

# The interrelationship between sustainability and preferred customer status in a buyer-supplier relationship

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## ABSTRACT,

*Buyers are more and more dependent on their suppliers, especially in times of scarcity. Emphasis is placed on getting a preferred status at suppliers, in order to get preferential treatment and gain a competitive advantage over other players in the market. On top of that, companies have to deal with the ongoing sustainable development. It might be crucial to use sustainability in order to satisfy suppliers and get a preferred status. This research tries to examine antecedents in acquiring a preferred customer status and the benefits such a status brings. On top of that, it tries to research the influence sustainability might have on the interrelationship between the buyer and supplier and its effect on both supplier satisfaction and preferred customer status. This research combines theory of existing literature and a case study to come up with conclusions regarding this topic. In the case study a buyer of Company X, and three of its suppliers are interviewed. The case study is done in the field of steel industry. Findings confirm that most antecedents and benefits from literature are still considered as crucial in a buyer-supplier relationship in order to give satisfaction and acquiring a preferred status. In addition, sustainability is not given high prioritization on the agendas of companies in the steel industry, and therefore focus on this topic is lacked. Currently, it does not have significant impact on the relationships and acquiring a preferred customer status. A big take-off is that it will become an important topic in the coming decades and also companies in steel industry have to deal with it. Therefore, it is expected to play an important role in relationships and its statuses.*

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## Keywords

Preferred customer status, Supplier satisfaction, Customer attractiveness, Status allocation, Triple bottom line, Sustainable development, Preferential treatment, Antecedents, Benefits

## 1. INTRODUCTION

During the years a well-maintained customer – supplier relationship has become more and more important to companies, especially when resources are scarce, demand is high and supplier alternatives are shrinking (Kull, Oke, & Dooley, 2014, p. 467; Rademakers & McKnight, 1998, p. 203). Customers, also known as the buyers in this relationship, prefer having access to the best materials, innovations and technologies (Ellis, Henke Jr, & Kull, 2012, pp. 1259-1260), with the least costs and the shortest lead times (Karakaya, Savaseneril, & Serin, 2021, p. 1) in order to get competitive advantage in their market. In these times where competition grows, it is not that easy as it sounds. Therefore, companies put more and more effort in maintaining their buyer – supplier relationships and work towards a preferred customer status to have preferential resource allocation from the supplier (Hüttinger, Schiele, & Veldman, 2012, pp. 1194-1195; Steinle & Schiele, 2008, p. 11). Nollet, Rebolledo, and Popel (2012, pp. 1188-1193) mention four main steps to improve your buyer-supplier relationship: (1) initial attraction, (2) performance, (3) engagement and (4) sustainability.

This last point is where this research paper will focus on, since a customer – supplier relationship becomes more interesting when combining it with the rapid sustainable development society and companies are going through in the past decade(s). More and more companies are trying to sustainably develop their supply chains (Carro-Suárez, Sarmiento-Paredes, Rosano-Ortega, Garnica-González, & Vega-Lebrún, 2020, p. 102), which “incorporates economic, environmental and social goals into product design, operations, purchasing, logistics and other supply chain activities outside of a focal firm.” (Green, Zelbst, Meacham, & Bhadauria, 2012, pp. 290-291; C. W. Y. Wong, Wong, & Boon-itt, 2018, p. 376). The well-known seventeen Sustainable Development Goals are intensively integrated in companies business operations (Lukin, Krajnović, & Bosna, 2022, p. 4000). Combining those two aspects may have a significant impact on the process of importing, procuring and sourcing the right companies, and on top of that maintain a well-established relationship between the two parties.

In the coming years, the sustainable development of companies on three aspects of sustainability, namely (1) social sustainability, (2) environmental sustainability and (3) economic sustainability (Jum'a, Zimon, Ikram, & Madzik, 2022, p. 3) will probably have more and more impact on the buyer-supplier relationship. On top of that, will it impact the preferred customer status? And how does a company keep its supplier satisfied while dealing with sustainability challenges. Looking to the future, this topic becomes even more important, since society will put more emphasis on the sustainability topic. Therefore, combining sustainable development and preferred customer status maintenance will be challenging for companies. The relationship between buyer and supplier will probably shift from a cost-oriented to a sustainable-oriented focus. The goal of this bachelor thesis is therefore to not only describe how a company can get a preferred customer status by its supplier, but also the influence on this relationship of the ongoing sustainable development.

The following research question is formulated to reflect the research objectives and will be explored in this research:

*RQ: What is the influence of sustainable development on the preferred customer status in a buyer-supplier relationship?*

In order to research this main topic, the concept is split up in two subsequent research questions, to concretely assess the results of the study.

*RQ1: How is the buyer-supplier relationship influencing the sustainability efforts of a firm?*

*RQ2: How can a company use its sustainable development to become a preferred customer?*

This study will lead to theoretical and practical contributions to combine the preferred customer status and ongoing sustainable development. The study results can either confirm or disagree with several practices, statements and recommendations done by previous researchers of this topics such as Fan, Xiao, Zhang, and Guo (2021) and C. W. Y. Wong et al. (2018). But it can also contribute to the current findings and add new insights based on the research and interview on the buyer-supplier relationship and sustainable development link of Company X.

The proposed practical contributions will help a manager evaluating the buyer-supplier relationship and its potential preferred customer status regarding sustainable development. The research will draw connections between preferred customer status, supplier satisfaction and the influence of sustainable development. Found connections will help (purchasing) managers in improving the management of inter-organizational relationships. On top of that, it will put emphasis on antecedents of supplier satisfaction, resulting in considerable aspects of satisfying a supplier and reaching preferential treatment.

The thesis will first introduce all aspects of a buyer-supplier relationship by doing a critical literature review. Aspects as preferred customer status, supplier satisfaction and sustainable development will be discussed. After this review, the topic will be analysed by putting the aspects in a research model, resulting in the theoretical framework. Next, the methodology with the research design will be discussed. After this, the results of the interviews at Company X are described, analysed and discussed in order to come to the conclusion. The conclusion will include theoretical and practical implications, limitations of the research and provide research suggestions for further research on this topic.

## 2. LITERATURE REVIEW

### 2.1 Preferred Customer Status

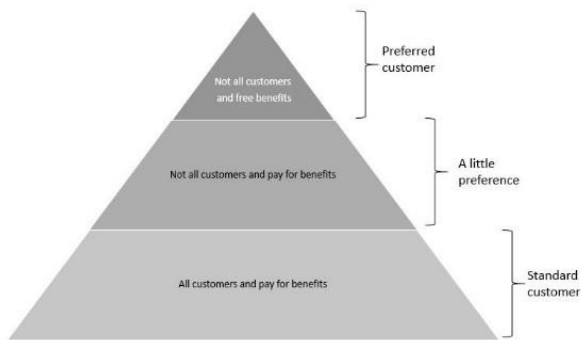
#### 2.1.1 Attaining preferred customer status by attractiveness and fulfilling expectations

According to Nollet et al. (2012, p. 1186), “A preferred customer is a buying organization who receives better treatment than other customers from a supplier, in terms of product quality and availability, support in the sourcing process, delivery or/and prices.” These privileges are a result of the preferential treatment of resources and time (Nollet et al., 2012, p. 1187; Steinle & Schiele, 2008, p. 11). In order to get a relationship with a supplier, you as a customer first need to be attractive for the supplier (Holger Schiele, Calvi, & Gibbert, 2012, p. 1178). A supplier has certain expectations of the relationship with the customer, and that will serve as the basis for the customer’s attractiveness (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 131). A positive expectation leads to a higher customer attractiveness (Bergmann, 2021, p. 1; Holger Schiele et al., 2012, p. 1180). When a customer fulfils the expectations of the supplier, it can reach the preferred customer status (Baxter, 2012, p. 1249). Hüttinger et al. (2012, p. 1199) divided customer attractiveness antecedents into five different factor classes: 1) market growth factors, 2) risk factors, 3) technological factors, 4) economic factors and 5) social factors. These five factors include multiple important antecedents which can play a role in customer attractiveness. Hüttinger et al. (2012, p. 1203) included these five factors in the final model, which can be seen in figure 2. After this first research in 2012, Hüttinger, Schiele, and Schröer (2014, p. 712) did an extensive research into the antecedents of customer attractiveness, and highlight the following aspects to be the most crucial.

Customer attractiveness antecedents
Growth opportunity (Market growth factor)
Operative excellence (Technological factor)
Relational behaviour (Social factor)

**Table 1: Customer attractiveness antecedents**

“The decision to become a preferred customer implies a continuous commitment by the purchaser to a complex, expensive and often uncertain process.” (Nollet et al., 2012, p. 1186). Therefore, it is necessary to have a good understanding of the whole situation, process and role division. This important process is also highlighted in the cycle of preferred customership, as can be seen and explained in figure 3 in section 2.2. Tchokogué and Merminod (2021, p. 1) state that the purchasing department fulfils four main categories of roles: (1) identification and selection of best supplier, (2) structuring and segmenting the supply base, (3) building close relationships with selected suppliers and (4) developing working relationships by using effective communication. These four roles are needed and illustrate supply’s ability to recognize and understand the specifics of the preferred customer situation. In order to describe the differences between customers, Vos (2019) constructed the preferred customer pyramid with a clear customer status division shown in figure 1.



