Preferred customer status with key suppliers
A case study at Paauwe Installaties

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The theory of preferred customer status is described and used as a tool to create interviews for the case study. The case study focusses on Paauwe Installaties and three of their suppliers. Paauwe Installaties does not work with scarce resources, and is therefore an interesting case to be used on if a preferred customer status is viable in this market. The results are described and discussed to create conclusions for Paauwe Installaties and answering the research questions.

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Preferred customer status, benefits, antecedents, buyer-supplier relationship,

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1. INTRODUCTION
This study is about the preferred customer status. This theory is described in several studies. (Ellis, Henke Jr, & Kull, 2012; Hüttinger, Schiele, & Veldman, 2012; Schiele, Calvi, & Gibbert, 2012). It is commonly agreed that in traditional marketing it is about a supplier being as attractive as possible for their buyers, however the preferred customer status is about the buyer being as attractive as possible in order to gain the best service from its suppliers. This study will explain and elaborate the theory of preferred customer status in the commodity market of smaller companies who have around 20 employees to see how viable this theory is in these markets. Since these markets and companies are rarely discussed in the theory of preferred customer status. This study can be used to see if it really is a viable strategy in every market, or just under certain strict conditions. Commonly in the buyer supplier relationship the supplier tries to get the attention of customers by offering the best price, quality, lead times, or a combination thereof. However in this research the focus lies on the purchasing company. Companies can obtain relations with the best suppliers by acting in such a way to become a preferred customer. This is a new way to obtain competitive advantage over competitors. This research will focus on what this concept is and how this takes place within Pauwe installaties, how it can be improved, and how other companies can learn from this strategy. Theories and concepts will be explained in order to know what is necessary to understand and how to achieve preferred customer status. This will be done by literature research. This will allow an interview to be made to ask question about the preferred customer status in a case company and suppliers thereof. All findings will be listed in this paper in order to gain insights and have a critical reflection on it.

The research question for this research analyses the preferred customer status of Pauwe Installaties, the benefits, and antecedents, and concludes if this can be considered a preferred customer status which it is commonly known by. In order to contribute to previous studies done in this subject. Q1: “What are the benefits and antecedents of a preferred customer status with key suppliers within the organization of Pauwe Installaties”

The second research question is focusses on how this case can contribute to the literature that already exists about the preferred customer status. This will help give more insight of this theory and will provide as an example for other purchasing companies to form their strategies. Q2: “How do the findings of the case study of the preferred customer status at Pauwe Installaties and the reflection thereof contribute to the literature” These questions will further enhance on the existing literature of the preferred customer status and helps to create a more wider view on this concept.

In order to answer these questions several interviews are held. An interview with three key suppliers of Pauwe Installaties, and Pauwe Installaties itself for every supplier. These interviews will discuss how the preferred customer status takes place and what the benefits, antecedents are, and how the preferred customer status came to be. The literature review will help to shape the interview in order to ask the right questions, and come to best conclusions. The literature review uses previous works of theoretical concepts in order to get insight of these concepts, since these are relatively new.

The methodology will describe the interviews in full details. This will be done in Dutch, since the interviews are conducted in the Dutch language. The analyses, and results driven from that will be explained in English again. The interviews will give an insight of how the preferred customer status is present and how it came to be within the Pauwe Installaties organization and its key suppliers. The results will describe the Pauwe Installaties organization and what results can be drawn from the interviews. This will give an answer to both research questions and discusses it critically.

Lastly, the research questions will be answered in the conclusions part, and will give a clear summary of all the benefits and antecedents Pauwe Installaties has. The first question will be answered by stating all the benefits Pauwe Installaties gains from its position an what antecedents play a role here. At the same time the perspective of the suppliers will also be summarize here. This will help to understand how and why a supplier treats its customers differently. This answers the second research question an can be used to contribute to the already existing literature.

2. THEORY THE CONCEPT OF PREFERRED CUSTOMER STATUS
2.1 preferred customer status: preferred treatment by suppliers
Commonly both academics as well as practitioners approach buyer supplier relationships with the assumption that to successfully sell products or services, suppliers become as attractive as possible to their buyers. (Schiele et al., 2012, p. 1178). The theory of preferred customer status is the other way around. “As competitive, purely price-oriented purchasing strategies are not always successful with suppliers that are limited in availability or with those offering superior technology that creates competitive advantages for the purchasing firm, a change in the traditional purchasing philosophy is occurring.” (Hüttinger et al., 2012, p. 1194). preferred customer status focusses on how the buying company can act in such a way to get special treatment from suppliers. Several studies talk about this concept of being a preferred customer. Buying companies that are seeking innovation, and an improvement of their competitive a advantage can benefit from achieving a preferred customer status (Ellis et al., 2012, p. 1259) This study concludes that having a preferred customer status is positively linked to the suppliers willingness to share new technology with the buyer and thus giving the buying company better access to new technology and is therefore at a better competitive position than its competitors in a rapid changing environment.

In order to become a preferred customer the buying company has to be attractive as possible to its suppliers. Customer attractiveness is based on how suppliers look towards a specific company and what they would expect from the company in the business to business market. There are thus certain factors that have an influence on the attractiveness. There is no clear single definition of this concept. However it is mainly seen as “economic and social reward-cost outcomes from the relationship over time” It is clear that is relationship based. Therefore customer attractiveness is seen as a strong relationship between buyer and supplier. Many authors therefore use the social exchange theory to describe the relation between the buyer and the suppliers, and the relation between the customer
attractiveness and supplier satisfaction. (Schiele et al., 2012) (Ellis et al., 2012) The definition for the social exchange theory is used from Blau. “Social exchange theory concerns the social processes that obligate the recipient of an inducement to reciprocate in-kind by voluntarily providing some benefit in return. Central to this theory is the notion of social exchange – exchange that involves (i) goals that can only be accomplished through interaction with another party, (ii) adaptation to further the accomplishment of these goals, and (iii) development of social bonds which reflect the intrinsic value of qualitative aspects of the exchange relationship.” preferred customer status can thus be achieved by relationship building, which will result in being preferentially treated by suppliers. These suppliers have to be satisfied with the buying’s firm interactions.

