

How does Inflation affect the Buyer-Supplier Relationship.

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ABSTRACT

Corporate relationships in the B2B markets have been one of the main focuses for corporations during the recent years. Both supplying and buying side are concentrating on building a healthy and a long-term relationship, while buyers are seeking of attaining preferred customer status. After the Covid-19 era, the markets have been hit by high inflationary rates, which raised many financial and operational problems on a global scale. The main objective of this paper is to comprehend and provide an answer concerning the effect that inflation had on the buyer-supplier relationship. A qualitative research has been chosen for this study, and an interview with four firms that all operate in different industries has been conducted. The findings confirmed a small effect on the corporate relationship, concerning the large firms, but a significant effect on the small firm.

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Keywords

Buyer-supplier relationship, supplier satisfaction, preferred customer status, social exchange theory, benefits, Quantity Theory of Money, inflation.

1. INTRODUCTION:IMPACT OF INFLATION ON BUYER-SUPPLIER RELATIONSHIP.

Nowadays, the markets are more competitive than ever before, and high quality supplier-buyer relationship is critical for a organizations to thrive. They enable businesses to build trust, enhance efficiency, foster innovation, and gain a competitive advantage compared to the rest of the market. Corporations may use different theories and formulas to evaluate the relationship between a possible supplier and them. One of the theories is Social Exchange Theory, which helps two or more parties investigate how suitable is a current prospect (Bew, 2007; Cropanzano & Mitchell, 2005). There is a visible difference in the buyer-supplier relationship now that suppliers may pick which of their customers get a preferred status. This is because fewer suppliers may be found, especially in business-to-business marketplaces where they are able to distribute their products to the preferred buying organizations. Furthermore, buyers may work really hard in order to create a good relationship with their supplier. Despite the effort, many buyers will not get the same treatment as others and might also receive worse resource allocation (Pulles, Schiele, Veldman, & Hüttinger, 2016). Although, when a buyers obtain a favorable status from their suppliers, they need to maintain it by meeting the requirements that they might have (Wagner, Hennig-Thurau, & Rudolph, 2009). In case, a preferred buyer fails to maintain their status, reduction in loyalty between the parties involved, may be expected.

But there are times in the economy that inflation percentages rise. This can cause many problems to the B2B relationships, therefore the definition of “inflation” needs to be discussed and its effects on the buyer-supplier relationship (Britannica, 2023). In order to dive into inflation a bit deeper, the Quantity Theory of Money will be used to provide valuable insight onto that matter. (Friedman & Meltzer, 2023). The demand of money is closely linked with the availability of products and services for purchase. Understanding both inflation and the Quantity Theory of Money, it becomes essential to clarify the causes of post-pandemic inflation.

Furthermore, another cause of inflation was governments printing money, to support citizens and companies to sustain the income reduction. Lastly, the Russian-Ukrainian war played a crucial role in driving up inflation percentages. Russia served as a major provider of crude oil and natural gas for Europe and multiple other countries globally (Council, 2023). Europe banned Russia as their main provider. This act resulted to the findings of new buyers for Russia. These new buyers then resell these commodities to European providers at a sharply higher energy prices. By analyzing price dynamics influenced by inflationary pressures, we can gain insights into how companies and suppliers navigate these challenges and maintain a productive relationship.

Therefore, the key research question for this thesis is:

“How does the post-COVID inflation influenced the buyer-supplier relationship quality and strength?”

This research questions will give more insight into the influence that the rise of inflationary rates had on companies and how buyers with preferred customer status could minimize the difficulties that occurred, and it will provide valuable information for companies that have not achieved to claim this status on the antecedents that are required and the benefits that they will receive. Moreover, it is examining a global inflationary problem, which has never been addressed, and will potentially complement previous researches (Hüttinger, 2014; Vos, Holger, & Hüttinger, 2016).

In order to answer the above research question, a literature review will be conducted, for the exploration and understanding of the preferred customer status and its antecedents and benefits. Furthermore, the topic of Inflation will be explained and the global impact that it initiated. Afterwards, a Qualitative research will be conducted, in a semi-structured form with the respective companies’ lead buyers.

2. LITERATURE REVIEW

The literature from previous studies will be used to provide a fuller knowledge of the relationship between preferred customer status with suppliers and the impact that Inflation has on it. In order to provide an answer to the research questions. The Quantity Theory of Money (QTM) and the Social Exchange Theory (SET) are the ideas and concepts that will be used as a foundation for this research.

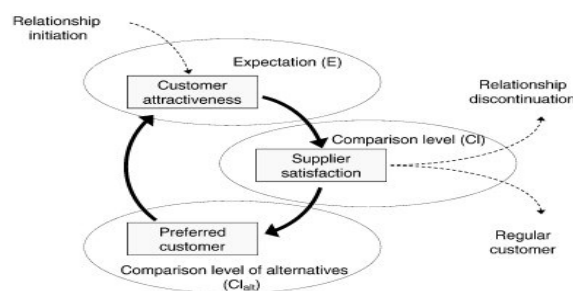
2.1 Importance of Buyer-Supplier Relationship Quality.

A high quality relationship between suppliers and buyers can create a competitive advantage, by shortening the product development time, lowering manufacturing and operating costs, and managing quality and productivity improvements. Social Exchange Theory (SET), will help us to dive a little deeper into the importance of a good relationship and how to find the most suitable business partner. SET mainly focuses on the relationship between two or more parties, and investigates the relational interdependence of the affected parties, creating a high quality relationship (Cropanzano & Mitchell, 2005). Attractiveness and satisfaction can be the main incentives for all the exchange parties to initialize, and to further strengthen or to halt a relationship to gain specific value from the exchange relationship(Pulles et al., 2016). The attractiveness of a customer to a supplier is determined by the supplier’s expectation level, which is a measure of how the outcome of the exchange aligns with their initial expectations. The supplier evaluates their satisfaction with the relationship based on a comparison level, which is a

measure of how the outcome of the exchange aligns with their initial expectations.

