods. *Indian Journal of Pediatrics*, 67, 369-377.
- Maunu, S. (2003). Supplier satisfaction: The concept and a measurement system; a study to define the supplier satisfaction elements and usage as a management tool.
- Meena, P. L., & Sarmah, S. P. (2012). Development of a supplier satisfaction index model. *Industrial Management & Data Systems*, 112(8), 1236-1254. doi:10.1108/02635571211264645
- Nollet, J., Rebolledo, C., & Popel, V. (2012). Becoming a preferred customer one step at a time. *Industrial Marketing Management*, 41(8), 1186-1193. doi:10.1016/j.indmarman.2012.10.003
- Painter-Morland, M., Hibbert, S., & Cooper, T. (2019). <development of responsible.pdf>. *Journal of Business Ethics* 157(4), 885-891. doi:<https://doi.org/10.1007/s10551-018-3958-3>
- Pulles, N. J., Schiele, H., Veldman, J., & Hüttinger, L. (2016). The impact of customer attractiveness and supplier satisfaction on becoming a preferred customer. *Industrial Marketing Management*, 54, 129-140. doi:10.1016/j.indmarman.2015.06.004
- Rahman, M. S. (2016). The Advantages and Disadvantages of Using Qualitative and Quantitative Approaches and Methods in Language "Testing and Assessment" Research: A Literature Review. *Journal of Education and Learning*, 6(1). doi:10.5539/jel.v6n1p102

- Rao, P., & Holt, D. (2005). Do green supply chains lead to competitiveness and economic performance? *International Journal of Operations & Production Management*, 25(9), 898-916.
doi:10.1108/01443570510613956
- Schiele, H. (2012). Accessing Supplier Innovation By Being Their Preferred Customer. *Research-Technology Management*, 55(1), 44-50. doi:10.5437/08956308x5501012
- Schiele, H., Calvi, R., & Gibbert, M. (2012). Customer attractiveness, supplier satisfaction and preferred customer status: Introduction, definitions and an overarching framework. *Industrial Marketing Management*, 41(8), 1178-1185. doi:10.1016/j.indmarman.2012.10.002
- Schiele, H., Veldman, J., & Hüttinger, L. (2011). Supplier Innovativeness and Supplier Pricing: The Role of Preferred Customer Status. *International Journal of Innovation Management*, 15(01), 1-27.
doi:10.1142/s1363919611003064
- Schiele, H., Veldman, J., Hüttinger, L., & Pulles, N. (2012). Towards a social exchange theory perspective on preferred customership — concept and practice. In *Supply Management Research* (pp. 133-151).
- Schröer, D., Schiele, H., & Hüttinger, L. (2014). Exploring the antecedents of preferential customer treatment by suppliers: a mixed methods approach. *Supply Chain Management: An International Journal*, 19(5/6), 697-721. doi:10.1108/scm-06-2014-0194
- Steinle, C., & Schiele, H. (2008). Limits to global sourcing? Strategic consequences of dependency on international suppliers: Cluster theory, resource-based view and case studies. *Journal of Purchasing and Supply Management*, 14(1), 3-14. doi:10.1016/j.pursup.2008.01.001
- Tata, J., & Prasad, S. (2015). National cultural values, sustainability beliefs, and organizational initiatives. *Cross Cultural Management*, 22(2), 278-296. doi:10.1108/ccm-03-2014-0028
- Tchokogué, A., & Merminod, N. (2021). The purchasing department's leadership role in developing and maintaining a preferred customer status. *Journal of Purchasing and Supply Management*, 27(2).
doi:10.1016/j.pursup.2021.100686
- Tseng, M.-L., Islam, M. S., Karia, N., Fauzi, F. A., & Afrin, S. (2019). A literature review on green supply chain management: Trends and future challenges. *Resources, Conservation and Recycling*, 141, 145-162.
doi:10.1016/j.resconrec.2018.10.009
- Vachon, S., & Klassen, R. D. (2007). Supply chain management and environmental technologies: the role of integration. *International Journal of Production Research*, 45(2), 401-423.
doi:10.1080/00207540600597781
- Vos, F. G. S., Schiele, H., & Hüttinger, L. (2016). Supplier satisfaction: Explanation and out-of-sample prediction. *Journal of Business Research*, 69(10), 4613-4623. doi:10.1016/j.jbusres.2016.04.013
- Vos, F. G. S., Van der Lelij, R., Schiele, H., & Praas, N. H. J. (2021). Mediating the impact of power on supplier satisfaction: Do buyer status and relational conflict matter? . *International Journal of Production Economics*, 239, 1-17. doi:<https://doi.org/10.1016/j.ijpe.2021.108168>
- Walter, A., Ritter, T., & Gemünden, H. G. (2001). Value Creation in Buyer–Seller Relationships: Theoretical Considerations and Empirical Results from a Supplier's Perspective. *Industrial Marketing Management*, 30(4), 365-377.
- Whipple, J., Frankel, R., & Daugherty, P. (2002). Information support for alliances: Performance implications. *Journal of Business Logistics*, 23(2), 67-82.
- Wilson, D., & Mummalaneni, V. (1986). Bonding and commitment in supplier relationship: A preliminary conceptualization. . *Industrial Marketing and Purchasing*, 1(3), 44-58.
- Wong, A. (2000). Integrating supplier satisfaction with customer satisfaction. *Total Quality Management and Business Excellence*, 11(4), 427-432.
- Zutshi, A., & Sohal, A. S. (2004). Adoption and maintenance of environmental management systems. *Management of Environmental Quality: An International Journal*, 15(4), 399-419.
doi:10.1108/14777830410540144