2.2 The benefits of having a preferred customer status
Being a preferred customer has its benefits. The supplier will treat you different than other buying firms in a positive way. This can mean different things for different supplying firms as it is the suppliers choice how to treat their buyers. Benefits that can be achieved from this preferred customer status can be classified in a certain categories. Benefits can be financial, time, and relational based. The most common benefit from being a preferred customer is getting a better price than competitors. A study found that 5 to 30% cost savings are pretty common benefits gained from preferred customer status. (Blenkorn & Banting, 1991, p. 188). The reason why this is common is due to the fact that every company has to make profit in the end. Reducing spending is one way to do that for the buying company. Supplying companies usually give out these cost savings with bigger batches, or a total amount of purchases made in terms of money at the supplying company. This will ensure the supplying company their sales, motivating them to offer these cost savings to buying companies.

A time based benefit that can be achieved by a preferred customer status is shorter lead times and faster time to market. (Ulaga, 2003, p. 682). This benefit can be very profitable for a buying company. Being able to respond quicker to the customers as the buying company than the competitors can result in a better competitive advantage as the competitors cannot serve their customers as fast without this benefit

Inventory management can benefit from preferred customer status. As study shows (Christiansen & Maltz, 2002, p. 186). Demand is predictable and makes it able to reduce inventory and thus save costs, while at the same time still being able to keep up with demand. Access to supplier knowledge, improvement of production process, and open exchanges of information become all available by being a preferred customer. (Christiansen & Maltz, 2002, p. 188). Or as the study describes an interesting customer. Indirect benefits of the preferred customer status are market awareness and product innovation. (Christiansen & Maltz, 2002, p. 192).

Still buying firms find it hard to identify whether they have a preferred customer status or not. Buying firms mostly do not know how other buyers are being treated, and thus do not know if they are preferred over their competitor by the supplying firm. It is therefore important to map every benefit to be able to understand how preferred the buying firm is. There is a classification for this phenomenon. Namely the mapping of the preferred customer status in the pyramid of figure 1. This pyramid consists of three parts. The top part explains that every benefit that not all customers get and are free means that the buying firm is preferred. The middle part explains that every benefit that not all customers get, but need to pay for are considered as little preferred customers. The last part looks at benefits that all customers get and are not free cannot be considered as preferred.

![Figure 1 Mapping the preferred customer status](image)

2.3 The antecedents of having a preferred customer status

Customer attractiveness and supplier satisfaction

Customer attractiveness and supplier satisfaction and the preferred customer status

One of the most important question for this concept is how to achieve a preferred customer status. It is described as an combination of three factors that all influence each other, namely customer financial attractiveness, supplier commitment, and supplier satisfaction. These three factors are positively linked to achieve a preferred customer status according to this study (Baxter, 2012, p. 1251). The customer financial attractiveness influences supplier satisfaction, and supplier commitment directly. Supplier satisfaction, and supplier commitment are then directly linked to achieving a preferred customer status. Supplier satisfaction is the concept of how satisfied the supplier is with its buyer. This can mean different things for every supplier, but is linked to a strong relationship with the buyer. Suppliers want to ensure their future and are thus keen on having a long term relationship with a company that buys regularly and continuously at the supplying firm.

In order to describe the antecedents, three factors are used. Customer attractiveness, supplier satisfaction, and the preferred customer status. These three factors are integrated and correlate with each other and is following the example used by (Hüttinger et al., 2012) This paper takes different studies into account to explain the three factors and how they are related. In order to show that customer attractiveness and supplier satisfaction serve as prerequisites for buying companies to attain preferential treatment

Multiple theories for the antecedents exists for the preferred customer status. As can be seen above. Both will be used to create an inter designed view on this concept.
Customer attractiveness is what makes the buying company attractive for the supplying company. Every supplier values different factors, so it is important for the buying company to know what these are. (Fiocca, 1982) argued that suppliers evaluate their customers based on five criteria. These are market, competitive, financial, technological, and sociopolitical factors. Market factors are growth, size, and the influence on the market. The competitive factor is the competitive position of the buying company. A strong position is needed to ensure a long-term relationship. Financial factors help to contribute to this relationship. Technological factors are crucial for certain industries. Technological understanding and skills are seen positively by the supplier. Sociopolitical factors such as adapting to changing environment and alignment with the supplier’s strategy indicate a strong customer. These five criteria form a great basis on what the antecedents for customer attractiveness are, and is also used by (Hüttinger et al., 2012) in their research in describing the antecedents. (Harris, O’Malley, & Patterson, 2003) described customer attractiveness as “the extent to which relational partners perceive past, current, future or potential partners as professionally appealing in terms of their ability to provide superior economic benefits, access to important resources and social compatibility” (Harris et al., 2003, p. 12) Customer attractiveness can thus be classified of the expectation the supplier has towards to its buyer. Customer attractiveness can be seen as company reputation. Company reputation has very much in common with customer attractiveness, but is more focused on the history of the company. It shows how reliable the buyer is, how they treat their suppliers, and how satisfied current and previous suppliers were. As can be seen from the explanation from (Logsdon & Wood, 2002). Company reputation has been broadly described as the long-term combination of the stakeholders’ assessment about “what the firm is”, “how well the firm meets its commitments and conforms to stakeholders’ expectations”, and “how well the firm’s overall performance fits with its socio-political environment”.

Supplier satisfaction is the degree to which the supplier is satisfied with the interactions, means, and strategy of the buying firm. This again is different for every buyer supplier relationship. Since customer attractiveness served as a the expectations of the buyer (Harris et al., 2003) it can be stated that supplier satisfaction thus is the degree to which these expectations are met. It is also found that satisfaction can be grouped into two categories as found by (Maunu, 2003). The two categories are business related and communication related. This helps to find out whether being preferentially treated is due to more business or communication related satisfactions, or might not show any deviation at all. The degree to which the supplier is satisfied with the expectations of the buying company split up into business and communicating thus serves as an indicator for the supplier to decide if the buyer will be preferentially treated.