The comparison level of alternatives (CLalt) refers to the supplier's decision to categorize a customer as preferred, regular, or to discontinue supplying them. Suppliers typically have multiple relationships and compare their satisfaction levels with each relationship. Therefore, customer attractiveness, supplier satisfaction, and preferred customer status are interrelated concepts that can be logically linked within the framework of social exchange theory. Establishing consistent definitions for these terms is important for understanding and analyzing these dynamics (See Figure 1) (Schiele, Calvi, & Gibbert, 2012)

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



On the one side, a good and trustworthy supplier can give a company the competitive edge in a tough working environment. A supplier may dedicate its best personnel to a joint new product development, customize their products according to the customer's wishes, offer innovations or even enter into an exclusive agreement, and might also ensure privileged treatment if bottlenecks occur due to constraints in production capacity to the preferred customer (Steinle & Schiele, 2008, p. 11). On the other side of the spectrum, "A firm has a preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation." Steinle and Schiele (2008, p. 11).

This advantage arises from the various benefits gained through special treatment. Some of special treatment's benefits are depicted in a pyramid (see Figure 2) to illustrate how they are limited to a smaller group of customers who have attained preferred customer status. Some benefits are provided to a select group of customers who are required to pay for them, unlike regular customers. At the base level of the pyramid, there are benefits that are available to all customers, but they come at a cost. These preferred benefits can be categorized into financial, technological, economic, and interactional benefits, which will be explained in the upcoming sections.

(Pulles et al., 2016) discuss the competition between buying firms, and the effort that they put into achieving a better treatment than the rest of them. Some buyers obtain better resource allocation from their supplier base than others even these buyers share the same supplier (Takeishi, 2002). Consequently, due to the fact that competitors will try to offset a firm's better re-source allocation position from its suppliers in order to get similar resource advantages, companies must pay attention to what their rivals are doing in the supply base. If buyers achieve to reach and obtain that

status from their suppliers, then they need to maintain it based on the supplier's requirements. In case a customer fails to maintain that status, then loyalty between the parties will be reduced. Therefore, conflicts may arise, or customers may try to find different suppliers (Wagner et al., 2009).

2.1.1 Supplier satisfaction antecedents

In the buyer-supplier relationship, companies often face the challenge of dwindling potential suppliers, leading to intense competition for resources. To address this, successful businesses and supply chains actively secure the top resources from preferred suppliers, highlighting the significance of supplier satisfaction, since they can provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise, it plays a crucial role in the resource allocation (Alfred, 2000; Pulles et al., 2016). To assess supplier satisfaction, academics utilize a supplier satisfaction index that considers strategic, operational, and supplementary levels (Purushottam L. Meena, Sarmah, & Sinha, 2012). Factors such as finance/payment policy, coordination policy, purchasing policy, and corporate image influence supplier satisfaction (Purushottam L. Meena et al., 2012).

Additional factors influencing supplier satisfaction include growth opportunity, reliability, operative excellence, and relational behavior, and contact accessibility (Huttinger, 2014). Innovation potential and supplier involvement showed no significant impact (Huttinger, 2014). (Vos et al., 2016) expanded on this research by introducing profitability as a new unexplored antecedent and distinguishing between first-tier and second-tier factors. They found that profitability, operational excellence, and growth opportunity are antecedents of supplier satisfaction regardless of direct or indirect procurement (Vos et al., 2016).

Contact accessibility is crucial for both parties, with the buying firm providing a dedicated contact person to meet the needs of the supplying firm. This positively influences operational excellence and supplier satisfaction (Huttinger, 2014). Reliability, encompassing consistent fulfillment of promises, adherence to agreements, fairness, and transparency, also plays a significant role. In order for the buyers to create a leverage in their corporate relationships, and achieve supplier satisfaction, they need to satisfy some requirements of the previous antecedents. The attainment will obtain them a preferred customer status, and various benefits, which will be discussed in the next chapter.

For a comprehensive overview of the first-tier and second-tier antecedents of customer attraction, supplier satisfaction, and preferred customer status, refer to

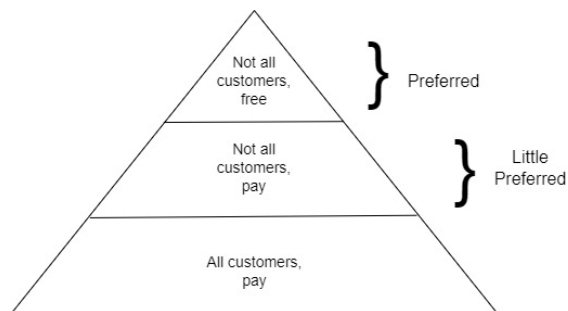
First tier antecedents	Second tier antecedents
Growth Potential	Financial attractiveness
	Corporate image, reputation

	Joint growth
<i>Profitability</i>	Purchase volume
<i>Relational Behavior</i>	Trust, loyalty, commitment to partnership.
	Information exchange, communication
	Collaboration of multiple departments.
<i>Operative excellence</i>	Reliability
	Demand forecasting
	Transparency
	Contact accessibility

2.1.2 Benefits of preferred customer status

As discussed in subsection 2.1, being awarded with the preferred customer status by suppliers can lead to a competitive advantage for the buying firm (Schiele et al., 2012). This advantage derives from various types of benefits that the customers may receive when acquiring this status. The pyramid of Preferred customer status (see Figure 2) visualizes the preferential hierarchy of customers, and the exclusive benefits that they have, respectively to their status. The customers that are considered as preferred receive the most perks, and benefits compared to the rest of stages. The Little Preferred customers receive benefits which are not accessible to all customers, but they must pay. And at the lowest level of the pyramid, there are benefits available to all customers, but not free.