**Figure 1: Preferred customer pyramid**

First of all, on the lowest level the standard customers are classified. This level includes all customers, not receiving (free) benefits by its suppliers for the paid money in the relationship. These customers do not have any preferred status. In the middle level the so-called medium preferred customers are classified. “Medium preferred customers receive some benefit, either in the form of exclusive products or for example delivery conditions. These customers do have to pay for the benefits however.” (Praas, 2016, pp. 11-12). This can be seen as a little preference by their suppliers. At the top the customers with acquired preferred customer status can be found. These customers receive the most benefits, without paying for it. This could lead to a competitive advantage over competitors not having preferred customer status and (free) benefits.

For a customer, it is important to know what the antecedents of a preferred customer could be to the supplier and what their influence is. For example, how can sustainability tactics and strategies influence the relationship in a way that it result in preferential treatment. Ellis et al. (2012, p. 1265) tell us that buyer’s behaviour significantly influences preferred customer status. Early supplier involvement and relational reliability are mentioned as two important aspects of this. At the end, the supplier will compare the benefits of the customer to alternatives. If these benefits are superior, the customer can be classified with the preferred customer status (Nollet et al., 2012, p. 1190; Holger Schiele et al., 2012, p. 1181).

On top of these, there are more overlapping antecedents resulting in satisfied suppliers, and could be seen as drivers for preferred customer status according to Hüttinger et al. (2012, p. 1202). Those are mentioned in table 2.

Economic value	Relational Quality
High purchase volumes	Loyalty
(Future) Profitability	Trust
Business opportunities	Commitment
Total cost as basis for purchasing price	
Low cost to serve the customer	

**Table 2: Drivers of preferred customer status (Hüttinger et al., 2012)**

### 2.1.2 Supplier satisfaction and it’s antecedents to become a preferred customer

In order to sustain the status as a preferred customer, and to maintain the buyer-supplier relationship, supplier satisfaction plays an important role. “Companies need to integrate supplier satisfaction with customer satisfaction in order to achieve business excellence” (A. Wong, 2000, p. 427). In other words, companies need to have access to capable supplier to keep the business going and keep customers satisfied. This is the result of a trend consisting of three factors according to F. G. S. Vos, Van der Lelij, Schiele, and Praas (2021, p. 1). First of all, firms increase the responsibilities of the suppliers to shift their own focus to their own core abilities (Gilley & Rasheed, 2000, p. 765). On top of that, supply markets become more established and available suppliers decrease, which means less access to alternatives in the market and increasing supply risk (Rademakers & McKnight, 1998, p. 203; Rosenau-Tornow, Buchholz, Riemann, & Wagner, 2009, p. 162). Lastly, there is more focus on open innovation with supplier involvement instead of in-house innovation by companies themselves (Faems, De Visser, Andries, & Van Looy, 2010, p. 785; Lee, Park, Yoon, & Park, 2010, p. 290; Roberts, 2001, p. 32). Supplier satisfaction plays an important role in a buyer-supplier relationship, since suppliers can help their buyers to build a competitive advantage over their competitors. Preferential resource allocation and assistance with resources such as ideas, capabilities and materials with limited availability can help building a strategic advantage over competitors not having access to this treatment (Pulles et al., 2016, p. 129). According to Christiansen and Maltz (2002, p. 192), procurement acts as a strategic interface where trust and transparency serve as major factors for long-term success in buyer-supplier relationships. To evaluate a relationship, the expected value has to be compared to what the relationship actually brings (Thibaut & Kelley, 1959). At the end, “The discrepancies between the supplier’s expectations and the value that is actually obtained through an exchange relationship determine the level of satisfaction that is experienced by the supplier.” (Holger Schiele et al., 2012, p. 1181). In addition to this, Holger Schiele et al. (2012, p. 1181) describe the supplier satisfaction as “a condition that is achieved if the quality of outcomes from a buyer-supplier relationship meets or exceeds the supplier’s expectations. To maintain supplier satisfaction, an evaluation of supplier satisfaction needs to be done once or twice a year. Treats of dissatisfaction need to noticed early, so appropriate arrangements can be made in order to improve the satisfaction again in the long- or short-term business relationship (Essig & Amann, 2009, p. 108).

For customers it is important to know how to achieve supplier satisfaction and what its antecedents are to get the preferred

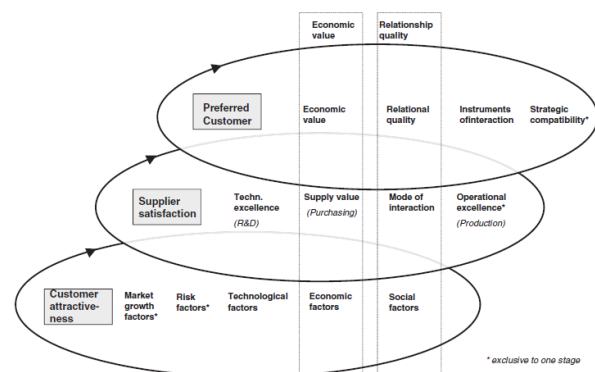
customer status. As can be seen in figure 2, Hüttinger et al. (2012, p. 1203) also divided supplier satisfaction drivers into four categories: 1) Technological excellence, 2) Supply value, 3) Mode of interaction and 4) Operational excellence. Several factors can affect higher supplier satisfaction and can be placed under these categories. For example, buyer's coercive power, conflicts, relational trust, profitability, commitment, volumes, communication and information sharing (Benton & Maloni, 2005, pp. 3-5; Essig & Amann, 2009, pp. 103-106; Maunu, 2003, p. 42; F. G. S. Vos et al., 2021, pp. 1-4). On top of that, Hüttinger et al. (2014, p. 718) mention three antecedents of supplier satisfaction in their study: (1) growth opportunity, (2) reliability and (3) relational behaviour. The last one, relational behaviour is mainly influenced by mutual trust, commitment, tight personal relationships, problem solving behaviour and an open information exchange climate according to Christiansen and Maltz (2002, p. 193), Hüttinger et al. (2014, p. 718) and Nollet et al. (2012, p. 1190). Another important antecedent to take into account is the innovation potential. Factors of this innovation potential, as found in earlier research are joint innovation projects, early supplier integration in new product development and sharing know-how with supplier for facilitating innovation potential for the buyer (Christiansen & Maltz, 2002, p. 191; Ellis et al., 2012, p. 1265; Nollet et al., 2012, p. 1189). On top of that growth potential can play a significant role in supplier satisfaction. Growth potential is partly influenced by financial attractiveness, the potential to grow together and corporate reputation (Baxter, 2012, p. 1255; Hald, Córdón, & Vollmann, 2009, p. 964; Ramsay & Wagner, 2009, pp. 130-131). But also the economic part could serve as an important antecedent to a supplier. For example, suppliers will take a critical look at the profitability of its (potential) customer before getting into a partnership, or during the partnership. This will influence purchasing volumes and economic stability for example (Ramsay & Wagner, 2009, p. 130; Vos, Schiele, & Hüttinger, 2016, p. 4621).

Supplier satisfaction antecedents	
<b>Technological excellence</b>	Reference
Open information exchange climate	(Christiansen & Maltz, 2002, p. 193)
Innovation potential	(Christiansen & Maltz, 2002, p. 191; Ellis et al., 2012, p. 1265; Nollet et al., 2012, p. 1189)
<b>Supply value</b>	
Profitability	(Essig & Amann, 2009, p. 107; Maunu, 2003, p. 42)
Volumes	(Essig & Amann, 2009, p. 104)
Demand stability	(Ramsay & Wagner, 2009, p. 130)
<b>Mode of interaction</b>	
Buyer's coercive power	(Benton & Maloni, 2005, p. 4; F. G. S. Vos et al., 2021, p. 2)
Conflict (resolution)	(Benton & Maloni, 2005, p. 5; Essig & Amann, 2009, p. 107; Franck, 2016, p. 4; F. G. S. Vos et al., 2021, p. 5)
Relational trust	(Benton & Maloni, 2005, p. 5; Essig & Amann, 2009, p. 103; Franck, 2016, p. 4;

	Hüttinger et al., 2014; F. G. S. Vos et al., 2021, p. 3)
Commitment	(Benton & Maloni, 2005, p. 9; Essig & Amann, 2009, p. 105; F. G. S. Vos et al., 2021, p. 4)
Communication	(Essig & Amann, 2009, p. 106)
Information sharing	(Benton & Maloni, 2005, p. 3; Essig & Amann, 2009, p. 103)
Reliability	(Hüttinger et al., 2014, p. 712; Vos et al., 2016)
<b>Operational excellence</b>	
Growth opportunity	(Baxter, 2012, p. 1255; Hald et al., 2009, p. 964; Hüttinger et al., 2014, p. 712; Ramsay & Wagner, 2009, pp. 130-131; Vos et al., 2016)

**Table 3: Supplier satisfaction antecedents**

It may be clear that there is a huge overlap in the antecedents of customer attractiveness, supplier satisfaction and preferred customership. Also, some antecedents will influence each other and helps the buyer into the next stage of becoming a preferred customer. In order to get an overview of this, Hüttinger et al. (2012) created a model, which is shown in figure 2.