3. METHODS
3.1 Interview design
Two interviews have been designed in order to be able to answer the research questions. These questions are based on previous research and the combination of the literature review mentioned above. The interview for the buyer can be classified into four categories, namely the purchasing process, classification, benefits, and antecedents. The interview for the supplying companies will have the same categories except for the buying process, since that is irrelevant for this topic. The purchasing process will help to understand how Pauwe places its orders, in which sizes, and what decisions are used to determine what process and suppliers are used to satisfy the need of Pauwe Installaties. The classification category will help to explain how the preferred customer status is present at Pauwe Installaties. If present or not the interview will help to explain why and how it is present or not. The benefits sector will ask what benefits Pauwe Installaties gains from having a preferred customer status. What benefits Pauwe Installaties would like to see, and how these benefits are gained. The last three categories will also explain how all of this is taking place, but from the suppliers point of view. This will help see differences, and similarities, what can be improved and what has shown to be successful. All together this will draw a clear picture of the purchasing process with its benefits of Pauwe Installaties.

3.2 Interview respondents
In order to answer the research questions I will conduct four interviews. These interviews are conducted face to face to get the best responses and to avoid misunderstandings. The respondents will give answers to the questions in order to gain a better insight in the relationships Pauwe Installaties has with its suppliers and what it yields in order to draw conclusions on the preferred customer status. I have interviewed the manager of Pauwe Installaties about three key suppliers of the company, and I have interviewed the 3 supplying companies about Pauwe Installaties. The respondents are mentioned in figure 2 and is used as reference material for the results of the interview. This will help to see what benefits are gained from which supplier and what antecedents have an effect on that.

<table>
<thead>
<tr>
<th>Company</th>
<th>Name Respondent</th>
<th>Interview number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pauwe Installaties</td>
<td>Henk Olthof</td>
<td>Interview 1</td>
</tr>
<tr>
<td>Supplier A</td>
<td>Respondent A</td>
<td>Interview 2</td>
</tr>
<tr>
<td>Supplier B</td>
<td>Respondent B</td>
<td>Interview 3</td>
</tr>
<tr>
<td>Supplier C</td>
<td>Respondent C</td>
<td>Interview 4</td>
</tr>
</tbody>
</table>

Figure 2 Interview Respondents

3.3 Interview procedure
All Interview were held face to face. The answers of the questions were note on paper and recorded. All respondents are asked if they wanted to be anonymous and if they allow being recorded. This makes sure the best and original answers will be used in the analysis. This will help avoid misconceptions. After all the information has been gathered it can be used to elaborate on the analysis of Pauwe Installaties, and to draw conclusions for the research questions of this research. The interviews are all held in the Dutch language, since all respondents are Dutch.

3.4 Pauwe Installaties as the case study
It is commonly seen that major companies and industries are used for the research of purchasing, and preferred customer status in general. The auto motive industry is a common example that is used often to describe this phenomenon, (Ellis et al., 2012) can be used as an example where the research used data from 233 sales persons in the automotive industry. This industry is commonly used since these are big corporations and often work with materials that are scarce. Therefore not every customer of their suppliers can be treated equally, but how does the preferred customer status work for smaller companies, and how does this
work in the installation sector of society, and is a preferred customer status a useful tool in industries where most of time materials are not scarce. I was aware of that Pauwe Installaties gained certain benefits, but which benefits and why was still unclear. Therefore I conducted these interviews on what benefits Pauwe Installaties gets from its suppliers, how many customers get these benefits, and how these benefits are gained. This will allow me to answer the 2 research questions that this paper will answer.

4. ANALYSIS & RESULTS

4.1 Introduction of Pauwe Installaties

For more than 65 years Pauwe installaties has served its customers. The current manager is Henk Olthof. The company provides services to businesses, malls, sport accomodations, and private consumers. The utility sector is the favorite kind of customer for Pauwe Installaties, since the finances involved are high and can thus create a possibility to gain more profits. Customers from the utility sector are most of the time not 1 time customers. When a school, store, or factory wants to expand it is very likely to call Pauwe Installaties to install all electrical equipment in the new rooms, halls, and buildings. They install all kinds of electronics like lighting, wiring, security and sonar panels. Pauwe Installaties is small enough to give the right amount of attention and customer service to the customers, yet big enough to fulfill the needs of every customer listed above. Pauwe Installaties has around 15 employees at their disposal. In order to install all these kinds of electronics, Pauwe Installaties has to buy them from key suppliers. This ranges from standard wires, light bulbs, and sockets to the most complicated design of lamps, security systems and solar panel installations. This gives the customers of Pauwe Installaties a wide range to choose from, right from the the suppliers themselves. Therefore the interest of the suppliers is high in Pauwe Installaties, since most customer of Pauwe Installaties are indirectly linked to being customers of the supplier of Pauwe Installaties. Pauwe Installaties is thus interested in suppliers that can give a wide range of equipment and products that the customers of Pauwe Installaties are interested in.

4.2 Pauwe Installaties perspective on the preferred customer status

Pauwe Installaties elaborated on their relations and actions with 3 of their suppliers. This will be discussed in order, from supplier A, to B, to C.

4.2.1 Pauwe Installaties view on supplier A

Supplier A has been in a relationship with Pauwe Installaties for over 30 years. This relationship has been strongly increased the last 6 years. A past supplier of Pauwe Installaties had a reorganization, which meant that the expectations of them could not be met anymore. Pauwe Installaties still had to deliver their services to their customers, so they decided to buy more at supplier A. More interactions meant more benefits that were given to Pauwe Installaties. In the last 6 years Pauwe Installaties became thus a more interesting customer for supplier A. Due to the long relationship Pauwe Installaties expect fast delivery times, sufficient supply of their products, a good price, knowledge of the employees, and does not want to negotiate over the price all the time. There was one case when one product of supplier A, a socket, was 2 euro 50, while most other suppliers had the same item for the price of 2 euro. Pauwe Installaties had to contact supplier A about this problem, this resulted in the item being discounted at 2 euros. Pauwe Installaties does not want to check every products price all the time, this should come from supplier A, they should according to Pauwe Installaties be up to date with their prices, and automatically adjust them for Pauwe Installaties. In most cases the rest of the expectations are met as usual. The trust between both companies is therefore solid.