Figure 2: The Pyramid of Preferred Customer Status



These benefits can be distinguished into financial, technological economic and interactional benefits. An overview of these benefits can be found in Appendix B.

2.1.2.1 Operational Benefits

(Williamson, 1991) was the first to elaborate on the preferred customer concept. Driven by the capacity-oriented perspective, (Williamson, 1991) states that when particular parts become obsolete due to short-term streams in demand, preferred customers would be the first to have their needs satisfied, since they receive higher supplier responsiveness

and flexibility. “Little preferred” or “All customers” might be forced to wait in queue until they can be served. Since time- to- market is increasingly important, through the preferred customer status, efficiency is increased through reduced lead times and diminished cycle times (Poul Erik Christiansen & Maltz, 2002). (Ulaga, 2003) stated that suppliers tend to meet delivery schedules, on-time delivery and also offer delivery flexibility, which enhances the delivery reliability.

2.1.2.2 Innovative and Quality Benefits

(John W. Henke & Zhang, 2010, p. 43) argue that those “customers with which suppliers have the closest working relationships are more likely to be given access – sometimes exclusive – to supplier innovations before the supplier takes the technology to other customers”. (Ellis, Henke, & Kull, 2012) proved through an empirical study in Industrial Marketing, that the status of a preferred customer is positively related to the supplier’s willingness to provide the firm with access to its new technology, products and services, in order to sustain a close relationship and engage in future joint ventures (Holger & Frederik, 2015). Moreover, suppliers are open and willing to offer innovation and enter into exclusive agreements, e.g. becoming an exclusive supplier of the company (Steinle & Schiele, 2008, p. 11). As a result of the supplier’s commitment, input is given for product developments, which enhances the overall product quality, and consistency of quality (Nollet, Rebolledo, & Popel, 2012).

2.1.2.3 Financial Benefits

Pricing alterations and cost saving have been a identified as financial benefits, as a consequence of receiving the preferred customer status (Bew, 2007; Schiele, Veldman, & HÜTtinger, 2011). (Schiele et al., 2011, p. 16) argue that suppliers are unlikely to engage in opportunistic pricing behavior, while favorable pricing behavior is rather the outcome of the preferable customer status that they have obtained. Additionally, suppliers increase value for the purchasing companies by lowering acquisition and operational expenses (Nollet et al., 2012; Ulaga, 2003). Due to a long and healthy relationship, during future negotiations, suppliers can be more flexibly and receptive, by offering the lowest prices in the market (Nollet et al., 2012).

2.1.2.4 Interactional Benefits

The availability and responsiveness of the suppliers are improved, and information sharing is happening with greater frequency (Nollet et al., 2012). Through their case studies, (Poul Erik Christiansen & Maltz, 2002) point out that, being an “interesting customer” leads to commitment trust and knowledge sharing. Suppliers will also provide communication shortcuts, to their customers. Preferred customers will receive contacts of managers, which reduces the bureaucracy effects. Lastly, the preferred customer status leads to interaction benefits. “A supplier may dedicate its best personnel” to foster collaboration with selected buying firms (Schiele et al., 2012, p. 1178).

Table 1: Benefits of being preferred customer

Innovation and Quality	Financial
Suppliers want to invest in future joint projects	Benevolent Pricing
Prioritize access to supplier's new innovation ideas	Reduced Acquisition and Operational Expenses
Input on new innovative production, increases quality	
Operational	Interactional
Prioritized over other	Dedication of best personnel
Decreased cycle time	Increased availability and responsiveness
Preferred resource allocation	Commitment, trust and Information sharing
Delivery reliability and flexibility	
Reduced lead time	

2.2 B2B Pricing under periods of Inflation.

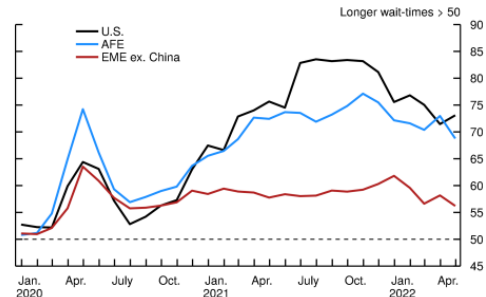
Before I dive deeper into the Impact that pricing has on Buyer-Supplier relationship, the term of „Inflation“ needs to be discussed, and what has caused it during 2022. In economics, inflation is, „collective increases in the supply of money, in money incomes, or in prices. Inflation is generally thought of as an inordinate rise in the general level of prices“ (Britannica, 2023).

Taking into consideration the Quantity Theory of Money, we can determine that the relationship between the stock of money and the price level has been observed since the earliest systematic work on economics. To set forth, the demand of money relates to the amount of products and services available for purchase, and if the supply of money in circulation increases at a faster speed than the growth of output, then this will result to a inflationary pressure, which is going to lead to an increase in the general price level.s The effect of changes in money on the output of real goods and services disappears once prices adjust fully to the change in money. Having explained the theory of both Inflation and The Quantity Theory of Money, the causes of the post-pandemic inflation needs to be clarified.

As mentioned above, one of the ways to introduce inflation, is through introducing more supply of money. For example, the US alone, printed approximately \$13 trillion in all-in money printing for COVID, quantitative easing, and infrastructure. This large amount of money being printed may have caused inflation rates to drastically increase (Surz, 2021).The next cause for Inflation was the reduction of supply and the increase of demand. „On the supply side, government-imposed mobility restrictions and personal decisions from workers resulted in a dramatic decrease in the volume of production. On the demand side, public health restrictions and high uncertainty from both economic and health conditions contributed to a large decrease in total real consumption in the early part of the pandemic“ (Soyres,

Santacreu, & Young, 2022, p. 4). During the COVID-19 pandemic, the revenues that companies created, decreased dramatically, causing shortages on various aspects within the firms. One of them was the labor shortage. As a result, the production of goods, transportation and shipping became limited which led to a „production bottleneck“, as we can see from Figure 3.