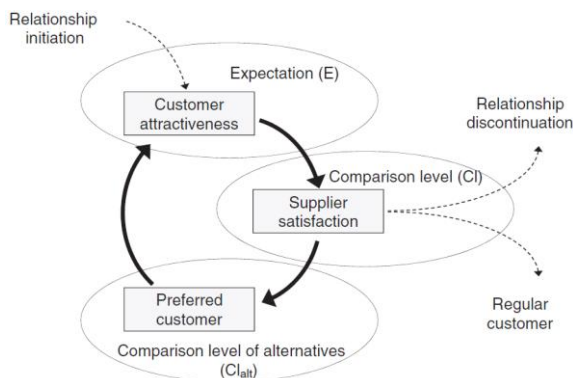


**Figure 2: Drivers of preferential treatment by suppliers: a preliminary concept (Hüttinger et al., 2012).**

Hüttinger et al. (2012) categorised all the antecedents for each principle. These categories may also include antecedents regarding sustainability. Due to the overlap, the categorised antecedents may follow a shared stream in the three dimensions. Hüttinger recognised two overarching streams: Economic value and Relationship quality. The antecedents in these two streams are interconnected to each other between the stages and overlap and/or follow-up on each other. About economic value Hüttinger tells us the following: "In the attractiveness phase expected value creation plays a role, in the satisfaction phase the value actually created is assessed and in the preferred customer phase the value creation is compared to other relationships." The same holds for the relationship quality stream: "For customer attractiveness market growth and risk factors have been identified, which clearly have a distinct expectations character. For a satisfaction assessment operational excellence was named to play a particular role, but did not receive comments in the other literature streams. For determining the preferred customer status, finally, strategic fit between the firms comes into play." (Hüttinger et al., 2012, p. 1203)

## 2.2 Social exchange theory

This bachelor thesis will make use of the social exchange theory in order to support the theory of this bachelor thesis. This theory claims that social behaviour is a result of an exchange process between two parties. Potential benefits should be in balance to risks. When there is an imbalance, a party will behave differently or terminate the relationship. According to Blau (1965), the exchange involves (1) goals that can only be accomplished through interaction with another party, (2) adaptation to further the accomplishment of these goals and (3) development of social bonds which reflect the intrinsic value of qualitative aspects of the exchange relationship. Trust, commitment, interaction, expected value and dependence are central tenants that result in high levels of dependence (Ellis et al., 2012, p. 1260; Kingshott, 2006, p. 724). Social exchange theory is concerned with the behaviours and perceptions that motivate and guide equitable reciprocity between the involved parties under uncertain conditions (Griffith, Harvey, & Lusch, 2006, p. 95). Faithful reciprocation strengthens the trust and commitment inherent within the social bonds that guide social exchange and provide the basis for the enlargement of benefits derived through future interaction (Anderson & Weitz, 1992, pp. 28-29). According to H. Schiele, Veldman, and Huttinger (2010, p. 1180), "The theory builds upon three core elements that can be linked into a cycle of preferred customership (1.) expectations (E), which lead to the initiation of an exchange relationship; (2.) the "comparison level" (Cl), which is the standard that is used to judge the outcome of the exchange, producing satisfaction with the relationship after the minimum criteria have been attained; and (3.) the concept known as the "comparison level of alternatives" (Cl<sub>alt</sub>)". These three concepts can be linked into the cycle of preferred customership.



**Figure 3: The cycle of preferred customership**

This bachelor thesis will analyse the impact of sustainability on the social exchange between parties.

## 2.3 Sustainable Development

There is more and more concern about sustainability. In order to promote sustainability globally, the United Nations set the seventeen Sustainable Development Goals in their 2030 agenda for a sustainable future (Bellantuono et al., 2022, p. 2). In order to work on these goals, companies try to work more and more to a sustainable supply chain and even more: to a closed loop supply chain (Mogale, De, Ghadge, & Aktas, 2022, p. 1). Companies set objectives to reduce their environmental impact through transportation, production or technologies. On top of that, they also set social objectives in terms of job opportunities and work damages (Mogale et al., 2022, p. 2). A well known theory regarding sustainable development is the triple bottom line, emphasizing the economic, social and environmental sustainability (Bozgeyik & Turkay, 2019, p. 1). This triple

bottom line is also taken into consideration in the sustainable supply chain management practices, also known as SSCM practices. Mohammed, Harris, and Govindan (2019, p. 173) describe this phenomenon as "the management of operation, information flow and cash flow, throughout the supply chain considering three targets in terms of three dimensions which include economic, environmental, and social (triple bottom line (TBL) of sustainability) based on the requirement of decision makers and customers." Research regarding SSCM has noticeably increased last year, which explains the importance and relevance of this topic. Also green economy put emphasis on this triple bottom line and includes cleaner production, waste management, product-service systems, nature-based solutions and industrial circular economy ecology (Pangarso, Sisilia, Setyorini, Peranginangin, & Awirya, 2022, p. 2). On top of this, companies put more and more effort in their corporate social responsibility (CSR) to improve social sustainability (Govindan, Khodaverdi, & Jafarian, 2013, p. 345).

## 2.4 Triple P bottom line

Additionally, this bachelor thesis will look at the triple bottom line. This theory goes beyond only the economic performance, but also includes the environmental sustainability and social equity (Bozgeyik & Turkay, 2019, p. 1; Brandon-Jones, 2015, p. 1). This model is applied, since "Sustainability has increasingly become important to business research and practice over the past decades as a result of rapid depletion of natural resources and concerns over wealth disparity and corporate social responsibility" (Govindan et al., 2013, p. 345). On top of that, environmental and social criteria tend to play a more and more important role in competitive advantage (Bozgeyik & Turkay, 2019, p. 1). The concept of the triple bottom line was developed by (Elkington, 1998) who stressed the distinction of the economic and social dimensions of sustainability, which have been absorbed by the environmental dimension of sustainability (Govindan et al., 2013, p. 346). More and more companies take the triple bottom line in consideration regarding sustainable supply chain management (SSCM). Sustainable supply chain management is seen as "the management of operation, information flow and cash flow, throughout the supply chain considering three targets in terms of three dimensions which include economic, environmental, and social (triple bottom line (TBL) of sustainability) based on the requirement of decision makers and customers" (Mohammed et al., 2019, p. 173). Bozgeyik and Turkay (2019, p. 3) identified different factors on these three dimensions:

**Economic:** Energy cost, water cost, wage cost, training cost, setup cost, transportation cost, supply purchase cost, tax cost, reduced turn-over cost.

**Environmental:** Carbon emission transport, product emission, waste

**Social:** Job distribution equity, development equity, security level, licenses to operate, long last certificate effect, empower improvement, community health improvement, community education improvement.

Of course, there are more factors per dimension which can be taken into account.

Supplier selection plays an important role in sustainable supply chain management (Cheraghalipour & Farsad, 2018, p. 237), since they are placed in the upstream of a supply chain where their economic, social and environmental performances could genuinely impact the supply chain (Li, Fang, & Song, 2019, p. 606). As a result of sustainable supplier selection and evaluation, "companies can identify and prioritize opportunities for improving their sustainability performances which may lead to a

reduction in the negative environmental and social impacts of their activities” (Govindan et al., 2013, p. 353).

Applying this theory in combination with preferred customer status in this research, will give clear view how sustainable development of a company has influence on the buyer-supplier relationship.

## 2.5 Synthesis

Research indicates that there are a lot of ways to be attractive as a (possible) customer, to satisfy suppliers and to acquire the preferred customer status in order to get preferential treatment above your competitors. These theories, antecedents and practices form a good framework to have a clear view on how these aspects relate to each other and can be implemented in buyer-supplier relationships. Taking the sustainability topic into account regarding these topics, makes it more interesting. There are several ways to analyse, improve and evaluate buyer-supplier relationships including preferred customership, but by adding sustainability to this topic we will get a clearer view on how companies will handle this topic in the future. Since sustainability gets a higher and higher rank on company’s agendas, they will have to deal with sustainable development within the companies and its influence on their relationships (Mogale et al., 2022, p. 1). It may be clear that sustainability efforts go hand in hand with costs, and therefore may impact the buyer-supplier relationship. It is important for a buyer to become such an important stakeholder to the supplier, that sustainability efforts, and eventually extra costs, would not impact the buyer-supplier relationship. Therefore it is crucial to cooperate closely with suppliers, inform them well about the long-term (sustainability) vision as a buyer, and stress the importance of both sustainability efforts and the relationship the firms have (C. W. Y. Wong et al., 2018, pp. 375-376). It is important for a buyer to do this, to save its position and status at the supplier instead of losing status and get lower priority.

