The benefits, antecedents, and the impact of inflation on preferred customer status: A case study at a tourism company and two of its key suppliers

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ABSTRACT

In recent years, the amount of theoretical information on the topic of preferred customer status has been increasing. Nevertheless, the amount of literature written about inflation and the impact of inflation on preferred customer status has been low. Since companies must face increased global competition, the urge to find a competitive advantage over their competitors is high. Companies can achieve this by obtaining a preferred customer status at their key suppliers. Using the results of a case study conducted at a tourism company operating in Europe and two of its suppliers, this paper outlines the benefits, antecedents, and the impact of inflation on preferred customership from a practical viewpoint. The case study has been conducted by using a questionnaire specifically created for the purchasers and suppliers. Cross selling discounts, visibility on higher management levels and company status were, among other factors, found as new significant factors that increase the likelihood of becoming a preferred customer. Static price agreements and vendor pushed price discounts were among the inflation factors that impact the preferred customer status. The main factors Company X should focus on are acting according to agreements made and increasing contact moments with their suppliers. This study was conducted on a relatively small scale. Conducting more similar case studies could strengthen the arguments made in this paper.

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Keywords

Preferred customer status, customer attractiveness, supplier satisfaction, inflation, buyer-supplier relationship, preferential treatment from supplier, customer demotion

1. INTRODUCTION

Because of the increasing globalization in the last years, companies experience a threat with increasing amount of competitors in their industry. Recently, organizations are achieving their competitive advantage via their suppliers. They will do this in a way in which the supplier gives the buying company benefits that other buying firms do not perceive. According to (Schiele, Veldman, et al., 2012, p134) the most successful firms will be the ones actively trying to become the preferred customer. Therefore, the most important thing for a company is to find a way in which they differ in terms of operating compared to their competitors. If the difference is found, and it is considered a positive difference, it is called a competitive advantage. There are certain benefits that come with having a competitive advantage. Therefore, purchasing departments constantly extend and improve their relationships with their suppliers so that they can acquire a preferred customer status. According to Steinle and Schiele a preferred customer status is achieved when the supplier offers preferential resource allocation to the buying company (Steinle & Schiele, 2008, p11). To achieve a preferred customer status, companies must appear as attractive as possible to the supplier. Achieving a preferred customer status will represents an advantage that cannot be duplicated by any competitors, since it is an advantage that is normally given to one customer.

While the amount of theoretical information about the preferred customer status is increasing over the last years, only a few academics have tried to answer the question on how to achieve the preferred customer status from a practical viewpoint. Therefore, from a practical viewpoint, through a case study at Company X, this paper mentions the benefits that can be obtained while being a preferred customer in practice and it aims to outline the factors that are anteceding a preferred customer status compared to the literature. The secondary objective of this paper is to research how the inflation levels of the years after the COVID-19 pandemic and the war in Ukraine impact the relationship between buyer and supplier and therefore the preferred customer status. According to CBS, the inflation levels in 2023 at the peak in the Netherlands has been 6,8% higher compared to 2022 (CBS, 2023). The amount of inflation impacts how much a buying firm can spend at their suppliers and according to (Hald et al., 2009, p963), an important factor for customer attractiveness is purchasing volume. If a customer is not as attractive for a supplier as they were before, chances are that this supplier will not grant them a preferred customer status. Inflation's importance will most likely increase in procurement due to the rising risk of supply disruptions (Development & 2010, 2009, p44). In addition, supply disruptions lead to increasing importance in preferential resource allocation from suppliers. Therefore, the connection between inflation and preferred customership is an important topic to research in the coming years. The research conducted in this paper tries to make a connection between the two topics and tries to lay a foundation for future research.

To address both objectives, the following two research questions are combined into one research question that is answered in this paper: (1) What are the antecedents and benefits of a preferred customer status with suppliers for Company X and (2) to what extent does inflation have an impact on the preferred customer relationship between Company X and its suppliers?

To answer the question mentioned above, first a literature review is conducted which explains the topic of preferred customership and inflation. Second, five interviews are conducted at both the supplier and buyer side. Three interviews were conducted at different departments at Company X. In addition, two interviews were conducted at two separate suppliers from Company X's IT department.

The literature review addresses the following two topics in detail: Preferred customership and Inflation. Literature in gathered and reviewed what information is useful and what information is not useful to use in this paper. Firstly, a description of the preferred customer concept based on available literature is stated. Secondly, the benefits of preferred customership are written down. Thirdly, the part of the literature addresses an overview of the main factors anteceding a preferred customer status which is based on customer attractiveness and supplier satisfaction. comparable to studies done by Bemelmans and Voordijk with their study concerning "Antecedents and benefits of obtaining preferred customer status (Bemelmans et al., 2015)." In addition, a part on inflation is written. Here the definition and the impact on preferred customership is stated. In this part, the main contribution to the literature is made which is based on studies conducted by Pellegrino and Wagner. These two studies are explained in more detail later. After the literature review a description of the methodology used in the case study is given. The participants are written down after, and concluded with an introduction to Company X. Next, the interviews with the purchasers and suppliers are written down and their answers are compared with the literature to find out what compares and what differs from what is found in the literature. That chapter is mainly based on the benefits, antecedents and the impact on inflation perceived by the interviewees. In addition, that part mentions the perceived results that are unexplored in the literature but are perceived in the case study. Lastly, this paper is concluded with a discussion, conclusion, research limitations, and acknowledgments.

The study conducted in this paper will be based on a few papers already written. The study is comparable to papers written by (Bemelmans et al., 2015; Hald et al., 2009; Schiele, Calvi, et al., 2012) these papers all argue which factors are important for customer attractiveness and supplier satisfaction. Nevertheless, this paper adds to those studies the impact of inflation on those factors and in the end on preferred customership. As mentioned before, an important factor in customer attractiveness is the purchasing volume. When that factor was studied by Hald, inflation was not considered.

This studies adds to preferred customer research in a way that is similar to studies conducted by Bemelmans, Hald, and Schiele with their studies about factors influencing preferred customership. Nevertheless, this papers add the factor of inflation to those studies. The second comparison to the literature is in terms of inflation research done in this paper. Pellegrino studied the role of risk management in buyer-supplier relationships (Pellegrino et al., 2020), which is primarily based on inflation. The addition of this study to Pellegrino's work is that Pellegrino conducted a broad risk management research, and this paper primarily focuses on the Macroeconomic risks found by Pellegrino and further elaborates on those type of risks.

2. LITERATURE REVIEW: THE PREFERRED CUSTOMER CONCEPT, ANTECEDENTS, BENEFITS, AND INFLATION

2.1 The concept of Supplier Satisfaction: Preferred Customer Status & Preferential Treatment

It is common for a purchaser to assume that a buying company must be as attractive as possible for the supplier in order to be as successful as possible. In the literature, there are several papers that explain factors that could influence the buyer and supplier relationship. According to (Hüttinger et al., 2014, p702) there exist eight factors that influence the buyer-supplier relationship: Growth opportunity, Innovation potential, Operative excellence, Reliability, Support of suppliers, Supplier involvement, Contact accessibility and relational behavior. All these factors influence how a buyer company becomes a preferred customer. As mentioned before a preferred customer is a purchaser (buying organization) who receives better treatment than other customers from a supplier, in terms of product quality and availability, support in the sourcing process, delivery or/and prices (Nollet et al., 2012, p1187).

In the last years, there is a growing amount of literature that is being written about the phenomenon of being a preferred customer. According to (Schiele, Calvi, et al., 2012, p1178), there are two reasons that firms are nowadays more interested in becoming a preferred customer then before. First, a fundamental change in supply chain organization that allocates increasing responsibilities to suppliers. Second, in the last years, there is a reduction of suppliers in many business-to-business markets, this phenomenon is called supplier scarcity.

The cycle of preferred customership can be explained by a theory used in the literature, the social exchange theory. The social exchange theory (SET) focuses on the relationship between exchange parties as the primary governance mechanism of exchange. SET investigates the social processes that govern the relationship between individuals or groups (Schiele, Veldman, et al., 2012, p136). The theory builds upon three core elements that can be linked into a cycle of preferred customership; The first core element are the expectations, which lead to the initiation of an exchange relationship. Second, the comparison level, which is the standard that is used to judge the outcome of the exchange, producing satisfaction with the relationship. Third and last, the concept of "comparison level of alternatives" (Schiele, Calvi, et al., 2012, p1180; Schiele, Veldman, et al., 2012, p136).

