

# **Becoming the preferred customer in a buyer supplier relationship: antecedents that influence the preferred customership**

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## **Abstract,**

**Over the last few years there has been a change in the relationship between buyers and suppliers. The narrative of “the customer is king” is slowly changing. Companies are no longer fighting over customers, but are trying to become the best customer of their own suppliers. Becoming a preferred customer can bring preferential treatment which means a competitive advantage over their competitors which is very important in a market where prices are rising and supplies are becoming more scarce. This study hopes to examine and contribute to the existing literature on preferred customership, it’s preferential treatment and benefits, and supplier satisfaction. Continuing, what manages the relationship between buyer and supplier are written and unwritten contracts. These unwritten contracts are called psychological contracts in the literature and revolve around the norm of reciprocity, which is about returning the favor. These psychological contracts run the risk of being interpreted differently by one side of the relationship which can result in a psychological contract breach. This research aims to explore the effects of psychological contract breach as well as fulfillment. A case study involving 4 companies, 1 buyer and 3 of it’s suppliers, was conducted to explore how a company becomes the preferred customer. Based on this study a module was formulated which included supplier satisfaction, preferred customer benefits, and psychological contracts.**

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## **Keywords**

Supplier satisfaction, preferred customer, preferential treatment, psychological contracts, psychological contract breach, buyer-supplier relationship

## 1) Introduction

The concept of becoming a preferred customer has been increasingly brought up over the last few decades. This has resulted into the increase in importance of relationship management. Becoming the preferred customer has changed the perspective of marketing. Since the topic is relatively new, literature has been limited. The reasoning in the sudden rise of interest in this concept has come from the fact that the number of buying firms is increasing while the number of suppliers is decreasing. This resulted into buying firms becoming more reliant on the suppliers and wanting to be the preferred customer, which means competing with other customers for the resources provided by the declining amount of suppliers (Huttinger et al, 2014). The decreasing amount of suppliers leads to fear amongst the buying side of the relationship, as they are worried that there might not be resources enough for every customer, which leads to suppliers having to choose which customer they distribute their resources to (Schiele et al, 2015). Being the preferred customer can erase this fear, as it can lead to preferential treatment when it comes to resource allocation (Schiele, 2012). Another reason for the rise in interest into preferred customership is because companies are becoming more dependent on their supplier due to an increase in the outsourcing of non-core activities (Schiele, 2012) and because past research has shown that buying companies are able to improve through extensive cooperation with their suppliers (Bernardes & Zsidisin, 2008).

*Schiele (2012)* talked about two concepts who contribute to becoming the preferred customer, the concept *customer attractiveness* and the concept *supplier satisfaction*. Supplier satisfaction explores something contradictory to the classical marketing approach, called reverse marketing (Leenders & Blenkhorn, 1988). This reverse marketing approach gets supported by works of *Brokaw and Davisson (1988)*, *Williamson (1991)*, and *Moody (1992)*. The impact *supplier satisfaction* has on becoming the preferred customer can be explained by using the social exchange model (*Schiele, 2012*), in which Schiele uses the cycle of preferred customership (Schiele et al, 2010 & 2012).

This thesis aims to investigate the relationship between supplier satisfaction, preferred customer status and preferential treatment, as well as the psychological contracts that could be seen as a fundamental part of the buyer-supplier relationship, in order to improve it. Psychological contracts have been around for centuries and one of the major contributors to this concept was Rousseau. Her work, *Psychological and implied contracts in organizations*, which released in 1989 is still to this day one of the leading literature works regarding psychological contract and contract breaches. The significance showed itself once again in 2016 when Rousseau et al. (2016) developed an *phase-based model* of the psychological contract which is referred to as *psychological contract theory 2.0*. Psychological contracts are essential in building a sustainable relationship and represents the mutual beliefs between one party and another. In business to business relationship this concept covers all the unwritten expectations one has from another, that are not included in the written contract (Rousseau, 1989). When there is a

psychological contract, there is also the possibility of psychological contract breach. Psychological contract breach can have a real negative impact on the relationship with the other side of the exchange and could possible lead to the termination of a buyer supplier relationship.

Since buyers are becoming increasingly more depending on their supplier to come up with innovative ideas and suppliers are increasingly becoming more scarce, the urgency to become the preferred customer is becoming fairly high. For that reason it is valuable to research the concepts that influence the preferred customer status in a buyer supplier relationship. Clarification for these influences could be beneficial in becoming the preferred customer. This leads to my research question:

*How do the concepts supplier satisfaction, preferential treatment and psychological contracts relate to becoming the preferred customer in a buyer supplier relationship?*

By answering this question, this research hopes to contribute to the preferred customership cycle described by Schiele (2012) that explores supplier satisfaction, as well as preferential treatment. Additionally, this research hopes to offer the same contribution to the literature on psychological contracts, made popular by Rousseau, in a buyer supplier relationship. The next part of this research will be the theoretical framework where we dive in to what explains supplier satisfaction, preferred customership, and psychological contracts, after which propositions will be formed. The third chapter will contain the research method which in turn will be discussed in chapter four, the analysis part. The thesis will be concluded in chapter 5, which will contain a discussion, practical implications, and limitations with future research suggestions.

## 2) Theoretical framework

### 2.1) Customer attractiveness

The term customer attractiveness has been around for a very long time and the meaning comes from the correlation between relationships and the social exchange theory in sociology (Rocca et al, 2012). In this research about the correlation, attractiveness has been described as the ability to attract attention from another party (Kelley & Thibaut, 1978). The reason why attractiveness is an important part of relationships is that it creates the connection with supplier satisfaction, which might lead to the preferred customer status. Customer attractiveness, in this research, has merely been described to help understand the cycle of preferred customership (Schiele, 2012) that will be explained later in this paper.

### 2.2) Theory behind supplier satisfaction

The way we perceive supplier satisfaction is that it is seen as an organizational, multi person phenomenon (Schiele et al, 2012) and that it usually results from business relationships that have had reoccurring transactions (Essig and Amann, 2009). A lot of authors write out of the customer satisfaction perspective, which results in limited literature on the theory behind supplier satisfaction. The majority of research on supplier satisfaction is theoretical and lacks real life practise.

However, *Essig and Amann* came up with a definition. They describe supplier satisfaction as:

“*a supplier's feeling of fairness with regard to buyer's incentives and supplier's contributions within an industrial buyer–seller relationship*” (*Essig and Amann, 2009*)

A common thought about buyer and supplier relationship is that the supplier needs to put himself into a position where he becomes attractive for buyers, in order to sell products. The theory behind supplier satisfaction explores another perspective. This perspective argues that not the supplier, but the buyers need to become attractive to suppliers. This is called “reverse marketing” (*Leenders & Blenkhorn, 1988*) and is contradictory to the classical marketing approach, which is about the competition for customers. There are two main reason for this alternate thought. The first one being that organizations try to lower their amount of suppliers in order to create benefits like lower transaction costs and the possibility to create economies of scale (*Lavie, 2007*). The second reason is that companies are getting more and more depending on their suppliers, due to the increase in outsourcing of non-core activities. (*Schiele, 2012*). This new phenomenon reverse marketing has been addressed and supported by the work of *Brokaw and Davisson (1988)*, who suggest that the purchasers of a company should sell their firm to the supplier. Case studies done by *Williamson (1991)* and *Moody (1992)* also support the reverse marketing approach, as they stressed the importance of being a good customer.