Sustainability efforts may increase costs on the short-term due to investments and (technical) expertise, but are likely to reduce cost on the long term. On top of this, high sustainability efforts gives new opportunities, and may possibly create new markets. As an initiator of this, this value and market creation may create an entry barrier for competitors and create competitive advantage (Campbell, 2007, p. 290; Green et al., 2012). This competitive advantage has a positive effect on several antecedents of supplier satisfaction and preferred customer status, like growth opportunity, earlier supplier involvement and innovation potential. This can also be seen the other way around. Antecedents like these can also promote sustainability efforts of a company or a relationship between companies.

*Proposition 1: Sustainability efforts function as an antecedent to preferred customer status at key suppliers.*

*Proposition 2: Sustainability development impacts growth opportunity, earlier supplier involvement and innovation potential, and therefore promotes achieving preferred customer status at key suppliers. Antecedents like these do not only impact the preferred customer status itself, but also the willingness to work on sustainability itself.*

Besides the fact that sustainability can function as an antecedent itself, or supporting other antecedents, it is expected that it will impact all the categories in the three main principles as written about in section 2.1.2. Sustainable development is expected to have influence on customer attractiveness firstly, and may therefore also play its role in buyer’s satisfaction and the preferred customership. Regarding the two main streams with shared interest as defined by Hüttinger et al. (2012), economic

value and relational quality, sustainability could play a crucial role in this overlapping stream.

*Proposition 3: Sustainability efforts cover antecedents not only in one principle, but in the three of them: Customer attractiveness, Supplier satisfaction and Preferred customership.*

*Proposition 4: Sustainability plays a crucial role in Hüttinger’s two overlapping streams: Economic value and Relational quality.*

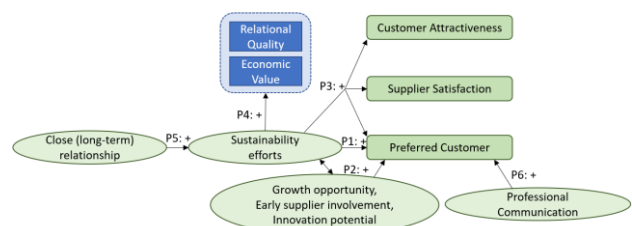
Since it is well-known that in the future companies have to put extra effort into sustainability issues and practices, it might be of crucial importance that in a relationship companies have to cooperate in order to reach sustainability goals (Green et al., 2012, pp. 290-291). Therefore, it might be important to investigate if in a close relationship with satisfied buyer and supplier (possibly with preferred customership), both parties are willing to work together in future on (more) sustainable improvements. This will affect the sustainable supply chain of both the buyer as the supplier and might be critical in attracting new customers and suppliers in order to lengthen the supply chain for example.

*Proposition 5: A close relationship between buyer and supplier causes the willingness from both parties to innovate in more sustainable aspects on their supply chains in the future.*

From literature and theory, one main antecedent can be derived having a big influence on supplier satisfaction and possibly preferred customership: communication (Essig & Amann, 2009, p. 106). Since communication is the main link between buyer and supplier(s), it is seen as an important aspect in the relationship. Communication is the key function in order to get access to buyer- and supplier flexibility, long-term relationships and financial or social benefits (Anderson & Weitz, 1992, p. 19). Therefore, it is critical to assess the impact of communication from both sides of the relationship. Also, a critical look on the intensity of communication in the different stages might give a clearer view on the effect on supplier satisfaction and preferred customer status.

*Proposition 6: Communication is and will stay one of the main antecedents for supplier satisfaction and preferred customership, leading to flexibility, long-term relationships and financial or social benefits.*

All the propositions can be combined and implemented into a model. The propositions will be tested and investigated in this research to check if the propositions indeed support or influence each other, and have effect on preferred customership or are related to Hüttinger’s shared streams. It is important to test whether sustainability might function as an antecedent for preferred customer status. But, also the other way around is tested: when a buyer and supplier are in a (long-term) relationship, are they open to innovate and work on sustainability goals together in future. On top of that, the main antecedent having impact on preferred customer status is investigated: Communication.



**Figure 4: Research model**

The model shown above will be compared to the findings of the research as explained and done in the coming chapters.

### 3. METHODOLOGY

#### 3.1 Research design

In order to have a good understanding of the topic “Preferred customer status with key suppliers” in relation to sustainable development, a qualitative research design is used. This research design provide explanatory insights, and translates insights into feelings, motivations, opinions and reasons (Almalki, 2016, p. 288). In order to have a prudent investigation regarding the combination of preferred customer status and sustainability, a case study is done to investigate the dyadic relationship and to analyse buyers’ and suppliers’ relationships. The primary data for this research is acquired via interviews, done by both the buyer (Company X) and some of its suppliers. The interviews provided insights on the topic in the specific context of these buyer-supplier relationships, and explored motivations and explanations. Since this research sample is too small, there is less space for a quantitative research design in the form of a survey for example. This research design would not give the normally generalizable results it normally gives with the chosen sample of several companies. Since less research is done in the combination of sustainable development and preferred customer status, this research is considered as explorative research. In order to have a good investigation into this new topic, literature review, depth interviews and case study are combined in order to come to conclusions.

To start, prudent literature research is done and data has been collected. The study is therefore based on theories of existing literature. The chosen literature should be valid and reliable, to have the right understanding and conclusions. Literature is chosen from the right areas, mainly consisting of Business, Management and Accounting subjects. Literature research is done to mainly acquire knowledge and identify crucial elements of preferred customer status, supplier satisfaction, social exchange theory, cycle of preferred customership and sustainable development in supply chains.

In order to get a better understanding on how companies reflect on these topics, depth interviews are conducted. The interviews are usable since it reflects the beliefs and experiences of people. Analysis based on these shared experiences gives important insights regarding the topics in the specific cases interviewees are working in. (Gill, Stewart, Treasure, & Chadwick, 2008, p. 292). Since individual experiences are shared in an independent interview, it resulted in new insights. A face-to-face interview with each individual gave more clarity and honesty than conducting interviews in groups. More than one supplier of Company X is interviewed in order to get a better understanding on how supplier experience Company X’s way of business and its approaches to get preferred customer status. Five interviews are done to gather the quantitative data.

The case study is combined with the literature review and interviews to acquire knowledge on the beliefs and experiences of the interviewees about the researched topics.

#### 3.2 Sampling the interviewees

First of all, an interview was done at the purchasing department at Company X (buyer’s side). Purchasing is considered as a strategic function at Company X, and therefore of great influence in order to get a preferred customer status. Since it seen as a strategic function, an interview could give new insights on how their purchasing policy results in benefits in the relationships they have. By interviewing one of the main purchasers of Company X, a clear view on how the buyer classifies it’s supplier(s), their view on (possible) preferred customership and its benefits and their tactics regarding this topic is created. On top of that our chosen topic (sustainable development) is related to

the buyer-supplier relationship from the buyer’s view. The buyer was chosen and selected based on his own willingness to participate in this research.

One buyer from Company X was interviewed. The buyer has more than 15 years of experience in this job in the company and has been in close contact with suppliers for years. This company is a Dutch company having more than 60 suppliers from all over the world. The three suppliers were linked to this research via the buyer. The three companies are all Dutch-based companies having a close, long-term relationship with Company X.

The three suppliers of the buyer were interviewed about their view on customers generally, but also on the buyer-supplier relationship with their customer (Company X) which was interviewed earlier in the research. The interviewee on the supplier side should be in direct contact with the purchasing department of Company X, to give a clear view on their current and historic buyer-supplier relationship specifically. Suppliers were selected as a result of their own buyer-supplier relationship with Company X, as well as their willingness to participate in the research their customer (Company X) participated in after a request from the customer and researcher’s side. All interviewed companies are Dutch companies, so interviews were conducted in Dutch.

#### 3.3 Interview design

For this research two questionnaires were developed. One questionnaire meant for the buyer with buyer-related questions, and one for its suppliers with questions more focussed on the supplier’s side. The interview questions are drawn up in collaboration with a thesis circle where this research is part of. The questionnaire can be found in Appendix A. The developed questionnaires consist of four parts. The first part focusses on status allocation, from both the buyer and supplier’s point of view. Here, the allocation of preferred customer status can already be identified in the different relationships. The second part covers the benefits experienced by the buyer, given by the supplier(s). Also, suppliers are asked what benefits they give to preferred customers and how certain statuses influence their behaviour towards customers. The third part tries to identify antecedents to satisfy suppliers, and to acquire preferred customer status. Also, there is discovered how suppliers experience the activities a buyer does in order to get a preferred status. Lastly, both buyer and supplier are questioned how sustainable development plays a role in their company, and possibly in their supply chain. Also, there is asked how this influences their relationship.

Since only Dutch companies were interviewed, interviews were conducted in Dutch. In preparation of the interviews, the questionnaire is critically changed and assessed in order to perform this interview in Dutch.

Interviews were done on-site, which means that the interviewer visited the company the interviewee is working for. The atmosphere for the interviewee is important and the interviewer gets a better impression of the company itself. If possible, a tour was given in order to even get a better understanding of the company. In advance of the interview, interviewees were asked if they voluntarily participated into the interview to work in accordance with the UT ethical approval. Also, consent was given by the interviewees that the interview is recorded with the Voice Recorder app on a Samsung mobile phone. Recording interviews enables the possibility to transcribe the interview, which will be explained the upcoming section.