One financial benefit that is always present at Pauwe Installaties is a fixed percentage price cut on a certain amount of products. These are obtained in the web shop of supplier A. Pauwe Installaties has been granted a special account that can check the inventory levels and will have an automatic fixed discount when ordering with this account. The percentage differs from product category. This means that Pauwe Installaties can show its customers a wide range of products to choose from, which Pauwe Installaties can get for a cheaper price than other buyers at that supplier, and thus increasing the profit margin, or being able to get to a reasonable price to its customer to fit their benefits. This helps to serve more customers, which as explained earlier leads indirectly to success at the supplier. This fixed price reduction makes Pauwe Installaties switching to other suppliers become a less occurring thought. This strengthens the relationship of the two companies every year. Which can lead to other preferred customer status benefits. There is only one problem Pauwe Installaties still faces with this ordering system. It can occur that the inventory levels of a certain article is too low for the needs of Pauwe Installaties. If 1 article is running short, Pauwe Installaties tends to buy the complete batch of all kinds of products needed at that time at a different supplier. This will cut costs of ordering twice, save time, and hassle. A benefit Pauwe Installaties thus would like to see from supplier A is inventory privileges. All customers of supplier A can access their web shop, but not with the same privileges, such as the price benefit. Pauwe Installaties would like to see a system where the shown inventory levels will not be the same for every customer. The web shop would say to less preferred customers that the product is not in stock, while at the same time it would show the real stock to more preferred customers like Pauwe Installaties. This will get rid of the problem Pauwe Installaties currently faces with their batches.

Another price benefit Pauwe Installaties gets is a bonus percentage reduction based on the total amount of euros spend within a year. The more total euros spend, the more percentage price reduction will be up to a certain amount. This makes Pauwe Installaties consider to buy equipment at a certain supplier for a bit higher price than at a competing supplier. Since this will contribute to total yearly amount of euros spend, which will result in a better price of more expensive products. Although this is a good bonus to have, but it cannot be considered a preferred customer status benefit. This is due to the reason that every buying company has access to this price reduction. This is a formal agreement the supplier offers to every buyer, therefore it is not contributing to the literature, since there is not something the buyer has to do on their part to prove them worthy of gaining this price benefit. It is also logical that the supplier gives out this benefit for free. The supplier wants to gain profits, and grow. This gives buyers an open opportunity to help the supplier gain this goal, while at the same time profit from this by gaining price reductions for purchasing more at this supplier.

New innovations and news within the installation and electro technical spectrum are delivered in a flyer every week by supplier A. Supplier A keeps its customers up to date and show that they
do more than just deliver their products. The most important or revolutionary innovations are being shown at special meetings, where only a handful of customers and other parties of interest are present to learn about the new innovations. At these meetings suppliers and customers meet up with each other, chat and enjoy a meal. This helps the business relations to feel more personal.

4.2.2 Paauwe Installaties view on supplier B
Supplier B serves as the supply of lighting for the utility sector. Paauwe Installaties and supplier B have been doing business for over 25 years. The relationship between the two parties has been going up normally. What Paauwe Installaties likes about this supplier is that they are good service, price and knowledge. Supplier B is a specialized supplier for the lighting needs of the customers of Paauwe Installaties. Supplier A mostly sells standardized lighting equipment, and specialized equipment is more of the time more expensive than supplier B. Supplier B is especially good in making drawing designs for the how the lighting should be installed in a school or a clothes shop, with the right angles to get attention of potential customers to visit the shop. Same goes for the brightness. Supplier B also offers very sharp prices, which is why this supplier is so attractive for Paauwe Installaties in the first place, because in the end money has to be made. All and all the expectations of this supplier are high, and rightfully so. Paauwe Installaties expect good advice, what equipment should be used in order to satisfy the customer the best for example. Paauwe Installaties also expect high technical knowledge whenever questions arise, and so far supplier B has been able to help Paauwe Installaties with their difficulties. There is only 1 problem Paauwe Installaties has with this supplier. This supplier is not custom to delivering its items freely. This is not that big of a deal, since the installers of Paauwe Installaties can easily pick the goods up on the way to the customer or project, depending on where the customer or project is located. Here is where the problem arises, Paauwe Installaties could be at the pick-up location, but it is not ready to pick up. This costs time and money. Paauwe Installaties gets the feeling that the supplier isn’t serious enough to prevent this problem from happening. For an installation company there are 2 ways to cut costs, either have better planned purchasing or save money in the labor department by reducing loan or working hours. Waiting on supplies increases working hours without contributing to Paauwe Installaties customer needs. This feeling creates the exact opposite of the preferred customer status, Paauwe Installaties feels neglected rather than being preferred.

Paauwe Installaties is not actively pursuing a preferred customer status at supplier B, only negotiating for the best price. Paauwe Installaties therefore does not consider that they achieve a preferred customer status. The service is still good, but Paauwe Installaties cannot imagine that they achieve a better status than other customers of Supplier B, especially those who have more and higher transactions with this supplier. Supplier B also does not have any special offers or deals where Paauwe Installaties can focus its planning on, like endyear deals or bundles items.

Since Supplier B does also make and develop some of their equipment Paauwe Installaties is invited to events and is told whenever they have created a new product. However Paauwe Installaties is not the only customer of supplier B that is granted this bonus. Yet it is something that not every customer of this supplier will make use of. Paauwe Installaties will always make use of these events. It will always strengthen the relationship and allows more transparency and trust between the two parties.

