

The impact of inflation on the buyer-supplier relationship and the preferred customer status - a case study

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Abstract,

In recent years, a change in the power dynamics of the buyer-supplier relationship has been noticed. While suppliers have traditionally fought to attain and keep customers, it is now also the customers who are seeking a preference of suppliers. In addition to this development, companies are currently exposed to ever-higher inflation rates. The objective of this paper is to answer the question of how inflation affects the buyer-supplier relationship and the increasingly important preferred customer status. In order to address this interrelation, a qualitative case study with five firms in two different industry settings was conducted. The results of this study first showed concordance with existing literature on antecedents of supplier satisfaction, the preferred customer status and associated benefits. While financial and relational aspects have the highest contribution to supplier satisfaction, are price reductions, decrease in lead and cycle time and improvement of support the most essential benefits allocated. Furthermore, the evaluation of propositions provides information on how inflation influences the relationship and the preferred customer status. First, the analysis shows that inflation has an insignificant effect on the buyer-supplier relationship. Furthermore, there is no indication of an impact on the preferred customer status and the associated benefits. This is mainly due to the fact that suppliers do not evaluate their customers differently in times of rising inflation. As such, the findings of this study give first implications on the insignificant extent to which inflation influences the buyer-supplier relationship and the preferred customer status. Further research in this unexplored field should carry out further data collection to confirm what has been found while extending the focus on the explicit reasons why inflation has such an insignificant impact.

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Keywords

Buyer-supplier relationship, supplier satisfaction, preferred customer status, social exchange theory, benefits, inflation

1. INTRODUCTION

“Understanding supplier performance is a given in today’s business environment” (Gordon, 2005, p.20). Given this statement, it becomes clear that supplier performance has long played a role in theory, literature, and practice. This, however, cannot be said about the performance of the customer and the field of preferred customers. As it is becoming clear that many customers are dependent on only a few suppliers nowadays (Cannon & Perreault Jr, 1999, p.439), there is a clear trend that this has changed a lot, especially in the last ten years. Even though this trend is just recently coming up (Williamson, 1991, p.79) already discussed the term “preferred customers” in 1991 as he stated that these relationships could be realised by setting up long-term contracts to attach buyer and seller to each other.

Traditionally it is the buyer who initiates the relationship between buyer and seller. Nonetheless, it becomes apparent that the recent trends of increased dependence on the suppliers are turning this dynamic around (Nollet et al., 2012, p.1186). This shift in the relationships between buyer and seller indicates that buyers are actively trying to satisfy their supplier to not be excluded. The trend of a major decrease of suppliers in the business-to-business market being one of the reasons for these developments (Schiele et al., 2015, p.132). The other main motive leading to more extensive research in that field is the “fundamental change in supply chain organization that allocates increasing responsibilities to suppliers” (Schiele, Calvi, et al., 2012, p.1178).

The term “preferred customer” can be explained as the concept of suppliers favouring specific buyers over others. This then leading to a preferred customer status of specific buyers. Achieved is this preferred customer status if the buyer is offered preferential resource allocation (Steinle & Schiele, 2008, p.11).

This paper, however, is not just focussing on the available research on preferred customers and supplier satisfaction but also considers how the inflation rate could influence these relationships. COVID-19 and the following war between Russia and Ukraine have led to an increase in the Inflation rate (headline inflation rate set at 5.9% in February 2022), and this development did not end yet (Nickel et al., 2022, p.69). Since inflation impacts the daily operations of businesses heavily, firms are indivisible from their partners and supply chain management plays an important role in influencing the success of a firm faced with increasing inflation (Wan & Chen, 2019, p.1452); it is an objective to review and analyse how business-to-business relationships are affected by inflation. All this by taking into account the literature and research regarding preferred customers and supplier satisfaction.

Based on these objectives, the following research question has been formulated:

To what extent does inflation influence the relationship and the preferred customer status between company X and Y and its supplier(s)?

By answering this research question, and as a result of this study, more evidence regarding the antecedents of supplier satisfaction, the preferred customer status and the resulting benefits can be issued. Complementing and expanding research conducted by Hüttinger et al. (2014) or Schiele, Calvi, et al. (2012). Further new insights are gained, which connect the just mentioned terms and theory with the development of rising inflation and the resulting effects on the buyer-supplier relationship. This, never before addressed issue, could help to understand developments in buyer-supplier relationships due to inflation and how to cope with these. In order to answer the research question, a literature review will be conducted first. This review will focus on the

literature and concepts that have been developed concerning supplier satisfaction and the preferred customer status. In addition, inflation will be addressed in order to establish a connection between these topics later on. Subsequently, a qualitative case study will be conducted in which company X and Y and supplier(s) will be interviewed. Following a detailed discussion is held to connect the findings in the literature with the case study.

2. LITERATURE REVIEW

2.1 Shift in trends – achieving the preferred customer status to benefit over the competition

Recently a shift in the traditional purchasing philosophy is occurring since particular circumstances of the current supply market necessitate a greater focus on strategic supply management to ensure access to key suppliers and increase the likelihood of future competitiveness by becoming their preferred customer (Hüttinger et al., 2012, p.1194). The rise of competition leads firms to the improvement of various performance indicators while at the same time having to lower costs. Resulting is the increase of leveraging competencies by outsourcing. This is especially attractive for activities that are not examined as core competencies. These outsourcing processes, which bring several advantages, lead to the inevitably rising dependence on suppliers (Kannan & Choon Tan, 2006, p.755). Acquiring resources necessary for gaining a competitive advantage at the firm level heavily relies on the relationships between a buying firm and its suppliers, especially in a competitive market where rivals share suppliers (Pulles et al., 2014, p.16). Mainly in mature markets, buyers are actively reducing their supply base to attain such benefits as lower transaction costs and larger economies of scale. These actions, however, eventually lead to oligopolistic supply market structures (Vos et al., 2016, p.4613). Piechota et al. (2021, p.1) further state: “Creating competitive advantages through strategic external collaboration—especially in supply markets characterized by supplier oligopoly—is not a straightforward task when the supply base is shared with competitors. The creation of competitive advantages depends on the buying firm’s ability to position itself as a preferred customer”. These developments are drawing more and more attention to the question of how the preferred customer status can be achieved.

Studies by Vos et al. (2016, p.4621), which observed the consequences of supplier satisfaction, show that supplier satisfaction results in a significant positive impact on the preferred customer status. To attain supplier satisfaction growth opportunities, reliability and profitability are relevant factors. Supplier satisfaction is an enabler in gaining competitive advantage over direct competitors. It is important to note that relational factors have at least the same, if not a greater influence than economic factors on suppliers. Further studies by (Pulles et al., 2016, p.137) support these findings by linking supplier satisfaction as a significant mediator to preferential resource allocations. In disparity, Baxter (2012, p.1251) outlined in his research that supplier satisfaction is a non-significant factor influencing preferred customer treatment. Even though there is no significance found between these two factors, the preferred customer treatment can be explained by the supplier commitment, which in respect is significantly related to supplier satisfaction. Baxter (2012, pp.1255, 1256) implies that several managerial actions such as putting major resources into the relationship, regular meetings to enhance valuable insights, and giving out more information to reduce uncertainty can help to significantly increase preferential treatment by the supplier.

According to Nollet et al. (2012, p.1188), becoming a preferred customer is a structured, sometimes even complicated undertaking. Transformation is needed to change the approach of actively selling the corporation. There are several advantages being a preferred customer, which can be divided into product quality and innovation, support, delivery reliability, price and costs.

2.2 Social exchange theory

Social exchange can be defined “as the exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons” (Cook & Rice, 2006, p.54). According to SET, the main governance mechanism of the exchange focuses on the relationship between all involved parties. Social exchange theory is a branch of research concerned with the social processes that govern relationships between individuals or groups. The core concept behind SET is relational interdependence, which emerges over time as a result of interactions between exchange partners. In exchange relationships, the effectiveness of governance mechanisms is often attributed to norms, interpersonal relationships, trust, and attachment to the relationship. (Schiele, Veldman, et al., 2012, p.136).

The observation that some firms receive preferred resource allocation in comparison to competitors leads to the conclusion that suppliers determine their allocation in a selective process. Customer attraction and supplier satisfaction play a major role in achieving these preferred treatments (Pulles et al., 2016, p.129). Resolving around the social exchange theory perspective, it can be argued that customer attractiveness, supplier satisfaction and preferred customer status are all determinants of the decision if suppliers treat buyers advantaged (Hüttinger et al., 2012, p.1194). Based on that, Schiele *et al.* proposed a model which interconnects these determinants with three core elements into a cycle. The cycle of preferred customership. As can be seen in *Figure 1*, the three elements are expectations (E), comparison level (Cl), and comparison level of alternatives (Clalt). Cl and Clalt can be seen as evaluation steps between buyer and supplier. Cl can be seen as the standard for assessing the outcome of the exchange leading to satisfaction with the relationship when the minimum criteria are met. Clalt, referring to the assumption that the actors will use relative criteria as well as absolute criteria, describes the process of comparing to alternate alternatives to decide on whether to continue the relationship and in which form. Next to the discontinuation of the relationship, a buyer can be appointed preferred or regular customer by the supplier (Schiele, Calvi, et al., 2012, p.1180). The circularity of the model can be explained by the fact that the reward of being a preferred customer leads to new expectations, leading to a restart of the cycle (Schiele, Calvi, et al., 2012, p.1182).