2.2 Benefits of being a preferred customer

As mentioned before in this paper, being a preferred customer means that a supplier gives preferential treatment to a buying firm. Therefore, a buying firm must be as attractive as possible and more attractive than their competitors to achieve this status. Such a relationship can reap benefits (Schiele et al., 2011, p172).

2.2.1 Achieving price benefits: Becoming a Strategic Partner and Saving Costs through Increased Efficiency, Trust, Commitment, and Lower Lead Times

One benefit which can be achieved by being a preferred customer is a purchasing price reduction. However, in the literature, the amount of price reduction varies. (Blenkhorn & Banting, 1991, p188) argues that the price reduction varies from five to thirty percent. The price reductions are generated via the reverse marketing approach. (Blenkhorn & Banting, 1991, p188) therefore also mentions that reverse marketing permits procurement to contribute effectively to the organization's objectives and strategy. In addition, (Nollet et al., 2012, p1191) mention a price reduction as a possible benefit of being a preferred customer, however, no specific percentage of price reduction is mentioned.

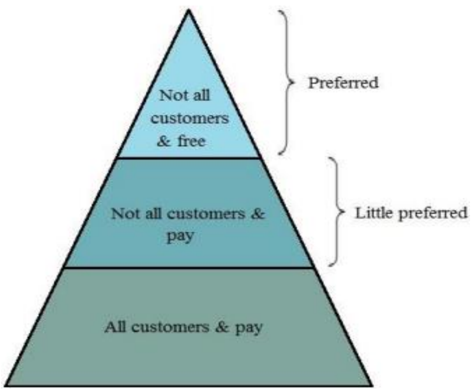
Supplier commitment is a key condition for the buyer-supplier relationship's success (Kim & Choi, 2015, p63). Several positive effects can occur when a supplier is showing commitment in the relationship; Suppliers benefit the buying firm by expanding its know-how (Yoon & Moon, 2019, p518) ; Improving products (Mazzola et al., 2015, p274) and enhancing new product development processes (Tsai, 2009, p766). According to the definition of the social exchange theory mentioned before, commitment is a voluntary action, motivated by potential social returns (Patrucco et al., 2020, p3). There are several benefits mentioned in the literature that can occur from supplier commitment: First, commitment plays a role in improving outcomes of specific projects; secondly, commitment may lead to identification of process improvement areas, thereby resulting in higher efficiency and cost savings; Lastly, when suppliers are committed, buyers can count on broader knowledge-sharing in the supply network.

2.2.2 Increased Supplier Innovativeness: Gaining Product Development, Logistics and Costs Advantages through Sharing Resources and Information with Suppliers

Price reduction is not the only benefit that can occur when a buying firm is viewed as a preferred customer at the supplier. According to (Steinle & Schiele, 2008, p11) a supplier may dedicate its best personnel to joint new product development, customize its products according to the customer's wishes, offer shorter lead times, offer innovations, enter into an exclusivity agreement, and lastly, a supplier might ensure privileged treatment if bottlenecks occur due to constraints in production capacity.

An appropriate tool to map the benefits of being a preferred customer is seen in Figure 1. In the figure it is shown how customers benefits are mapped. In the bottom of the pyramid benefits are obtainable for all the customer and are not free of charge. In the middle box, the little preferred customer benefits will not be for all customers and the benefits observed in that segment will not be free of charge. In the top of the pyramid, not all customers will enter this segment and for the customer who will be there awaits benefits that are free of charge.

Figure 1: Mapping the benefits of a preferred customer status



2.3 The antecedents of being a preferred customer

The section about antecedents of preferred customer status is based on a theoretical framework created by Hüttinger, et al. which divided the antecedents into three parts: Customer Attractiveness, Supplier Satisfaction and Preferred Customer status (Hüttinger et al., 2012, p1195). Since the definition and drivers of preferred customer status is mentioned above, it will not be written down in detail in the next section. Therefore, this section focuses on the other two antecedents, namely Customer Attractiveness and Supplier Satisfaction. Factors that influence both antecedents will be collected via studies conducted in the literature.

2.3.1 *Customer Attractiveness*

In terms of attractiveness and satisfaction, (Schiele, Calvi, et al., 2012, p1181) commented that having both a high level of customer attractiveness and a high level of supplier satisfaction help to ensure the prime commitment of capable suppliers. Next, (Schiele, Calvi, et al., 2012, p1180) mentions that in the social exchange theory explained earlier, customer attractiveness plays an important role. It is assumed that the perception of initial attraction is particularly based on beliefs and expectations. They therefore argue that "a customer is perceived as attractive by a supplier if the supplier in question has a positive expectation towards the relationship with this customer. The conditions for this perception of the supplier include an awareness of the existence of the customer and knowledge of the customer's needs." In addition, (Homans, 1958, p603) explained that the attractiveness is determined by the difference between the expected rewards of a relationship and the costs it takes to maintain that relationship. An additional study conducted by (Soares Santana et al., 2021, p116) identified four factors that influence customer attractiveness at suppliers. They mention: Interpersonal trust, Interorganizational trust, Commitment, and Expected value. They state, "the greater the desire to establish a stable relationship, even if it involves short-term sacrifices, the greater the perceived attractiveness in the relationship between supplier and customer." (Soares Santana et al., 2021, p121). In addition, a couple of factors mentioned by other studies are: Purchasing volume and Growth opportunities (Hald et al., 2009, p963), Company size (Fiocca, 1982, p57), and Long-term relationships (Ramsay & Wagner, 2009, p131).

2.3.2 *Supplier Satisfaction*

Supplier satisfaction is comparable to the buyer attractiveness in terms of definition. The definition of supplier satisfaction, according to (Wilson, 1995, p338) is the degree to which the outcome of the relationship meets the expected outcome of the relationship. Supplier satisfaction may be considered as a necessary condition in today's competitive environment when a firm wants to gain and maintain access to capable suppliers and their resources (Ganguly & Roy, 2021, p248). Ganguly and Roy conducted a study in their paper in which they proposed five hypotheses about factors that could influence supplier satisfaction. Four of the five hypotheses were supported by their study: (1) Adherence to the stated purchasing policies positively influence supplier satisfaction, (2) Adherence to the stated financial (payment) policies positively influence supplier satisfaction, (3) Adherence to the stated coordination policies positively influence supplier satisfaction, (4) Cooperation positively influence supplier satisfaction (Ganguly & Roy, 2021, p256-257). (Janssens et al., 2023, p156) mentions several factors that are drivers of supplier satisfaction: Growth opportunities from a customer relationship, profitability, continuous income flow, early supplier involvement, intensity of cooperation, a reliable order process with short payment terms, and openness in the communication.

Nevertheless, satisfaction is an important element that contributes to success in the relationship. A level of trust between both firms is essential to maintain the minimum requirements for the relationship. According to Ganguly & Roy "If the supplier experiences more relational benefits, the firm is expected to show more commitment to a buyer. If a buyer stretches itself to help it will result in more satisfaction." (Ganguly & Roy, 2021, p259).

Table 1: Factors that influence Customer attractiveness and Supplier Satisfaction

Type of Factor	**Customer Attractiveness**	**Supplier Satisfaction**
Relational	Positive expectation from the supplier	Openness in communication
	Interpersonal trust	Cooperation with the supplier
	Interorganizational trust	Intensity of cooperation
	Long-term relationship	
	Commitment	
Economic	Difference between expected rewards and costs	Adherence to stated purchasing policy
	Expected value	Adherence to the stated financial policies
	Purchasing volume	Growth opportunities
	Growth opportunities	Profitability
	Company size	Continuous income flow
Operational		Early supplier involvement
		Adherence to the stated coordination policies
		Reliable order process

In this section the antecedents of preferred customer status were covered and summarized in Table 1 distinguished by Relational, Economic and Operational factors. In the next section, the definition of inflation and its impact on preferred customer status is explained.

2.4 The impact of modern-day inflation: Definition, Causes and Impact on Preferred Customership

The main topic of this paper is the preferred customer status topic that has been reviewed above. Albeit the preferred customer status topic is the main topic of this research, this paper also researches the impact of inflation on the relationship between supplier and buyer firms. So, in this part of the paper, the definition of inflation is explained and the connection between inflation and what impact it could have on the buyer-supplier relationship is mentioned.