4.2.3 Paauwe Installaties view on supplier C
Supplier C is a very small company with only 3 employees. Since only 3 employees work at Supplier C, Paauwe Installaties knows them very well. They are also very specialized in lighting and often have the most artistic design lamps, some of these cost 5000 euros. These kinds of lamps are not suitable for every customer of Paauwe Installaties, especially not for the private sector who mostly cares about the price. This means that interactions are somewhat limited with this supplier simply because of the customer’s needs. Just as Supplier B, Supplier C is very good in making design sketches so detailed with the right angle and brightness of light. Paauwe Installaties admires this very much, since it pleases the customers who see this is one of their needs, which allows Paauwe Installaties to raise their profit margin on the whole installation project. This supplier is therefore most suitable for the utility sector, where the right angle of light in a clothes shop can really make the difference in the appeal of the shop. Supplier C also has very good technical expertise and knowledge on how to satisfy Paauwe Installaties their customers. Paauwe Installaties has been in business with this supplier for around 5 years, no big event has taken place that has caused a sudden shift or impact on the relationship between these two parties.

Something negative that arises in the relationship with this customer is that standardized products of lower prices are also low in quality. One time a customer of Paauwe Installaties had to replace some lighting, since it broke down after half a year. This resulted in the cost of working hours for Paauwe Installaties, which was unavoidable, since it is part of Paauwe Installaties service to keep its customers satisfied after the installation to keep their name high and allow to be the number 1 installer for when a customer in the utility sector is thinking about expanding. Paauwe Installaties therefore prefers to buy the more standardized products at Supplier A and B.

The costs of this supplier are based on projects and not on individual products as seen by supplier A and B. Supplier C will put everything together, calculate a reasonable price for Paauwe Installaties to pay, which results in the two parties negotiating in order to come together. Supplier C is not very hesitant in reducing to total price during the negotiating process and thus allows Paauwe Installaties to stay competitive in their market.

Paauwe Installaties does not expect that these benefits and their services are limited for a certain amount of customers. Even though the supplier is very satisfied with Paauwe Installaties. No active plan exists to pursue being preferentially treated, yet Paauwe Installaties is very keen on knowing how to achieve it.

4.3 The suppliers perspectives on the preferred customer status
4.3.1 Supplier A’s view on Paauwe Installaties
Supplier A views Paauwe Installaties as a very good, and reliable customer. Business has been good between the two companies. In order to qualify its customers, supplier A uses so called W profiles. This ranges from W1 to W5. These W profiles are completely based on the size of the company, which is based upon the amount of employees present in an installation company. The exact number of employees linked to the W profile can be found in Table 1, under this paragraph.
Table 1 W profiles

<table>
<thead>
<tr>
<th>W profile</th>
<th>Amount of employees</th>
</tr>
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<tbody>
<tr>
<td>W1</td>
<td>1</td>
</tr>
<tr>
<td>W2</td>
<td>2 to 5</td>
</tr>
<tr>
<td>W3</td>
<td>5 to 20</td>
</tr>
<tr>
<td>W4</td>
<td>20 to 50</td>
</tr>
<tr>
<td>W5</td>
<td>50+</td>
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</table>

This table is used to determine how much discount a customer should get. Based on the assumption that every installer at a company should gain supplier A 30,000 Euro in sales. Supplier A is still free in this method, meaning they can move a customer up a level if they so desire. This thought process is based on the idea that the more the customer invests in the supplier, the more the supplier is willing to prefer that customer. It is a win-win situation. The supplier gets more sales, and the customer more discounts, and thus relative lower costs.

Furthermore a financial benefit is that discounts are given when a customer buys a specific product or brand of products multiple times. This allows supplier A to better predict the supply chain that can enhance their purchases at factories. This allows supplier A to buy in greater amounts, and with better predictability. This way of thinking is again win win based. Supplier A is only giving away benefits to its customers, when the customers can cause a benefit for them. This is a logical way of thinking, and is important for Pauwe Installaties to know when negotiating with suppliers.

The last financial benefit Pauwe Installaties gets is an end year discount. This discount is based on the total amount of cash spend in a certain year. Whenever a milestone in terms of cash is reached a percentage of discount on that total amount of cash spend will be given to the company. However no special arrangements or requirements have to be met by customers in order to achieve this financial benefit. Customers simply have to be able to reach a certain milestone. Not every customer of Supplier A is capable of doing this, while others can easily achieve these benefits.

Still Supplier A does not see this as treating Pauwe Installaties as a preferred customer. Supplier A views it as a relationship, wherein every customer will get a standard relationship, since all customers are important, yet this relationship can be improved which will result in slightly better treatment. For example placing a customer in a W profile that does not match the amount of employees.

As far as the antecedents for attractiveness and satisfaction go Pauwe Installaties is an attractive company, since it yields Supplier A a “reasonable amount of sales” according to respondent A. However the most important factor according to Supplier A is being able to accurately plan ahead. This is according to this supplier the best factor to cut costs. Having a precise and accurate plan for a project means that less sudden purchases have to be made, sudden purchases have to be made in order to finish a project and fulfill the an installation company’s customer’s needs. This means that buying in larger batches and discussing prices is out of the equation, which leaves the bought product being more expensive than normally, this however can be better seen as satisfactory factors. In Actuality Supplier A, sees every customer as attractive, since it results in doing business. However it was clear that Supplier A prefers companies that have a large financial gain and being clear in their plans, since being this kind of an attractive customer satisfies Supplier A. Pauwe Installaties is fairly good at this and that is why they gained a 7.5 out of 10, 2 times as showed in table 2 and 3.

Supplier A sees no possibility in Pauwe Installaties ever being a preferred customer, referring to the highest level shown in figure 1, in terms of treating them better than all other customers. Supplier A does not see it as a viable option in this market. It all depends on the W profile, and the planning in buying the same brands of products.

4.3.2 Supplier B’s view on Pauwe Installaties

Supplier B differentiates its customers by the type of company they are. Supplier B delivers its services to installation companies, retail shops, the utility sector and many more. However this has no impact on how Supplier B treats its customers, they treat everyone equally, no matter what. This is immediately different from supplier A, who does have some incentive system. Since Supplier B treats all of its customers equally, the benefits of doing business with this supplier have to be seen as the service of the supplier. Supplier B does not serve individuals. A company is needed in order to interact with Supplier B.