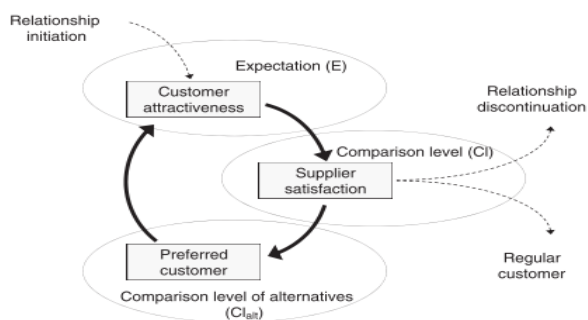


Figure 1. The cycle of preferred customership.
(Schiele, Calvi, et al., 2012, p.1180)

Studies conducted by Pulles et al. (2016, p.137) and Vos et al. (2016, p.4621) reinforce the implication that customer attractiveness, supplier satisfaction and, ultimately, the preferred customer status lead to a positively influenced resource allocation. Due to this empirical evidence already constructed by the literature, it is essential to understand the antecedents and factors influencing these consecutive steps to reach preferred resource allocation. In order to establish this understanding, these are discussed in detail in the next sections.

2.3 Customer attractiveness: expectations and antecedents

Based on the conception of the circular model, the attractiveness of the customer is an important component and the foundation of reaching a preferred customer status. A supplier considers a customer attractive if the supplier has positive expectations for a relationship with that customer. This requires that the supplier has an understanding of the existence and knowledge of the customer’s needs. The trigger of initial attraction is solely based on beliefs and expectations (Schiele, Calvi, et al., 2012, p.1180). More recently, the concept of customer attractiveness appeared in research on purchasing and business-to-business marketing. This leads to the argument that being an attractive customer is beneficial to reach profitable relationships with suppliers (La Rocca et al., 2012, p.1241). Suppliers indeed differentiate their service based on customer attractiveness (Baxter, 2012, p.1255) and an extensive review conducted by (Mortensen, 2012, p.1217) gives implications that an extensive focus on attraction can result in voluntary actions from partners, helps establish relations with other companies and will strengthen the company’s network.

Early research that also focussed on business-to-business relations by Fiocca (1982, p.57) concludes five measurements of “Customer Business Attractiveness”: competition, financial and economics, market, technological and socio-political factors. These factors, however, solely base their evaluation on performance attributes of the customer. This exclusively fact-based evaluation, which only considers company related factors, determines that the size of the customer is most important in the process of evaluation (Hüttinger et al., 2012, p.1198). This approach would imply that large firms have a clear advantage in establishing themselves as an important customer (Williamson, 1991, p.81), but research conducted by Christiansen and Maltz (2002, p.180) found that creating value for suppliers can also be achieved by companies that appear to be smaller than direct competition. This can be done by providing excellent technological expertise and the commitment of transferring knowledge and risks (Christiansen & Maltz, 2002, p.191). Contrasting to the previously mentioned factual measurements, Ellegaard et al. (2003, pp.354, 355) proposed that the attractiveness level needs to be evaluated on a more relational and individual basis. Measuring attractiveness is very hard and requires deep involvement. Human and dynamical evaluation, which is about recognizing the specifics of each buyer-supplier relation, is especially hard to measure. To be determined attractive further social relational attributes like trust, commitment and emotions are important (Ellegaard & Ritter, 2007, pp.5, 6). In a literature review conducted by (Hüttinger et al., 2012, p.1203), five main drivers of customer attractiveness were worked out. These are market growth factors, risk factors, technological factors, economic factors and social factors. Many of these drivers are focussing on factors that are apparent even before the relationship hasn’t started and are criteria which could prevent relationships from happening in the first place (Hüttinger et al., 2012, p.1202). The literature indicates that customer attractiveness is an important factor to consider for buyers. Being attractive in the eyes of suppliers drastically increases the

chances of a business relationship and improves an established relationship substantially.

2.4 Supplier satisfaction and its antecedents

Supplier satisfaction can be defined as “a supplier’s feeling of fairness with regard to buyer’s incentives and supplier’s contributions within an industrial buyer–seller relationship” (Essig & Amann, 2009, p.103). Well-handled relationships with suppliers offer many opportunities for corporations, and thus, a performance increase can be recognized in the case of a collaboration (Pulles et al., 2016, p.129). This successful buyer-supplier relationship, according to the cycle of preferred customership, can be attained by supplier satisfaction. One necessary condition to attain preferential treatment is satisfying the supplier (Schiele, Calvi, et al., 2012, p.1179). Firms will evaluate the performance of the relationship against the expectations. The level of satisfaction by the supplier is set on the evaluated difference between these two factors. The relationship will not sustain if a minimum required satisfaction level is not reached (Schiele, Calvi, et al., 2012, p.1181). Being satisfied in a buyer-supplier relationship is of main importance in the effect of how sustainable a relationship is seen by the participants of the relationship (Glavee-Geo, 2019, p.4).

Table 1: Antecedents of Supplier Satisfaction

Growth Potential	Profitability
Corporate reputation, image	Purchase policy, Payment Policy
Financial attractiveness	Purchasing Volume
Supplier development	Contribution to sales and profit of supplier
Growth in conjunction	Business continuity
Relational Behaviour	Operative Excellence
Early information sharing	Reliability
Trust (mutual)	Quality management
Honouring agreements	Demand stability
Cooperative relationships, culture	Clarity of objectives
Personal relationships	Forecasting/ planning
Commitment, loyalty	Process management
Communication (quality, openness, feedback)	Contact accessibility
Support, involvement	

Due to the importance of supplier satisfaction, researchers in the recent past focussed on how to measure and attain a desired satisfaction level. First acknowledged was the importance of a buyer-supplier relationship, which results in a satisfied supplier, by Wong (2000, p.427). Stating that the most effective approach to receiving cooperation and contribution from suppliers is relational and cooperative (Wong, 2000, p.429). Essig and Amann (2009, p.106) proposed a supplier satisfaction index which is influenced by three dimensions: the strategic level, operative level and accompanying level. Later Meena and Sarmah (2012, p.1239) developed a supplier satisfaction index model measuring supplier satisfaction on the basis of purchase policy, coordination policy, payment/ finance policy and corporate image. In the recent past, Hudnurkar and Ambekar (2019) found five factors to be relevant (support, quality management, payment and financial policy,

relationship and coordination policy, and purchase policy) by developing their framework to evaluate satisfaction. Findings of a mixed-method approach to explore antecedents of preferential customer treatment by suppliers conducted by Hüttinger et al. (2014, p.712) indicated growth opportunity, reliability and relational behaviour as relevant factors affecting supplier satisfaction. Building on that, further research by Vos et al. (2016, p.4621) indicates that profitability is another relevant antecedent. Growth opportunity, operative excellence, relational behaviour and profitability are considered first-tier antecedents, therefore influencing supplier satisfaction directly (Vos et al., 2016, p.4621). Many antecedents can be found in the literature, which can be subordinated to these four first-tier antecedents.

A detailed table including the subordinates is presented in *Table 1*. The associated sources can be found in *Table 8*, Appendix A.

2.5 Antecedents and benefits of attaining the preferred customer status

By being awarded with the preferred customer status by suppliers, firms can achieve a competitive advantage. Being preferred over direct competition leads to greater benefits provided by the suppliers resources and capabilities (Schiele, Calvi, et al., 2012, p.1178). That is because suppliers are able to provide resources that build competitive advantage, which might not be achieved in other ways (Pulles et al., 2016, p.129). Being appointed as a regular or preferred customer by the supplier, according to the social-exchange theory, is solely dependent on the suppliers understanding and evaluation of the buyers attractiveness and satisfaction with the buyer (Schiele, Calvi, et al., 2012, p.1181). “Thus, if buying firms fail to meet or exceed the supplier’s expectations (i.e. supplier satisfaction), then they might fail to achieve preferential resource allocation” (Pulles et al., 2016, p.137).

Table 2: Antecedents of preferred customer status

Economical	Relational
Profitability	Reliability
Growth potential	Supplier involvement
Purchase Volume	Commitment
Financial attractiveness	Relationship length
	Geographical distance
	Cluster membership

When considering the existing literature on preferred customer status, it appears that extensive attention has been paid to the benefits the status brings rather than the antecedents that lead to such status (Hüttinger et al., 2012, p.1201). First (Williamson, 1991, pp.80, 81) indicated the importance of becoming an important customer in the eyes of the suppliers. This preferred customer status can be reached by channelling purchases towards one primary supplier to increase the purchased volume. The significance of high purchasing volume regarding a preferred customer status was later underlined by Hüttinger et al. (2014, p.699) and Steinle and Schiele (2008, p.11). Further (Moody, 1992, p.52) presented drivers that are considered to describe a “Best Customer”. The most important characteristics indicated, except profitability, especially valuing deep involvement and an extensive relationship. More previous research pointed out that the potential for value creation is one of the key drivers for suppliers to award the preferred customer status (Hüttinger et al., 2012, p.1202). Furthermore, studies found (relational reliability)

(Ellis et al., 2012, p.1265; Hüttinger et al., 2014, p.712), supplier involvement (Ellis et al., 2012, p.1265) and growth opportunity (Hüttinger et al., 2014, p.712) as relevant antecedents of the preferred customer status.

Benefits that can be allocated always have to be seen relative to the allocation that buyers of the same supplier receive. Schiele (2020, pp.124-126) proposes a model that distinguishes among four levels of benefits that can be allocated to the buying firms. The tie of advantages. The lowest level, Level -1, can be considered as a status that should be avoided by the buyers. The customer pays more for the same level of service than other buyers or gets less for the standard price. The next level, Level 0, can be considered as the baseline. It should be a target for the buyers to reach this minimum level to receive standard products or services for the standard price and conditions. At level 1, competitive advantages occur for the first time. The customer is able to receive better service than the direct competition but is required to pay more for these. The most preferred situation from the buyers perspective occurs at level 2. Being considered a level 2 customer is ensuring the buyer to receive the best service that the supplier has to offer. The customer gets better service than other customers but does not get charged extra for these extra services.