A paper written by *Schiele et al (2012)*, used the social exchange theory to explain the impact satisfaction has on preferred resource allocation and other supplier benefits explained by *Lavie (2007)*. The social exchange theory originates from sociological and psychological studies and is about the relationship between two parties while implementing a cost-benefit analysis to calculate risks and benefits. When the cost outweigh the rewards, the relationship should be terminated. In the social exchange theory, the three elements are linked together and form a cycle of preferred customership (*Schiele et al, 2010 & 2012*)

### 2.3) What makes a supplier satisfied

Achieving, even more so sustaining, a healthy buyer-supplier relationship is very difficult and is considered almost impossible without implementing supplier satisfaction. According to *Wong (2002)* supplier satisfaction is achieved when the buying firm develops a relational strategy combined with cooperative relation with their supplier. The reason a buying firm wants to create a relational strategy is because it increases the commitment of both parties in the exchange. This means when the buying side of the exchange supports the supplying side of the exchange, it can expect the same energy in return, this refers back to the reciprocity theory. *Benton and Maloni (2005)* agree with *Wong* as they believe buying firms should follow *relationship driven supply chain strategies* because this influences supplier satisfaction, more so than performance. *Nyaga et al. (2010)* confirms this as well, as she concluded that buyers focus on the relationship outcome, while suppliers focus

on protecting their initial investment by working together and sharing information.

### 2.4) drivers of supplier satisfaction.

*Hüttinger* argued that that there were eight drivers of supplier satisfaction, customer attractiveness and preferred customer status. These eight drivers were growth opportunity, innovation potential, operative excellence, reliability, support of suppliers, supplier involvement, contact accessibility and relational behaviour according to her. She came to this conclusion after doing a literature review that analysed peer-reviewed journals (*Hüttinger et al, 2012*). Important to keep in mind is that she stated that the research field is under developed and that the knowledge regarding the antecedents of her research is limited. According to *Hüttinger*, antecedents of supplier satisfaction relate to the relationship between the buyer and supplier side after the decision of working together has been made (*Hüttinger et al, 2014*). The outcome of *Hüttinger* mixed methods study shows that the three concepts: supplier satisfaction, customer attractiveness and preferred customer status are mainly influenced by four drivers. These drivers are operative excellence, growth opportunity, relational behaviour and reliability. The four drivers are example of economic and social factors. This conclusion from *Hüttinger* is supported by *Vos*, as he argues that relational factors have an equal if not greater influence on becoming the preferred customer.

According to *Vos*, becoming the preferred customer can be achieved by being reliable and showing operative excellence and relational behaviour (*Vos et al, 2016*), these three are all included in the list of antecedents provided by *Hüttinger*. *Vos et al. (2016)* also built on *Hüttinger's* model and added a ninth variable: profitability. The level of satisfaction is not only influenced by relational factors, but equally as much as economic factors (*Essig and Amann 2009*) and since *Vos et al. (2016)* found that profitability had a significant influence on supplier satisfaction he decided to add to it to *Hüttinger's* model. To even further develop *Hüttinger's* model, *Vos et al (2016)* categorized the drivers of supplier satisfaction into two tiers. The first tier contained the drivers that have a direct impact on supplier satisfaction, these were Profitability, Growth opportunity, Relational behaviour and operative excellence. The second tier drivers had an indirect impact on supplier satisfaction and were Innovation potential, Support, Reliability, Involvement ad Contact accessibility.

**Table 1: drivers of supplier satisfaction categorized in 1<sup>st</sup> and 2<sup>nd</sup> tier antecedents (Vos et al, 2016).**

Drivers of supplier satisfaction	
First tier antecedents	Second tier antecedents
Profitability ( <i>Vos et al, 2016</i> )	Innovation potential ( <i>Hüttinger et al, 2014</i> )
Growth opportunity ( <i>Hüttinger et al, 2014</i> )	Support ( <i>Hüttinger et al, 2014</i> )
Relational behaviour ( <i>Hüttinger et al, 2014</i> )	Reliability ( <i>Hüttinger et al, 2014</i> )
Operative excellence ( <i>Hüttinger et al, 2014</i> )	Involvement( <i>Hüttinger et al, 2014</i> )

	Contact accessibility (Hüttinger et al, 2014)
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More drivers of supplier satisfaction were provided by Michael Essig, these drivers are trust and commitment. Trust and commitment get achieved when the buyer side starts exploring the concept supplier satisfaction. When the buyer side does this it sends a signal of trust (Spence, 1976), this signal of trust leads to the improvement of the relationship, which will lead to the increase of commitment within the relationship. While trust and commitment are drivers of supplier satisfaction, they can also be seen as guardians of the quality of the relationship, which we will get into at a later stage in this thesis. In order to maintain and increase commitment between the parties in the long run, substantial investments by both sides are required.

The last driver of supplier satisfaction is power. This driver can be distinguished in the two categories which are mediated and non-mediated power sources. Mediated power resources include reward, coercive and legal legitimate, according to French and Raven (1959). One could argue that mediated power sources reflect the negative and competitive side of the power sources within organizational theory. On the other side of the spectrum, non-mediated power sources reflect the relational and positive side in organizational theory (Maloni & Benton, 2000). Literature found that non-coercive power had positive effects on satisfaction while coercive power had negative effects on satisfaction. Interesting is that power has a significant influence on the previously mentioned drivers of satisfaction, namely commitment and trust (Maloni & Benton, 2000).

## 2.5) Supplier satisfaction leads to preferred customer status and preferential treatment.

Although supplier satisfaction is a relatively new concept, it has become more and more significant and researched during the last ten years. The increasing level of competition between organizations has led to companies not only needing good products from within themselves, but also from key suppliers. Having a good relationship with suppliers offers a lot of chances to improve for the buying companies. Past research shows that buying companies are able to improve through extensive cooperation with their suppliers (Bernardes & Zsidisin, 2008). This is especially the case when considering the fact that the number of suppliers is becoming more and more scarce. Profitability is also a driver of becoming the preferred customer status. According too Moody (1992) supplier used profitability as a measure for their best customers.

Nollet et al (2012) described 4 steps on how to become the preferred customer. It starts with the initial attraction, where the supplier will chose the client with the most potential. Step 2 is performance, a client becomes the preferred customer by satisfying the suppliers expectations. Step 3 is engagement, a supplier must see his own benefits in the relationship which will be based on the willingness and ability of the buyer to perform on a high level . A preferred customer status will never be given to a buyer that does not show effort and willingness to work. Step 4 is sustainability, according to nollet et al,

no buyer obtains the preferred customer for a very long time. The buyer relationship is being monitored and evaluated all the time, but this goes the same for other companies who are also competing for other resources (Lindwall et al, 2010)

## 2.6) Benefits of becoming the preferred customer

The benefits customers obtains get categorized in three groups. The first group which can be seen as the lowest rank, are the normal customers and don't obtain any benefits. The second group are customers who benefit from features that are not available to every customer, but do have to pay for them. The last group are the customers who get benefits that are not available to other customers and get them for free. To clearly show the differences between the groups literature uses a pyramid to distinguish the different levels of benefits between customers.