2.4.1 *Definition of Inflation and Supply Disruptions*

It might be one of the most famous words in economics, inflation. Inflation is the rate of increase in prices over a given period. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living of a country (Development & 2010, 2009, p44). In other words, inflation represents how much more expensive the relevant set of goods and/or services has become over a certain period (Development & 2010, 2009, p44). Furthermore, economists have generally held that the level of prices is determined mainly by the quantity of money. This means that when a central bank of a country provides less money than the public desires to hold, spending slows, prices fall. The opposite holds for when a central bank provides more money than the public desires to hold. (Money - Monetary Theory | Britannica, 2023).

It is because of inflation that the purchasing power of households can be reduced. If the nominal income of households does not increase as much as prices, their purchasing power is worse off, because they are unable to purchase the same volume of products as before. According to (Development & 2010, 2009, p45), the prices of traded commodities change every day. Next, they argue that in an inflationary environment, unevenly rising prices inevitably reduce the purchasing power of some consumers.

There are several ways in which inflation can be created. As mentioned before, if the money supply grows too big relative to the size of an economy, the unit value of the currency diminishes.

Another reason why inflation is created is in the form of so-called supply shocks. Supply shocks disrupt production or raise production costs and it can reduce the overall supply of products (Development & 2010, 2009, p44). A significant supply shock that occurred in the last years is the COVID-19 pandemic. Because of the COVID-19 pandemic, work from home and fiscal stimulus packages increased the demand for certain goods such as technological goods, cars, and furniture. These changes resulted in an overall shift away from consumption of services and toward consumption of durable goods (LaBelle & Santacreu, 2022, p1). As the pandemic disrupted the economy for longer than many expected, inflation started to display a strong upward trajectory. The COVID-19 pandemic was an economic shock for a lot of countries. In response to this shock, most governments in advanced economies injected large amount of money into the economy (De Soyres et al., 2022, p24).

In the last years, the development of technological products, such as laptops and phones, has increased the demand for semiconductors. This advancement of technology has made semiconductors a vastly important input for the entire economy of a country. However, their production largely relies on two countries, Taiwan, and China (LaBelle & Santacreu, 2022, p2).

A supply disruption that occurred in February 2022 is the war in Ukraine. As a result of the war in Ukraine, multiple international sanctions were imposed on Russia. The main impact of the Russia-Ukraine conflict on the world economy is through higher prices for energy and weaker confidence in financial markets. Because of the energy prices that are rising, we are now seeing global price rises for almost every product (Yeoman, 2022, p253).

2.4.2 Impact on Organizations

As mentioned before in this paper, the ability to establish and maintain relationships with suppliers has been increasingly recognized as a source of competitive advantage. Nevertheless, what impact does inflation has on buying firms? This question is answered in this subsection. The answer will be based on a topic called risk management. Risk can be defined as "a chance of danger, damage, loss injury or any other undesired consequences" (Harland et al., 2003, p52). The academic literature has broadly investigated the theme of risk management in supply chains. However, there was little focus on the theme of risk management in buyer-supplier relationships where the buyer has the status of a preferred customer with the supplier, which offers the buyer preferential resource allocation (Pellegrino et al., 2020, p960). In addition, little exploration exists of the challenges of the preferred customer status from the buying firm perspective (Pellegrino et al., 2020, p961). In addition, Pellegrino discovered several risks that occur in a supplier-buyer relationship where a buying firm has a preferred customer status at a supplier. The risks that are relevant for this paper is "Macroeconomic, political and tax risks". This group comprises currency, commodity price, volatility, macroeconomic degradation, inflation, socio-political, and legal risks (Pellegrino et al., 2020, p965).

In case of a preferred customer status, the optimal risk management strategy must share and balance risks and rewards across organizations. As mentioned before, customer attractiveness and supplier satisfaction are two antecedents for becoming a preferred customer. Therefore, customer attractiveness and supplier satisfaction are important drivers in formulating risk management strategies. Supplier satisfaction has a dominant influence over buyer attractiveness with a preferred customer status. Therefore, the actions of the buyer are aimed to increase the supplier satisfaction, rather than to make the customer more attractive (Pellegrino et al., 2020, p975). Several strategies are mentioned to mitigate the inflation risks that occur in a buyer-supplier relationship. (Pellegrino et al., 2020, p972) mentions the following strategies: (1) Negotiate enough savings to offset inflation impact, (2) Agree to compensate suppliers only in certain regions, but only for some part of the total costs, and (3) Agree with the supplier on different cost elements that are subject to inflation.

Above, a description of strategies is given which a buying firm can implement to mitigate the risk of inflation. In the next section, another phenomenon that occurs because of rising inflation levels is customer demotion. At the end of that section, an expectation is made in which the two topics are combined.

2.4.3 Inflation and Customer Demotion

The aim of buying companies is to achieve a preferred customer status at their most important suppliers. However, what would happen to a company if they were demoted in status? That question is answered in this part of the paper. (Wagner et al., 2009, p69) stated that if a customer subsequently falls short of the required spending level that suppliers desire, firms revoke the preferred customer status to customers. They studied what the consequences of customer demotion is in terms of customer loyalty to the supplier. They state that hierarchical loyalty programs award preferred customer status, providing exclusive benefits to consumers who have exceeded a certain spending level (Wagner et al., 2009, p69). Since inflation could lead to lower spending levels of buying firms due to higher selling prices of suppliers, inflation could be a deciding factor in achieving preferred customership or to be demoted from being a preferred customer. In addition, (Wagner et al., 2009, p81) mentions that in many service industries, the awarding of a preferred status to high-spending customer frequently occurs simply for the reason of competitive parity.

A status demotion signals to the customer that the buying firm has not performed to meet the company's expectations and is no longer part of the company's inner circle. Nevertheless, a status demotion can only occur to customers that have been classified in a segment by the supplier. Therefore, not all customers of the supplier have been classified in segments. In the beginning, a certain spending level must be achieved to have been classified in a segment by the supplier. If that required spending level is not achieved in the first place, no demotion can take place due to inflation.

Inflation is something that hits almost every customer of a company. Therefore, there exists a chance that every customer is demoted. Nevertheless, a supplier will most likely still choose a preferred customer, even if all their customers are demoted. Therefore, for a demoted customer, it is important to impress the supplier at the other factors of customer attractiveness and supplier satisfaction mentioned before. If a customer is able to be as attractive for the supplier as before the price increases, chances are that this customer is not demoted and still is the preferred customer. In addition, if a customer reacts positively to being demoted, by implementing the strategies mentioned by Pellegrino, chances are that this customer will remain a preferred customer to that supplier. On the other hand, if a customer reacts negatively and for example no agreement between the supplier and the customer is made, a supplier will most likely not give that customer a preferred customer status. Therefore, customer reaction to price increases plays a significant role in deciding whether a customer is granted a preferred customer status.

The research that will be done via the interviews focuses on if Company X has implemented one of the mentioned strategies and how their suppliers reacted to this implementation. The expectation is that Company X and therefore their employees implemented at least one strategy by Pellegrino and therefore increased the customer attractiveness and supplier satisfaction at their suppliers and in the end are not demoted in customer status.

3. METHODS: RESEARCH DESIGN & DATA COLLECTION

3.1 Questionnaire Design and Interviews

As mentioned before, the research question of this paper consists of two combined research questions and is as follows: "*What are the antecedents and benefits of a preferred customer status with suppliers for Company X and to what extent does inflation have an impact on the preferred customer relationship between Company X and its suppliers?*" In this paper the answer to this question is tried to be answered via a qualitative research approach. A case study is created that focuses on interviewing employees from Company and suppliers from Company X. Qualitative case studies can provide better insights on behavioral issues compared to quantitative methods as they offer to investigate more in depth. According to (Lavarda & Bellucci, 2022, p539), a case study is an appropriate method to understand what happens inside organizations through the strategy as practice perspective, providing elements to researchers to examine the actions and interactions in the social context and the routine that constitute the daily organizational life. For this paper, qualitative research design was the most suitable way to display the antecedents and benefits of preferred customership and in addition to display the impact of inflation on this relationship. The interviews have been constructed to interview three employees from Company X and two of their suppliers. Answering the research question required different perspectives from both the buying side and the supplier side.