Figure 3: Supplier Delivery Times' component of PMI's (Soyres et al., 2022, p. 14).



Therefore, in order for companies to stabilize their revenues, they had to increase their prices.

Another reason that caused the rise of inflation percentages is the Russian- Ukrainian war. Russia was on the main providers of crude oil and natural gas for Europe and many other countries globally (Council, 2023). Since most of the Russian crude oil and natural gas was passing through Ukraine, due to the war outbreak during 2022 has significantly decreased the energy supply to Europe. Moreover Europe and the UK banned Russia as their main provider of commodities on energy in 2022 (Myllyvirta, 2022). The result of that action was, Russia selling their commodities at a discount to Asian countries, such as India and China, and then reselling them to Europe leading to a sharp increase in European energy prices (Lawson, 2022). Such an event may easily affect the real economy, hinder the stability of the financial system, and bring about significant systematic risks in the global financial markets (Ji, Liu, Nehler, & Uddin, 2018).

2.2.1 Effects on supply chain during Inflation periods.

Considering the recent events of Covid-19, (Baqaee & Farhi, 2022) stated that, domestic inflation is driven by aggregated demand shocks as well as sectoral demand and labor supply shocks. As mentioned above, during the early phase of the pandemic, countries witnessed a negative supply shock, which created the initial supply chain disruption, and therefore, an insufficient demand. During the recovery phase of the pandemic, a positive aggregate demand shock occurred, while governments were still under pressure due to the continuous negative supply. According to (Veselovská, 2020), many businesses had to modify their supply chains due to the COVID-19 outbreak in order to deal with the interruptions. According to a 2020 survey, over a third of businesses had interruptions severe enough to cause them to restructure their supply chains. But in order for firms to become more resilient to disruptions in the supply chain, companies need to increase the quality of communication, trust, information exchange and profitability will deliver high quality supply chain relationships (Kleindorfer & Saad,

2005). Although, for the case of Covid-19, companies faced an unforeseeable event, which caused them to not be able to fulfill their obligations. For such unavoidable events, companies can also use "Force majeure", which states that companies are not liable for such actions (Maskow, 1992).

3. HOW INFLATION AFFECTS THE BUYER-SUPPLIER RELATIONSHIP.

As discussed in the previous chapters, inflation can have a substantial impact on the relationship between preferred customers and key suppliers in the business- to – business market. The dynamics of this relationship can be significantly influenced by the effects of inflation on all of the parties that are involved. By taking into consideration (Stock, 2005) research's results, price sensitivity and customer satisfaction, have an inverse relationship. Simply, a high customer satisfaction will not only provide a higher loyalty, but also lower price sensitivity. On the other hand, we can conclude that when there is little to no customer satisfaction, price sensitivity will be higher, and during high inflation periods, customers may demand discounts, from their key suppliers, in order to mitigate inflation's impact. This increased pressure on favorable pricing terms, has the ability to damage and strain the relationship, and potentially result to the exploration of alternative suppliers who can offer better pricing. Furthermore, during inflation periods, supplier will face challenges in accurately forecasting their costs and profitability, making it difficult for them to provide reliable pricing and delivery commitments to their customers. The lack of reliability can create frustration and mistrust for customers, who rely on consistent supply and stable pricing.

Additionally to the above, in the event of a price hike, supplying companies are in a good position and have a good chance of meeting their goals. Although the target price is the strongest indicator of how well the discussions will proceed, and the sellers need to have appropriate strategies to negotiate prices without risking their relationships with buyers (Moosmayer, Chong, Liu, & Schuppar, 2013).

Deriving from (Pellegrino, Costantino, & Tauro, 2020, p. 972) study, purchasing power risk, is the supplier's perception of the risk that the buyer's investments will lose value as a result of Inflation. Since Inflation is prone to occur and have a moderate impact, it is categorized as a moderate risk event. Buying companies are advised to "agree with suppliers on different cost elements that are subject to inflation" and "negotiate enough savings to offset inflation impact" in order to avoid losing their preferred customer status and to reduce that risk.

Although, the impact of foreseeable or unforeseeable (Maskow, 1992) challenges, can be reduced by creating

long-term collaborations. Taking into account (Heise, 2019) research, a relationship is more and more unlikely to break respectively to its duration. The finding entails that, a long-lasting relationship is hard to completely break due to price changes or supply chain disruptions, especially due to an unexpected global pandemic.

Another impact of Covid-19 and inflation, is the economic "domino effect" that it has created. In economics, the domino theory is commonly used to describe how an economic issue in one nation may spread like a disease or in a domino effect to other nations and businesses. The domino effect can have significant implications for the buyer-supplier relationship since it can create a ripple effect that affects various sectors and businesses along the supply chain (Allianz-trade, 2021).

In order to minimize the effects of inflation on the relationship, preferred customers and key suppliers in the business- to -business market can adopt various strategies. Communication is an important factor, since it allows all parties to understand the challenges they face, and their potential solutions (Ellinger, Daugherty, & Plair, 1999).

In conclusion, Inflation influences significantly the relationship between preferred customers and key suppliers in the business- to -business market. The reduction of purchasing power, increased production costs, and the higher risks of inflation can strain the relationship, which will lead to the creation of more challenges. However, through effective communication, collaboration and strategic planning, preferred customers and key suppliers can navigate these challenges and maintain mutual beneficial relationship.

4. METHODOLOGY: QUALITATIVE RESEARCH

4.1 Research Design

A qualitative method has been selected as the study strategy in order to understand the relationship between key suppliers and preferred customers, and how inflation has affected it. On the one hand, comparatively to a quantitative approach, this kind of data collecting is exploratory in nature and aids in gaining an understanding of underlying beliefs, causes, emotions, and motives (Almalki, 2016). Due to the small collected sample, the findings and the results of this research cannot be generalized, but can contribute to whether they support or contradict previous findings in the existing literature.