#### 3.4 Data analysis approach

Once the interviews are conducted, results are analysed. The interviews were first transcribed with the help of Amberscript, a

software program which turns an audio file into a text file. This text file might still have some errors and is accurately checked to have the right output with the right questions and answers of the interview.

With the help of inductive and deductive coding, findings can be extracted from the interviews. This coding enables us to get an overview of mentioned antecedents, benefits, experiences and beliefs. This overview makes it possible to perform an analysis of the interviews and come to some conclusions regarding the researched case.

According to Burnard, Gill, Stewart, Treasure, and Chadwick (2008), “inductive approach involves analysing data with little or no predetermined theory, structure or framework and uses the actual data itself to derive the structure of analysis.” This is the case with the interviews. Literature review might give a stream of possible mentioned antecedents, benefits and experiences, but in this case study there was no predetermined framework to derive an analysis structure. On top of that, deductive coding is used to test the existing data and theories found in the literature review.

Interviews were critically read and analysed, to get a better understanding of what is generally answered. With the help of the coding program Atlas TI 22 each answer related to the researched aspects (Classification, Antecedents, Benefits, Sustainability) are given an individual code describing their specific phenomenon in the researched aspects. For example, ‘(Online) communication’ is a phenomenon in the researched aspect ‘Antecedents’. Answers which belong to the same aspect form an overarching code group together under the name of the researched aspect. The amount of codes, thus similar answers, in each code group indicates the importance of such a phenomenon. The more often a phenomenon is mentioned by an interviewee, the more counts it has in its code group and therefore indicates importance. At the end of the coding part, an overview is created and analysis can be done. Based on the results, more information will be available about the relationship of sustainable development and buyer-supplier relationships.

## 4. ANALYSIS & RESULTS

### 4.1 Introduction to Company X

In order to do research into this topic, knowledge from the literature review is coupled into a real case. As described in section 3, primary data is acquired via an interview conducted at Company X about their relationships and possible preferred customership with three of their suppliers. The interview is conducted by one of the buyers of Company X, later mentioned as B1. Afterwards, those three suppliers are interviewed and to have a critical view from their perspective on the relationship with Company X.

Company X is a Dutch company active in the steel industry. It supplies its products to companies in several markets. Examples of these markets are the construction market, cargo handling market, maritime market, heavy lifting market and the offshore market. It acquires materials and components for its products by more than 50 suppliers. Some of them are supplied via steelworkers, which customise the steel products in the right shape for Company X. Other materials are directly imported to Company X, and after inspection and testing the materials are constructed and applied to facilitate final products. Company X is active in a niche market, where they are competing with only three main competitors according to the purchaser of Company X. Therefore, Company X globally distributes its products and therefore is a main player in their market, especially when it comes to smart engineering, quality, innovation and customization.

The three suppliers of Company X involved in this research are mainly suppliers of steel products which they purchase and process themselves, or steel products purchased by Company X, delivered by the steel processors which processes and adjusts the products and afterwards deliver it to Company X. In the last case, Company X does the purchasing part for the supplier and delivers the needed materials to be processed. For this research, one person of each supplier is interviewed, later indicated as S1 for Supplier 1, S2 for Supplier 2 and S3 for Supplier 3.

Company X has seven purchasers in its office, negotiating and communicating with its current suppliers about materials and prices. On top of that, they are intensively focused on keeping the relationships they have, and even improve them to get the preferred customership. Therefore, Company X was very interested in the research and open for participating in it. Company X was curious how their suppliers classify them, what antecedents there are and were for preferred customership and what the benefits in their current relation are. On top of that, Company X was curious about what they could improve in their relationships to get access to (more) preferential treatments. Lastly, they were curious to hear how the suppliers experienced their relationship in the past and which specific actions and treatments improved or deteriorated the relationship. On top of that, Company X (and its suppliers) were curious how they could implement sustainable development in their company, and how this could influence (and even improve) their buyer-supplier relationship. Company X was for this reason interested if their suppliers were as satisfied as the relationship as they were, and therefore interested to participate in this research.

### 4.2 Findings based on the interviews

#### 4.2.1 Status allocation of buyer by suppliers

Status allocation plays a big role in the buyer-supplier relationship to achieve competitive advantage according to B1. Therefore, B1 believes that most of their suppliers classify their customers. B1 recognises this, because suppliers make special arrangements for them in case of high need or places their orders before other orders. On top of that, B1 believes this is the case because some suppliers even promised them to not collaborate with direct competitors of Company X. On top of this classification aspect, B1 believes that Company X gets preferential treatment or even have a preferred customer status by some of their suppliers. This is mainly observed due to the fact that a supplier is for 80% dependent on Company X according to B1. This preferential treatment and preferred customership is a result of clear communication, fair negotiating experiences, loyalty, dependency and continuous order flow. But, B1 also acknowledges that Company X is quite strict price-wise, and are really sharp price-wise, which is sometimes criticised by their suppliers. Due to problem-solving practices, by both buyer and suppliers, and the long-term relationship (loyalty) Company X has, this does not have a big impact on their status and classification against other customers of the suppliers B1 believes. S1 also mentions that suppliers give Company X preferential treatment because of their monthly feedback reports, including On Time Delivery (OTD) reports and Defective Material Reports (DMR). Since Company X is pushing for a high OTD percentage (>95%) by its suppliers, and have as little as possible defective materials, suppliers give them preferential treatment in terms of production scheduling or material quality and precision.

From the suppliers side, S1 and S3 both give their customers equal rights and try to treat them the same. Both mentioned “Every customer is a customer”, and describe that every customer is valuable. Therefore it is not needed to really classify them. S2 however, describes that there is a clear role division in



their purchasing department. One of the employees does the ‘big’ customers and puts more emphasis and effort in those relationships than the other employee, responsible for the ‘small’ customers. S2 mentioned that classification is an automatic process, because of the higher profit margins of some customers and the procedures you have to do extra with bigger, maybe more professional customers. S1 mentions that they have an overview of their top-15 customers regarding turnover, and that they clearly keep track of them. But they try to not specifically classify them and just handle their orders where possible. But, all interviewed suppliers note that when possible, they try to shift schedules for their regular customers if they need it, as long as it is not at the expense of other regular customers. For new customers, it is a different story and it is less common to shift schedule-wise. S1 actually mentions that shifting in schedules for a regular customer only occurs if it is possible capacity-wise and when all the other customers are (already) satisfied.

#### 4.2.2 Antecedents to supplier satisfaction, resulting in preferred customership

From the buyer’s side, B1 believes that Company X is on the one hand attractive as a customer, due to their clear communication, responsible business operations and continuous order flow. But on the other hand, Company X could also be considered as a bit annoying sometimes, due to their critical OTD and DMR reporting and price-focused way of negotiating for example. The latter aspect is also mentioned by S1, S2 and S3, regarding the customer attractiveness: “Sometimes it is too much focussed on the price”. S3 even mentions: “As a supplier you notice that they really focus on price, mass and inexpensiveness, but it does not always work like that”. Therefore, the intense focus on price and therefore sometimes tough negotiations makes Company X unattractive in a certain way. But, according to S1, Company X has clear communication to their suppliers, resulting in staying an attractive customer. They always send reports, ask for order confirmations and respond quickly. On top of that, generated turnover by Company X for each of the three suppliers makes them attractive. On top of this S2 mentions that Company X is and stays attractive because of their innovativeness and the involvement of suppliers in this process. That makes and keeps the relationship and orders interesting and challenging. Generally, Company X is seen as an attractive customer by the three interviewed suppliers.

Regarding supplier satisfaction, it may be clear that the communication by Company X to its suppliers plays a significant role. All of the suppliers (S1, S2 and S3) mentioned that Company X has been clear in communication in their relationships, and that this was one of the main factors for their satisfaction. Fast and clear responses (mostly via mail and telephone) enhance a relationship. S2 mentions that most of the communication is about orders, and in advance to this: problems with orders. For example, if there are problems with material suppliers to the steel processors. This mainly occurs when there is material scarcity or material price rise. On top of that, there is a lot of communication between Company X and the three suppliers about the ordered amounts, its deadlines or a combination of those two factors. Since suppliers and processors are not always able to adjust their schedules to the ordered amount and its deadlines, they consult about the set deadlines with Company X via (online) communication to see what is possible. This is also an antecedent of the flexibility in the relationships between Company X and its suppliers. A combination of scheduling flexibility from both the buyer’s and supplier’s side improves the relationship, and promotes supplier satisfaction (and buyer satisfaction too) according to S1 and S2. On top of this, S2 mentioned that Company X is open for tips and tricks regarding product improvement. Company X is considered

as flexible by S2 since they sometimes give feedback on product aspects, and propose adjustments giving better results. This cooperation for product improvements and the flexibility and openness for this results in satisfaction to S2. All of the interviewed suppliers agreed that the organised ‘supplier days’ by Company X strengthens the relationship and gives a good view about what Company X is doing in which market. It improves the relationship and gives a clear overview to the supply chain of the products, which results in a better supply chain adoption or supply chain adjustments. It can be seen as a logical aspect, but all of the interviewed suppliers especially mentioned the on-time payments of Company X, which therefore also has a positive influence on supplier satisfaction. Also keeping promises about payments, duty of confidentiality, material supply results in supplier satisfaction. Besides being attractive regarding the generated turnover, it also causes supplier satisfaction because a stable turnover generates confidence and motivation to keep the (long-term) relationship. On top of these aspects, supplier involvement in innovative projects and product innovation makes the relationship more interesting and challenging. And when such a project is finished and even implemented successfully, causes supplier satisfaction. But according to S2 and S3, this happens too little and should be done more often to strengthen the relationship, keep it interesting and maybe lead to better products. All in all, unless it was not specifically mentioned by the suppliers, it became clear during the interviews that trust plays a huge role in each of the three relationships and caused supplier satisfaction.