3.2 Case Selection

The approach of the case study was to gain an in-depth understanding of how preferred customer status can be achieved and retained within a company and what actions a buying firm can undertake to maintain this status. To ensure that the information gathered was representative, it was intended to focus on employees that are directly involved in the buyer-supplier relationship. The literature review was used to explain the core concepts of the paper to the interviewees to avoid misunderstandings and to achieve high quality and precise answers to the questions. All respondents have many years of experience in the field of procurement and are working in a buyer-supplier environment for a long time. In addition, all three respondents of Company X work with different products/services they need to purchase. This gives a good indication if the same, or different, procurement strategies are used at every department and for every product/service. The selection of respondents therefore gives a detailed, and somewhat contradicting, answer to the research question mentioned earlier. Below, the responsibilities of the interviewees can be found.

- Purchaser at Company X (Employee 1)
- Director Outsourcing at Supplier A (Supplier A)
- Procurement Manager indirect Belgium/Netherlands at Company X (Employee 2)
- Purchasing Manager Holidays at Company X (Employee 3)
- Account Manager at Supplier B (Supplier B)

The employees from Company X were chosen to ensure a different viewpoint on the same topic. The employees of Company X work in different departments, which all require a different procurement strategy. In addition, all departments were able to provide sensitive information such as contractual agreements. Supplier A and B are both suppliers of Employee 1's department and both supply IT related products and services. These suppliers were chosen based on the fact that both suppliers were able to provide sensitive information about their way of operating and the relationship with Company X. In addition, both suppliers have a long-term relationship with Company X and are therefore useful to research the potential change in behavior to Company X. The suppliers of the other two employees were not willing to participate in the case study. Lastly, both suppliers were chosen because of the lack of supplier availability. Several other suppliers of Employee 1's department were contacted but were unfortunately not able or willing to participate in the case study.

3.3 Data Collection

To establish a useful basis for the analysis of the gathered data, the interview questions had an open questions format. The aim of the questions was to find out how Company X classifies their suppliers and which suppliers they have a preferred customer status at. In addition, the benefits and antecedents are researched with the questions. Lastly, the questions try to answer what impact inflation has in the company and what impact inflation has on the relationship with their suppliers. The questions for suppliers are divided in the same way as the questions for Company X. First, its starts with classification, next it researches the benefits a supplier offers to a preferred customer. In addition, questions are being asked about antecedents of supplier attractiveness, supplier satisfaction and supplier motives. Lastly, questions are asked about what impact inflation has on their selling prices and what impact inflation has on the supplier view of the buyer-seller relationship between Company X and the supplier. The questions asked in the interviewees can be seen in Appendix 1.

3.4 Data Analysis

The data that is gathered from the interviews is individually analyzed with each topic having a distinction between Company X's responses and the supplier responses. As mentioned in the part above, the questions are divided into different topic and so are the data analysis parts below. First, it will start with the classification, next the benefits and antecedents and lastly, a part about inflation. For the analysis of the data, no program is used. The analysis has been done on paper and is distinguished by topic. The analysis of the data was primarily based on benefits, antecedent and inflation factors that were similar to the literature. In addition, the analysis was focused on new factors mentioned by the interviewees that were not mentioned in the literature.

4. RESULTS

4.1 Company X is one of the world's leading tourism companies

The case study conducted in this paper was undertaken in cooperation with the purchasing department of Company X located in the Netherlands and Belgium. Company X is one of the world's leading tourism companies. The group covers all segments of the tourist industry. Company X is located in several European countries and operates all over the world in terms of holidays. A key feature of Company X's corporate culture is their global responsibility for economic, environmental, and social sustainability.

4.2 Classification

4.2.1 Classification at Company X

Employee 1 does not classify its supplier in a structured manner. However, there exists a distinction between supplier who are regularly used for big IT products and there exists supplier who are used incidentally for so called "rest IT" products. The incidental suppliers are used if products need to be delivered quickly and for an affordable price. Employee 1 stated in the interview that "these incidental suppliers were first not focused on the business market, however now they are. These suppliers have amazing service, high stock levels and deliver their products quickly. First, I had another supplier, but if I had to wait four-six weeks for a laptop, the choice for the incidental suppliers is made without a thought." Employee 2, on the other hand does classify its suppliers. The employee does this according to a system in which risk and amount are weighted and decided which factor is more important than the other. This system leads to suppliers being less important in terms of risk but are more important in price and vice versa. Examples of two suppliers are cleaning companies for Company X's offices and Human Resource (HR) suppliers. The HR suppliers are in terms of risk more important than the cleaning companies where price is the most important factor to consider. The distinction between suppliers is performed at two levels. Employee 2 states that suppliers that are weighted as important for the Belgian and Dutch departments of Company X could not be as important for the whole Company X group, which consists of more countries. Employee 2 mentions "we call it coefficient weighting where 60% importance is given to price and 40% to service. It makes sense if you look at kerosine supply you need to make sure that the kerosine is available every time you need it, therefore service is more important. However, if the building is not cleaned once, it is not a big deal, so for that supplier the price is more important." For Employee 3 on the other hand, no classification of suppliers is done formally. Nevertheless, Employee 3 does classify its suppliers for the employee itself: "We do have partners from which I know we could send a lot of customers of Company X to, so these suppliers are more strategic than other suppliers." Within Employee 3's department, there exists an extinction in supplier status. Employee 3 mentions that some suppliers are classified as Strategic, Important, and Incidental.

Employee 1 thinks that the incidental suppliers do not classify their customers and therefore do not give a classification to Company X. Albeit the incidental suppliers do not classify their customers, Employee 1 did perceive that the big suppliers for Company X do classify their customers. Some suppliers of Company X are their suppliers for the last five to eight years, these suppliers will then provide some benefits for Company X, which will be elaborated in further detail in another section of this paper. Employee 2 thinks that for its department the suppliers do classify their customers in a similar way as Company X does. Employee 3 on the other hand, thinks that its suppliers do classify their customers. This distinction is primarily made by revenue. In Employee 3's departments this means that suppliers classify their customers by the amount of tourist brought to the accommodations.

In terms of management push towards certain suppliers, Employee 1 mentions the following: "There is not really a push from the IT management side, this push happens more from the whole procurement management side. At one moment the negotiations are being done for the whole group and not only for my department here in the Netherlands." The negotiations are being held with big strategic suppliers to get to know which supplier offers the best price and service to Company X. Employee 1 mentions measures that the management can adopt to become a preferred customer again from strategic suppliers. Employee 1 beliefs that the supplier will grant Company X a preferred customer status again if they agree to the new package that the supplier has offered X. This package is a new package that has not been given to a lot of customers, this will lead to monthly prices and price discounts, which are not available for not preferred customers. Employee 2 has a different view on management push towards suppliers than Employee 1 has. Employee 2 mentions the following, "it is the department's job to identify the risks of suppliers and report them to the management. Every possible supplier will be mentioned in the conversations with the management and together a decision will be made. This could also mean that a supplier is chosen that does not fit our advice to the management." In Employee 3's department, a push from the management comes primarily from Company X's product managers. These product managers research which destinations are becoming popular in the future and they will tell Employee 3 where to search for accommodations and therefore suppliers in that particular region. Employee 3 believes that some suppliers in its department have given Company X a preferred customer status.

4.2.2 Classification at Suppliers

Supplier A classifies their customers in two ways. According to the Director Outsourcing at Supplier A, the company divides their customers in so called "horizontals" and "verticals". The horizontals are then divided into four categories: Strategic, Transactional Grow, Transactional Go, and Loss generating customers. The supplier defined boundaries when a customer is considered a strategic customer. The supplier bases their customer ranking on Quality and Quantity. Quality is the relevancy that is observed between the supplier and the customer. The interviewee mentions a few examples: If a customer only buys the technology from Supplier A, then the customer is not considered as a strategic partner. However, if a customer decides to outsource their whole IT datacenter to Supplier A, then the relevancy is considered as high, and the customer is considered a strategic customer. Quantity is defined as the amount of revenue a customer brings into the supplier. On the other hand, the vertical division are based on the industry the customer is operating in. Therefore, the supplier looks at specific solutions that fit the challenges of the specific industry combined with the customer. Supplier B, one of the older suppliers of Company X that was mentioned before in this paper. The way Supplier B classifies their customers is as follows: "We at Supplier B have four to five segments in which we divide customers. Global customer segment, Public segment, Corporate segment, Medium business segment, and International corporate accounts segment. The biggest customers of Supplier B are in the Global segment. These customers tend to have a high spending level to be classified as a Global customer." In addition, Supplier B classifies customer relationships in two segments: Indirect customer and Direct customer. In the Direct customer segments, customer have direct contact with an account manager from

Supplier B. In the Indirect customer segment, the customer does not have direct contact with the supplier, resellers are the most likely type of customer in that segment. The interviewee at Supplier B believes that there exists a clearer preferred customer status in the Indirect customer segment than in the Direct customer segment.