The most important benefit of doing business with this supplier is it’s low competing price. Treating customers equally and offering the best prices are part of Supplier B’s business plan. It is their way to differentiate themselves on the market in order to beat its competitors. This strategy seems to be very effective. This is of course very attractive for every customer. Having access the best price makes a company immediately competitive. This is also the reason why this particular supplier is so attractive for Pauwe Installaties. Searching for the lowest prices as a customer is also the easiest way to get access to the cheapest prices. Getting right down to the lowest prices, without all kinds of special offers and deals can also be very satisfying as a customer. As a customer you know what you get, and do not have to invest in any sort of calculations. Order the products you want and you will get them very cheaply. A lot of customers want this, and these kind of customers is what Supplier B is focusing on.

Another benefit is that Supplier B does create some of its equipment on its own, and customers can choose to cooperate with Supplier B to develop their own products, which grants the customer the only one with access to this product. It is a benefit that is innovation based. Every customer of Supplier B is able to use this feature, so no customers have any privilege. This can grant the customer some sort of advantage, since that particular customer is the only one with access to that specific developed product. Yet the amount of customers using this feature Supplier B offers has been going downhill lately. The reason is unknown. Speculation is that these innovation projects do not seem to be very beneficial at serving their own customer’s needs, and is therefore mostly time spending that could have been spend better.

The antecedents of attractiveness and satisfaction can be seen as what Supplier B values in a customer, and thus uses to see
customers as attractive are that the relationship should fit, the financial security has to be there, the customer should be able to be good at planning, and the buying company has to be an installation company. The last requirement does not require any explanation. The relationship should fit, what is meant by this is that both parties should work in the favor of each other, and not just their own. It should not be a one sided relationship. The financial security has become more and more of a problem according to Supplier B is that more and more companies rely on late payment, which sometimes results in no payment, in which the supplier is not one of the first parties to receive its money. Pauwe Installaties does qualify to Supplier B’s expectations and is therefore given an 8 out of 10, 2 times as seen in table 2 and 3.

Supplier B does not support the theory of preferred customer status in the sense of neglecting some customers to treat others better and sees it as some sort of way to make business sound nicer, whereas Supplier B is straight to the point with cheap prices and equal services. That is how they got where they are now today. Supplier B is however very open to help it customers in terms of giving advice, answering questions, making drawings, visiting customers and discussing new prices etc. Yet this is all part of Supplier B’s service and is not limited to a certain amount of customers. Supplier B does view that certain customers might deserve to be better treated, since their relationship is long and strong, and where Supplier B gains strong financial gain from. Still this does not equate into changing their business model. Supplier B sees it as every customer of theirs is placed in the top level of the pyramid in figure 1. This might seem like a paradox, since a customer cannot be treated better when all customers are treated equally. However the benefits that a customer might gain in the top level of the pyramid in figure 1 are part of the service of Supplier B. They let their customers experience a flip on the pyramid. “While everyone is treated equally it is a top level service” according to respondent B

4.3.3 Supplier C’s view on Pauwe Installaties
Supplier C classifies its customers in end users, and resellers. The resellers can be split up into several categories as well. An Installation company is one of the resellers, since it uses the products, which they then resell in the sense of installing these products to create a project based price for the customer. Supplier C also works with advisors and architects, however these parties are not customers of Supplier C, but rather parties who contribute for the end product. These parties however are very important for the service Supplier C delivers.

Supplier C does not work with a systematic benefit system like Supplier A does. Installation companies get better discounts than other categories of Supplier C customers, since Installation companies have to be very price competitive in the market. Also since Supplier C only has a total of 3 employees they cannot help every customer at once. Some customers have to be preferentially treated. An example is when customers would like a light plan drawing, similar to the ones Supplier B offers. Supplier C rejected one customer’s request to draw such a plan in order to draw one for Pauwe Installaties. According the Supplier C this has everything to do with the relationship. This explains that some customers of Supplier C have a better and longer relationship than others, and will be given a better end price unsystematically in the negotiating process.

Supplier described the antecedents of attractiveness and satisfaction as followed. Pauwe Installaties is an attractive company for Supplier C. This is purely based on how attractive installation companies are. The financial gain for Supplier C is simply lower than other branches of customers. Supplier C is the only supplier that made a distinction between attractiveness and satisfaction. Rather than listing everything that makes an installation company attractive and see if these points are met to turn it into an satisfaction, Supplier C bases satisfaction more on the relationship. That is why Supplier C’s given grades differ from each other in table 2 and 3. The attractiveness of Pauwe Installaties is somewhat lower due the potential financial gain from Pauwe Installaties. The satisfaction however is higher, since Pauwe Installaties meet the requirements, are very open and trustworthy, and does no mindlessly complain, but rather give constructive feedback.

Supplier C is less satisfied with other customers of them. Some customers are so focused on the price that they will never leave the negotiating room till the price is reduced. Supplier C knows this and therefore raises the prices a little bit beforehand to come to the normal result. Pauwe Installaties is not like this. They are more reasonable according to Supplier C, by keeping Supplier C’s interests in mind. This allows for a more open discussion to take place. Something Supplier C values very much. Therefore Pauwe Installaties automatically scores 1 grade higher than “standard installation companies”.

Supplier C is very open in their way on communicating to their customers. For example Supplier C does not work with an end year bonus described at Supplier A, yet they stay free for the possibility with implementing that with its customers. Supplier C will easily give out an preferred customer status when Supplier C will be the main source for lighting for Pauwe Installaties. This is a very large demand from Supplier C, yet there is this possibility.

4.4. Pauwe Installaties’ 3 biggest benefits
All of Pauwe Installaties benefits are based on the service and systematic procedures on how to achieve them. The first benefit is the end year bonus, granted by Supplier A and a possibility at Supplier C. This requires a calculation from Pauwe Installaties and good planning. An end year discount might be financially helping the company or not. This can be seen as a slightly preferred customer status.

The second best benefit Pauwe Installaties gains is based on buying the same products or brand of products at Supplier A. Same as the end year discount this requires a calculation, since it could be financially helping the company or not. Again this can be seen as a slightly preferred customer status.