Only one of the interviewed suppliers, S2, assigns preferred customer status to their customers. S2 even assigned a preferred customer status to Company X. So, in this case, S1 and S3 do not assign preferred customer status to their customers and therefore did not mention antecedents to becoming a preferred customer. S2 and also B1 at the end mentioned some antecedents. First of all, S2 mentioned that the size of the customer plays a big role and is an antecedent to become a preferred customer. Since big customers ask more, but therefore also pay more, they become more and more important over time and it is more likely to do an extra step for the customer if needed. The way of communicating with each other, and the responsiveness are for S2 an important antecedent for give a customer a preferred status, besides the fact that it influences their satisfaction as mentioned in the previous paragraph. B1 of Company X itself, mentions that their guaranteed order flow to their suppliers is according to them an important antecedent in receiving the preferred customer status. On top of this, the innovativeness and involving the supplier, made the relationship more interesting according to S2. Therefore it was for them one of the reasons for giving Company X a preferred customer status.

Supplier Satisfaction	Respondent			
	B1	S1	S2	S3
Communication-related				
Communication	X	X	X	X
Responsiveness	X	X	X	X
Openness			X	
Business-related				
Turnover		X	X	X
On-time payments		X	X	X
Continuous order flow	X			
Flexibility	X	X	X	
Innovativeness			X	X

Trust		X	X	X
Supplier days	X	X	X	X

**Table 4: The different antecedents of supplier satisfaction mentioned by the different interviewees**

Preferred customer status	Respondent			
	B1	S1	S2	S3
Economic				
Purchase volumes	X		X	
Guaranteed order flow	X			
ROI	X		X	
Non-economic				
Clear communication	X		X	
Supplier involvement	X		X	

**Table 5: the different antecedents of a preferred customer status mentioned by the different interviewees**

#### 4.2.3 Benefits of having a long-term relationship and being a preferred customer

During the interviews it became clear that Company X attained several benefits due to their preferred customer status and long-term relationships. As already mentioned, only S2 assigns preferred customer status to Company X, but also S1 and S3 mentioned some benefits Company X has due to their long-term relationship. According to B1, one of the most important benefits is the guaranteed order flow Company X gives, and the suppliers gets. This gives assurance of the buyer-supplier relationship and the supplementary turnover. Both buyer and supplier benefit from this. On top of that, all of the interviewees (B1, S1, S2, S3) mentioned that they benefit from the long-term relationship. B1 even mentioned that for a supplier like S2, they promised to do business with them, in good and in bad times. This causes trust, even improves the long-term relationship and gives assurance of turnover. On top of that, all the suppliers mentioned that they are a lot more flexible for their preferred customers. Most of this flexibility turns out in scheduling and delivery flexibility. Since those customers have acquired this preferred status, suppliers are more open to reschedule manufacturing and processing activities in case of high need of the customer. Especially S2 mentioned that they are also flexible in transport. If Company X really needs a delivery, S2 is able to bring it by themselves to the manufacturing side of Company X. This flexibility also involves delivery reliability, since suppliers are open to reschedule their activities, to deliver on time for their preferred customer Company X. Besides the previous type of flexibility, preferred customership also involves price flexibility. S1 mentioned that for a customer like Company X, they are more flexible with material and processing prices. This gives Company X an advantage in their purchasing compared to other players in their market. All of the suppliers, and B1 of Company X himself mentioned that due to the fact that you have a long-term relationship and probably have a preferred status, suppliers are more open for innovation with the customer and support new ideas, trends and products. In order to do this, suppliers organise meetings with those customers, have a critical look about what is possible with the engineering department and try to find a way to specialise and professionalise the products. Regarding this, all of the suppliers mentioned that they try to follow a problemsolving way of working with their (preferred) customers to even improve the products and its relationship. Customers get earlier access to necessary information and the opportunity to cooperate for better results. B1 and S2 even mentioned that they do an activity approximately once a year with the directors to talk about the past

and future of the relationship and give a heads-up about the plans, and even think about new plans or opportunities. On top of that, there is an agreement of not helping (direct) competitors between Company X and S1 for example. B1 explained that this agreement is also established in contracts and documents. According to S1 this is part of a gentlemen's agreement. It is not fair to create the same machine for a competitor of one of their customers which they got competitive advantage with. S1 also mentioned that they conduct special customer surveys with their partners, to get a good view on what could be improved in the relationship. S2 mentioned that it does not take new jobs from other customers, because that would lead to underperforming work and less quality products for Company X.

Benefits	Respondent			
	B1	S1	S2	S3
Financial				
Turnover assurance	X		X	
Price flexibility	X	X		
Operational				
Continuous guaranteed order flow	X			
Guaranteed business, in good and bad times	X			
Delivery flexibility			X	
Scheduling flexibility		X	X	X
Openness for innovation	X	X	X	X
Early information access	X			
Directors activity	X	X		
Agreement about not helping competitors	X	X		
Quality assurance			X	
Relational				
Directors activity	X	X		
Agreement about not helping competitors	X	X		
Customer surveys		X		

**Table 6: the different benefits of a preferred customer status mentioned by the different interviewees**

#### 4.2.4 Sustainability practices and the lack of influence on the buyer-supplier relationships

##### 4.2.4.1 Sustainability in the steel industry

In general, it is hard to apply sustainability practices in the steel producing industry according to B1. Company X gathers many separate parts from a huge range of suppliers in order to make their products. In the sourcing process, it does not put special emphasis on the sustainability practices of the possible suppliers yet. B1 mentions that he sees some movement in this industry, but that it does not influence their buying practices on the short term. Also S1 mentions that sustainability does not play a big role in the industry they are working in. In general it is just very hard to produce steel in a sustainable way according to S3. And on top of that, all of the interviewed suppliers use big energy consuming machines to process the steel. Once acquired, these machines are used for years. Therefore S1 only mentioned that they critically look at the energy labels of the machines when they plan to buy a new one.

At the end, B1 mentioned that he thinks that in the coming decades a huge change will be made in the steel industry. The whole world is changing and trying to become more sustainable, and B1 believes that at a certain point the steel industry also has to work, produce and process in a more sustainable way according to sustainability regulations. This might have influence also the attractiveness of a customer in the future.

#### 4.2.4.2 Sustainability practices on the buyer's and supplier's side

In general, Company X also does not put that much emphasis on non-steel related practices. B1 mentioned some internal sustainability practices. First of all, Company X is working on their paperwork. At this moment, all of the stock registration in the company, thus the products in the warehouse and the moving products for processing, assembling and painting is on paper. Every product is labelled with a paper. They are now improving this system to a digital system, first of all to become more sustainable, but secondly also to make it a well-integrated system in cooperation with their buyers and suppliers.

On top of that, B1 mentioned that social sustainability is an important aspect in Company X. They try to keep the connection with their employees good, and involve them into several activities. Also, the offices are next to the warehouse and the assembling department, so it is easy to visit every department. In addition, Company X organises teambuilding activities for their employees through the whole company in order to improve the atmosphere and cohesion between the employees from different departments. According to B1, social activities are really important for the general work atmosphere within the company, and this has to be well sustained.

From the suppliers side, all of the interviewed suppliers put a small effort into sustainability practices within their company. S1 and S3 both mentioned corporate social responsibility as important for their companies. S1 states that this is also important because it is linked to the CO2 performance ladder, which could result in cheaper acquisitions to the company. But, currently S2 does not put a lot of emphasis on this. Both S1 and S2 have changed the lighting in their buildings to LED lighting to reduce energy consumption. S1 recognises that last years more and more customers choose their suppliers based on (transport) distance to have more delivery reliability and be more sustainable in a way. For S3, Company X is an excellent customer based on distance, since they are located only one kilometre away from each other. Regarding transport, S1 tries to bundle its orders as much as possible to reach as few as possible transport movements to its customers. S2 mentions that there is taken care of waste in a good manner, and that the workplace is well maintained and clean. Once in a while an environmental officer from the municipality comes by and inspects the workplace. At the end, both S1 and S2 just mentioned that (environmental) sustainability just costs money, and it is not always in financial favour of the company to do research into it and invest.

All the suppliers put effort in the social sustainability within their company. Company drinks are organised on Fridays to close the workweek well with all the employees. Once or twice a year personnel parties, excursions or dinners are organised to keep the ambience well in the company.