Next, Supplier A bases the importance of a customer on the whole company instead of the importance per department. This means that projects that are occurring at a customer will be performed consistently and equally. On the other hand, Supplier B gives the same treatment to a whole organization and will not differentiate for different departments. Supplier B states: “We try to give the same service level to each department of the same customer. Whether they are located in Japan, the Netherlands of Brazil, that shouldn’t matter for our service. The service levels need to be roughly the same for every country. If a customer is classified as a Global customer, and therefore is located all over the world, the service in each country needs to be consistent.”

Lastly, the question was asked if Supplier A has given Company X a preferred customer status. Company X is located in the suppliers “foundational segment”. Company X is located in that segment because the supplier thinks that they will be more relevant. However, the supplier feels that Company X has the potential to go up one segment, that would place the company into the strategic customer segment. There is not much difference in treatment between the segments. However, the supplier stated that different segments need different types of account managers. According to the Director Outsourcing at Supplier A, “The strategic segment means that more planning is needed than in other segments”. For Supplier B, Company X is not classified in the Global segment. The interviewee states that “in the past, some agreements were made between us and Company X, however, no price agreements were made between the two parties at the moment.” The interviewee believes that this classification difference is caused by Company X. Supplier B states: “A customer as Company X can say, thank you Supplier B for the service, but we are searching for different suppliers for our IT products. When that is contractually possible, the switch can be made. This phenomenon has nothing to do with demotion from our side.”

4.3 Benefits

4.3.1 Benefits at Company X

As mentioned before in this paper, a buying company wants to become a preferred customer because of the possible benefits that are perceived in such a status. The interview questions that are based on benefits are answered below. Employee 1, Employee 2 and Employee 3 all answered the same questions.

First the question was asked if the employees perceive benefits such as shorter lead times, changes in buying price, better access to innovative capabilities and shared development projects. Employee 1 mentions that on its department no shared development projects are present with any suppliers. However, the employee did mention that same department of Company X located in Belgium does have shared development projects with a supplier. In Belgium, Company X has agreed with the supplier to outsource their datacenter. This datacenter is developed and improved by engineers and developers from both Company X and its suppliers. Nevertheless, at Employees 1’s department in the Netherlands, this datacenter is only managed by Company X. Employee 1 perceives price benefits with the suppliers. In the interview it is mentioned that price benefits are present in the relationship with Company X’s oldest suppliers. These benefits are present in the form of discounts on new products and discounts on list pricing. In addition, Employee 1 mentions a benefit at one of the older suppliers. Company X got the chance to buy a new system, as one of the first customers, for a big price discount. Lastly, Employee 1 did not perceive logistical benefits from being a preferred customer. The employee feels that all customers can access this benefit, even if the company is not seen as a preferred customer by the supplier.

Employee 2 mentions the following benefits that the employee perceived at suppliers: Price discounts, longer paying terms, better contractual agreements, and lastly shared development projects with suppliers. An example of a shared development project that Employee 2 mentions is a customer experience project that is combined with artificial intelligence (AI). Together with a supplier, Company X is creating an AI tool to improve their customer experience. In addition, a shared development project is currently happening in which both companies develop a system in which the employee of Company X can pay in their office with QR codes. Nevertheless, Employee 2 mentions that these projects are not the only shared development project with suppliers.

For Employee 3, the benefit of being a preferred customer at its suppliers is relatively more visible then in Employee 1 and Employee 2’s department. Employee 3 states: “If we are a preferred customer, we can make better price agreements, we get more allotment into the supplier accommodations, unique price agreements, and special offers from the suppliers. In terms of development projects, we tend to communicate with the suppliers how we can elaborate our customers holiday to a higher level. If we as Company X are a preferred customer, we can get discounts for extra activities close to the accommodation. We can then sell that activity to our customers in the end. If we agree to a development project, most of the time a supplier will give us more rooms to sell to our customer. Therefore, Cross selling in shared supplier projects is a benefit that our company perceives because we are preferred customer.” The cross-selling benefits that can occur in Employee 3’s department are for example package deals that could be sold to Company X’s customers. This can include an accommodation and ski pass when though of a skiing holiday. In this way, Company X can sell the ski pass for a discounted price and more customers will buy the packaged deal from Company X.

4.3.2 Benefits at Suppliers

The second topic that was mentioned in the interview with Supplier A is benefits. The benefits perceived in Company X are written in the section above, however, are these benefits also the benefits the supplier gives to their customers and therefore to Company X? The interviewee stated that a strategic customer does not perceive different benefits than a customer who is not in the strategic segment. A benefit that is mentioned is the visibility on higher levels in the supplier. Nevertheless, the supplier does not give price reductions to customers. However, if the customer buys in great numbers and buys in a lot of technology, the supplier must buy in IT product at their own vendor. This vendor does give price benefits if a customer buys in big amounts of technology. This price reduction is then calculated through the prices of Supplier A and therefore, the customer of Supplier A can perceive price benefits in this way.

As mentioned before, Supplier B classifies their customer as Direct and Indirect customers. Therefore, benefits are also different per type of customer. The benefits that a Global Direct partner of Supplier B can perceive are, according to the interviewee; agreements about prices that count for the whole organization, easier buying process at Supplier B, and fixed price discount percentages. On the other hand, customers that are not classified as Global Direct customers will have price agreements that are fluctuating according to quarterly price changes. The interviewee states: "For the non-Global partners, it depends how much discount a customer gets. The account manager that manages these customers can decide how much discount a customer receives. Pricing will then be based on how the relationship with the customer is." For Supplier B's indirect customers, the distinction between benefits is more clearly. Customers that have a higher spend will be classified as a preferred customer in this segment. Therefore, preferred customers will perceive more benefits then customers that do not have this status. The benefit a preferred customer perceive is primarily based on price discounts.

Table 2: Overview perceived benefits

Benefits	Employee	Supplier
Price discounts	1,2	A, B
New product priority	1	
Longer paying terms	2	
Better contractual agreements	2, 3	
Shared development projects	1, 2, 3	
Visibility on higher levels of management		A
Easier buying process		B
Joint new product development	2	

In the section above, benefits of preferred customership at both Company X and their suppliers are stated. In addition, a table is created which shows what benefits Company X's employees perceive and what benefits their suppliers give to their preferred customers. In the next section, the antecedents are stated.

4.4 Antecedents

4.4.1 Antecedents at Company X

The main objective of this part of the interview is to find out if Purchasers from Company X perceive the company as an attractive customer and if they think the supplier is satisfied in the relationship. Therefore, the main topic of this subsection are customer attractiveness and supplier satisfaction.

In the past, according to Employee 2, nothings specific measures were undertaken by Company X to become a preferred customer of its suppliers. However, the department creates a list of preferred suppliers where then would like to become its preferred customer. After the list is created, Company X first will contact those suppliers to give them the chance to become the first supplier. Employee 2 stated that this could lead to preferential treatment by the supplier. Employee 3 has the same view on previous measures as Employee 2. Employee 3 thinks that there is nothing that Company X specifically does to receive a preferred customer status except from generating revenue for the suppliers. Nevertheless, something that could have been done according to Employee 3 is to accept offers from suppliers. These offers consist of packages in which the supplier offers a discount to Company X if each room in the suppliers' accommodation. However, Employee 3 rejected that offer because it was perceived as too risky.

The answer to customer attractiveness Is as follows, Employee 1 stated: "Yes, I do think that Company X is an attractive customer. Big customers and pig parties are always attractive to suppliers." Employee 1 believes that revenue is suppliers' number one factor of customer attractiveness. The employee mentions that account managers do not mention it anymore. However, if the topic of revenue is mentioned in the negotiations, account managers tend to say it doesn't matter as much and that they do not base their preferred customer on the revenue. In addition to customer attractiveness, the employee mentions that Company X does not have a lot of mutations in their orders and that the supplier appreciates this way of managing a relationship. Employee 2 thinks that Company X is an attractive customer for their suppliers. "Company X is an attractive customer since the company is a high dynamical and flexible company, next to that, the name of Company X is very big in the industry. I think that is also a factor that causes customer attractiveness. However, the big name could also be a bad factor. Some suppliers think that the project we propose to them is too big and they do not want to work with us. Nevertheless, the rejection is more about the project and not about the company." In addition, an agreement is sometimes made between Company X and the supplier that states that the supplier cannot only supply to one department of Company X but instead is able to supply to the whole group of Company X. Employee 3 perceives Company X as an attractive customer for its suppliers. The factors that increase the attractiveness are according to Employee 3: the diversity of travel destinations and tourist groups, spending levels, and lastly the name of Company X. "I think we have an advantage compared to competitors. I think that at some point the suppliers do not see us as one country but see us as the whole Company X group. Next to that I think that a supplier guarantees safety in terms of generated revenue when they work with us, that is also a factor of attractiveness."