Table 3: Benefits of being a preferred customer

Financial	Operational
Cost reduction	Preferred resource allocation
Benevolent pricing behaviour	Performance of delivery
Access to lowest price	Decrease in lead and cycle time
	Process improvement
Relation and cooperation	Quality and Innovation
Offering of best personnel	Consistent quality levels
Sharing of trust, commitment, knowledge	Early access to supplier innovations
Improvement in Support	Availability to customization
	Supplier involvement in NPD
	Suppliers willingness to engage in joint projects

The actual benefits that can lead to a competitive advantage for the buyer can be classified as financial and non-financial. Financially, according to Bew (2007, p.2), additional cost savings of around 2-4% of the company's total spending can be reached. Especially cost savings in the range of acquisition costs and operational costs can be attained since the supplier might contribute to lower them (Nollet et al., 2012, p.1187). Adding to that, Schiele et al. (2011, p.16) state that being a preferred customer positively influences benevolent pricing behaviour by the supplier, therefore decreasing the costs of the buyer. Another advantage might be the availability of the lowest price on the market through the supplier and the contribution of the supplier to be more receptive to price negotiations (Nollet et al., 2012, p.1187). Not directly affecting the financials, but still important are the impacts on the operations of the company. Preferred customers are granted with preferred resource allocation (Bew, 2007, p.1, 2; Steinle & Schiele, 2008, p.11) and are faced with a reduced lead and cycle time (Christiansen & Maltz, 2002, p.182;

Ulaga, 2003, p.685). Also improved is delivery reliability, which can include changes, priority setting, extra care and safety stocks (Nollet et al., 2012, p.1187). Also strengthened are the relations and the cooperation in the buyer-supplier relationship. The supplier might allocate their best personnel to take care of the cooperation (Schiele, Calvi, et al., 2012, p.1178) and being awarded an increase of support in terms of responsiveness and availability is another benefit (Nollet et al., 2012, p.1187). A case study conducted by (Christiansen & Maltz, 2002, pp.184, 187, 188) showed further benefits of close cooperation such as trust, commitment and knowledge sharing. Concluding there are several benefits in terms of innovation and quality that a buyer can attain. Being a preferred customer has a positive effect on the firms innovation level since committed suppliers are involved in new product development (Baxter, 2012, pp.1250, 1252). Suppliers further contribute by delivering consistent quality levels and might customise to specifications or suggest quality or innovation improvements (Nollet et al., 2012, p.1187).

An overview of all relevant found antecedents and benefits of the preferred customer status is visualised in *Table 2. and Table 3.* The associated sources can be found in *Table 9. and Table 10., Appendix A.*

2.6 Inflation and the buyer-supplier relationship

2.6.1 Defining inflation

Parkin and Laidler (1975, p.741) defined Inflation as the "process of continuously rising prices, or equivalently, of a continuously falling value of money". However, this definition only refers to the symptoms of inflation but does not consider causes or effects (Frisch, 1983, p.9). A causal definition of inflation can be expressed as the "condition of generalized excess demand in which too much money chases too few goods" (Frisch, 1983, p.10). Causes for inflation can be divided into three broad categories. The demand-pull inflation, which is explaining the phenomena that prices are rising continuously due to a continuing excess of demand. The cost-push inflation, which focusses on the increase of costs inside the firms. This occurring in the form of rise of wages, interest rates, exchange rates or taxes. Lastly inflation itself can lead to further inflation in the future (Kibritçioğlu, 2001, pp.45, 46).

2.6.2 Inflation and the effect on growth

"The impact of inflation on growth, output and productivity has been one of the main issues examined in macroeconomics" (Faria & Carneiro, 2001, p.90). Even though this paper is not focussing on macroeconomics, it is important to examine the influence of inflation on the economy and the corporations acting within this frame. Models concerning inflation and growth in the sixties focused on the portfolio substitution mechanism, which explains how higher inflation increased the attractiveness of holding capital over money. This leads to a rise in capital intensity, leading to growth during the transition period. "The empirical evidence, however, is that growth and inflation are negatively correlated" (Fischer, 1983, p.1). Gillman et al. (2001, p.17) state that "much has been written about the relationship between inflation and growth", but unfortunately, the previous studies conducted led to conflicting results. Research conducted by Khan and Ssnhadji (2001, p.19) suggests a threshold beyond which inflation holds a negative effect on growth. This threshold is significantly lower for industrial countries in comparison to developing countries (1% and 11%, respectively). Also, in 2001, further research in the field estimated the threshold level at 10% (Gylfason & Herbertsson, 2001, p.423). Gylfason and Herbertsson (2001, p.424) concluded their findings by demonstrating a clear and sufficient negative relationship between inflation and the growth rate. The link is very robust by

surviving the introduction of several conditioning variables such as initial income, investment, primary exports and a further dummy variable. This found link is nonlinear, which implies that the sensitivity is higher with low inflation rates. Another research conducted, taking into account the non-linearity, is coming to the same conclusion. Further stating that if the world economy is not facing growth rate disruption due to shocks, reducing the inflation rate can lead to a considerably higher growth rate (Gillman et al., 2001, p.18). All these stated researchers shifted the traditional thinking of a positive relationship into a negative one which can be seen as agreed on in today's literature. As stated by Pidun et al. (2010, p.2), inflation has a "corrosive" effect on business. Negative effects are a decline in productivity growth, inefficient capital allocation, decreasing company valuation and the expectations of a future recession. In the context of increasing inflation, due to high inflation expectations, prices of raw materials are rising faster than the prices of finished goods. Within a highly competitive market, there is a decrease in pricing power by the companies. Increasing manufacturing costs, therefore, cannot be considered for the sale prices of the produced goods. All these consecutive events, caused by inflation, lead to a decrease in the profit margin (Wan & Chen, 2019, pp.1451, 1452). These statements, which contrast sharply with the general public's perception of the extent to which firms are affected by inflation, clearly show the importance of taking inflation into account on firm performance. A study conducted by (Shiller, 1997, p.25) interviewing random end consumers found that 38% feel angry often, and 48% feel angry sometimes if confronted with a price increase. Even though the respondents were certain they were angry, they were not in agreement on who was responsible for the price increase. 15 out of 120, however, were calling out the manufacturers. According to Wan and Chen (2019, p.1452), mainly small and medium-sized firms are affected by these events, and since corporations are inseparable from their business partners, supply chain management plays a key role in succeeding under periods of inflation.

Excessive inflation, therefore, has various adverse effects on the performance of companies. Growth rates fall, productivity declines. And even if consumers see companies as the culprits for rising prices, it is above all companies that are strongly affected. Building on these influences, the following section discusses current developments and expectations concerning inflation.

2.6.3 Inflation developments and expectations

The sudden shock created by the outbreak of COVID-19, which unfolded to be multi-dimensional, hit both the demand and supply severely. In the euro area, this has led to considerable volatility in the inflation rate (Nickel et al., 2022, p.69). In an interview given by Hamilton, it was expressed that: "This might have been the biggest short-run shock to demand that we've ever seen" (Jawadi, 2023, p.2). Present in about four-fifths of countries, the 2020 recession introduced the most muted inflation decline and then the fastest inflation upturn of all recession episodes in the last fifty years (Ha et al., 2021, p.3). The other major event that hit the world in recent times is the invasion of Ukraine by Russia. Both of these events, still ongoing, have the consequence of high inflation rates and the fear of a following recession (Koirala & Nyiwul, 2023, p.185). Research by Caldara et al. (2022) shows a significant relationship between geopolitical risk, which is triggered by war, and world inflation. After this increase in inflation rates in many Western countries, it is questionable how persistent this increase will be. Due to the recent occurrences, it can be questioned whether the recent trends can be solely associated with the pandemic or if a new trend has been unleashed that will have a lasting impact on the dynamics of inflation. In 2021 central banks and organisations were in

agreement that the trends were temporary. Forecasts for 2022 showed a clear decrease in inflation from 2021 to 2022 (Lowe, 2021, p.3, 4).

However, not only does the inflation rate developed to be at a historical peak (5,9%, Euro area) due to these shocks (Nickel et al., 2022, p.69), but also the expectations for inflation shift in these times of crisis. The uncertainty of future inflation or the expected inflation is always a factor regarding economic decisions. This given uncertainty, having severe economic consequences, rises with further inflation. A severe cost of rising inflation is the uncertainty about future inflation that might occur (Golob, 1994, p.27). The political shock alone, which the invasion of the Ukraine brought, got experts to raise their expectations on inflation by about 0,75%. Also, it can be determined that experts tend to have far better information than the general public in that regard (Dräger et al., 2022, pp.28, 29). Research conducted by Armantier et al. (2021, p.464) concluded that inflation belief changes in households in the early stages of the COVID-19 pandemic are significant in the short and medium-term, especially for inflation uncertainty and inflation disagreement. Contrasting to that, firms don't share this perspective. Firms' view on the development of inflation seems to be well anchored. Due to perceiving the crisis leading to a demand rather than a supply shock, firms even lowered their inflation expectations. Reacting to the demand shock, firms anticipated wage cuts and planned to lower selling prices (Meyer et al., 2022, pp.12, 13). However, in reality, firms increased their prices (Simon & Echter, 2022, p.10). As discussed by Golob (1994, p.28), businesses tend to change decisions facing inflation uncertainty. Overall, research shows that expectations that were expressed at the beginning of the crisis did not match up with the long-term developments of the inflation rate. Firms expected a decrease in the inflation rates, which happened to be true in 2020, but faced severely rising rates in the following years. This leads to the question of how to deal with these rising inflation rates.