All the interviewed suppliers agreed on the fact that sustainability in general will become more and more important in the future for their businesses.

Sustainability practice	Respondent			
	B1	S1	S2	S3
Energy label focus		X		
Shift from paper to online	X			
Social sustainability	X	X	X	X
Social responsibility		X		
LED lighting		X	X	
Focus on sustainable transport & order bundling		X		X
Sustainable waste management			X	
Aware of importance future	X	X	X	X

**Table 7: Sustainability practices done by buyer and suppliers**

#### 4.2.4.3 Influence of sustainability on the buyer-supplier relationship and preferred customer status

As already mentioned in section 4.2.4.1, currently it is hard to apply sustainability practices in the steel producing, processing and assembling industry. Therefore, as can be read in section 4.2.4.2 suppliers do not put that much effort in sustainability practices related to the steel producing and processing within their company. On top of that, it would cost a lot of time and money to find sustainable solutions into this part. This results in the fact that it does not effectively impact their relationships with their customers, even if those customers are preferred customers. All of the suppliers do not get into conversations with Company X (and other customers) about how they can make their supply chain more sustainable, and what goals can be set. Of course, sustainability practices may influence buyer-supplier relationships, but at this moment it is not the case in this specific steel industry and the analysed buyer-supplier relations. All the interviewed parties agreed on this. At the end B1, S1, S2 and S3 agreed on the fact that this will become more and more important into the industry in the coming years or decades, and therefore also on their relationships. This has all to do with the huge investments done and regulations made by the national and international governments, and the environmental plans and goals set by the G20 for example.

### 4.3 Findings on the propositions

Based on the interviews, also conclusions regarding the propositions as set up in section 2.5 can be made. In this section the answers of the interviewees and the set up propositions will be compared, and therefore be confirmed or not.

Proposition 1 states that sustainability efforts function as an antecedent to preferred customer status at key suppliers. During the interviews and the analysis of them, it became clear that currently sustainability efforts are not seen as a crucial antecedent for preferred customer status in the steel industry. In this industry, and more specifically in the researched case, sustainability is hard to apply and therefore to assess buyers on. So for the time being, this proposition cannot be confirmed. It has to be mentioned that all the suppliers agreed on the fact that there is a high chance that this will play a role in the future. That brings us at proposition two where it is stated that sustainability impacts growth opportunity, earlier supplier involvement and innovation potential, and therefore promote achieving preferred customer status at key suppliers. This proposition cannot be completely confirmed, but the positive tone and statements of the

suppliers imply that it might play a huge role in the (near) future for achieving preferred customer status. Suppliers agree on the fact that sustainable efforts by the buyer can be connected to the mentioned antecedents and therefore can play an important role in achieving preferred customership.

Proposition 3 states that sustainability covers antecedents not only in one principle, but the three of them. Sustainability might therefore be seen as a huge influence on the whole journey for a customer by getting a preferred customer status, ranging from customer attractiveness to acquiring and sustaining the preferred customer status. Interviewees state that in some way sustainability practices might influence the three principles, but that in their industry not too much emphasis is given on this aspect yet. For example, sustainability can have impact on:

- Market growth factors (customer attractiveness driver)
- Technological factors (customer attractiveness driver)
- Business opportunity (preferred customer status driver)

In the future, there is a high chance that also in the steel industry sustainability will impact the mentioned three principles, and therefore the whole buyer-supplier relationship journey with it's possible benefits.

Following on from proposition 3, proposition 4 states that sustainability affects the two overlapping streams as found by Hüttinger et al. (2012): Economic value and Relational quality. As said before, currently sustainability efforts does not have a lot of impact on the principles and therefore also not on the shared streams in this industry. In the future sustainability might be added to the antecedents in these streams and may become more and more important in becoming attractive, satisfying suppliers and attaining a preferred customer status.

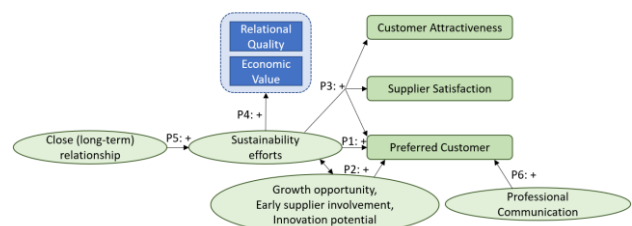
Proposition 5 implies that a close buyer-supplier relationship causes more willingness for both parties to innovate in sustainability along their supply chains. From the interviews, it became clear that a close, long-term relationship always works in favour of a new cooperation between the involved parties. Both companies already know each other, set up multiple projects together and know which employees can be involved in which new projects. If a new collaboration involves innovation in sustainability aspects, it would be very likely that both parties choose each other if they already have experience with each other and therefore are willing to put time and investment into such a new project together.

Proposition 6 falls back on one of the most well-known antecedents leading to supplier satisfaction and preferred customership. Communication has been of crucial importance in the past decades in relationships and their journey leading to preferred customership. This proposition tests if communication is still of high importance to interviewed buyers and suppliers in this case. From the interviews it can be concluded that it actually still is of high importance in all the relationships. Clear, fast and constructive communication is key in maintaining and improving relationships. This also helps with attaining new project collaborations and leads to flexibility, long-term relationships and therefore social and financial benefits for both parties. All interviewed parties agreed on the fact that communication is and will stay an important factor deciding the way the relationship goes. Currently there is already a switch in ways of communication, shifting from physical communication or per phone to online and automatic communication. This will play a more and more important role in the coming years.

It may be clear that a close relationship between buyer Company X and its suppliers enhances further collaborations and results in prioritised allocation of resources and services. Therefore, also

further collaboration on sustainability within the supply chain might be easier with a preferred status from both sides of the relationship. In the future, especially in the steel industry this might be of crucial importance to outplay direct competitors and enabling opportunities in the upcoming niche sustainable steel industry.

Referring back to the composed model in section 2.5, some propositions which are contained in the model may be (partly) proven and confirmed by the interviewees (P3, P5, P6), and some are not confirmed yet (P1, P2, P4). It must be said that there is a high potential, especially for this industry area and research case, in these propositions and statements to play an important role in the future and therefore might be confirmed in the future. At this moment, sustainability plays a too little role to have significant impact and to fully agree with the model. Therefore, the composed research model from section 2.5 is partly revised: Some pluses indicating that one aspect promotes another have been removed.



**Figure 5: Revised researched model**

In the next chapter conclusions will be drawn based on the existing literature, and on the findings of this specific research.

## 5. DISCUSSIONS ON THE FINDINGS

This research aims to examine and contribute to the current knowledge of preferred customer status, and its corresponding theories like Social Exchange Theory (Blau, 1965) and Cycle of preferred customership (H. Schiele et al., 2010, p. 1180). Also antecedents and benefits of preferred customership are highlighted. On top of that, the influence of sustainability on supplier satisfaction and preferred customer status is researched and tested.

### 5.1 Antecedents to supplier satisfaction and preferred customer status

Since many of the antecedents have significant impact on both supplier satisfaction and preferred customer status, conclusions will be drawn on both topics in this section. The results of the interviews show that most of the factors and antecedents contributing to supplier satisfaction and preferred customer status are still considered to be relevant. Therefore, conclusions from the literature review about these topics are confirmed. Communication-related factors like responsiveness, commitment and openness (Ellis et al., 2012, p. 1260; Kingshott, 2006, p. 724) were mentioned the most by the respondents, as expected. Most suppliers give high prioritization to buyers with clear communication and a high responsiveness level. This makes doing business easier, faster and does not give ambiguities in the negotiations, orders and discussions. Scheduling flexibility from both the buyer's and suppliers side is well appreciated from both sides, and brings confidence and causes trust. Relational trust plays a huge role for both buyer and its suppliers and is given high prioritization (Benton & Maloni, 2005, pp. 3-5; Essig & Amann, 2009, pp. 103-106). Also the ability and flexibility to switch from physical communication to online communication, especially in times of Covid-19, is of great significance too. The three aspects of an exchange (SET) according to Blau (1965) are: (1) goals that can only be accomplished through interaction with

another party, (2) adaptation to further the accomplishment of these goals and (3) development of social bonds which reflect the intrinsic value of qualitative aspects of the exchange relationship. From the interviews it became clear that these aspects still hold in order to sustain a close relationship.

Besides the communication-related dimension, also business related factors play a huge role in the supplier satisfaction. It became clear that in these cases and relationships, most of the suppliers just give a high prioritization to money-related factors like turnover in general, on-time payments and the order flow resulting in the generated turnover (Hald et al., 2009, p. 964). Not only the order flow with turnover is important, but also specifically guaranteed order flow from the buyer plays a big role in supplier satisfaction. This creates demand stability which is highly appreciated by suppliers and assures turnover (Ramsay & Wagner, 2009). This financial attractiveness partly influences the growth potential of a company, state Ramsay and Wagner (2009, pp. 130-131). It is clear that the profitability of a company and its relationship has significant positive impact on the satisfaction of a supplier. Also, innovativeness of the buyer plays a big role (Ellis et al., 2012, p. 1265; Nollet et al., 2012, p. 1189). This could also offer access to new markets and is therefore monitored. Here, this critical aspect mentioned in the literature review is also confirmed by two of the three respondents. On top of that

## 5.2 Benefits of preferred customer status

Literature and interviews give a clear overview from which aspects a buyer (and also a supplier) benefit due to the status allocation or long-term relationship they maintain.