In terms of supplier satisfaction, Employee 1 mentioned that Company X can satisfy the suppliers in a good way. The employee stated: "Yes, I think that we can keep the suppliers happy in the relationship. Overall, I have a good relationship with the account managers of different suppliers. I do think that the relationship can become worse if one of the two parties does not act according to the agreements." Employee 2 on the other hand believes that Company X can satisfy their supplier needs. The employee states: "I think we can satisfy suppliers. I think that it is our obligation, both from supplier and buying company. In the end, we always need each other." Employee 3 believes that Company X is generally able to satisfy suppliers in their relationship. The times that they are not able to satisfy suppliers is according to Employee 3 the times that Company X cannot deliver as many customers to the suppliers as was agreed before. The supplier will then get the feeling that Company X was not necessary to sell the rooms and that the supplier could have done it better alone.

Lastly, there are no plans made to become a preferred customer at a supplier. However, Employee 1 mentions that it would be preferable to get the preferred customer status back at one of the old suppliers. The employee believes that Company X can go back to the preferred customer status if they accept the full package that the supplier has to offer. Employee 3's department on the other hand is developing a system that allows the purchaser to contact the supplier at any moment in time and allows the purchaser to see prices day by day instead of monthly prices. This will allow for a less static relationship between the two parties and will allow for a better relationship with the supplier. Employee 3 states: "the connection with the supplier is very static now. A direct connection will play a big role in the future, which will add more value to the relationship. A lot of suppliers fluctuate with their prices, and I buy the product with static prices. With the direct link, the supplier is able to sell accommodations with a higher or lower price. I think that this will allow suppliers to contact us if they have rooms left to be filled with tourist."

4.4.2 Customer Attractiveness and Supplier Satisfaction at Suppliers

In this section, the answer to the questions based on Customer Attractiveness and Supplier Satisfaction of Supplier A & B are stated.

Supplier A sees Company X as an attractive customer. The interviewee mentions that Company X is attractive for them because their way of operating is very close to the way of operating of Company X. This is due to the implementations of Supplier A in Company X's IT outlets. This combines well with the importance of the relevancy mentioned before. Supplier A ranks customer attractiveness on three criteria: Revenue, Cost, and Risk. The interviewee mentions that if a customer can create impact on the three criteria, a customer can increase their relevancy to Supplier A. Another aspect why Company X is an attractive customer to Supplier A is because they buy in high volume. This will create more importance in the Revenue criteria mentioned above. Therefore, Company X is an attractive customer in terms of relevancy. Supplier B perceives Company X as an attractive customer. The interviewee states: "Company X is an attractive customer. They are in a very dynamic and challenging market. In their market, a lot of IT products are used. In addition, Company X allows us to participate in their IT strategy for the future, that is in my opinion one of the most important factors of attractiveness."

In terms of supplier satisfaction, Supplier A is satisfactory with the relationship with Company X. Nevertheless, the Director Outsourcing does mention that there is a short lack of contact moments between the two parties. In terms of other factors that can impact the relationship between the two parties, bad communication or different future philosophies can create dissatisfaction on the supplier side. Supplier A feels that, when a relationship starts to get dissatisfactory, they must first look at what they did wrong in the relationship. The Director of Outsourcing at Supplier A feels that when that happens, the supplier did something wrong. The supplier created a process in the last years, called Continuous Service Improvement, which is a process in which the supplier continuously looks at what can be improved inside the organization to boost customer satisfaction. The outcomes of this process will then be communicated with the customer. Another factor that Company X possesses that increases the supplier satisfaction of Supplier A is that Company X allows Supplier A to think and act with the employees of Company X. The Director outsourcing stated that "for us, being able to think along and participate when it comes to innovations in those retail outlets is fantastic. That is what makes us happy." Supplier B is satisfactory with the relationship between the two parties. There is a lot of contact between the account manager of Supplier B and Employee 1 of company X. Therefore, one factor that can cause supplier dissatisfaction is lack of communication between the two parties. In addition, mutations to orders from Company X can cause supplier dissatisfaction at Supplier B.

The main measures a customer must undertake to generate supplier satisfaction at Supplier A are the conversations between the two parties about the three important criteria mentioned before: revenue, cost and risk. The interviewee at Supplier A mentions "the moment we have a good and transparent conversation with Company X, and their goals in IT are communicated with us they can be promoted. Now we are not made part of that conversation and that strategy, so the customer cannot move up from a transactional level to a relevant level."

Table 3: Overview customer attractiveness and supplier satisfaction factors

	Factor	**Employee**	**Supplier**
Customer Attractiveness	Being preferred supplier	2	
	Revenue	1,3	A
	No mutations in order process	1	B
	Company name	2,3	
	Diversity of customer base	3	
	Dynamic and Flexible	2	B
	Relevancy		A
	Participation in strategy		A, B
Supplier Satisfaction	Act according to agreements	1,2,3	A
	Improved communication	3	A, B
	More contact moments	3	A, B
	Different future philosophies		A
	Transparent conversations		A

Above a summary is given from the factors that influence customer attractiveness and supplier satisfaction on Company X's side and their supplier side. In the next section, an overview of the inflation factors that impact the customers status is given.

4.5 Inflation

4.5.1 Inflation at Company X

As mentioned before in this paper, inflation affects every company, therefore also Company X. In this section, the effects of inflation on Company X and their preferred customer status is stated.

First, Employee 1 stated that some suppliers did not increase their prices more than index. On the other hand, there are some suppliers who take the chance to increase their prices higher than what the price indexes indicate. Nevertheless, Employee 1 mentions that some suppliers are allowed to raise their prices according to contractual agreements between the two parties. On the other hand, if the supplier does not have the option to raise their prices, Company X will negotiate with the suppliers about these price changes. Employee 1 mentions that no relationships have gotten worse due to price changes, just a bit of irritation on both sides. Nevertheless, Company X switched from one supplier, where they perceived a preferred customer status, to a new supplier because of their price increases. However, the employee says that the supplier does not have the option to increase their prices every time because Company X simply will not accept it. Employee 2 has a similar view on inflation as Employee 1. Employee 2 stated: "I think there is a distinction between suppliers. There are suppliers that are very honest about price increases, and there are suppliers that takes this opportunity to increase their prices to a ridiculously high amount. This phenomenon sets the relationship back to square one. If there is no truth from the supplier, we even tend to search for new suppliers." Employee 3 mentions that most of the relationships with suppliers were not affected badly by inflation. However, since Employee buys in accommodations and hotels, some suppliers had to close their doors due to COVID-19. As mentioned before, COVID-19 led to supply disruptions, and therefore also travel-restrictions for tourists. This led to a couple of suppliers of Employee 3 not being able to survive. On the other hand, some relationships were adjusted because of inflation. An example by Employee 3: "I do have relationships that were adjusted. Let's say a hotel does not have to ability to hire two cooks, but instead can only hire one cook. This leads to the restaurant not being open seven days a week, but only six. I then must communicate this change with our customers."

In addition to the price increases by suppliers, Employee 2 mentions some contractual agreements that Company X has made with its suppliers. The employee states that in every contract they have with a supplier that is longer than one year, a price agreement is made. This means that for some suppliers, the ability to raise prices according to an index is given. However, this does not mean that every supplier of Company X could raise their prices according to an index. It depends per commodity what type of contractual agreement Employee 2 makes with its suppliers. Nevertheless, Employee 2 states that the negotiations and contractual agreements have changed since the higher inflation percentages are occurring: "We notice that we tend to lay the focus more on contractual agreements than we did before. Earlier it was easier to negotiate about the details of a contract, paying terms, cancelation terms or price increases for example. Nowadays we pay a lot more attention to the details of the contract and I think that the suppliers act the same way." As mentioned before, Employee 3 purchases its products and services with static prices. The employee can do this because agreements were made with suppliers. Nevertheless, there are some suppliers that try to raise their prices in that agreement. The employee states: "Sometimes you have suppliers who try to raise the prices. I then tell them: Everything that has been booked is for the agreed price, and everything I will book in the future is agreed under a new price agreement. I tend to do this with suppliers that I do not want to lose."