The final benefit Pauwe Installaties gets is the treatment from Supplier C. Even though this benefit is not directly financial, it could result in lower prices in a negotiating process, as well as being the company that is first served when a light design has to be drawn. This is already being preferentially treated, and the possibility to expand on it is available. On what place of the pyramid in figure 1 this can be placed remains unknown, meaning it can turned out very beneficial for Pauwe Installaties or that useful.
5. DISCUSSION

5.1 Similarities and differences between each supplier
As is clear from the previous chapter most financial benefits are gained from Supplier A, which is the only supplier who works with a systematic approach on how to contribute these benefits. Supplier A classifies there customers with the W profiles to calculate their discount, with added discounts whenever a customer purchases a single product or branch of products more often. Supplier A is also the only one who works with an end year discount. Since every customer of this supplier can achieve this status, but is not given to everyone immediately, it can be considered to be a little preferred, or the second level of the pyramid. This might not seem that big of an achievement, however in this market sector where resources are not scarce and every cent counts in beating your competitors. This means that every discount, every deal, and everything that makes an installation company the better choice for the customer is very important, therefore the little preferred customer status Paaue Installaties has with this supplier is very good and might even be the highest level of customer status Paaue Installaties can achieve with this supplier.

Supplier B is a supplier with a very good customer service, and sharp prices. These are very important for Paaue Installaties to stay competitive even if this supplier does not offer any kind of special deals. Supplier B treats all of its customers equally regardless of the financial input of their customers. This is their business strategy. It shows how sometimes a buying company is powerless in achieving something, like a preferred customer status. It goes against Supplier B’s values and is thus unthinkable in this relationship.

Supplier C also had a superb service and expertise Paaue Installaties wants from its suppliers. Supplier C also let me know that Paaue Installaties is one of their favorite installations customers, and will most of time work first on designs of Paaue Installaties then other customers’ sketches. Supplier C did not have any systematic benefit system, but is flexible in negotiating. Supplier C is also open to discuss other forms of benefits such as an end year discount with Paaue Installations. This is because Supplier C is very keen on win win situations. Whether or not these kinds of benefits will become systematic for Paaue Installaties remains the question, but the possibility lies ahead. This should wake up Paaue Installaties to more actively pursue benefits at Supplier C, which is currently not particularly present excluded, but the opposite is the case. The more customers for a supplier, the more services and products they can deliver to make a profit on.

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Grade given by paauwe Installaties</th>
<th>Grade given on paauwe Installaties by suppliers</th>
</tr>
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<tbody>
<tr>
<td>Supplier A</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Supplier B</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Supplier C</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 2 Attractiveness of both parties

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<thead>
<tr>
<th>Supplier</th>
<th>Grade given by paauwe Installaties</th>
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<tr>
<td>Supplier C</td>
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Table 3 Satisfaction of both parties with each other

5.2 Paaue Installaties quest to benefit from supplier C
The relationship with supplier A is long and strong one, but mostly everything is systematic. Sadly Paaue Installaties cannot change much within this relationship to make it even more beneficial for Paaue Installaties. This would mean that all the other customers of Supplier A would want similar treatment. This is unviable, Paaue Installaties does not have the financial power to be Supplier A’s number 1 customer, since Supplier A is a wholesale company and serves many customers. Supplier A is reliant on many customers rather than several major customers. In order for Paaue Installaties to get the most out of this relationship, Paaue Installaties needs to be very good at planning and calculating costs up front. This would allow them to see what end year bonus is achievable and whether investing more money in supplier A yields more relative savings. Paaue Installaties should also look into buying the same products and products of the same brand more often, since this will allow Supplier A to create more costs savings, since their purchasing will be improved by buying more of the same products in one batch that will allow to get a lower average price per product. However all these actions Paaue Installaties can undertake should align with the needs of their customers and might therefore be not as easy to implement as it sounds.

Supplier B is an example of how little a customer can make a difference. Supplier B keep themselves strict to their way of doing business, which is treating everybody equally with great service and low prices. From a preferred customer perspective this might seem like an unattractive supplier to business with, since the customer is unable to profit preferentially from this supplier. However this also means that as a customer of this supplier, your competitors will be treated the same, even if they have a way larger financial power than your company might have. This creates an even playing field, wherein smaller businesses can compete against the large establishment when their service is on par. For Paaue Installaties this means that larger establishments will not get better treatment, which they
would get at Supplier A. Switching to another supplier or having more interactions with the other mentioned supplier could be beneficial, but is a major step to take and needs to be analyzed and discussed thoroughly. Knowing that Paauwé Installaties is doing business with Supplier B for over 25 years, and that their prices are sharp, I do not see this shift happen anytime soon. However the market can change and a better prices, and thus suppliers might become available.

Supplier C is the only one of the suppliers where actually some new benefits may be achieved. Supplier C let me know that they are open for new ways of dealing with interactions as long as it will result in a win win situation. Here is where Paauwé Installaties can undertake the most actions in order to be preferentially treated. Both parties already trust each other by being transparent and having done business for over 6 years. The possibility lies ahead. Paauwé Installaties and Supplier C need to come around the table and discuss everything they have in mind according to the manner of how negotiating should go as demonstrated below in figure 3.

![Figure 3 The Negotiating process](image)

As can be seen there are 3 steps in this negotiating process. Knowing what you and the other party wants allows both parties to come to a goal that both parties will agree on, or other words create a win win situation. This fits perfectly with Supplier C’s way of thinking. This also means that Paauwé Installaties should do research on exactly what they want and what Supplier C wants, to come up with solutions for their business relationship. This is could be a completely new step of direction vaauwe Installation could face.

Paauwé Installaties showed that they want the best prices so their profit margins can be increased. Supplier C wants that vaauwe Installaties buys more products at Supplier C instead of others. If this will result in a new way of business for both parties remains still unclear. Most likely Paauwé Installaties is not able to meet Supplier C requirements of buying more at Supplier C, since other suppliers are simply cheaper with standardized products. But a discussion should still take place to see all the possibilities.