Thus, the chosen technique for the data collection is interviews, which will be held via an online telecommunication platform. Semi-structured interviews will be conducted with a questionnaire created before this study. They are less constrained and permit more detailed responses than formal interviews. On the other side,

unstructured interviews provide little direction and might take a lot of time. A semi-structured interview gives direction through its main questions, but its flexibility also permits the in-depth exploration of new material (Gill, Stewart, Treasure, & Chadwick, 2008). This method is applied because it shows the most promise for obtaining generalized responses from many participants while simultaneously being flexible enough to

accommodate each responder uniquely (Palmer & Bolderston, 2006). On the other hand, qualitative research comes with various disadvantages interviews have the disadvantages that they take an extensive amount of time and that respondents may be prejudiced because they want to promote themselves or the business they represent in a better or more favorable manner (Carolyn Boyce & Neale, 2006).

4.2 Sampling and Interview Design

For this research, two questionnaires were designed and applied. The first one concerns the customers, and the concerning questionnaire consists of 14 key questions (see Appendix C, table 3). The second questionnaire concerns the suppliers, and consists 12 key questions (See Appendix C, table 4). Both questionnaires consist of four parts. After some general question to start the interview, the first section focuses on the classification of the buyer/supplier. Classification is being followed by the benefits that each party receives, from their relationship. The third part investigates the antecedents which lead to the preferred customer status. And the last part of the questionnaires, examines, whether Inflation has caused problems on the health of the relationship, and if it has, how did the companies handled them. All of the questions are open-ended to provide the interviewee the opportunity to build on their personal experiences and provide more thorough answers. This study collaborated with two companies, from two different industries. Both companies are large-sized. From each company’s procurement department, one selected representative is interviewed. These representatives, selected their supplier under the assumption that the buying firms are categorized as preferred customers. All interviews conducted in one-in-one setting. The Transcription and the answers from all interviews can be found in Appendix D.

Table 2: Interviewed buyers

Case Company	Buyers
Company A	B1
Company B	B2
Company C	B3
Company D	B4

5. ANALYSIS & RESULTS

In this main chapter of the paper, the companies will be introduced, which may be lacking of information due to the confidential treatment. Moreover, the data of the interviews will be analyzed and the outcomes derived from them will be stated and explained. As the literature showed

antecedents and benefits of the preferred customer status. This case study also focused on some additional questions, regarding the effect that inflation had on buyer-supplier relationship, which will be discussed later in the discussion part, and then compared to the literature.

In order to analyze the interviews, the appropriate Qualitative coding approach needs to be selected. The analysis and the coding process of the retrieved data, have been done via “Inductive Coding”. Inductive Coding, “refers to a data analysis process whereby the researcher reads and interprets raw textual data to develop concepts, themes or a process model through interpretations based on data” (Boyatzis, 1998; Strauss & Corbin, 1990; Thomas, 2006). The interviews consisted open-ended questions. Open-ended questions, assist in retrieving as much information as possible from the other party. This way the proper answers will be given. Interviewers, need to utilize these responses, and retrieve key-words/phrases that will help them form answers for the report’s research question.

5.1 Company Introduction

In this section, the buying firms, are being introduced. The exact numbers are taken out, due to confidential reasons, regarding the answers each of the participating companies gave.

The first company that is being introduced is a European manufacturer and distributor of domestic and commercial water and space heating systems. The second company that is being introduced is one of the leaders in the oil and gas industry. The heating, gas and oil industry, has been chosen due to the big impact that inflation had on them during the post-COVID era, and also due to the Russian-Ukrainian war. The third company is one of the biggest multinational technological companies which has also been affected by inflation and the supply chain disruptions. Lastly, the fourth company, is a supermarket chain, based in Greece.

All the previously mentioned companies operate in different industries. This differentiation, has the ability to give more general results, and not specific to one niche. The challenges that they encountered, and the processes and decisions that have been chosen, are more applicable to a wider range of firms. Due to size and financial prosperity 75% of the interviewed firms, did not get dramatically challenged, except from the Greek supermarket chain, which had less financial strength and resulted to more supplier-dependency.

5.1 Findings

In this section, the findings of the interviews are summarized with the most important information.

5.1.1 Classification Methods

In order for companies to understand the weight of each supplier, they need to put forward a strategic classification method and understand a strategic resource allocation.

On the one side, companies B1, B2, B4 classify the relationship with their supplier. B1, has adopted the EcoVadis method, which reflects the quality of the supplier's sustainability management system at the time of the assessment. B2 and B4 classify their suppliers by, taking into consideration the corporate vision alignment, the supplier's performance, and finally the market reach. On the other hand, despite the classification methods that B2 applies, they mostly focus more on a high quality individualistic relationship than a corporate one.

Furthermore, there might be a management commitment to achieving preferred customer status. This can happen by providing a various number of tools and information. B1 provides a "supplier manual" to their suppliers, which explains the type of relationships they prefer to build, in order to create and sustain a high transactional quality. From a different perspective, B4 are focusing on the suppliers that have the higher weight and interest for them, while covering most of the "family categories" of the firm (Software, Hardware etc.).

On the other side, B3 do not classify their suppliers, but they have several suppliers that are more preferred. This happens due to the non-adequate financial strength B3 can provide. Currently there is no management commitment to secure a preferred customer status with their strategic suppliers.

5.1.2 Preferred customer status' benefits

By the moment buying firms will be categorized as "preferred", they will receive a various numbers of benefits for attaining the respective status. Some of the most common benefits that a company receives are, better lead times, lower purchasing prices (which leads to a higher purchasing power), and contacting access to various departments. Moreover, the suppliers will reach out the buying firms occasionally, for possible future collaborations and joint ventures for a specific project. The communication quality is being increased, since the entities have an understanding of each side's needs, problems and capabilities.