In terms of negotiation strategy that might have been affected by inflation Employee 1 mentions that it is necessary to have an alternative for the wanted commodity. However, the employee mentions that a lot of suppliers do the same in terms of inflation, so an alternative might not be a good option. The action that Employee 1 can undertake is to "talk about the topic and trying to create goodwill at the supplier, or simply ask if the price increases can be a bit lower." Another impact that inflation had on the purchasing strategies of Employee 1 was in terms of the budget. Firstly, before the high inflation levels, the IT department of Company X had a separate budget. Currently, the IT budget is incorporated in the budget of the business. So, the business has to give the IT department a project code each time the IT department wants to purchase a commodity. This leads to more communication between the business and the IT department. For Employee 3, the negotiations with suppliers changed due to Inflation. Employee 3 states: "Because of COVID-19 and thus Inflation, a lot of suppliers are a bit scared to give me their prices. Nevertheless, they agreed to work together, and you agreed on the amount of rooms you could purchase. But no price agreement was made. Suppliers tend to give their prices a lot later in the year than what they did before COVID-19." Employee 3 thinks that this phenomenon occurs because suppliers first want to know how much revenue and profit they generated in the season before they give their prices for the next season to Company X and other competitors.

In the end, no relationships of Employee 1 suppliers were damaged by inflation. Nevertheless, there are some suppliers that disappeared of the radar, but no relationship was established in the first place with these types of suppliers. Employee 1 thinks that Company X is not bound to one supplier specifically. The IT department could change suppliers if they want to. Except if the department has made an agreement with the supplier that counts for a period of more than one year. For Employee 2, a few relationships were heavily affected by price increases. Employee 2's department got into conversations with a lot of suppliers with respect for both parties. Nevertheless, as mentioned before, some suppliers were to eager with their price increases that Employee 2 thinks that Company X were demoted in status at those suppliers.

4.5.2 Inflation at Suppliers

The last topic research, both for Company X and the Suppliers is inflation. As mentioned before, questions were created to research the impact of inflation on the sales of suppliers and the relationship between the supplier and customers. Nevertheless, Supplier A did do price changes to the products they sell. However, these price changes are calculated in their selling prices because their vendor had increased their prices. As mentioned before, their discounts to customers are caused by the vendor, therefore, price increases are also caused by the vendor. Albeit price changes are pushed through to Supplier A's customers, it is only possible if it is contractually legal. Supplier A's Director of Outsourcing mentions in the interview that the only reason they are increasing their prices is to guarantee high quality of service to their customer. In terms of the services that Supplier A sells, they increase their prices according to Dutch price indexes like CBS. The price increases in their services are done yearly. Supplier B acts in a similar way as Supplier A. Supplier B raised their prices according to price increases at their suppliers. The interviewee believes that every company raises their prices in a similar way and every company has to deal with inflation. Supplier B raises their price according to the Dollar Index. Their prices will be changed quarterly since the Dollar Index is also quarterly adjusted. They use this index because most of their bought products are bought in Dollars.

Supplier A's customer react differently to their price increases. The interviewee mentions that "Customers react differently to the price increases. Sometimes you don't have contractual agreements to increase your prices. However, some customers do understand it, but it is a painful conversation to have." The acceptation of price increases by customer leads to relationship not being that effected by price increases. The Director Outsourcing mentions that "our customers increase their prices in the same way as we do, so in the end, there is understanding." Suppliers B stated the reaction of Company X to their price increases in the following way: "The acceptance of customers is in the way a supplier communicates it to the customer. A purchaser will then start to ask questions how the price increases were caused. If you are not honest in that communication, the purchaser will not accept this price increase." In the end, no relationships of the account manager from Supplier B were damage due to inflation.

Lastly, a question was asked if any customer of Supplier A was demoted because they wouldn't want to pay the price increases that Supplier A was implementing. The answer to this question was that customers in different segments require different treatment, however, each segment has the challenge of price increases. Supplier A tries to manage the challenge of price increases by making sure that the conversation about the topic really happens with the customer, which ever type of segment they are in.

Table 4: Overview of inflation factors influencing preferred customer status

Factor	Employee	Supplier
Contractual price increases	1, 2, 3	A, B
Conversation about price increases	1, 2, 3	A, B
Honesty about price increases	1, 2	A, B
Supplier Bankruptcy	3	
Price increases according to index	2	A, B

Above, a table is created with the inflation factors that impact a preferred customer status. In the next section, an overview is stated which compares factors mentioned by Company X's employees and their suppliers.

4.6 Comparison of the buyer view and the supplier view

In this section, a comparison of the buyer view and supplier view is stated. An overview is created which indicates what factors are mentioned by the purchasers that are also mentioned by the suppliers and which factors are not. In the end, this will give an overview of the similarities between the answers given in the interviews. Nevertheless, as mentioned before, only suppliers from Employee 1's department were interviewed, so it could be that some factors mentioned by Employee 2 & 3 are only present at their suppliers and are not mentioned by Employee 1's suppliers.

4.6.1 Factors mentioned by both parties

Several factors have been identified in the interviews that are mentioned at both the buyer side and the supplier side. The following factors are mentioned at both sides: Price discounts, Revenue, No mutations in the order process, Dynamic and Flexible company, Acting according to agreements, Improved communications, More contact moments, Contractual price increases, Conversations about price increases, Honesty about price increases, and Price increases according to an Index. Buyers and suppliers agree on these factors having an impact on preferred customer status or can be obtained by being a preferred customer.

4.6.2 Factors not mentioned by both parties

There have been several factors that are mentioned by the interviewees of Company X that have not been identified by Employee 1's suppliers. These factors are: New product priority, Longer paying terms, Better contractual agreements, Shared development projects, Visibility on higher levels of management, Easier buying process, Being preferred supplier, Company name, Diversity of customer base, Relevancy, Participation in strategy, Different future philosophies, Transparent conversations, and supplier bankruptcy. Several factors have been identified by all the employees at Company X, nevertheless, these factors have not been mentioned by their suppliers. In addition, factors that have been identified by Employee 2 and Employee 3 could have been identified at their suppliers if these suppliers would have been identified. However, as mentioned before, the only suppliers interviewed are Employee 1's suppliers.

5. DIFFERENCES AND SIMILARITIES IN RELATION TO THE LITERATURE

5.1.1 Benefits of a Preferred Customer Status: Theoretical Comparison

Most key benefits of a preferred customer status that were retrieved from the literature, such as purchasing price reductions (Blenkhorn & Banting, 1991, p188; Nollet et al., 2012, p1191), supplier commitment (Kim & Choi, 2015, p63), joint new product development, customer customizations, shared innovations, and preferential treatment in case of bottlenecks (Steinle & Schiele, 2008, p11) were also identified in the case study conducted in this paper.

Nevertheless, multiple other benefits that were perceived by interviewees from Company X were not retrieved from the literature and are therefore quite unique. These benefits were: Earlier product usage (Employee 1), Longer paying terms (Employee 2), Improved contractual terms such as cancellation periods (Employee 2), Cros-selling discounts during shared supplier projects (Employee 3), Visibility on higher management levels (Supplier A), and less sophisticated buying processes (Supplier B). In terms of placement of these benefits in the before mentioned pyramid in Figure 1, the benefits that Company X perceived at their supplier can all be classified in the top part of the pyramid and are therefore not for all customers and free of charge.

5.1.2 Antecedents of a Preferred Customer Status: Theoretical Comparison

Antecedents identified in the literature were based on the concepts of Customer Attractiveness and Supplier Satisfaction. Some of the antecedents mentioned before are present in the case study conducted in this paper.

First, for drivers of customer attractiveness, most of the elements identified in the literature were present in the case study. These factors include large purchasing volume (Hald et al., 2009, p963), company size (Fiocca, 1982, p57), long-term relationship (Ramsay & Wagner, 2009, p131), and commitment (Soares Santana et al., 2021, p116). However, two significant factors that were present in the case study were not mentioned in the literature. These factors are: Being a preferred supplier (Employee 2) and Relevancy of the customer (Supplier A and B)

Second, looking at the drivers of supplier satisfaction, it is shown that many factors mentioned in the literature have been identified in the case study. This includes, among others, Adherence to purchasing policies (All interviewees) (Ganguly & Roy, 2021, p256-257), Profitability (All interviewees), Continuous income flow (Employee 2 and 3), Early supplier involvement (Employee 2 and Supplier A and B), and lastly openness in the communication (All interviewees) (Janssens et al., 2023, p156). Nevertheless, there was one factor that was not mentioned in the literature that was present in Employee 3's supplier relationships. This was the factor of opportunity costs for the supplier. If a supplier perceives that its revenue would be higher if there was no agreement between Company X and the supplier, it could cause dissatisfaction on the supplier side.