5.3. preferred customer status not always viable in every market

The first research question was about how a preferred customer status at Paauwé Installaties would look like. It was clear that Paauwé Installaties’ benefits are mostly based on systematic procedures and the service of a supplier. A preferred customer status in this market sector is most likely impossible, since suppliers rely on multiple customers to ensure their growth and survivability. The top level of the pyramid shown in figure 1 was not present as a form of preferred customer status in the cases. The second level is where vaauwe Installaties can gain the most benefit from. Benefits like the end year bonus, which require calculations and planning in order to see whether they are beneficial, and if these show to be beneficial how to act upon these. Since these are systematic procedures it is easy to understand how to get them. The benefits given by Supplier C however are not systematic. These were given only to reliant, trustable, open, and frequent customer of Supplier C. These benefits can be achieved by trying to achieve the previous mentioned factors and using that position to further improve upon it.

The second research question is about how Paauwé Installaties case can be used for existing literature. It is clear that my case shows a different side of the theory. Rather than focusing on the benefits and the possibilities of becoming the buying company that every supplier wants to serve, it explains that a preferred customer status is not viable in every market sector, which is mostly based on the non-scarcity of products, not being the most important customer in terms of financial gain, the supplier’s reliability on multiple customers rather than a few, and the unchangeable nature of suppliers business strategies. A preferred customer status cannot always be achieved, and might even be impossible in some sectors. This means that buyers need to make use of offers that suppliers could grant them and see whether it can make a difference in terms of competitiveness for the buyer. This case study thus helps by showing that the preferred customer status has some requirements that need to be met. The most important one is the scarcity of resources that is used in the market sector. When resources are scarce, not all customers can be treated equally and a system must exist. Another requirement is being attractive towards your supplier, which is most of the time based on the financial gain your company can offer to a supplier.

6. ACKNOWLEDGMENTS

My thanks go out the Henk Olthof for me to do my bachelors thesis at his company and share his information and experiences. Same goes for all suppliers that I have interviewed, which were all open and kind to give me their information and experiences viewed from the other side of the story.

Furthermore my thanks go out to prof. dr. Holger Schiele and F.G.S. Vos for me to be able to do this research under their supervision, as well as help me throughout the process of making the bachelors thesis.

7. REFERENCES


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8.1 Interview voor inkoper

1. Hoe vinden de inkopen plaats bij uw bedrijf?
2. Welke diensten levert paauwe Installaties? En aan welke klanten?
3. Welke leveranciers heeft u nodig om uw diensten te leveren?

4. Heeft u een relatie met uw leverancier? Zo ja, hoe omschrijft u die?
5. Wat bevalt u aan deze relatie en wat valt u tegen, wat zijn uw verwachtingen tegenover uw leverancier?
6. Ervaart u dat uw leverancier hier het zelfde over denkt?
7. Is er een team, afdeling of management die zich bezig houdt met het verkrijgen van een voorkeurs behandeling?
8. Ervaart u dat u een voorkeurs behandeling krijgt met uw leverancier, waarom wel, niet?

9. Krijgt u snellere levertijd, lagere prijzen of aanbiedingen, toegang tot nieuwe innovaties en heeft u gedeelde projecten met uw leverancier? Zijn er meer voordelen die u krijgt?
10. Hoe omschrijft u uw voordelen, krijgt elke klant deze voordelen, kost het u extra?
11. Wat heeft u in het verleden gedaan om een voorkeurs behandeling te krijgen? Zijn er acties die u niet heeft ondernomen die hadden kunnen helpen bij het verkrijgen van een voorkeurs behandeling?

12. Ervaart u paauwe Installaties als een aantrekkelijke klant voor uw leverancier? En welk cijfer zou u paauwe Installaties geven op een schaal van 10 met betrekking tot aantrekkelijkheid voor uw leverancier? Welke factoren hebben hier invloed op?

13. Hoe tevreden is uw leverancier met u? Welk cijfer zou u geven? Welke factoren hebben hier effect op? En wat zorgt voor ontevredenheid?

14. Heeft u plannen om een voorkeurs behandeling te krijgen of verbeteren? Zo ja, hoe?

15. Hoe was het verleden met u en uw leverancier? Heeft dit verleden invloed op de huidige relatie en uw voorkeurs behandeling?

16. Heeft u nog opmerkingen of vragen?

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8.2 Interview voor de leverancier

1. Classificeert u uw klanten in verschillende categorieën? Zo ja, welke categorieën?

2. Geeft u voorkeurs behandeling aan uw klanten? Zo ja, hoe verstrekt u deze behandeling? Waar moet uw klant aan voldoen?

3. Geeft u een voorkeurs behandeling aan paauwe Installaties? Waarom wel/niet

4. Wat beïnvloed uw gedrag tegenover uw klanten? Welke voordelen geeft u aan een bedrijf die u een voorkeurs behandeling geeft? Denk aan prijzen, logistiek, productie, innovatie, speciale diensten, flexibiliteit, vertrouwelijke informatie, etc

5. Krijgen alle klanten deze voordelen? Zijn deze voordelen gratis?

6. Bent u bereid meer voordelen aan een klant te geven naarmate de relatie tussen u en uw klant versterkt?

7. Ervaart u paauwe Installaties als een aantrekkelijke klant voor uw bedrijf? Welk cijfer met betrekking tot de aantrekkelijkheid zou u geven op een schaal van 1 tot 10? Welke factoren hebben invloed op de aantrekkelijkheid van een klant?

8. Bent u tevreden met uw relatie met paauwe Installaties? Voldoet paauwe Installaties aan uw verwachtingen? Welk cijfer zou u geven? Welke factoren hebben hier invloed op?

9. Wat zou u motiveren om paauwe Installaties een voorkeurs behandeling te geven of verbeteren? Wat heeft paauwe Installaties gedaan om deze voorkeur te krijgen? Wat zou volgens u paauwe Installaties moeten doen om voorkeursbehandeling te krijgen/verbeteren?
10. Waar moet een klant volgens u aan voldoen willen zij een voorkeurs behandeling ontvangen?
11. Wat doen klanten meestal om een voorkeurs behandeling te krijgen? En is dat wat u van hen verwacht en u motiveert deze behandeling daadwerkelijk te geven?
12. Wat is de geschiedenis met u en paauwe Installaties? Heeft dit een invloed op uw relatie en de behandeling van paauwe Installaties?