Despite the similarities that all four buyers share, there are some differences being noticed from B2 and B4's side.

B2 have noticed the benefit of having a preferred delivery time, compared to other customers. This allows them to create a more efficient operational process. Flexibility is an additional benefit that they receive. This is important for B2, because the supplier will be able to adapt better to the customer's problem and needs, without applying any extra pressure. The last benefit that B2 has noticed is the transparency on information that their suppliers are

providing. Transparency is key for the development of a high quality relationship, since both parties understand the other side's capabilities and problems in depth.

Taking into consideration B4's perspective, one can tell that the perceived benefits differentiate. B4 have noticed and increased data quality transaction from supplier's that have assigned them as referred customers. The disputes and the complications across the supply chain are being mitigated, via improved communication quality. Besides the above benefits, B4 have also observed, the reduction of overall costs and risk through the creation of strategic alliances. Lastly, the company has increased their drive for innovation, by combining resources.

A more comprehensive overview of the benefits are exhibited in Table 3 below.

Table 3 Preferred customer benefits

Benefits of Preferred customer status	Respondents			
	B1	B2	B3	B4
Financial Benefits				
Benevolent Pricing	X	X	X	X
Reduced Acquisition and Operational Expenses		X		X
Operational Benefits				
Prioritized over other customers	X	X		
Decreased cycle time		X		
Preferred resource allocation		X		X
Delivery reliability and flexibility	X	X	X	X
Reduced lead time	X	X		X
Interactional Benefits				
Dedication of best personnel		X		X
Increased availability and responsiveness	X	X		X
Commitment, trust and Information sharing	X	X		
Innovative and quality benefits				
Suppliers want to invest in future joint projects	X	X		X
Prioritize access to supplier's new innovation ideas	X	X		X

Input on new innovative production, increases quality		X		
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5.1.3 Preferred customer status' antecedents.

Prior to the successful adoption of the preferred customer status, buying firms need to satisfy the requirements of the status. Buying firms will offer various types of incentives to their suppliers, in order to provide "supplier satisfaction". All of the buying firms that were interviewed had one antecedent in common. Providing demand forecast was the common denominator for all of them, ranging from a 12-month forecast to 24-month forecast.

B4 is the buying firm that offers the most antecedents, in order to receive a preferred customer status. Despite the forecast, B4 also focuses on building relations that are based on transparency, integrity, and trust. These values will produce a more smooth long-term relationship. The last two antecedents that B4 provide are the ability to offer high-valued expenditures and expansion to a wider market range, which will increase the revenues and widen the possible available markets coverage of the supplier. B4 also focused on the dissatisfaction possibility that they might cause to the supplier. This often occurs when the B4 is pressuring the supplier for lower costs, better lead times. Finally, the B4's vendors need to adhere and comply to a set of specific requirements.

Taking a look at B3's perspective, they do not have the capability of offering a satisfactory amount of incentives in order to receive preferred customer status. Lastly, based on B2's perspective, jointly to the mentioned antecedents of the first paragraph, an emphasis is also being given to the problem solving assistance towards their suppliers.

The last aspect of antecedents is the attractiveness of the buying firm. B1 attractiveness derives from, not only focusing on profitable matters, but also turning into a new and refined ecological strategy, with attention towards the expansion of their carbon-neutral and hydrogenic operations.

On the other hand, B2 and B4's attractiveness originates from their company size, their financial strength, and their market reach. The suppliers acknowledge that these two companies would be a great asset on their portfolio.

Finally, B3 is attractive for suppliers due to their great geographical location, and the significant surge of their sales during summer.

An overview of the supplier satisfaction antecedents that lead to preferred customer status is displayed in Table 4.

Table 4 Antecedents of supplier satisfaction

Antecedents of supplier satisfaction	Respondents			
	B1	B2	B3	B4
Growth Potential				
Financial attractiveness	X	X		X
Corporate image, reputation	X	X		X
Joint growth	X			
Profitability				
Purchase Volume	X	X		X
Relational Behavior				
Trust, loyalty, commitment to partnership	X	X	X	X
Information exchange, communication	X	X	X	X
Collaboration of multiple departments				X
Operative excellence				
Reliability	X	X	X	X
Demand forecasting	X	X		
Transparency		X	X	X
Contact accessibility	X			

5.1.4 Influence of Inflation on buyer-supplier relationship.

The last set of questions during the interview process concerned the impact that inflation had on the buyer-supplier relationship. Remarkably, the results that have been received throughout the four interviews, showcase a tendency towards positive effects rather than negative, especially for the large-sized companies.

Both, B4 have treated the suppliers as part of the inflationary problems' solution. They emphasized on discovering a mutually beneficial solution for both sides, instead of solely pressuring the supplying side. Despite, the extended negotiations and the pressure on cost reduction, B4 tried to sustain a healthy relationships among all the suppliers, and especially the strategic ones. B4 had the ability to control the pressure on cost reductions, due to the fact that the suppliers were flexible. B2 encountered similar circumstances to B4. What differentiates the two cases, is the supplier

substitution. Some of B2's non-strategic suppliers were not flexible enough on price changes, and therefore they had to discover more flexible replacements. Moreover, B2 tried to prevent inflation's problems, by preserving as much liquidity as possible.

On the other side of the spectrum, B3 encountered the most challenges. Due to the company's size, B3 did not have the ability to influence the steer the relationship and the prices to the direction that they aimed for. Around 20% of their supplier have been altered, which resulted in a significant lead time increase. Their strategy on sustaining a financial healthy company was the liquidity growth. This became possible by the governmental loans and the small expenditure reductions.