A slightly different iteration is provided by Schiele (2020). He argued that a customer can be treated in four ways and are shown in the so-called "tie of advantages", instead of the three levels, there is a fourth level, or as Schiele calls it level -1. This is a scenario where one buyer has to pay more than the other buyers in order to obtain the same product. So by being the preferred customer it might result in monetary benefits and provide financial advantages. Cost savings like these are also one of the most frequent given benefits by suppliers. A survey by Bew (2007) showed that about 87% of suppliers offered price discounts to their most preferred customer.

Preferred customers do not only benefit from monetary benefits. By being the preferred customer, buying companies can achieve an advantage over their competitors by using their suppliers resources and capabilities (Schiele et al, 2012), these are called innovative benefits. An example of this is that the preferred customer has the privilege to use the new product or service as first (Bew, 2007). Past research has shown as well that buying companies are able to improve significantly through extensive collaboration with the supplier (Bernardes & Zsidisin, 2008). Through this extensive collaboration with the supplier, the buyer is able to get ahead of their competitors.

Next to financial and innovative benefits, the preferred customer status also provide benefits when it comes to the operational side of things. Operational benefits is a very broad term and a lot of literature provides different aspects of this. So argued Schiele et al (2012) that the preferred customer status helps to acquire preferential treatment when it comes to the resource allocation of suppliers. What this means is that the preferred buyer gets access to stock as first. This can be very beneficial in times of crisis, when there is limited stock or when the buying company is in sudden need of a product. One of the most recent examples of such a crisis is the Covid-19 pandemic. Due to the shutdown of production and transport, supply shortages were created.

At last, the preferred customer status can lead to interactional benefits. What this means is that the supplier will go to greater lengths to improve the exchange with the buyer. This can be in the form of improved communication which leads to increased responsiveness

and availability. Schiele even went as far that a supplier might compile a team that suits the buying firms needs, this will improve the exchange dramatically (Schiele et al, 2012).

**Table 2: preferred customer benefits**

Preferred customer benefits	Description	Example
Monetary benefits	Cost saving	Lower price offering than competitors (Bew, 2007; Schiele, 2020)
Innovative benefits	Resource & capabilities	First access to new products (Schiele et al, 2012; Bew, 2007; Bernardes & Zsidisin, 2008)
Operational benefits	Resource allocation	First access to stock (Schiele et al, 2012)
Interactional benefits	Improved communication	Compile a special team to help (Schiele et al, 2012)

Nollet et al (2012) distinguished 4 advantages of becoming the preferred customer as well. They named these benefits “*source of value for the buyer*” and were: product quality and innovation, support, delivery reliability, price and costs. Product quality and innovation relates to the customization and the consistency of the quality of the products. Support is about being available to share the right information on a timely basis. Delivery reliability is about the ability to adjust delivery schedules and to offer the product to the customer when demand is bigger than the supply or in case of emergency such as damaged or missing products. Price and costs is about offering the best price available on the market and to lower the acquisition and operational cost for the customer.

## 2.7) Psychological contracts and psychological contract breaches

Building a sustainable relationship between two parties has been one of the biggest challenges regarding relationship management. Psychological contracts play a big role in achieving this challenge. Unfortunately organizations are, sometimes unwillingly, unable to meet promises they made. This means there has been a psychological contract breach which can have a real negative effect to the other party committed to the contract. To examine the situation after there has been a contract breach, the social exchange theory and the norm of reciprocity have been used as theoretical frameworks by *Rousseau (1995)*. Psychological contract breach can have serious impact on job commitment and engagement, as well as the wellbeing and career related behaviour of the other party.

The term psychological contracts was introduced in 1960 by Argyris in order to show the importance of the relationship between employer and employee, who’s relationship consist of the constant exchange of expectations. The next major milestone regarding the concept of psychological contract was achieved by *Rousseau in 1989*. According to *Denise Rousseau* psychological contracts *represent the mutual beliefs,*

*perceptions and informal obligation between employer and employee and sets the dynamics for the relationship while defining what work needs to be done (Rousseau, 1995)*. The meaning of contract breach is *a result that can happen when one of the two parties denies to perform their end of the contract, despite having the capability to do so (Rousseau, 1995)*. An important fact to consider when talking about psychological contracts, is the difference between beliefs and obligations. What an employee believes he should get is different from what an employee is entitled to get, the difference here lies within what the employer promised. Most of the literature written on psychological contracts and psychological contract breaches are written from employer and employees relationship perspective. The relationship that is discussed in this bachelor thesis is about the supplier and buyer relationship which indicates an inter-organisational relationship. These differences highlight a flaw in the literature, as it is not always possible to convert employee-employer relationships over to inter-organisational relationships. The concept psychological contract is often linked to the social exchange theory (*Blau, 1964*) and the norm of reciprocity.

### 2.7.1) Classical psychological contracts approach vs Modern psychological contract approach

As mentioned previously, the concept psychological contracts was introduced by *Argyris in 1960*. However, the ideas about the concept started to arise as early as the 1930s. The idea started with *Barnard in 1938*, who’s work stated that psychological relations between employees and employers developed, due to the exchange between the two parties. *Barnard* provided two fundamental aspects of modern day literature regarding psychological contracts, transactional and relational exchanges between parties. He came up with these two concepts because he noticed organizations could maximize employees potential by providing monetary rewards, hence the concept transactional contracts, but also by providing non-monetary rewards like social support, this led to the name relational contracts. This day in age we use more abstract definitions. The relational contract focuses more on the long term by involving affective relationships and stressing a high level of social exchange (*Liu et al, 2020*), popular characteristics of this relationship is the employer side who provides job security and career development while the employee provides job performance (*Jocelyn Handy et al, 2020*). The transactional contracts value evolves around an interactive economic relationship and focuses more on the short term.

The modern psychological contract has been developed by *Rousseau* and was published in her article called: “*Psychological and implied contracts in organizations*” (*Rousseau, 1989*). In her work she combined the theory on psychology, the social exchange theory and relational contract theory. *Rousseau* came up with 4 psychological contracts. These four consisted out of transactional and relational, like *Argyris* mentioned in the 1960s, but also balanced and transitional psychological contracts. A balanced psychological contract focuses on the long term agreements between two parties where the employer provides “*continuous training and enhancing worker’s long-term outside and within the company*” (*Rousseau, 2000*) and on socio-

emotional and economic terms, conditions in exchange of agreements and relationship of the parties (Hui et al, 2004). The transitional psychological contract focuses on the short term exchange, just like transactional contract, the difference between the two is that transitional contract does not have any performance terms (Rousseau, 2000). For this reason Hui et al (2004) argues that a transitional contract is not a real psychological contract, as there is no commitment from either side of the exchange.

**Figure 1: types of psychological contracts (Rousseau, 1989)**

		Performance Terms	
		Specified	Not Specified
Duration	Short-term	Transactional	Transitional/ No guarantees
	Long-term	Balance	Relational

**2.7.2) Effects of psychological contract breach on an inter-personal level: job commitment, well-being, and career related behaviour**

One of the most investigated results of psychological contract breach is the effect it has on job commitment and engagements. What is meant with job commitment and engagement is the amount of emotional attachment an employees has with their organization or employer (Allen & Meyer, 1996). Research shows that employees constantly compare their expectations about their organizations to their actual experience which in turn influences their job commitment and engagement (McDonald & Makin, 2000). What this means in practice is that when employees feel like their employer does not fulfil his commitments, the employee will lower the value of the social exchange between the two. According to the norm of reciprocity this lower value of the social exchange leads to lower job commitment.