2.6.4 supply chain disruptions in times of rising inflation

Looking at the recent developments regarding the impact of COVID-19, it becomes clear that supply chain disruptions and inflation become important topics in research. The literature, however, does not see inflation as a trigger for supply chain disruptions but considers it to be a result of them (LaBelle & Santacreu, 2022, p.80). Supply chain disruptions can be described as "unplanned and unanticipated events that disrupt the normal flow of goods and materials within a supply chain", having the consequences of exposing firms to operational and financial risks (Craighead et al., 2007, p.132). In recent times supply chains have been more easily exposed to risk due to several factors such as increasing globalisation, high customer expectations and the occurrence of external and internal events. In these times, it is a crucial capability of firms to manage disruptions and risk effectively (Shekarian & Mellat Parast, 2021, p.427). These external events mentioned now occurred in 2020 and 2022 and affected and will affect supply chains for the future. Due to the outbreak of COVID-19, many companies needed to adapt their supply chain in accord to face the disruptions. More than a third of companies, in a study conducted in 2020, experienced disruptions that high that they were forced to remodel their supply chain to the extent of changing structure (Veselovská, 2020, p.497). In order to prevent these downturns, companies strive to be resilient. Resilience inside a supply chain can be defined as "the ability of a system to return to its original state or move to a new, more desirable state after being disturbed" (Christopher & Peck, 2004, p.4). The occurrences of the outbreak of COVID-19 and the later upcoming developments in Ukraine can be classified as environmental risks. These risks

are external to the firm and, therefore, cannot be foreseen (Shekarian & Mellat Parast, 2021, p.431). By researching how disruption risks can be managed, Kleindorfer and Saad (2005, p.66) proposed the condition that trust, information and continuing profitability provide the “basic glue” to achieve supply chain partnerships. These, in turn, are important to build continuing cooperation and collaboration to avoid or reduce risk. The literature review carried out by Shekarian and Mellat Parast (2021, p.445) led to the conclusion that supply chain flexibility is the most important tool to cope with environmental risk. In order to be able to increase that flexibility firms should consider to invest in logistic and operational flexibility. The supply chain disruptions of the last few years show a clear link to inflation and the subsequent high prices. The prices increased due to the abrupt shift in demand towards durable goods consumption and the heavy reliance on foreign suppliers producing these goods, which creates a significant mismatch of supply and demand (LaBelle & Santacreu, 2022, p.81). Several industries, especially the ones that heavily rely on intermediate goods from countries facing bottlenecks, face supply chain disruptions. Facing a fast increase in demand, these suppliers will increase prices, and buyers act accordingly (LaBelle & Santacreu, 2022, p.84). Even if there is no consensus on how extensive the supply chain disruptions account for the rising inflation, further literature indicates how the disruptions influenced the inflation rate. According to Dunn and Leibovici (2021, p.1), supply chain issues can exacerbate inflation. That is because even industries that do not face severe changes in demand could be forced to reduce supply and increase prices to respond to the shortage of key intermediates.

2.6.5 inflation and the effects on the buyer-supplier relationship

The growing recognition that the management of buyer-supplier relationships leads to a significant chance to create a strategic advantage and achieve improved financial performance (Jap, 1999, p.461), leading to the question of how these benefits can be achieved even in a state of growing inflation rates. Everyone is affected by Inflation, buyer and supplier, and therefore inflation is a concern with which both have to deal equally. In 2022, due to the rising inflation rates since 2021, 46% of the companies surveyed that produce industrial goods, i.e. are in a business-to-business relationship with their customers, have already increased their prices. 24% of companies even increased their prices several times a year to compensate for rising costs (Simon & Echter, 2022, pp.9, 10). Research conducted by Stock (2005, pp.76, 78) concluded that, in a business-to-business context, price sensitivity is positively correlated with customer satisfaction. Meaning that a supplier can expect a reduced price sensitivity by a satisfied customer. This, however does not mean that the supplier is experiencing higher disadvantages than the buying firms due to the inflation, but that price increases might be easier enforced with satisfied customers. On the contrary, a study by (Moosmayer et al., 2013, p.3033) found that supplying firms, in a case of a price increase, are in a strong position and have a great chance of achieving their expectations. While the target price is the best predictor of the negotiations outcomes. Reacting to these increases in price, buyers might evaluate their switching costs, being defined as the “customers perception of the magnitude of additional costs required to conclude the current relationship and secure an alternative supplier” (Blut et al., 2016, p.3). Most dominantly influencing these costs in a B2B relationship are procedural, financial costs and relational aspects (Blut et al., 2016, p.19). However, keeping that in mind, findings by (Heise, 2019, p.19) showed that the chance of breaking up a relationship decreases significantly in the first ten months and is then decreasing further over the next years. Implying that an already long-lasting relationship is not as strongly affected by

switching costs. There are several risks in buyer-supplier relationships, even with a preferred customer status. A study by Pellegrino et al. (2020, pp.967,968) identified inflation as one of the macroeconomic risks that happen to occur in such a relationship. Inflation risk, in this case also referred to as purchasing power risk, is the risk perceived by the supplier that investments to the buyer will lose worth due to inflation. Inflation risk is assigned at medium risk by being likely to occur and moderate in impact. To not lose the preferred customer status and to mitigate that risk, buying firms are advised to “negotiate enough savings to offset inflation impact” and to “agree with suppliers on different cost elements that are subject to inflation” (Pellegrino et al., 2020, p.972). Trust, shared objectives and long-term personal relations are found to be key success factors in buyer-supplier relationships (Rogers & Fells, 2017, p.131). The lack of existing literature that would discuss otherwise or would imply severe changes in dynamics between buyer and supplier in times of inflation leads to the assumption that this has stayed unchanged.

2.7 Propositions; Contingencies that change the evaluation of suppliers on the buyer-supplier relationship due to inflation

Research has been conducted in order to examine and study antecedents of supplier satisfaction, the preferred customer status and the resulting benefits leading to preferred resource allocation (Hüttinger et al., 2014; Schiele, Calvi, et al., 2012; Vos et al., 2016), but none focussed or considered possible effects that rising inflation rates could have on these dynamics. As already mentioned, the development of the inflation rate affects both parties in a buyer-supplier relationship equally. Hence, questions can be raised on how suppliers expectations to be satisfied are changing and how the preferred customer status might benefit buyers in these times.

Research suggests that the preferred customer status leads to preferred resource allocation (Pulles et al., 2016, p.137), and this preferred resource allocation can occur in a wide variety of benefits (Table 2). Due to these antecedents and the established “tie of advantages” (Schiele, 2020, p.126), which implies that preferred customers receive better service than the competition at no additional charges, I propose that:

P1: Buyers considered as preferred customers will maintain receiving beneficial services even in times of rising inflation.

And since buyers who are considered a preferred customer are treated with benevolent pricing behaviour (Moody, 1992, p.57; Nollet et al., 2012, p.1187) that:

P2: Buyers considered as preferred customers won't be confronted with price increases as early as competition in times of rising inflation.

Not only the advantages for the buyer might change, but also the perception of the supplier regarding the buyer could be altered in times of ongoing rising inflation. This being the case, since all actions that are taken by the buyer, reacting to the inflation, could trigger a new or different evaluation of the buyers performances. Especially the perception of when to be satisfied with the actions undertaken by the buying firms. As buyer and supplier are predominantly affected by inflation financially, it can be assumed that suppliers reevaluate their business relations with buyers in a financial sense. Previous research, even if not clearly unanimous, indicated that an increase in the inflation rate leads to a decrease in profitability (Nugraha et al., 2021, pp.66, 67). The occurrence of lower profit margins, a decline in productivity growth (Pidun et al., 2010, p.2; Wan & Chen, 2019, p.1452) and the just mentioned decrease in profitability leading to the proposition that:

P3: *Factors that contribute to profitability in a buyer-supplier relationship will be especially valued in times of rising inflation by the supplier; increase supplier satisfaction.*

As many companies are forced to raise their prices to cope with inflation (Simon & Echter, 2022, p.10), it becomes of interest for the buying side to reassess the switching costs. SET, focussing on exchange relationships between parties, is grounded by the concept of relational interdependence, which evolves over time (Schiele, Veldman, et al., 2012, p.136). Environmental uncertainty is anticipated to make re-negotiations of agreements between firms more difficult (Buvik & Grønhaug, 2000, p.450), and since environmental uncertainty can be defined as unanticipated changes of the market conditions (Buvik & Grønhaug, 2000, p.446), inflation can be a factor in this. A high dependence on the supplier by the buyer results in a positive influenced customer purchase behaviour. Facing higher switching costs, dependent buyers purchase more, more often and over a longer period of time, and thus lead to higher revenues for the supplier (Bonner & Calantone, 2005, p.56). Further research showed that the dependence increases by the length of the relationship (Padgett et al., 2020, p.20). Simultaneously research indicated that a long-term relationship is not just beneficial for the buyer but also increases the profitability for the supplier (Kalwani & Narayandas, 1995, p.14). Due to the assumptions that a long-term relationship with high dependence is more beneficial and profitable for the supplier, I propose that:

P4: *Buyers who already have a long business relationship with the suppliers will be especially valued by the supplier in times of rising inflation; increase supplier satisfaction.*

And

P5: *Buyers who are highly dependent on the supplier will be especially valued by the supplier in times of rising inflation; increase supplier satisfaction.*

3. METHODOLOGY

3.1 Research design

To attain an understanding of the buyer-supplier relationship and the terms and theories connected to that (customer attractiveness, supplier satisfaction, preferred customer status), a literature review was conducted. Also, the implications of inflation on the supply chain and the buyer-supplier relationship affecting these concepts and relationships were discussed. Based on this, a case study will be carried out to quantify the literature using two industries and to gain insights into the relationship between buyer and supplier since the case study method allows the researcher to retain the holistic and meaningful aspects of real-life events such as organisational processes (Kohlbacher, 2006, p.4). For that, a qualitative research approach is used. In order to attain the responses analysed, semi-structured interviews are conducted with Companies X and Y and two, respectively one key supplier(s). This semi-structured approach allows to one the one hand having key questions that define the specific areas that are discussed, on the other hand the chance to get more detailed responses by diverging. It also allows the interviewer to collect valuable information that was not thought of in the discussed context (Gill et al., 2008, p.291). Data that is gathered by unstructured and or semi-structured interviews provide rich and more in-depth understanding of a subject than a structured one (Palmer & Bolderston, 2006, p.17). This approach is used as it is most promising in attaining generalised answers from different respondents, but also being able to adapt to each respondents individually. This will lead to an improvement of quality in the data gathering process and will ensure further insights to the research topic and the implications of inflation. Advantages of a

qualitative research approach can be the possible extraction of detailed descriptions of the feelings, opinions and experiences of the questioned participants (Rahman, 2016, p.104). Of course, there are also disadvantages concerning the qualitative research approach. Firstly qualitative research is rather time consuming (Palmer & Bolderston, 2006, p.19; Rahman, 2016, p.105), and due to the fact that the sample size is rather small, it is hard to generalise the outcome and results of the study (Rahman, 2016, p.105). Since the link or effect of rising inflation on the relationship between supplier and buyer and the preferred customer status has not yet been addressed in the literature, this case study can provide important insights.