To conclude, B1 was the most unaffected purchasing side. Despite the forecast decrease during the pandemic and the beginning of Inflation, B1 did not notice concerning cost rises, and demand reductions. Therefore, they retained their operational processes.

6. DISCUSSION OF THE FINDINGS

In this section of the paper, the findings of the previous section are discussed. In addition further outcomes found out during the interview are stated.

6.1 General Findings

In order to assess the validity of the findings and results of this research, a comparison between the literature and the findings needs to take place. The statements that have been derived from the interviews, support that many similarities are noticeable, with a few differences between the large-sized companies and the medium to small-sized companies.

The comparison should be introduced respectively to the structure of the research. Therefore, the classification methods will be discussed first.

6.1.1 Literature / Interviews comparison

All the large sized companies that have been interviewed indicate that they use classification methods that align with the literature, except from the small-sized company that can not facilitate enough resources and attain a preferred customer status. The three companies are taking into account SET (Bew, 2007; Cropanzano & Mitchell, 2005), since they need to understand the weigh of the benefits and risks that are taking by collaborating with their suppliers, and if they need to create a long-lasting collaborative relationship, or find a different supplier that will provide a higher long-term ROI and a better partnership quality (Schiele et al., 2012).

Moreover, based the interviews the benefit of preferential customer treatment, derived from the increased supplier satisfaction and the attainment of preferred customer status (Schiele et al., 2012) is confirmed only by B4 and B2 due to their global size and the portfolio advantages that they offer to suppliers by collaborating with them.

Concerning the antecedents and benefits, literature is in accordance to the interview findings of large-sized companies, but the small-sized interviewed company identified some benefits as well. The benefits that the all of the buyers have received through supplier satisfaction is the benevolent pricing benevolent and reduced pricing which has been stated by (Nollet et al., 2012; Schiele et al., 2011). The second benefit that all of the companies have noticed is the delivery reliability and flexibility, which helps companies manage their operational segment more efficiently (Nollet et al., 2012; Ulaga, 2003). The following benefits have been either achieved from large-sized companies. Large-sized companies receive a preferred resource allocation, that increases the quality of their products/services (Bew, 2007; Nollet et al., 2012; Schiele et al., 2012), and dedication of best personnel by the suppliers (Schiele et al., 2012). Furthermore, buying companies have the opportunity to receive more commitment by their suppliers, trust and information sharing. Through gaining the supplying side's trust and commitment, the stored data of the purchasing side has the ability to analyze customers' purchasing and use of services' patterns and have a better adaptation, quality increase and create a better competitive advantage (Poul Erik Christiansen & Maltz, 2002). In addition to the previously mentioned benefits, suppliers are more willing to invite and invest in future joint ventures and projects due to the increased trust (Holger & Frederik, 2015).

Regarding the antecedents, and taking into account (Huttinger, 2014) research findings, the most important antecedents of a buying firm are profitability and growth potential. These two antecedents provide a stronger corporate image and a healthier long-term position in regards to the relationship. Relational behavior and operative excellence are also vital for a healthy relationship, but do not have the same importance as the previously mentioned antecedents. The interview findings indicate that buying firms are mostly aiming at providing antecedents that are focused around the growth potential and relational behavior antecedents. Specifically, the large-sized buyers are providing antecedents of financial strength and strong corporate image and reputation, due to their competitive advantage compared to the rest of the market, In the contrary, the small-sized buying firm is focusing on trust, information exchange, commitment and high quality communication between them and the supplying firm.

Considering, the operative excellence antecedent category, most of the buying firms consider transparency and reliability as an important antecedent, since they provide a

better understanding of their position, their advantages and complications that the company is facing at that given time.

Lastly, due to the lack of literature behind “the effect of Inflation on the buyer-supplier relationship”, most of the findings are based on the interview results. The results showcase the effect variety and the severity that they have on the relationship. All the large-sized companies witnessed no severe effects on their relationships with suppliers, except from B4 that faced long negotiation extensions and vulnerable discussions. All of these companies had the financial strength to facilitate the price changes that occurred due to the increased inflationary rates, and treat suppliers as part of the solution and not the problem, which led them to find a joint solution that facilitates both sides’ needs, and not risk a long-term relationship due to a global-sized problem. The only buyer that faced firm impacts is B3, due to their size and financial position. B3 had to change some specific suppliers. A result that has been affected by the of purchasing strength and the supplying flexibility. Therefore, the literature background of inflation and the macroeconomic risk that introduces on corporate relationship was not applicable on these three cases (Pellegrino et al., 2020). Despite that, in B3’s case the macroeconomic risk of inflation was impactful. To conclude, all the companies that have been interviewed focused on cutting costs, and preserving as much as liquidity as possible in order to mitigate the high risks.

6.2 Managerial Implications

With all its relevant findings, this study gives some practical contributions which are especially important for the buyer in terms of a buyer-supplier relationship. The value of this paper in terms of action for managers is the creation of awareness, to pay attention to changing markets, and the global macro-economical status. The buying side of a buyer-supplier relationship, will be able to identify and build the appropriate high-quality traits, that serve a superior corporate relationship. This can be achieved, by creating clear communication channels, and introducing transparency, integrity and trust during information exchange period.

In terms of the impact that inflation has on relationships and preferred customer status, there were no indications for

critical consequences for the high/medium sized companies. Inflation created a stronger and more tight relationships for the interviewed companies, since the buying firms made suppliers “part of the solution” and not the problem. This creates a more resilient bond between the firms. Only the small sized company that was interviewed faced relationship problems with their suppliers, which resulted to supplier alterations.

6.3 Limitation and Future Research.

As mentioned above, the impacts of rising inflationary ratios on a buyer-supplier relationship, have not been examined yet by academic researchers. Therefore, via this research paper, companies will be able to understand definitions regarding Inflation and the preferred customer status, the antecedents and benefits of it. Moreover, this paper is aiming to create a theoretical background to this topic, while being combined with a practical viewpoint, through the interviews that have been conducted.