Unlike the effect of psychological contract breach on job commitment, the effect on the well-being of the employee cannot be sufficiently explained by the social exchange theory or the reciprocity theory. While a lot of studies suggest employees act against organizations after contract breach, few focus on the employees themselves. This does not make it less important, as contract breach often harm employees and do not make them feel at ease. Multiple studies show that contract breach has a positive relationship with emotional exhaustion and job dissatisfaction, these studies include a cross-sectional by Gakovic & Tetrick (2003) and Parzefall & Hakanen (2010), a three-wave study conducted by Chambel & Oliveira-Cruz (2010) and two wave study conducted by Costa & Neves (2017).

**2.7.3) Effects of psychological contract breach on an inter-organizational level: trust loss & commitment**

Although effects of psychological contract breach originate from the individual level, Kaufmann et al. (2018) argued that it can be extended to an inter-organizational level. Kaufmann et al. (2018) relies heavily on the *trust loss* literature since according to him, trust is affected in the case of a negative event and psychological contract breaches can be classified as such. The severity of the trust loss depends on the type of buyer-supplier relationship. In situations where there is a collaborative relationship, meaning there is a relational psychological contract, the trust loss has bigger consequences since there is an extensive collaboration between the two. When there is an adversarial relationship, meaning there is a transactional psychological contract, the trust loss has lesser consequences since the relationship is superficial, involves little collaboration, and does not involve long-term expectations and obligations (McDonald & Makin, 2000). While continuing the use of the social exchange theory, commitment by parties get affected by contract breaches as well, since it is an core part of the relationship together with trust. According to Kingshott (2016) commitments are made based up on the promise that the opposing party does not act opportunistic.

**2.8) Synthesis**

In order the combine the concepts, supplier satisfaction, preferred customer status and psychological contracts, it is important to know the relation each concept has with each other. A firms end goal in this thesis is to become the preferred customer. The preferred customer, as discussed earlier, brings a lot of benefits to the buying side of the exchange. These benefits were monetary benefits, innovative benefits, operational benefits and interactional benefits. All the previously mentioned concepts result in the buying company achieving a competitive advantage over their competitors. But, in order to become the preferred customer, literature argues that certain concepts help and influence the possibility for the buyer to become the preferred customer. The first concept is customer attractiveness. This concept is not so relevant in terms of answering the research question, but it is important to know the relation it has with the other concepts. Customer attractiveness initiates the first contact between the buyer and supplier. Whether the relationship gets continued relies on the concept supplier satisfaction. That is why it is such an important concept in a buyer supplier relationship. Based on the level of satisfaction, the customer will be either a regular customer, a preferred customer or in a scenario where the cost outweigh the benefits the relation will be terminated.

The concept psychological contract plays an important role and is intertwined with every other concept. Since the 1960s Argyris made it clear that a relationship consists of a constant exchange of expectations. Rousseau took it even further and argued that *the mutual beliefs, perceptions and informal obligation between employer and employee and sets the dynamics for the relationship while defining what work needs to be done* (Rousseau, 1995). These exchanges of expectations show themselves in supplier satisfaction and having preferred customer status. According to Benton & Maloni (2005), what makes a supplier satisfied is the buyer having a relational strategy and this comes back in the psychological contracts argued by Rousseau and Argyris.



*Proposition 1: conforming to a psychological contract has a positive influence on supplier satisfaction.*

As mentioned in the theoretical framework, supplier satisfaction is necessary to achieve the preferred customer status. The reason for this is that suppliers tend to give the preferred customer status to customers who they are satisfied with. For these reasons the perceived relationship between supplier satisfaction and fulfillment of a psychological contract is positive.

*Proposition 2: psychological contract breach has a negative effect on supplier satisfaction*

In contrast to the relationship mentioned above, where fulfilling a psychological contract has a positive effect on supplier satisfaction, breaching a psychological contract has a negative impact on the supplier satisfaction. This will prevent the supplier from awarding the preferred customer status to the supplier.

*Proposition 2a: balanced/relational contract has a stronger relationship to supplier satisfaction*

*Proposition 2b: transactional/transitional contract has weaker relationship to supplier satisfaction*

Since the balanced and relational contracts focus more on the long term and require a significant investment from both sides of the exchange compared to transactional and transitional contracts, the relationship it has with the variable supplier satisfaction is stronger. Balanced and relational contracts both focus on the social exchange part as well the economic exchanges which results in a vision for the long run. Since both sides of the exchange focus on the long term and invest in the social aspect, they will work on the agreements and fix the contract breach. This will mean it is less likely the exchange will be terminated and the supplier will stay satisfied.

Transactional and transitional contracts on the other hand, are purely based on economic transactions, which don't offer certainty that the relationship will continue. Since the relationship is very superficial it will most likely lead to a dissatisfied supplier and in turn will lead to termination of the exchange.

*Proposition 3: a psychological contract breach perceived by the supplier has a negative influence on the preferred customer status through the variable supplier satisfaction*

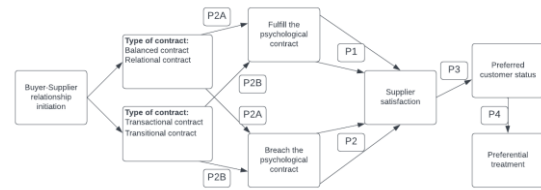
In the theoretical framework we explained that supplier satisfaction is necessary in order to become the preferred customer, as explained by Schiele in his cycle of preferred customership. The variable supplier satisfaction decides whether a customer becomes a normal or preferred customer. Hence why, it is the reason the preferred customership outcome gets influenced by the variable supplier satisfaction, as every contract breach and/or fulfillment passes through that variable.

*Proposition 4: the preferred customership has led to preferential treatment.*

As mentioned in the theoretical framework, buyers that become the preferred customer benefit from preferential treatment, hence why this is the last proposition in the

research model as preferred customership needs to be obtained first.

**Figure 2: research model**



### 3) Methods: research design & data collection

#### 3.1) qualitative research design: semi-structured interview

A qualitative case study research was conducted at company X. The aim of this qualitative research was to gather data on the antecedents of this thesis, these were supplier satisfaction, preferred customership & preferential treatment and psychological contracts. One reason that a qualitative research was chosen is because it explores attitudes and behaviour more in dept. The interviews created a more personal situation which allowed for a better understanding of the interviewees view and for potential new insights. Another reason a qualitative research was chosen is because in the case an interviewee does not understand the question, further elaboration is possible. One downside of conducting a qualitative research is that the research is not easily generalised (McLeod, 2019), whereas with a quantitative research this is the case. The reason for this lies within the sample size, qualitative research has a small sample while quantitative is based on a larger sample size.