5.1.3 Impact of Inflation on Preferred Customer Status: Theoretical Comparison

In the literature, several factors that are impacted by inflation are stated which in the end have an influence on a preferred customer status. The factors that are similar to the reality at Company X and thus are perceived in the case study conducted in this paper are divided into risks and strategies to cope with inflation from suppliers: In terms of risks; Currency (Supplier B), Commodity price (All interviewees), Macroeconomic degradation (Employee 2), Inflation (All interviewees), and Socio political and Legal risks (Employee 1,2,3) (Pellegrino et al., 2020, p965). In terms of strategies, (1) Negotiate enough savings to offset inflation impact (All interviewees), (2) Agree to compensate suppliers only in certain regions (Employee 3), and (3) Agree with the supplier on different cost elements that are subject to inflation (Employee 2) (Pellegrino et al., 2020, p972). In addition, the phenomenon of customer demotion by (Wagner et al., 2009, p81) is visible in this case study. In Employee 2's department, demotion was used by suppliers because Company X did not exceed spending levels.

Nevertheless, in opposite over similarities with the literature, some factors were discovered that were not mentioned in the literature. These factors are: Separate budget (Employee 1), Static price agreements (Employee 3), and vendor pushed price increases (Supplier A, Supplier B). The factor Separate budget that was perceived at Employee 1 is somewhat similar to a strategy mentioned by Pellegrino. As mentioned before, one of the strategies is to Negotiate enough savings to offset inflation impact (Pellegrino et al., 2020, p972). Since Employee 1's budget is now included into the budget of the whole company, no inflation adjustments are specifically made for Employee 1 and are instead made for the whole company. In addition, the factor static price agreements mentioned at Employee 3 is somewhat similar to the factor price discounts mentioned by Blenkhorn & Banting and Nollet. Since prices from Employee 3's suppliers are increasing over time and Employee 3 can buy in with static prices, it could be perceived as a price discount.

6. CONCLUSION

Purchasing departments constantly improve their relationships with their suppliers so that they can acquire a preferred customer status. Achieving a preferred customer status can reap several benefits for the buying company and create a competitive advantage over their competitors (Schiele et al., 2011, p172). Price discounts, Logistical benefits, and other benefits can be perceived when a preferred customer status is achieved. However, high inflation levels of the years after COVID-19 and the war in Ukraine have impacted the way a buying company achieves a preferred customer status.

In providing an answer to the double research question, this multiple case study has identified a large number of benefits and antecedents to Company X's preferred customer status at their suppliers. To provide an answer to the question how a buying company can be as attractive as possible to a supplier and how a supplier can be most satisfied in a relationship. It is first important to understand what suppliers think factors of customer attractiveness are. This study helped identifying those factors by gathering answers from a buying perspective and a selling perspective to compare the answers.

This study has tried to find similarities and differences between the literature in terms of benefits and antecedents of preferred customer status. This resulted in many factors that were similar to the literature as well as several factors that were not mentioned before in previous studies. For example, when looking at benefits of a preferred customer status, a great amount supports the literature. However, factors such as cross selling discounts and visibility at the higher management of the supplier were not found in the literature. In the end, the case study conducted in this paper answered the double research question by researching what the benefits, antecedent, and the impact of inflation is for the preferred customer status for Company X.

6.1 Research limitations and Contributions

As mentioned before, the concept of preferred customer status has not been fully explored by academic research. This paper delivers a literature review of the definitions, benefits, and antecedents of a preferred customer status. In addition, not much research has been conducted about the impact of high inflation percentage on preferred customer status with suppliers. Therefore, this paper's contribution to the literature is that is gives a theoretical and practical view on that topic. This has been done by evaluating a buyer's perspective on inflation and preferred customer status and a supplier's perspective on inflation and preferred customer status.

However, due to the small scale of this study, since it was conducted with only one buying firm and two selling firms, it is not possible to generalize the findings to a greater scale. Therefore, further research on this topic could be beneficial in determining what factors impact preferred customer status for all companies and not just for Company X. In addition, a potential bias in this study could be created. Because the interviewees of the supplier knew that some employees from Company X could read this paper, it could occur that the interviewees of the suppliers gave answers to please Company X. They might have been reluctant to say anything bad about the relationship with Company X.

6.2 Managerial recommendations

The recommendations given to Company X and their employees is primarily focused to increases both customer attractiveness and supplier satisfaction. If Company X increases both antecedents, they are more likely to receive preferential treatment and are more likely to be seen as a preferred customer by their suppliers. The primary focus should be on the factors that have been mentioned by both parties and are especially important for both antecedents. Therefore, the main focus from Company X should be at: high spending levels, no mutations in the order process, act according to agreements made with the supplier, improve communications, and add more contact moments with the supplier. In addition, Company X should focus on the factors mentioned by their suppliers which and are not mentioned by the employees. These factors are: conversations about relevancy between the supplier and Company X, try to involve the supplier in Company X's strategy, and have transparent conversations with the suppliers. Focusing on these factors will most likely increase the customer attractiveness of Company X and supplier satisfaction in general.

If Company X, and especially Employee 1, wants to improve customer attractiveness and supplier satisfaction at Supplier A, the company should focus on their spending levels, conversations about the three relevancy factors at Supplier A, Involving Supplier A in Company X's strategy, acting according to the agreements made, improve communication by increasing the contact moments between each other, and focus on more transparent conversations with Supplier A. For Supplier B on the other hand, Company X and Employee 1 should focus on improving the communication by increasing contact moments, involving Supplier B in Company X's strategy, and having no mutations in the order process.

6.3 Acknowledgements

I hereby want to express my sincere gratitude to Company X and its employees in the purchasing department across different locations. They made it possible for me to conduct this research with a buying perspective and a selling perspective. Additionally, I want to thank the suppliers that participated in this interview.

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APPENDIX 1

8.1 Questions for Purchasers

Classification

1. Do you classify the relationship you have with suppliers? If so, how?
2. Do you have indications that the suppliers are doing the same with you?
3. Is there management commitment to achieving preferred customer status with strategic suppliers?
4. Whom do you have a preferred customer status with?

Benefits

5. Do you notice shorter lead times, influences on the purchasing prices, better access to innovative capabilities and shared development projects?
6. Which other benefits do you notice from having a preferred customer status?

Antecedents

7. What have you done in the past to become a preferred customer of strategic supplier? Are there other actions you did not undertake that could have helped in reaching a preferred customer status?
8. Do you consider your company an attractive customer to suppliers? What are the factors that are influencing this attractiveness?
9. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction?
10. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers?

Inflation

11. How has recent inflation affected the relationship with suppliers?
12. Have any agreements been made with suppliers regarding price increases from their end?
13. What strategies do you employ to minimize the impact of supplier price increases as much as possible?
14. Have there been any relationships with suppliers that have gotten worse or ceased completely due to price increases?
15. How has inflation influenced your procurement strategy in terms of budget, negotiations, etc.?

8.2 Questions for Suppliers

Classification

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

Benefits

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

Antecedents

5. Do you consider Company X as an attractive customer? What factors enhance its attractiveness?
6. Are you satisfied with the business relationship with Company X? What factors influence your satisfaction or dissatisfaction in this relationship?
7. What are the motivations of your company to give Company X a preferred customer status? What has Company X done to achieve this status? What could Company X do to further improve its status?
8. What are the measures for a customer to achieve a preferred customer status, and what kind of behavior is necessary for that?
9. What do customers generally do to achieve a preferred customer status? Does this differ from the behavior you would like to see from customers?

Inflation

10. Have you recently implemented price increases in the products/services you sell to Company X? If so, how did Company X react to it?
11. Have there been any contractual agreements regarding inflation? If yes, what are these agreements? If not, are there plans to potentially introduce them in the negotiation?
12. In what way has the relationship with Company X been influenced by your price increases? Has Company X's status changed due to Company X's response?
13. Did relationship get harmed by your price increases? If so, in what manner?