Nevertheless, due to the insufficient background literature and the amount of interviewees, it is not possible to generalize the findings and apply them to firms. In addition, the interviews have been conducted only with the buying side of corporate relationships.

7. CONCLUSION

This report aims on finding the effect that Inflation has on the buyer-supplier relationships, in the B2B market. Through this research the role of „Preferred customer status“ has been discussed and the positive influences that it has on both sides. Deriving from the conducted interviews, the buyers that had achieved to be granted with a preferred customer status, can mitigate the effects of inflation and collaborate alongside the suppliers, by finding solutions that serve every entity. It can deduced that large-sized companies had the ability and the resources to obtain more preferred customer statuses and therefore handle the inflationary problems. On the other side, small-sized companies did not have the appropriate tools to sustain healthy relationships, and as a consequence they had to change suppliers. To conclude, Inflation did not have a significant effect on the buyer-supplier relationships, concerning the large-sized companies.

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APPENDICES

Appendix A

Table 5: Antecedents table

First tier antecedents	Second tier antecedents	References
<i>Growth Potential</i>	Financial attractiveness	
	Corporate image, reputation	(Huttinger, 2014)
	Joint growth	(Huttinger, 2014; Poul Erik Christiansen & Maltz, 2002)
<i>Profitability</i>	Purchase volume	(Huttinger, 2014; Vos et al., 2016)
<i>Relational Behavior</i>	Trust, loyalty, commitment to partnership.	(Blonska, 2010; Moody, 1992)
	Information exchange, communication	(Moody, 1992; Nollet et al., 2012; Poul Erik Christiansen & Maltz, 2002)
	Collaboration of multiple departments.	(Blonska, 2010)
<i>Operative excellence</i>	Reliability	(Huttinger, 2014; Vos et al., 2016; Wagner et al., 2009)
	Demand forecasting	(Wagner et al., 2009)
	Transparency	(Huttinger, 2014)
	Contact accessibility	(Vos et al., 2016)

Appendix B

Table 6: Preferred customer status benefits.

Benefit Categories	Benefits	Source
<u>Financial Benefits</u>	Benevolent Pricing	(Nollet et al., 2012; Schiele et al., 2011)
	Reduced Acquisition and Operational Expenses	(Bew, 2007; Nollet et al., 2012; Ulaga, 2003)

<u>Operational Benefits</u>	Prioritized over other customers	(Williamson, 1991)
	Decreased cycle time	(Ulaga, 2003)
	Preferred resource allocation	(Bew, 2007; Nollet et al., 2012; Schiele et al., 2012; Steinle & Schiele, 2008)
	Delivery reliability and flexibility	(Nollet et al., 2012; Ulaga, 2003)
	Reduced lead time	(Poul Erik Christiansen & Maltz, 2002)
<u>Interactional Benefits</u>	Dedication of best personnel	(Schiele et al., 2012)
	Increased availability and responsiveness	(Nollet et al., 2012)
	Commitment, trust and Information sharing	(Poul Erik Christiansen & Maltz, 2002)
<u>Innovative and quality benefits</u>	Suppliers want to invest in future joint projects	(Holger & Frederik, 2015)
	Prioritize access to supplier's new innovation ideas	(Bew, 2007; Ellis et al., 2012)
	Input on new innovative production, increases quality	(Nollet et al., 2012)

This table explains the benefits of the preferred customer status

Appendix C

Preferred Customer Questionnaire:

Interview for Purchasers

Classification

1. Do you classify the relationship you have with suppliers? If so, how?
2. Do you have any indications that the suppliers are doing the same with you?
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?

Benefits

5. Do you notice shorter lead times, influences on the purchasing prices, better access to innovative capabilities and shared development projects?
6. Which other benefits do you notice from having a preferred customer status?
7. 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?

Antecedents

8. Do you consider your company an attractive customer to suppliers? What are the factors that are influencing this attractiveness?
9. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction?
10. Are there measures that are planned to be undertaken to become a preferred customer of other suppliers?

Inflation

11. How has the post-COVID Inflation affected the relationships with your suppliers?
12. What did you do to prevent any possible difficulties?
13. How did you handle these difficulties?

14. Were the suppliers more flexible during Inflation?

Note: In the above questionnaire, we refer the respective customer/supplier as “Company-X”. The companies will be refer as such, in the final thesis report. This is happening in order to sustain companies’ competitive advantage.

Table 3: Questionnaire for customer

Appendix D- Interview Findings

Category	Purchaser 1 view	Purchaser 2 view	Purchaser 3 view
Benefits	P1: Shorter lead times.	P2: Preferred delivery time.	P3:
	P1: Lower purchasing prices.	P2: More flexibility	P3:
	P1: Contact people for every needed division.	P2: More Transparency	P3:
	P1: Being Preferred for specific projects	P2: Cost savings.	P3:
Attraction	P1: Have a high purchasing value	P2: High purchasing ability	P3:
	P1: Long-term relationships.	P2: Shell provides, portfolio credibility	P3:
	P1: aiming towards sustainable goals	P2: Highly regulated on safety, provides trustworthiness.	P3:
Satisfaction	P1: Being part of the EcoVardis.	P2: Demand visibility	P3:
	P1: Giving a 12-month forecast and a 24-month forecast for electronics.	P2: On-time payment	P3:
	P1: Having exclusive relationships.	P2: Problem Solving	P3:

Table 5: Similarities and differences in buyer supplier perceptions case (Purchaser1, Purchaser 2).

Case	Impact	Internal adjustment	Supply adjustments	PC benefits
P1	The respective purchasing firm, did not get affected by Inflation.	Staff layovers.	Instant Decreased supply forecast, with the respective suppliers. Customer demand did not get decreased.	
P2				

Table 6: Summary of Inflation’s impact on buyers.