To collect data, three suppliers of company X were interviewed and a purchaser of company X was interviewed. The questionnaires that were used during the interviews were created by a group of students that were in the same thesis circle. This was decided to increase the ability to help each other and to make grading and comparing of the case studies easier for the examiners. The group of students created two different questionnaires, one questionnaire was dedicated to the purchaser of company X and the other questionnaire was dedicated to the three suppliers of company X. The structure of the questionnaires were identical and the questions used were similar between the two. The first part of the interview started with the aspect regarding preferred customership and the second part of the interview was about the psychological contracts between the two parties. The reason we started with the preferred customer part was because this is the main focus in this thesis. The first question for buying company X was whether their management is busy with achieving the preferred customer status at their suppliers. This resulted in a good explanation on how the buying company looks at the concept preferred customer status and was a nice introduction to the rest of the questions. The following questions dove a little deeper in the concept of the preferred customer status. The second till fourth questions were about company X knowing/having the preferred customer status and how they achieved it. Also,

an important part of these questions were about the things they could have done differently. The fifth question was about the concept supplier satisfaction and whether company X was able to induce this on their suppliers. This question explored the factors that induced satisfaction but also dissatisfaction. The final question regarding the concept preferred customer status was about the plans company X potentially has to become preferred customer at new suppliers. The second part of the interview, about psychological contracts, started with a question that asked if company X knew what a psychological contract was and if they ever had the belief this type of contract existed outside of the legal contract and how it affected the work relationship with suppliers. The interview ended with a question about psychological contract breach and how it affected the relationship. The questionnaire for suppliers was very similar.

The first question started with whether they assign different status types to customers, followed up with the question if they assigned a preferred customer status to company X. Question 3 was about potential benefits the supplier gives to their preferred customer. Questions 4 and 5 were focused on the relationship and the antecedents of the relationship between company X and the suppliers, whether they are satisfied with the relationship, what affects this satisfaction and what the motives were to, potentially, give company X the preferred customer status. The last two questions regarding preferred customership focused on the antecedents a customer must show in order to become the preferred customer and whether this corresponds what they actually do. The last part of the questionnaire, about the psychological contracts, was identical to the questionnaire of the buying company, company X. The reason to why the first part of the questionnaire of the suppliers was different to the first part of the questionnaire of the buyer, was because the buyer wants to become the preferred customer. In order to gain understanding on how, why and what the buyer did, it requires different questions than for the suppliers, who give away the preferred customer status. These different questions gives us the opportunity to compare the outcomes in the end and research the relationship between buyer and supplier. The psychological contract part can stay the same as the side of the exchange (buyer or supplier) does not interfere with the outcome of the questionnaire, it is comparable either way.

**Table 3: interview and company numbering**

Company	Reference
Company X	Interview 1, B1
Supplier 1	Interview 2, S1
Supplier 2	Interview 3, S2
Supplier 3	Interview 4, S3

### 3.2) Data analysis approach

The interviews that were conducted were transcribed by Amberscript. Amberscript is an software that converts audio uploaded by the user, into text. Since this is not 100 percent accurate it has been manually checked by myself. The transcripts were than coded by using an inductive coding strategy that was outlined by Gioia, Corley, and Hailton (2013) which they referred to as the *inductive*

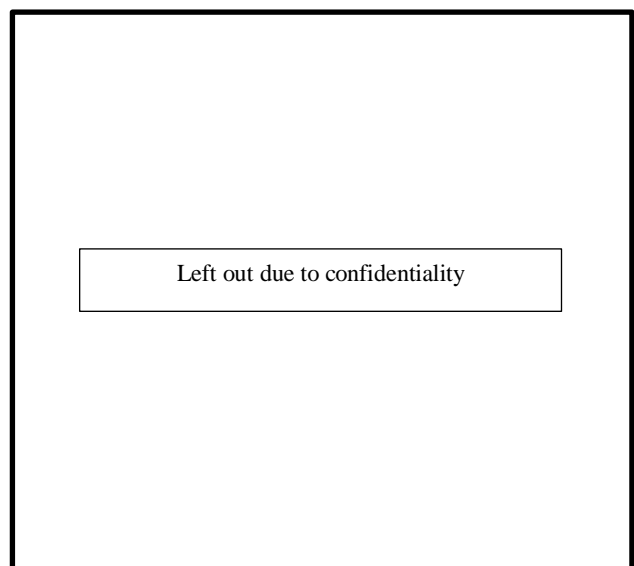
*content analytic coding strategy*. The coding scheme was divided into the 4 key themes that were discussed during the interviews and stand central in this thesis: preferential treatment, preferred customership, psychological contracts, and psychological contract breach. Based on these key themes I identified first and second order categories based on the literature. The first order category for the key theme supplier satisfaction is divided by the first and second tier antecedents identified by Hüttinger (2012). The second order category are the eight original drivers behind supplier satisfaction described by Hüttinger (2012) and a ninth additional one identified by Vos (2016). For the second key theme, preferred customership and preferential treatment, the first order category are different types of preferential treatment that were described by Schiele et al. (2012), Nollet et al. (2012), Bew (2007), and Bernardes & Zsidisin, (2008). Examples of those different types of preferential treatment were mentioned in the second order category. For the third key theme, psychological contracts, the first order category contained 3 types of psychological contracts. These 3 psychological contracts were based on the 4 contracts introduced by Rousseau (1989) and were the Relational, Balanced, and Transactional contract. For the second group category different focusses of the previously mentioned contracts were used. These focusses were explained in the literature by the likes of Rousseau (2000), Hui et al. (2004), Liu et al. (2020), and Jocelyn Handy et al. (2020). The first order category of the final key theme, being the psychological contract breach, focusses on the effect on job commitment & engagement, employee well-being, and career related behaviour. The second order category were examples of consequences mentioned in the written literature of the first order category. This second category consists of lower value of the social exchange, emotional exhaustion, job dissatisfaction, and no work opportunities.

### 3.3) Coding

\*See appendix\*

## 4) Analysis

### 4.1) company introduction





#### 4.2) Interview findings on supplier satisfaction

Supplier satisfaction is a relatively new concept and explores the thought that a buyer side of an exchange needs to become attractive for a supplier. In this case study, buying company X, still works by the hand of the classical marketing approach. They still believe in the slogan ‘customer is king’. According to company X their suppliers have to walk through fire for them, since they are their customer. However, even though company X does not specifically focus on supplier satisfaction, this doesn’t mean they don’t implement tactics or concepts provided in the literature. All their suppliers mentioned drivers from the theoretical framework such as relational factors like reliability and contact accessibility, but also economic factors like profitability, growth opportunity, innovation potential and supplier involvement.

For example, supplier 1, 2 and 3 all value the good communication company X provides, as it is more often than not personal contact. Supplier 3 states that company X needs very specific products that no other company needs, this requires special assembly. In order to get the product manufactured exactly as company X wants, very good and clear communication is a necessity in order to create a situation where both parties are happy. This reflects the driver contact accessibility, but also reflects driver supplier involvement. Supplier 2 stated that company X has a very good structure in their company. Their purchasing department is very strict and follows everything very closely. This incentivises supplier 2 to follow up on all the agreements and to be transparent in situations where the agreed up on deadline is not manageable. This results in the supplier side of the exchange needing to meet the agreed up on agreements. This reflects the drivers reliability and operative excellence. Supplier 1 values the transparency that company X provides very much. They know that company X works with a lot of high end customers that require highly technological services and products. The transparency is an important aspect in the relationship and is necessary to achieve the tasks at hand. Supplier 1 mentioned that they work very well with company X, they are both big companies so supplier 1 understands how they work and the structure in the company. This allows for a good working relationship and represent the driver relational behaviour. Supplier 2 stated that company X used to be a very big customer, which watered down over the last few years. However, recently company X introduced a new product which looked very appealing to supplier 2. Currently it doesn’t provide a lot of revenue but they find it an interesting product to deliver with a lot of potential for in the future. This example falls in line with the drivers innovation potential, growth opportunity and supplier involvement. The new product allows for the contribution and collaboration between supplier 2 and company X, which would not have had happened when this new product did not arise and also allows for new financial opportunities, representing the driver profitability. Supplier 1 mentioned that they are the preferred supplier of company’s X preferred customer. This preferred customer is a company that manufactures machines for chip manufacturers, they only do the assembly and source all their needed components from suppliers. This led to company X to start buying from supplier 1 and overtime this kept on increasing.