Most importantly, both buyer and supplier benefit from each other's flexibility having a close relationship with a certain status. There are different flexibilities where both parties benefit from. First of all, there is the scheduling flexibility. All of the suppliers agreed that Company X benefits from their scheduling flexibility. Having achieved a preferred status, both parties are willing to change their schedule in times of changing demands for example (Pulles et al., 2016, p. 130). This prevents understocks and therefore does not bring the buyer in problems regarding uncertain demand. It will also overcome unpredicted losses and keep the sales feasible. This is typical an example of the preferential allocation of materials (Pulles et al., 2016, p. 129). On top of that, a benefit buyers are having access to is the delivery flexibility key suppliers offer. If there is high need of scarce material, and normal delivery takes too long to satisfy needs of the customer, suppliers are willing to make special delivery arrangements in order to deliver on time. This is done via express delivery or special delivery by themselves. Lastly, suppliers are willing to put some flexibility in the purchase price for the buyer (Nollet et al., 2012, p. 1189). Especially if customers with a preferred status buy materials in mass. Also, if there is a long-term relationship and buyers guarantee a certain order flow, suppliers are willing to put some flexibility in price and keep themselves a preferred suppliers over other suppliers. Also long-term contracts will help a supplier putting some flexibility in purchase price since there is trust in further collaboration and sales.

On top of the main benefit flexibility, it is clear that in a closer relationship with a certain preferred status both buyer and supplier are open to innovation. Both sides know each other well, and are open to support new ideas, trends and products (Ellis et al., 2012, p. 1265). A closer collaboration enhances productivity and is easier to find new ways of engineering, specialisation and professionalisation. Buyer and supplier are more challenged and use a problemsolving way to innovate on products and services in their relationship (Nollet et al., 2012, p. 1189). On top of that,

preferred customers get earlier access to new information which makes innovation across the supply chain easier. Sometimes, suppliers offer exclusivity for materials which opens the way for the buyer to innovate with exclusive materials.

Also, close customers are monitored well by the suppliers to maintain a relationship in the future. Surveys are conducted and meetings are planned once in a while to share experiences and to improve the relationship (Essig & Amann, 2009, p. 108). The expected value has to be compared to what the relationship actually brings (Thibaut & Kelley, 1959). This special treatments to partners are only given in close relationships and has the ultimate goal to optimise the relationship and to prepare further collaborations.

## 5.3 Sustainability influences on supplier satisfaction and preferred customer status

Sustainability plays a more and more important role in corporate businesses. According to the triple bottom line theory, sustainability can be divided into three parts: economic, social and environmental sustainability. Interviewees agreed on the fact that also in their companies sustainability in these three dimensions will play an important role. On top of that, it might play a crucial role in attaining a competitive advantage (Bozgeyik & Turkay, 2019, p. 1). Sustainable supply chain management (SSCM) is about the management of operations, information flow and cashflow throughout the supply chain taking the three dimensions of the triple bottom line into consideration. An important aspect about this consideration is that it is based on the requirements of both decisionmakers and customers (Mohammed et al., 2019, p. 173). Here, preferred customership can play an important part and therefore it should be highly monitored by both buyer and supplier.

Since sustainability practices are currently hard to apply in the researched steel industry regarding environment, interviewees agreed on the fact that in their companies currently few attention is given to environmental sustainability. Huge investments in new machines and sources would be needed in order to have significant impact on sustainability. It is generally believed by the interviewees that the industry will more and more change to a more sustainable area. In the coming decades, this will be a huge challenge for both big and small companies. Due to this high threshold to work on environmental sustainability in this industry area, this aspect is currently lacked. Companies believe that they have to qualify more and more for certificates regarding environmental sustainability, especially in this industry. But, companies put an essential effort into both social and financial sustainability. To enhance social cohesion in the company, team activities are organised for example. Financially, both buyer and supplier support each other in a small amount to be sustainable. But this is of a small significance and differs for each company.

The biggest take-off from this sustainability part is thus that it is expected that in the coming decades environmental sustainability will become an important subject in the industry, but currently few attention is paid to this topic. This switch in the industry is expected to also impact certain buyer-supplier relationships and therefore supplier satisfaction and assigning preferred customer status to buyers.

## 5.4 Limitations and future research

The research also has its limitations. To start with, a limitation of this research is that the researched case contains only a small sample. Only one main buyer of Company X is interviewed in order to obtain information and reflect on their relationship with its suppliers. On top of that, three main suppliers are interviewed. Therefore, reflection is only possible on the relationship of this single company. To gain a broader view on preferred customer

status, supplier satisfaction and sustainability efforts in this industry obtaining information from different buyers and its suppliers might give a clearer view on the researched topic. In this research only companies in the steel industry are researched, and currently there is not much done on sustainability in this area by such small-medium companies. Therefore it is hard to generate a solid conclusion about sustainability influencing buyer-supplier relationships in general and the general role of sustainability in the industry.

As already mentioned in the literature review, analysis of the results and earlier in this chapter, it is hard to make a clear distinction between antecedents of supplier satisfaction and antecedents of preferred customer status. Even customer attractiveness antecedents might overlap. Due to this overlap it is hard to find a clear distinction in which antecedents are crucial to become a preferred customer and also for suppliers themselves to even decide to rank the customers. Two interviewed suppliers told that they did not rank their customers, but at the end it appeared that they have some preference for certain customers for several reasons. Crucial antecedents to become a preferred customer might also diversify per researched case, industry or company size.

Lastly, this research contains only qualitative analysis. Due to this qualitative analysis, statistics cannot be applied in this research to confirm assumptions or display findings in a model. Therefore, certain biases cannot be ruled. For example, personal biases of interviewees and the confirmation bias of the researcher. Because of this, it is hard to tell if findings are either accidental or significant. It might be of importance that in future research there is made use of both qualitative and quantitative analysis to come to the best conclusion.

## **5.5 Conclusions**

Concluding, reflecting on the research questions asked in the introduction is hard. In the researched case current buyer-supplier relationships are not having significant impact on the sustainability efforts of both buyer and supplier. In the coming years sustainable development might play an important role in becoming a preferred customer of a supplier. Companies' focus will not only be finance and operations, but also sustainability. This research confirms that the most common antecedents like flexibility and communication stay important in achieving preferred customer status. The designed model in the synthesis part of this thesis is partly confirmed and partly not. In future the original model in section 2.5 might become an appropriate model to this industry.

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## 8. APPENDICES

### A. Interview for Purchasers

#### Classification

1. Do you classify the relationship you have with suppliers? If so, how? (Short)
  2. Do you have indications that the suppliers are doing the same with you? (Short)
  3. Is there management commitment to achieving preferred customer status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter?
  4. Whom do you have a preferred customer status with? (if not, go to question 7)
- 

#### Benefits

5. Do you notice shorter lead times, influences on the purchasing prices, better access to innovative capabilities and shared development projects? (explore in order to write a mini-case)
  6. Which other benefits do you notice from having a preferred customer status? (pyramid)
  7. Which benefits do you think you can get from having a preferred customer status? (pyramid)
- 

#### Antecedents

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

#### Sustainability

12. How do you define sustainability? How relevant is it to the purchasing department of your company in regards to supply chain management?
13. Do your goals/visions on sustainability align with those of your suppliers?
14. How does the buyer-supplier relationship influence sustainability initiatives? Does a closer relationship with your suppliers give you priority to such initiatives?
15. Do you collaborate with some of your suppliers in order to reach your sustainability goals?
16. Do you expect that your sustainability efforts are an important factor for achieving preferred customer status?

## B. Questionnaire for suppliers

### Classification

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

### Benefits

4. How do the status types influence your behaviour towards customers? What benefits do you offer to a preferred customer? (Remember the pyramid, check for logistics / production planning, innovation, special services, flexibility, earlier information etc.)
- 

### Antecedents

5. Do you consider Company-X an attractive customer? What factors are affecting this perceived attractiveness? [maybe exclude attractiveness]
  6. Are you satisfied with the business relationship with Company-X? What factors are affecting your satisfaction or dissatisfaction in this relationship?
  7. What are your company's motivations for giving a company/Company-X a preferred customer status? What did Company-X do to achieve their current status? What could Company-X do to further improve its status?
  8. What are measures that customer must undertake to achieve a preferred customer status and what is the necessary behaviour they must show?
  9. What do customers generally do to achieve preferred customer status? Does this differ from the behaviour you would like them to show?
- 

### Sustainability

10. How do you define sustainability? How relevant is it to the production processes of your company?
11. Do your goals/visions on sustainability align with those of your buyers?
12. How does the buyer-supplier relationship influence sustainability initiatives? Do preferred customers have priority to such initiatives?
13. Do you collaborate with some of your buyers in order to reach your sustainability goals?
14. Are your buyer's sustainability efforts an important factor for achieving preferred customer status?