3.2 Sampling

In order to attain the information about the earlier discussed research, a Non-probability sample is used. To be specific, purposive sampling is used. By undertaking this approach, being the most commonly used sampling method regarding non-probability sampling (Acharya et al., 2013, p.332) a subjective judgement by the researcher determining whom to select to act as a respondent (Ayhan, 2011, p.979). This allows to select objectives and specially qualified respondents to collect data (Islam & Aldaihani, 2022, p.4). In this research targeting purchasing and sales representatives of several firms. Further, the snow-ball sampling method was used to reach a larger possible number of respondents. This implying that attained respondents, in this case the purchasing representatives of Company X and Y, provided information and contacts to gain additional respondents, in this case sales representatives of the supplying firms (Acharya et al., 2013, p.333). Since a non-probability approach is used, "caution must be exercised in interpreting the results", because this method of sampling cannot generalise the results beyond the sample used (Acharya et al., 2013, p.333).

The sample, concluded for this research consist of respondents of two buying companies and three supplying companies. All companies are located in Germany or have subbranches located in Germany. The first buying firm (Company X) is a world market leader, which provides tubular solutions for different sectors. The two suppliers (XS1) and (XS2) are in the service sector and deliver high specialized services to Company X. Company Y is a medium-sized company specializing in the construction of frame systems. The supplier (YS1) is one of the suppliers delivering materials and specialized applications to company Y. All interviewees are either buyers or sellers of the companies or are directly involved in the processes. In addition, all buyers and suppliers have a strong relationship with the respective partner and, as such, have extensive information about the influences on the relationship. The composition of a large company and a medium-sized company allows for a differentiated view of the interrelationships between the evaluation of supplier satisfaction, the preferred customer status and the influence of inflation, as the processes and the volume differ significantly from each other. An overview of the respondents can be found below in *Table 4*.

Table 4: Overview of respondents

Case Company	Purchaser	Supplier
X	XP	XS1
		XS2
Y	YP	YS1

3.3 Interview design and approach of analysis

To extract the different views from buyer and supplier and gather information about their relationship, two different questionnaires are used. Consisting of the same structure, they show differences in the way the questions are asked to extract detailed views on the relationship with each other. The questionnaire for the buyers focuses more on their self-assessment and the actions they are undertaking, while the one for the supplier is directly asking about the relationship with their buyer. The questionnaire, which is presented to the respondents, consists of four consecutive parts. The first part, classification, serves as an introduction of whether and how the firms are classifying their suppliers or customers. Finding if buyer and supplier have a system in place that can be compared to the preferred customer status and if the buying firm, in that case, achieved that status. Next, questions about benefits resulting from that status are asked to gather an overview of assigned and received benefits respectively. The third and following set of questions explores the antecedents of attractiveness, satisfaction and the assigned preferred customer status. Especially focussing on how that status can be achieved and what actions buying firms undertake to do so. To finalise the interview, questions about the rising inflation and how the buyer-supplier relationship is affected by this are asked. All interviews are conducted in a one-to-one setting either face-to-face or via Microsoft Teams. Supplementary, all interviews are recorded and later transcribed via Trint or directly through Microsoft Teams. After transcribing the interviews via software they are checked and improved manually to cite the exact statements given by the respondents. The data gathered in these processes is then coded and further examined via ATLAS.ti. For the analysis of the given data deductive and inductive coding is used. Deductive coding, being drawn from already existing literature and helping to explore aspects that are known to be important and relevant in this given literature and inductive coding, developing and extracting codes directly from the data. Inductive coding having the benefit of staying close to the data and “mirroring” what is actually found in the data. This inductive approach being relevant if an exploratory study is conducted and no previous concept is available (Linneberg & Korsgaard, 2019, pp.263, 264). In this study, deductive coding is used by extracting relevant codes out of the antecedents of supplier satisfaction and the benefits of attaining the preferred customer status (Table 1, Table 2, Table 3) and assigning them to the data gathered in the conducted interviews. The open coding process of the inductive coding ensures that all other relevant aspects are captured (Azungah, 2018, p.393). In that process, mainly inductive coding is used since the research conducted is of exploratory nature. Due to this, it can be ensured that the research question and the propositions made can be answered. In particular, all respondent information that indicates how inflation affects firms, the relationships between firms, and the impact on preferred customer status is relevant.

This conducted data analysis approach led to the results presented in the following chapter (4).

4. RESULTS

4.1 Suppliers do classify their relationships; in various ways

While Buyers (Company X, Y) classify their suppliers in critical and non-critical and A, B and C suppliers, respectively a different but resembling classification process is used by the suppliers. For Company X, classifying in critical and non-critical suppliers, it is important to evaluate the product and service received by the importance it has on the processes undertaken by them. If a service is determined to be hazardous to interfere with the production process if not handled on time and well it will be

classified as critical. Company Y, even though acting in a different industry and scale, access this classification in a similar way. By evaluating their suppliers to be A, B or C suppliers, it is important to specify suppliers that are able and willing to cope with the demands. Since Company Y is acting inside a highly specialised industry with hard deadlines, it is key to determine suppliers in different statuses to not face interferences in the business process. Even though XP and YP clearly state to use a classification system, they are unsure whether their organisation is classified and in which way by their respective suppliers. Both state that these information are not openly shared with them.

Even if suppliers do not openly communicate their classification, they do classify. XS1 differentiates their buyers into premium and non-premium customers. This premium status assigned is dependent on the turnover achieved with that specific buyer. “The higher the turnover of a customer, the more it is a premium customer”. Accordingly, clients are not put into clear categories but are assessed according to their turnover. Like XS1, XS2 classifies its customers according to size and the associated turnover. Customers are assigned to the different services XS2 offers. “Major customers” are then distinguished from smaller standard customers. YS1, also due to the size and scale of the company, is not classifying its customers in an “official way”. Stating to classify the bigger customers that bring a large part of the income as “important customers”. This classification leads to, apart from preferring, a different approach to the relationship in order to maintain it. Furthermore, all respondents stated that they do not classify individual sub-branches but always entire companies that are thus preferred.

4.2 Supplier satisfaction is achieved primarily through good profitability and relational behaviour

To be a satisfactory customer, you first have to be attractive to the supplier. According to XP, this depends mainly on size, volume and reliability. In addition to reliability, YP also notes the valuing of relationships. Companies X and Y are generally described as attractive by their suppliers. By their sheer size and the volume that Company X takes, XS1 and XS2 indicate that they are seen as attractive clients. In addition, XS1 states that the commitment that flows from both sides into the business relationship is a significant factor. Even though flexibility and sales have declined in recent years due to the timely closure of the plants that XS1 is supplying, Company X is still considered attractive. According to XS2, also resulting from the order size of Company X, it is a significant boost of attractiveness to be able to create a “good infrastructure” for the customer to increase utilisation. For YS1, Company Y is particularly attractive because the processes are clear due to a long collaboration. In addition, they are one of the larger buyers of YS1 goods and represent a secure source of income.

Overall, the buyers' perception of the aspects that lead to supplier satisfaction coincides with that of the respective suppliers. And even if the causes differ noticeably between company size and industry, profitability and the relationship behaviour were cited as the most essential characteristics by all respondents. It should be noted that XP, XS1 and XS2 present mainly aspects of profitability and YP and YS1 of relational behaviour.

While XP sees continuity and overall profitability as necessary in satisfying a supplier, XS1 gives a deeper insight into which financial aspects are crucial for satisfaction. Recurring volume to achieve a high return is essential. This makes it “easier to budget” and brings higher profit. Also contributing to this is the flexibility XS1 is offered to execute orders. “The more flexible the client is, the better you can act yourself”. This free action brings the

highest possible utilisation and maximises profit with the client. Such flexibility is also noted as important by XS2. XP also recognized how reliability, forecasting, and simplified processes are vital to satisfying the supplier. XS1 confirms forecasting and further states that the role that company X holds in the industry is also a point that contributes to satisfaction. Even though XS2 noted the importance of good cooperation, it is evident compared to XS1 that primarily financial aspects contribute to rating a relationship as satisfactory. Furthermore, all respondents stated that reliable payments on agreed schedules were an influence on satisfaction.

Whereas the financial attractiveness of the relationship is a necessity according to XS1 and XS2, Company Y and YS1 emphasise factors that address the interpersonal layer of the relationship. Relationships are judged differently, primarily due to their size. YP and YS1 equally indicate the importance of intimate cooperation and personal relationships. According to YP, it is essential to "give them a good feeling", and YS1 mentions the necessity of building a relationship in order to gain trust and fairness. Furthermore, YS1 implies that sympathy determines whether a relationship leads to satisfaction. This being especially the case with smaller clients.