**Table 4: supplier satisfaction antecedents**

Supplier satisfaction antecedents		
Category	Antecedents	Interviewee
First tier	Profitability	S2, S3
	Operative excellence	S2
	Relational behaviour	S1, S3
	Growth opportunity	S2
Second tier	Reliability	S1, S2
	Innovation potential	B1, S2
	Supplier involvement	B1, S2
	Contact accessibility	B1, S1, S2, S3

**Graph 1: supplier satisfaction**



#### 4.3) interview findings on the preferred customer status from company X at its suppliers

Company X knows it has the preferred customer status at some of their suppliers. What some customers are to them, they are to suppliers. Usually in these cases, they provide a large portion of the revenue created by the supplier. This goes the same way for company X, they mentioned that their preferred customer accounts for more than 60% of their revenue. This represent the thoughts of Moody (1996) on profitability being a driver of preferred customership. Thanks to their preferred customer status they obtain some preferential treatment. For example, company X mentioned during times of crisis, when stock is limited, they are first in line to obtain a certain product. This is an example of the operational benefits and delivery benefits that results in ‘source of value for the buyer’. These benefits show its importance with the ongoing Covid-19 pandemic, that has caused shutdown of production and transport for a lot of goods.

The management of company X does not have a policy that tries to obtain the preferred customer status with suppliers. However, when something lucrative comes along, they do make efforts to capitalize on it. This falls in line with the driver profitability. A recent example is a certain client that wants to make devices that detects allergies, and produce the devices at company X. Due to the corona virus this got immensely speeded up. Company X saw the importance and the growing hurry behind the project that it constructed a team of professionals that focusses on that specific project. This assembly of a special team is an example of an

interactional benefit, but could also be put under the category innovative benefits as the client is the first to produce/access the new product. While the literature argues that the preferred customer status should lead to the buyer having this type of support from the supplier, this does show that company X uses tactics from the literature to become the preferred customer, whether this was one purpose or not.

Supplier 3 distinguishes different customer levels amongst their customers. These different levels are based on the personal experiences the supplier has with the company or based simply on the numbers, whether it consumes a lot products or not. This corresponds with the thoughts provided by Vos, which argued that the preferred customer status gets influenced by relational factors as well as economic factors. When it comes to company X, supplier 3 distinguishes it as a preferred customer. According to supplier 3, company X requires a lot of special designed and fabricated products which required close collaboration and communication and over a long period of time this resulted in company X becoming the preferred customer at supplier 3. According to the literature provided this example falls under the category ‘*product quality and innovation*’ which relates to what extend customization for products is possible and the consistency of the quality of those products

When it comes to preferential treatment, supplier 3 mentions that it is an sensitive subject. According to a compliancy regime they are not allowed to give certain customers more benefits than other customers. However, since the relationship between company X and supplier 3 is so good and they have a lot of communication over the products needed, it does result in supplier 3 going to greater length to solve difficulties, where this would not be the case for a customer that orders a small box of goods once in a while. A recent example supplier 3 gave was when company X went through a lot of changes internally, which resulted supplier 3 to stay until late in the evening and in to the weekend to work out situations. This is not something that they would do for every customer. This situation corresponds with the advantage support, and means ‘*being available to share the right information on a timely basis*’.

Supplier 2 sees company X as a preferred customer. It is one of their biggest clients, out of a customer list that contains more than 500 customers. The first thing that showed they are the preferred customer is the fact supplier 2 mentioned that company X is an ‘*interesting customer*’. Supplier 2 does not specifically give customers preferential treatment. According to them they offer their whole line of products and services to every customer and go their limits to achieve the agreements they made, they called this their business philosophy. However, in the interview a few aspects of the literature on preferred customership and preferential did come across. Supplier 2 mentioned that company X requires specific product that gets manufactured in China, which cost supplier 2 a lot of effort to obtain the product for normal prices, as the big manufactures in China don’t sell small badges of orders anymore. This requires supplier 2 to order larger quantities in order to offer it to company X for a desirable price. This can be seen as the advantage price together with the monetary benefits described before, as well as operational benefits, as supplier 2 keeps

a safety stock because they order in such large quantities. Company X also has the habit to do things last minute, this means ordering products as well. Supplier 2 tries to have safety stock but this does not always solve everything. This means that they have to reschedule orders with other customers, just to satisfy the needs of company X. This is described as the advantages delivery reliability. The advantage delivery reliability describes the ability to adjust delivery schedules and offer the product when demand is bigger than supply. This tendency to do things at the last minute is also an improvement supplier 2 would like to see at company X.

Supplier 1 does not give customers the preferred customer status. Company X is one of their biggest clients, but they do not get called preferred customer specifically. They get to choose the same products and services as a small client. However, supplier 1 does mention that the bigger customers tend to ask for more than smaller customers, which results in more attention. The customers who scream the loudest and do the most volume are usually the ones who receive the most amount of attention.

**Table 5; preferred customer drivers.**

Preferred customer driver		
Category	Antecedent	Interviewee
Economic factor	Profitability	B1, S3
Relational factor	Relational reliability	S3
Preferred customer benefits		
Operational benefits	Delivery reliability	B1,
	Preferential resource allocation	B1,
	Safety stock at supplier	B1, S2
Innovative benefits	Possibility to access/produce new products	B1,
	Product quality	S3
Monetary benefits	Benevolent prancing	B1
Interactional benefits	Custom team of professionals	B1,
	Support	S3

#### 4.4) interview findings on the psychological contracts between company X and its suppliers.

Company X agrees that psychological contracts, as well as contract breaches, influence the relationship it has with the suppliers. Their general thought on psychological contracts corresponds with the literature, as a psychological contract covers all the aspects that the official written contract does not. The expectations company X has towards their supplier lies mainly within the sector communication. They find it important that their suppliers react quickly and that they act proactive. Company X tries to achieve a combination of a balanced psychological contract and relational contract, this means they expect further growth of the relationship in exchange for high performance while valuing a high level of social exchange. This can be concluded from their statement mentioned previously in the interview analysis, where they constructed a special team for a new client to achieve the best performance and expect them to be a client for a long time.

Unfortunately, it happens that the psychological contract gets breached. Sometimes this results in a supplier terminating the contract, as it believes there are no longer opportunities left in the relationship. In most cases

company X tries to resolve the problems when a psychological contract breach occurs. The severity and results of the breach depends on the relationship with the supplier. Suppliers that have a long history with company X generally have a higher acceptance level. This type of relationship typically doesn't end in the termination of the contract, both parties will make agreements on how to prevent it from happening again and move on.

Supplier 1 stated that the basis of conducting business are psychological contracts. A big factor in this is the individuals that represent the companies beliefs and wishes. Communication plays a big part in this according to them. When the communication is bad, it results in misinterpreted expectations, which in turn will lead to a contract breach. The perception about this relationship will be negative. When supplier 1 has a good perception of a relationship, it usually means that the cooperation between the two parties is good. For clients where the cooperation is perceived as good, supplier 1 is more willing to go to greater lengths. An interesting statement by supplier 1 was: *'a psychological contract is not breached until the whole relationship is terminated'*. This statement shows that they have a different understanding of contract breach than the general meaning in literature. For example, the definition provided by Rousseau (1995), *'a situation when one of two parties denies to perform their end of the contract, despite having the ability to do so'*. Supplier 1 also stated that in their work environment, meaning the total electro technique manufacturing sector, a buyer supplier relationship will not be terminated based on one psychological contract breach. Multiple breaches would have had happened.

Supplier 2 is very well aware about the psychological contracts that influence the buyer supplier relationship. When it comes to the terms and conditions with company X they aren't worried, since those things are written down in the contract. However, supplier 2 does expect that company X stays their customer. These expectations exist because supplier 2 has to have a huge safety stock. When company X would decide that they no longer need supplier 2 or if they have found another supplier, supplier 2 is in huge trouble. The reason for this is because they need to order in such large quantities so that the price is sufficient for company X. This scenario corresponds with the norm of reciprocity, which means exchanging things for mutual benefit. This type of service, such as the price benefit, can be seen as preferential treatment and offer a nice connection between the literature on preferential treatment and psychological contracts. Company X has also breached a contract with supplier 2 before. A certain product disappeared out of the forecast of company X, at the last moment. When supplier 2 confronted company X about they mentioned that they didn't need it anymore, but they never communicated about it. Supplier 2 had the expectation that company X would take over the product in question, while company X never guarantees to take all the products they forecasted. The agreements made after the contract breach prevented supplier 2 from deciding there are no more work opportunities left in the relationship, which could have resulted in the termination of the current contract. Supplier 2 stresses the importance of communication as well. When the communication is bad, it will lead to misconceptions and this leads to contract breach. The contract breach results in

dissatisfaction with the relationship which is comparable with job dissatisfaction.

Supplier 3 stresses about good communication in order to maintain psychological contracts and build a good relationship. Supplier 3 mentioned that due to the corona pandemic, materials are getting scarce and the prices keep on rising. This results in supplier 3 not being able to deliver on every agreed upon deadline. They realized that this is seen as contract breach. However, what keeps their customers from searching other suppliers is their way of communication. Supplier 3 tries to be as transparent and honest as possible. This prevents their customers from running into sudden problems. Supplier 3 also made it very apparent that company X expects them to be available in times of crisis, even in the weekends, and that this is also something they expect from them, this once again refers back to the norm of reciprocity.

**Table 6: psychological contracts**

Psychological contract expectations to purchaser	Interviewee
<b>Continuation of the relationship and continued product purchasing</b> The purchaser is expected to stay customer and to continue purchasing products at the suppliers.	B1, S2
<b>Forecast</b> Purchaser is expected to take the whole forecasted stock from the supplier	B1, S2*
Psychological contract expectations to suppliers	
<b>Be available in times of crisis</b> Supplier is expected to be available whenever the customer is in need, even in the weekends.	B1, S3
<b>Communication</b> Supplier is expected to communicate problems on time, whether this is regarding a contract breach or about the products and to act proactive	B1, S3
<b>Benevolent pricing</b> Supplier is expected to offer the products for the cheapest price possible	B1, S2
<b>Delivery</b> Supplier is expected to provide a constant delivery of the products	S3

\*= Contract breach occurred

#### 4.5) Results summary related to the research model

When it comes to supplier satisfaction the drivers, provided by Hüttinger (2014) and Nollet (2012), were confirmed by the suppliers in the interviews. Both economic and relational drivers were found to be equally as important, which is also confirmed in the literature by Essig & Amann (2009). To be even more precise, all the drivers that Vos (2016) categorized in first and second tier antecedents were mentioned. What does stand out is that during the interviews all the supplier mentioned the antecedent *contact accessibility*, which was not the case with the other antecedents. In the research model supplier satisfaction is illustrated by proposition P3, as it has a positive relationship with customer status when psychological contracts are fulfilled, so the data confirms proposition 3.

When it comes to the theory of the preferred customer and preferential treatment with the actual findings, similarities rise as well. Benefits described by Schiele (2012) and Nollet (2012) are confirmed to be really given to preferred customers. However, the interviews showed that suppliers often have multiple preferred customers, which means the benefits is not solely given to one

customer and are often shared. This is something that could be assumed but is not actively mentioned in the literature. The preferential treatment can be seen in the research model as P4. This is immediately the last stage of the model, as it is the final stage in the buyer supplier relationship as well.

The findings on psychological contracts show similarities with the literature when it comes to what it means, why it is important, and how to sustain it. However, the amount of times communication was mentioned during the interviews was significant, while this did not get mentioned in any of the literature. The correlation between psychological contracts, contract breaches, and supplier satisfaction gets highlighted in the research model by P1 and P2, where the first is based on the fulfilment of the psychological contract and the latter on the breach of the psychological contract. Based on the interviews, both P1 and P2 are confirmed, but the impact depends on the type of psychological contract.

The type of psychological contract plays a major role, as balanced and relational contracts focus on long term and require significant investments from both parties which will increase the possibility of preferred customership and decrease the chance of relationship termination in the case of contract breach. This is shown in the research model as P2A. On the other hand, we have transactional and transitional contracts, which are based on economic transactions. This shallow relationship has a higher risk of ending when there is a contract breach and thus there is a less likely chance of becoming the preferred customer. This is shown as P2B in the research model.



## 5) Discussion

### 5.1) Drivers of supplier satisfaction confirmed

The aim of this research was to examine, and potentially add to, the literature that is currently available on the antecedents of the preferred customership and the psychological contracts that influence the supplier satisfaction and preferred customership. The first category 'drivers of supplier satisfaction' describes the competences that are helpful to the buyer side of an exchange in order to create satisfied suppliers. The reason for this is that in the current economic situation suppliers are becoming more scarce and buyers rely more on their suppliers to come up with innovative products. Hüttinger (2014) provided a framework that contained 8 drivers of supplier satisfaction and with the contributions of Vos et al. (2016) a ninth variable was introduced as well as the distinction between first tier and second tier drivers. The results of the interviews corresponded with the theoretical framework. The findings confirm all the first tier and second tier antecedents provided by Vos et al (2016) and Hüttinger et al (2014) which were operative excellence,

profitability, relational behaviour and growth opportunity for the first tier antecedents and reliability, innovation potential, supplier involvement and contact accessibility for the second tier antecedents. The most mentioned antecedent was contact accessibility because all suppliers stressed that easy access and frequent contacts is essential in a buyer supplier relationship especially in a relationship where there are highly technological products produced. This antecedent goes hand in hand with another often mentioned antecedent, namely relational behaviour. The reason for this is that a lot of communication is more pleasant when there is a good working atmosphere. The strange thing about this is that literature mentioned that contact accessibility is a second tier antecedent, which would mean it has less of an impact on supplier satisfaction than first tier antecedent, but in the interview this was the most mentioned antecedent and therefore you could argue that it should be first tier. Another observation was that every second tier antecedent got mentioned by at least 2 interviewees, while this wasn't the case with the first tier antecedents. This could be interpreted as that the second tier antecedents have a bigger influence on the preferred customership than the first tier antecedent, at least in this case study. These two observations about the second tier antecedents open the door for future research, in order to find out if certain second tier antecedent should be first tier antecedents and perhaps a few first tier antecedents should become second tier antecedents. To conclude, all the other drivers mentioned in the theoretical framework were mentioned in some kind of way during the interviews, some more obvious than others, which does show their individual importance and their rightfully place in the literature

### 5.2) Company X has preferred customer status and obtains preferential treatment at suppliers

The second category is about the preferred customer status and the preferential treatment that might be obtained than. The general consensus perceived in the interviews with the three supplier of company X, is that company X is a preferred customer. Two of the suppliers specifically stated that company X is a preferred customer (S2, S3), while the third supplier does not give preferred customer status to any of their customers. The interviews confirm the findings in the theoretical framework where profitability and extensive cooperation are used as drivers of becoming the preferred customer, as well as all the drivers provided by Hüttinger.