An overview of the found antecedents of supplier satisfaction is displayed in *Table 5*. below.

Table 5: Antecedents of supplier satisfaction indicated by respondents

Antecedents of supplier satisfaction	Respondents				
	XP	XS 1	XS 2	YP	YS 1
Growth opportunity					
Financial attractiveness		X	X		
Corporate reputation		X			
Profitability					
Profit	X	X	X	X	X
Contribution to sales, Volume		X	X		
Flexibility		X	X		
Freedom of acting		X			
Business continuity	X	X		X	
Payment policy, reliable payment on time	X	X	X	X	X
Relational behaviour					
Cooperative relationships	X	X	X	X	X
Personal relationships	X			X	X
Trust	X				X
Fairness					X
Sympathy					X
Operative excellence					
Reliability	X		X	X	X
Forecasting/ planning	X	X			
Simplified processes	X				

Antecedent; new antecedents found by research conducted

According to the respondents, factors that lead to increased profitability and those that promote a good relationship are the most important in order to appear attractive and ultimately satisfy the supplier. And these two factors, even if weighted differently, apply to both business linkages surveyed.

4.3 High Turnover and long lasting relationships lead to a preferred customer status

In order to eventually achieve the preferred customer status, the antecedents of supplier satisfaction just mentioned certainly play a major role. In addition, the suppliers stated other things that contribute to why they prefer customers. On the other hand, buyers gave impressions of what they perceived to be essential to reach a preferred status. Company X and their supplier (XS1) indicate the agreements of long-term framework contracts to have significant importance in issuing and receiving preferential treatment. These contracts lead XS1 to provide "very special services" for their clients and Company X the possibility to enter into a "special agreement". Furthermore, also as a result of these contracts, long-term relationships become an indicator of preference. These then inevitably lead to closer relationships. This occurrence of relationships is, according to XS1, another determinant of preferring specific customers. XS2 also states that individual contracts with large customers lead to a clear preference for these customers, as these contracts tend to be more attractive. Adding to that, XS1 and XS2 agree that the most important aspect of gaining preferential status is to be one of the customers with the highest turnover.

Consistent with XS1 and XS2, YS1 also considers turnover and profitability of relationships with customers to evaluate preferred treatment for customers. For this, YP indicates that it is particularly preferred by suppliers when repetitive buying takes place. However, the size of the customer and the associated profit do not play such a major role since "every client is equally important". It is rather the quality of the relationship, the sympathy and the way of dealing with each other that is decisive for who is preferred.

An overview of all the found antecedents of preferred customer status is shown in *Table 6*. below.

Table 6: Antecedents of preferred customer status indicated by respondents

Antecedents of preferred customer status	Respondents				
	XP	XS 1	XS 2	YP	YS 1
Economical					
High Turnover	X	X	X		X
Long-term relationship	X	X	X	X	X
Repetitive buying				X	
Relational					
Relational, cooperative behaviour		X		X	X
Framework contracts, commitment	X	X	X		
Geographical distance		X			

Antecedent; new antecedents found by research conducted

It is striking that the information provided by the buyers and the respective suppliers largely coincides. Even though the answers vary depending on the industry, size and specific business relationship, all respondents indicate the importance of turnover

and a long-term relationship. The advantages of this preferred customer status for companies X and Y will be specified in the next section.

4.4 Preferred customers benefit particularly from price reductions, shorter delivery times and more intensive customer treatment.

The previously listed classifications, antecedents of supplier satisfaction and antecedents of preferred customer status all lead to benefits that suppliers attribute to their customers. In that regard, financial benefits for the customers were declared by all respondents. Price reductions and the benevolent pricing behaviour of suppliers are decisive factors here. Company X's buyer (XP) stated that close contact and preferred customer status lead to better opportunities to negotiate prices. Lower price limits would also be passed on. In addition, YP stated and confirmed that preferential status positively impacts (reduces) the purchase price. This is confirmed by the respective suppliers. Both XS1 and XS2 expressed that contracts with preferred suppliers are much more favourable for the buyer's side than standard contracts. However, this is mainly due to the large size of the contract. YS1 further points out that preferred customers receive smaller discounts because they do not pay the catalogue price compared to standard customers.

In addition, all suppliers interviewed offer their customers an improvement in support and XP, XS1, and YS1 see an increase in commitment concerning preferred customers. XP generally experiences better treatment with "extra conversations and enquiries", while XS2 grants their preferred customers shorter response times and special requests. Because of the size of the order, XP and XS1 indicate a higher commitment and investment in the relationship, and YS1 reported that he generally shows more commitment to preferred customers.

Operational benefits also become apparent with the increasing services provided to preferred customers. XS1 and YS1 provide their preferred customers preferred resource allocation. Both by preferring preferred customers over the competition in times of scarce resources and available time. XS1 further specifies that if the same request appears "twice on a certain date", they will serve preferred customers first. Besides that the decrease in lead and cycle time was mentioned by all respondents except XS2. XP assumes to receive "the best possible delivery times" from suppliers with whom Company X has a framework agreement, while XS1 and YS1 state to serve preferred customers' needs faster than the non-preferred competition.

The already mentioned "special services" (4.3), explicitly mentioned by XS1 and YS1, are further advantages, which are also partly mentioned by XS2. Due to the long-term contracts between XP and XS1, it is mentioned by both sides that the willingness to engage in projects together is increased. Moreover, suppliers are willing to customise orders by preferred customers. This benefit was mentioned by all respondents. XP stated to receive services "tailored to their needs" and YP, due to the industry, receives modified products from essential suppliers. Additionally, XS2 and YS1 offer their preferred customers more flexibility, even if this is not always deliberate (XS2).

An overview of all found benefits that customers receive by attaining the preferred customer status is displayed in *Table 7*.

Table 7: Benefits of preferred customer status indicated by respondents

Benefits of preferred customer status	Respondents				
	XP	XS 1	XS 2	YP	YS 1
Financial					
Cost decrease	X	X	X	X	X
Benevolent pricing behaviour	X	X		X	X
Operational					
Preferred resource allocation		X			X
Performance of delivery	X			X	
Decrease in lead and cycle time	X		X	X	X
Process improvement		X			
Top management involvement	X				
Relation and cooperation					
Improvement in support	X	X	X	X	X
Commitment	X	X			X
Quality and innovation					
Early access to supplier innovations				X	
Availability to customization	X	X	X	X	X
Flexibility	X		X		X
Suppliers willingness to engage in joint projects	X	X			

Benefits; new benefits found by research conducted

Concluding, all respondents are in general agreement about the benefits that are distributed on the basis of preferred customer status. Especially price reductions, support improvement, faster response and delivery times and the willingness to make extra adjustments for preferred customers are decisive advantages for preferred customers. After evaluating the antecedents and benefits of supplier satisfaction and the preferred customer status, the following section illustrates the impact of current inflation on these mechanisms.

4.5 Inflation and resulting price increases do not do any harm to buyer-supplier relationships

All respondents in this study agreed that inflation, especially the rising inflation triggered by COVID-19 and the Ukraine conflict, did not significantly impact buyer-supplier relationships in business-to-business relations. Especially not if the relationship is subject to a preferred customer status. While all suppliers reported that they had raised prices significantly latest last year, even for preferred customers, this does not interfere with a successful business relationship. XS1 stated that inflation affects their work but not the "relationship between us and our clients". It was further indicated that inflation affects everyone equally (YS1) and that prices are passed on solely because "everyone does it, and everyone has to do it."(XS2). There is a particular case between Company X and its two suppliers (XS1, XS2) which must be mentioned here. The long-term contracts between

the parties have escalation clauses. According to all respondents, this is also the aim with every important customer. Some aspects of these contracts are also legally linked; therefore, any necessary price increases can be proven. XS1 also stated that there would be no disagreement as long as all price increases could be proven accordingly.

Even though YS and YS1 stated that inflation had no significant impact on relationships, they both indicated factors in how the relationship would might be affected. YS mentioned that the handling of new business relationships, which appeared since the rising inflation, can be more difficult. Furthermore, YS1 also shared two individual cases that have occurred since the rise in inflation that can be directly related to introduced price increases. Both times, this led to more intensive negotiations but had no long-term effect on business relations.

4.6 Preferred customers continue to be preferred even under the influence of inflation

According to all respondents, inflation has no significant impact on buyer-supplier relationships. Relationships based on preferential treatment are also not significantly affected. However, the review of the results has so far ignored the extent to which supplier preferences and customer evaluations might change under the influence of inflation.

To obtain preferred customer status, the supplier must first and foremost be satisfied with the relationship. According to the respondents, these satisfaction factors do not shift significantly due to the influence of inflation. Contracts with preferences between XP, XS1 and XS2 are maintained even during high inflation, and YS1 explicitly states that advantages for preferred customers can be adopted "one-to-one". This is because the status does not change due to inflation (YS1). No other statement from the interviews leads to the premise that preferred clients do not receive preferential treatment in times of rising inflation. Thus, *P1* can be supported.

One benefit of attaining the preferred customer status is price reductions provided by the suppliers. Concerning this, buyers and suppliers state that this advantage does not cease during inflation. Rather, customers receive a further advantage in receiving price increases later than non-preferred customers. This was claimed by both interviewed purchasers, XP and YP. This claim is supported by statements from the interviewed suppliers stating to not pass price increases on immediately (XS1) and to increase prices for preferred customers later compared to standard customers (YS1). Thus, *P2* can be supported.

P3, which proposes that profitability factors will be especially valued by suppliers in times of rising inflation, cannot be backed up sufficiently by evidence gathered in the interviews. No respondent except XS1 gave any indication that profitability was of particular importance. XS1 stated that negotiating prices with highly profitable customers is easier but did not specify whether this leads to higher satisfaction or appreciation. The same applies to *P4*. Also, concerning long-term customers, XS1 stated that negotiating price increases is easier. However, XS1 is again the only respondent indicating the importance of long-term relationships during inflation in any way. Due to the lack of indication on the importance of long-term relationships in times of rising inflation, *P4* cannot be supported either.