The interviews also confirm the findings on the benefits that are achieved when a customer obtains the preferred customer label. Monetary benefits like cost savings and lower operational costs were mentioned. Innovative benefits like early access to new products and level of customization were mentioned. Operational benefits like first access to new stock were mentioned quite often as well. The last type of benefit described in the theoretical framework, interactional benefits, were mentioned as well and those included improved communication methods as an example (Nollet et al, 2012; Schiele et al, 2012).



### **5.3) Psychological contracts and their influence on preferred customership and preferential treatment.**

The last major part discussed in the interviews was about psychological contracts. Since the interviews started with the question whether the interviewees knew what a psychological contract was, which most of them didn't, the term was explained to make sure all of them had the same understanding of what it meant. As mentioned previously the definition by Rousseau (1989) was used. What became apparent during the interviews was the fact that all the interviewees described a balanced and/or relational contract (Rousseau, 1989; Rousseau, 2000; Liu et al, 2020). What this meant is that everybody tries to maintain a healthy relationship and improve each other and the relationship over a longer period of time. A big mistake that occurs often in literature also showed itself during the interviews, this mistake was the misconception between beliefs and obligations. What someone believes it has the rights to and is actually obligated to differs often.

Psychological contract breach appears to not have a major influence on preferred customership and supplier satisfaction. In the case of a contract breach, the relationship stays in tact when both parties try to restore the trust loss (Kaufmann, 2018), regardless of the type of contract between the parties. This goes for the variable commitment as well, which can be achieved by the other party not being opportunistic (Kingshott, 2006). This falls in line with the statements made by Supplier 2 who expects company X to stay customer since they made the commitment to order certain products in large quantities. When it comes to future research, I would like to see more research related to the inter-organizational and psychological contact relationship as a lot of the literature writes out of the employer-employee perspective, instead of business to business.

### **5.4) Practical implications**

The main practical implications in this research were that that the buyer side of the exchange still believes in the classical marketing approach, which argues that the supplier should satisfy the customer. While a lot of things that company X does naturally, correspond with the drivers of supplier satisfaction that help with becoming the preferred customer, it might be wise to implement a strategy that focuses on satisfying their suppliers. This might lead to the preferred customers status being sustained for a longer period of time and thus a competitive advantage for a longer time. What company X also needs to improve is the tendency to do things at the last moment, which includes removing things out of the forecast at the last moment. This also comes down to improving the communication, if they do take something out of the forecast they need to tell the supplier about it. This will prevent contract breach and won't leave the supplier with unnecessary stock (see interview findings with supplier 2)

### **6) Limitations and future research**

The first limitation are the findings of the interview, due to the small amount of interviews conducted it is not possible to generalize the findings. For that reason future

research should be based on a larger number of interviews, usually  $N > 100$ . Another limitation is the reliability of the answers given, suppliers knew that the research was based on company X, they could've lied because they were scared of consequences if they had answered genuinely. A third limitation is the current pandemic we are in, findings of the interviews could differ during normal times when resources aren't scarce. In top of that, the pandemic caused the interviews to be online, instead of face to face.

When it comes to future research it might be wise to explore the amount of influence communication has on maintaining a psychological contract. In all the interviews, the interviewees stressed the importance of communication in maintaining a psychological contact but also in fixing a psychological contract breach. However, none of the literature I have read, explored this driver of psychological contracts found during the interviews.

### **7) Mini conclusion**

In this paper a qualitative research was conducted to research the concepts and antecedents that influence the preferred customer status. Companies should always be trying to gain a competitive advantage over the competition, especially in a time where suppliers are becoming more scarce. Companies could gain a competitive advantage by becoming the preferred customer. By becoming the preferred customer a company could obtain preferential treatment in the form of monetary benefits, innovative benefits, operational benefits and interactional benefits. This case study confirmed the benefits that were found in the literature (Schiele et al, 2012; Nollet et al, 2012; Bew, 2007; Bernardes & Zsidisin, 2008). The antecedent of preferred customership, supplier satisfaction, gets confirmed as well (Hüttinger et al, 2012, 2014; Essig & Amann, 2009; Vos et al, 2016). Supplier satisfaction helps a buyer to become the preferred customer, by showing drivers that are described in the literature. When it comes to the psychological contracts that influence the preferred customer status, it became clear that the suppliers in general have the same thoughts as the literature. All companies value a high level of social exchange (Lui et al, 2020; Rousseau 2020). In terms of contract breach, it does damage the relationship and causes dissatisfaction, but good agreements prevent it from the termination of a contract. That is why communication is a major factor in maintain a psychological contract.

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## 9) Appendix

### 9.1) Interview questions

#### Questionnaire for suppliers

##### Classification

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

##### Benefits

3. How do the status types influence your 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

4. Are you satisfied with the business relationship with Company-X? What factors are affecting your satisfaction or dissatisfaction in this relationship?
  5. What are your company's motivations for doing giving Company-X a preferred customer status? What did Company-X do to achieve the status? What could Company-X do to further improve its status?
  6. What are measures that customer must undertake to achieve a preferred customer status and what is the necessary behaviour they must show?
  7. What do customers generally do to achieve preferred customer status? Does this differ from the behaviour you would like them to show?
- 

##### Psy contract

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

#### Questionnaire for customers

##### Classification

1. Is there management commitment to achieving preferred customer status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter?
  2. Whom do you have a preferred customer status with?
- 

##### Benefits

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

Antecedents

4. What have you done in the past to become a preferred customer of strategic suppliers? Are there other actions you did not undertake that could have helped in reaching a preferred customer status?
5. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction?
6. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers?

Psy contract

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

9.2) Coding scheme

Key theme	First order category	Second order category	Interview
Supplier satisfaction	First tier drivers	Profitability	S3
		Operative excellence	S2
		Relational behaviour	S3
		Growth opportunity	S2
	Second tier drivers	Reliability	S1, S2
		Innovation potential	S2
		Supplier involvement	S2
		Contact accessibility	S1,
Preferred customer status & preferential treatment	Monetary benefits / Price & costs	Cost saving	S2
	Innovative benefits / product quality and innovation	Resources & capabilities	B1, S3
	Operational benefits / Delivery reliability	Resource allocation	B1, S2
	Interactional benefits / Support	Improved communication	S2, S3
Psychological Contract	Relational contract	Long term exchange	B1, S2
		High level of social exchange	B1, S2
	Transactional contract	Short term	
		Economic exchange	
	Balanced contract	Long term exchange	B1, S2

		High level of social exchange	B1, S2
		High level of economic exchange	B1, S2
Psychological Contract Breach	Job commitment & engagement	Lower value of the social exchange	
	Employee well-being	Emotional exhaustion	
		Job dissatisfaction	S2
	Career related behaviour	No work opportunities left	B1, S1

### 9.3) research model