In a buyer-supplier relationship, buyer and supplier are always dependent on each other to a certain extent. Price increases, which appear due to inflation, can lead to various changes in interdependencies between the business partners. The relationship between XP and XS1 is based on such a high level

of investment and dependency that the relationship is hardly likely to break down due to price increases (XS1). Furthermore, XS2 stated that dependence significantly affected customer retention during inflation. Large preferred customers highly dependent on XS2's service remain, while many smaller customers will look elsewhere or withhold the service. The case between YS1 and a major customer, already addressed in 4.5, also shows how vital dependent customers are for suppliers when prices are rising rapidly. Even though the client was explicitly dissatisfied with the price increases, he stuck to YS1 due to high dependency. All these issues suggest that suppliers, in the context of inflation, value highly dependent customers and that this dependence leads to increased satisfaction. This appreciation of the highly dependent customer by the suppliers is mainly due to the security that these customers offer. Thus, *P5* can be supported.

All in all, the evaluation of the responses concerning the propositions indicates a first clear impression of the extent to which inflation influences the relationships between companies and the view of the preferred customer status on the part of the suppliers. Due to the hardly influenced relations between the companies and the thus untouched preferred customer status, the associated benefits are also continually passed on in the respondents' case (*P1*). Moreover, the main effect of inflation, rising prices, is dampened by preferred customer status. This is because the suppliers surveyed are willing to determine price increases on the basis of the specific customer status (*P2*). However, contrary to these confirmations, or because of the low influence on the relationships, changes in evaluation and appreciation by the supplier are not confirmed. Profitability and long-term relationships continue to play a role in being preferred by suppliers. However, these factors are not of further importance for the interviewed suppliers (*P3*, *P4*). Only dependence plays a decisive role for suppliers and, thus, also for buyers. As indicated by the interviewed suppliers, dependent customers are obliged to accept rising prices. This leads to the fact that these business relationships also withstand inflation, and the suppliers' valuation of these customers increases (*P5*).

5. DISCUSSION

5.1 Confirmation and extension of antecedents and benefits

The aim of this research, based on a case study, is to further examine relevant antecedents found in the existing literature that lead to preferred customer status and the benefits of attaining such status. Furthermore, it is of interest to gain initial information on the extent to which inflation has an impact on the buyer-supplier relationship and to what extent the preferred customer status is influenced. In order to elaborate on these interrelationships, all findings are summarised and interpreted in this section. In the case study, respondents from two different business relationships were interviewed. This, therefore, leads to differences in the information provided, because Company X and Company Y are of different sizes and act in different industries. From the results, it is clear that these differences lead to differences in evaluation and execution related to buyer-supplier relationships. The discussion starts with the general findings regarding classification, attractiveness, supplier satisfaction and finally, the preferred customer status. Subsequently, the results are assessed with regard to the influence of inflation. Finally, managerial implications and limitations of this study are noted.

Disregarding the differences in the customer classifications that the suppliers use and thus to which extent customers are classified, it becomes apparent that all respondents clearly state that preferred customer statuses are assigned if satisfied. The preferential status leading to preferred treatment. These findings

are consistent with SET, which advocates that business partners reciprocate incentives in order to generate greater value (Nyaga et al., 2013, p.59). Thus, all suppliers indicate that classification and distributed benefits lead to mutual advantages. The indication of Schiele, Veldman, et al. (2012, p.145) that increased supplier satisfaction and a preferred customer status lead to preferential treatment can therefore also be supported by the respondents' statements. The notion that the extent to which the customer is considered attractive depends strongly on the evaluation of the supplier (Schiele, Calvi, et al., 2012, p.1180) is strongly underlined by the respondents. Whereas the suppliers of Company X determine attractiveness primarily by fact-based performance indicators (Fiocca, 1982, p.57), the supplier of Company Y evaluates attractiveness primarily by interpersonal factors (Ellegaard & Ritter, 2007, pp.5, 6). This difference is mostly explained by the size difference of Company X and Y and their suppliers. That, since Company Y is deemed attractive, also shows that size is not the only factor that makes a supplier attractive (Christiansen & Maltz, 2002, p.180).

Antecedents of supplier satisfaction that were considered to be important can all be assigned to the first-tier antecedents (profitability, growth opportunity, relational behaviour and operative excellence) introduced by Vos et al. (2016, p.4621). Thereby confirming and extending previous literature findings on relevant antecedents of supplier satisfaction. The most important antecedents are profitability and relational behaviour, while in contrast, growth opportunity and operational excellence are not considered as high priorities. It is worth noting that high-turnover relationships place a higher value on antecedents that lead to increased profitability. On the other hand, relationships that are not characterised by high turnover place a higher value on antecedents that can be attributed to relational behaviour. Despite this difference, the respective buyers and suppliers of the respective business relationships agree on the prioritisation and the factors that shape the relationship. New antecedents introduced by the research conducted are flexibility, freedom of acting, fairness, sympathy and simplified processes. Flexibility and freedom of acting imply that suppliers satisfaction is even further increased if suppliers are able to handle the relationship to their liking, while fairness and sympathy add further antecedent categorised under relational behaviour.

The findings show that high-generated turnover, long-term relationships, relational behaviour and commitment are the most relevant antecedents of the preferred customer status. However, it should be noted that Company X and its suppliers emphasise high turnover, long-term relationships and commitment, and Company Y and its supplier especially note the importance of relational behaviour. Commitment supporting already existing literature (Nollet et al., 2012, p.1191), while relational behaviour as a significant antecedent contradicts previous findings (Hüttinger et al., 2014, p.711). The importance of turnover in that regard is especially valuable for the buyer since a supplier might be inclined to allocate resources in relation to the perceived turnover (Pulles et al., 2016, p.138). The findings clearly indicate that different companies, especially those operating in different sizes and industries, use different factors to evaluate preferred customers. Therefore, as a buyer, it is of great importance to satisfy the suppliers specific expectations (Nollet et al., 2012, p.1189). However, even if different companies weigh the aspects differently, profitability and a long relationship always lead to increased status and enhanced customer treatment.

All respondents advocate that a preferred customer receives improvement in support from the supplier (Pulles et al., 2016, p.137). Benefits mentioned contribute further to the literature on the benefits of a preferred customer status (Christiansen & Maltz, 2002, pp. 184, 188; Nollet et al., 2012, p.1187; Ulaga & Eggert,

2006, p.122). Specific benefits stated that contribute to existing literature are, above all, the price decreases (Bew, 2007, p.2; Ulaga & Eggert, 2006, p.122), the decrease in lead and cycle time (Ulaga, 2003, p.685) and the availability to customization (Nollet et al., 2012, p.1187) of services and products. Direct preferred resource allocation, being an indicator that a firm has a preferred customer status (Schiele, Calvi, et al., 2012, p.1178), is stated by two of the three interviewed suppliers but is not recognized by the buyers. Indicating, that even benefits that are passed on are not always clearly communicated with customers. Which may be another reason why the interviewed buyers from Company X and Y could not say with certainty whether they are considered preferred customers.

The benefits that are passed on from satisfied suppliers to preferred customers hardly differ depending on industry and size. This leads to the assumption that the specific business relationship plays an eminently important role for the suppliers to allocate a preferred customer status, while distributed benefits can be rather generalised.

5.2 The impact of inflation

No previous study has investigated the impact of inflation on the buyer-supplier relationship and the preferred customer status. Therefore, the findings of the conducted case study give first implications on how the relationship is assessed and how extensive the effect of inflation is. All respondents stated that inflation has no significant impact on the relationship between them and their buying / supplying companies. Therefore, the findings suggest that inflation, considered a macroeconomic risk (Pellegrino et al., 2020, p.965), has no sustainable impact on the relationship relationally. Even if, concerning the surveyed sample, no long-term effects on the relationships between companies could be perceived, inflation has made processes between companies more difficult in some cases and has led to minor conflicts. Thus, it can be seen that although well-established relationships do not suffer any long-term damage, processes and negotiations between business partners become a more important factor in times of inflation. This unexpected rather small effect can be attributed to the fact that all businesses are equally affected by inflation. Assuming all parties involved operate under the same geographical location and external conditions. This small influence on buyer-supplier relations that emerges from this study could also be due to specific parts of the sample. The relationship between Company X and its suppliers is mainly characterised by long-term framework contracts that are prepared for external influences. Therefore, problems in the relationship are prevented. Also, the preferred customer status assigned by suppliers is not affected or terminated due to inflation. The rising costs of personnel and materials resulting from inflation are not a reason for the respondents to either cut or abolish benefits for the buyers. Rather, preferred customers benefit from benevolent pricing behaviour of the suppliers (Nollet et al., 2012, p.1187) in times of inflation by receiving price increases later than non-preferred competition. This is mainly because even in times of inflation, business relationships need to be strengthened as profitability (Nugraha et al., 2021, pp.66, 67) and growth (Fischer, 1983, p.1) can decline. The change of expectations to be satisfied by the customers can only be partially confirmed by this study. Contrary to expectations, profitability and long-term relationships cannot be determined as particularly valuable factors in increasing supplier satisfaction. Once again, this may be due to the fact that the suppliers interviewed stated that they not only had no significant emerging problems with Company X or Y due to inflation but also with no other customers. The suppliers interviewed indeed stated that they had to conduct individual in-depth negotiations due to the price reduction. None of these, however, led to long-term

disruption of the relationship. Assuming that a supplier has no loss of profit resulting from inflation, there is no need to set different expectations for customers. Dependency, on the other hand, is an antecedent that has value for suppliers, especially in times of inflation. This may be because high-dependent customers are exposed to higher switching costs and therefore stick to suppliers. And that even during enormous price increases. This finding aligns with notions made by Bonner and Calantone (2005, p.56). High switching costs, to which highly dependent customers are exposed, mean that a change of supplier is not an option, as this would lead to even higher costs in comparison. With regard to inflation, it should be noted that all competitors presumably increase their prices depending on the market situation, making it even less worthwhile for customers to switch the supplier.

5.3 Managerial implications

With all its relevant findings, this study gives some practical contributions which are especially important for the buyer in terms of a buyer-supplier relationship. First, this study confirms the importance for buyers to achieve preferred customer status to gain advantages from suppliers (Schiele, Veldman, et al., 2012, p.145). This leads to the fact that it is of enormous importance for purchasing managers to evaluate which aspects are important in order to gain advantages. Buyers should be aware that achieving the preferred customer status depends heavily on the individual business relationship with the supplier. In all mechanisms that ultimately lead to preference, profit and the quality of the interpersonal relationship always play a decisive role. Based on this, the buyer must be aware of how to prevail the supplier, depending on the turnover he can or wants to achieve. It seems to make sense to minimise the number of suppliers and to channel purchases (Williamson, 1991, p.80) if the relationship is primarily characterised by high turnover. If a particularly high turnover with a specific supplier is out of the question, it is, above all, advantageous to build up a good interpersonal relationship. This enables the customer to achieve an advantage even without being economically competitive.

In terms of the impact that inflation has on relationships and preferred customer status, there are also some behaviours and aspects that work in the buyer's favour. As the supplier maintains a more powerful position when it comes to raising and negotiating prices (Moosmayer et al., 2013, p.3033), it makes little sense to enter into extensive negotiations with the supplier based on the collected responses from this study. This more likely leads to unnecessary disagreements with the supplier. Contracts that cover external risks, such as inflation, are a strong means of counteracting discrepancies. These contracts not only help suppliers to push through their price increases but also gives buyers a clear contractually binding increase that can be agreed on beforehand. Effectively reducing the potential for conflict. Since the customer cannot escape the price increases of the suppliers, it is important to continue to be favoured by the supplier in order to mitigate the price increases as much as possible. According to the suppliers, this is best possible if business relations continue as before the rising inflation. Keeping key suppliers and agreeing on set contracts are, therefore, important mechanisms that help the buyers to reduce the impact of the infection on their own company.

5.4 Limitations and further research

Even if this study is able to further support and contribute to existing literature and shows first impressions of the extent to which inflation has an impact on business-to-business relations, this study has limitations. The biggest limitation of this work is

the small sample size. This small sample size of five respondents has the consequence that found results cannot be generalised (Rahman, 2016, p.105). Even though this study, despite the small sample size, examines two different types of business relationships, no conclusions can be drawn for other relations which differ in industry or size. In addition, only a small number of suppliers from Company X (2) and Y (1) were interviewed. As such, a detailed analysis of the dynamics between Company X and Y and their suppliers would require more suppliers to be interviewed. Also, the supplier respondents were selected by buyers of the respective companies, which means that the answers given could be skewed. In connection with this, it cannot be ruled out that the information provided by the suppliers was biased, as they were explicitly selected. Implying that further quantitative research in this area, with respondents from a wide range of industries, will lead to further extension of the related antecedents and benefits that can be generalised.

Another limitation is the lack of literature to date linking the relationship between inflation and the foundational literature of this paper. As a result, the study conducted can only provide initial implications based on propositions created. Further studies that examine the relationship between inflation, the buyer-supplier relationship and preferred customer status are therefore crucial to confirm and further extend the findings of this case study. Further qualitative studies with larger sample sizes in different industries and further quantitative surveys could help in this regard.

6. CONCLUSION

This study aimed to explore the correlation between inflation, the buyer-supplier relationship and preferred customer status. To this end, relevant antecedents of supplier satisfaction, the preferred customer status and the resulting benefits were examined. Afterwards, relevant aspects of inflation were discussed in order to find out, with the help of propositions, to what extent inflation has an influence on the buyer-supplier relationship and the preferred customer status. By conducting a case study consisting of two buyers and three suppliers, several antecedents have been confirmed, and some new ones have been recognized. Previously relevant benefits related to the preferred customer status were also largely confirmed, while a few new ones were identified. Moreover, propositions that assume the preservation of preferred customer status in times of inflation were confirmed, while propositions that assume a change in valuation of the customer's performance to increase supplier satisfaction cannot be supported for the most part. From these findings and other relevant statements by the respondents, it can be concluded that inflation has no significant influence on a buyer-supplier relationship and the preferred customer status. Factors leading to supplier satisfaction, related expectations of the supplier and the preferred customer status awarded are thus equivalent to times when inflation does not prevail.

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Appendix A:

Table 8: Antecedents of Supplier Satisfaction including references

Antecedents	Sources
Growth Potential	
Corporate reputation, image	(Hüttinger et al., 2014, p.718; Meena & Sarmah, 2012, p.1249; Ramsay & Wagner, 2009, p.130)
Financial attractiveness	(Baxter, 2012, p.1255)
Supplier Development	(Paul et al., 2010, p.22)
Growth in conjunction	(Christiansen & Maltz, 2002, p.188; Hald et al., 2009, p. 964; Hüttinger et al., 2014, p. 703; Ramsay & Wagner, 2009, p.131)
Profitability	
Purchase policy, Payment policy	(Meena & Sarmah, 2012, p.1249)
Purchasing volume	(Hüttinger et al., 2012, p. 1201; Ramsay & Wagner, 2009, p.130; Vos et al., 2016, p.4621)
Contribution to sales and profit of suppliers	(Kumar et al., 1992, p.248; Vos et al., 2016, p.4620)
Business continuity	(Maunu, 2003, p.95)
Relational Behaviour	
Early information sharing	(Whipple et al., 2002, p.76)
Trust (mutual)	(Maunu, 2003, p.95; Moody, 1992, p. 52)
Honouring agreements	(Maunu, 2003, p.95)
Cooperative relationships, culture	(Wong, 2000, pp. 429, 430, 431)
Personal relationships	(Ellegaard et al., 2003, p.354)
Commitment, loyalty	(Kumar et al., 1992, p.248; Moody, 1992, p.52)
Communication (quality, openness, feedback)	(Christiansen & Maltz, 2002, p. 193; Maunu, 2003, p.95; Moody, 1992, p. 52; Nollet et al., 2012, p.1190)
Support, involvement	(Vos et al., 2016, p.4620)
Operative excellence	
Reliability	(Hüttinger et al., 2014, p.703; Ramsay & Wagner, 2009, p.131; Vos et al., 2016, p.4620)
Quality management	(Forker & Stannack, 2000, p.35)
Demand stability	(Ramsay & Wagner, 2009,p.134)
Clarity of objectives	(Xiong et al., 2014, p.488)
Forecasting / Planning	(Maunu, 2003, p.95)

Process management	(Forcker & Stannack, 2000, p.35; Hald, 2012, pp. 1236, 1237)
Contact accessibility	(Vos et al., 2016, p.4620)

Table 9: Antecedents of the preferred customer status including references

Antecedents	Sources
Economical	
Profitability	(Moody, 1992, p.52)
Growth potential	(Hüttinger et al., 2014, p.712)
Purchase Volume	(Hüttinger et al., 2014, p.699; Steinle & Schiele, 2008, p.11; Williamson, 1991, p.81)
Financial attractiveness	(Baxter, 2012, p.1255)
Relational	
Reliability	(Ellis et al., 2012, p.1264; Hüttinger et al., 2014, p.712)
Supplier involvement	(Ellis et al., 2012, p.1265; Moody, 1992, p.52)
Commitment	(Blonska et al., 2008, p.11; Moody, 1992, p.52)
Relationship length	(Blonska et al., 2008, p.12)
Geographical distance	(Steinle & Schiele, 2008, p.11)
Cluster membership	(Steinle & Schiele, 2008, p.11)

Table 10: Benefits of being a preferred customer including references

Benefits	Sources
Financial benefits	
Cost reduction	(Bew, 2007, p.2; Nollet et al., 2012, p.1187; Ulaga & Eggert, 2006, p.122)
Benevolent pricing behaviour	(Moody, 1992, p.57; Nollet et al., 2012, p.1187; Schiele et al., 2011, p.16)
Access to lowest price	(Nollet et al., 2012, p.1187)
Operational benefits	
Preferred resource allocation	(Bew, 2007, p.2; Schiele, Calvi, et al., 2012, p.1178; Steinle & Schiele, 2008, p.11)
Performance of delivery	(Nollet et al., 2012, p. 1187; Ulaga, 2003, p. 684; Ulaga & Eggert, 2006, p.122)
Decrease in lead and cycle time	(Christiansen & Maltz, 2002, p.182; Ulaga, 2003, p.685)
Process improvement	(Christiansen & Maltz, 2002, p.189)

Relational and cooperative benefits	
Offering of best personnel	(Schiele, Calvi, et al., 2012, p.1178; Ulaga & Eggert, 2006, p.122)
Sharing of trust, knowledge, commitment	(Christiansen & Maltz, 2002, pp. 184, 187)
Improvement in support	(Christiansen & Maltz, 2002, p.188; Nollet et al., 2012, p. 1187; Ulaga & Eggert, 2006, p.122)
Quality and innovation benefits	
Consistent quality levels	(Nollet et al., 2012, p.1187; Ulaga & Eggert, 2006, p.122)
Early access to supplier innovations	(Bew, 2007, p.2; Ellis et al., 2012, p.1265)
Availability to customizations	(Nollet et al., 2012, p.1187)
Supplier involvement in NPD	(Baxter, 2012, p.1252)
Supplier willingness to engage in joint projects	(Nollet et al., 2012, p.1187; Schiele et al., 2015, p.144)