

Customer attractiveness, supplier satisfaction and preferred customer status: a review and a cycle model

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ABSTRACT

In this paper, we introduce the concept of preferred customer status, i.e. a buyer is awarded preferential treatment of its important suppliers compared to their other customers. As there is a lack of knowledge of what motivates suppliers to serve selected buyers better than others, our research focuses on the suppliers' evaluation of customers and how it can be influenced by buyers. Based on social exchange theory, we provide a conceptual model which proposes customer attractiveness, supplier satisfaction and knowledge of alternative customers as factors influencing suppliers to award preferred customer status. Subsequently, a literature review is provided to give an overview of the drivers of customer attractiveness, supplier satisfaction and preferred customer status already analysed in current literature. We conclude by providing a preliminary conceptual framework and suggesting future research directions in this field. This article proposes new insights into supplier relationship management and offers a state-of-the-art analysis as well as a theoretical base to this new research field.

INTRODUCTION

Prahalad and Krishnan (2008) have recently described the fundamental transformation of business taking place in industry. Relationships are taking over as the central element of exchange. More and more manufacturing and service firms rely on fewer suppliers, becoming involved in closer relationships with those that remain (Cannon and Perreault 1999). Consequently, supply chain management has to shift its focus from striving for the lowest possible purchasing price to the sustained optimization of the strategic supplier portfolios. By assembling superior supplier bases, developing suppliers and integrating them into product development and manufacturing, strategic supplier portfolios contribute to competitive advantage (Wagner and Johnson 2004). This is in line with Dyer and Singh (1998) who argue that firms who combine resources in unique ways may realize an advantage over competing firms who are unable or unwilling to do so.

However, the creation of successful relationships is often contingent on a firm's ability to find a partner with (1) complementary strategic resources and (2) a relational capability (i.e., a firm's willingness and ability to partner) (Dyer and Singh 1998). Blonska et al. (2008) emphasize in their paper that purchasing focus increasingly attains priority in getting supplier-provided resources which are limited in availability and of high value to both parties in the relationship. As highly competent supplier markets are often characterized by an oligopolistic market structure, exceptional suppliers are scarce and hard to find. There is the tendency that buying firms increasingly find themselves competing with their rivals for the best suppliers available in a certain field. Due to the scarcity of such suppliers, the latter may not dedicate their resources equally to all customers and become highly selective.

As a consequence, buying organisations start to recognize that it is essential for future success to secure their key suppliers' benevolence. Ellegaard and Ritter (2007) describe in their paper that there is an increasing necessity for firms to be attractive towards their partners in order to assure access to critical resources. Cordón and Vollmann (2008) also recognize

this problem of finding adequate business partners in worldwide supply markets and note that the really good suppliers are in demand. Therefore, they strongly encourage buying firms to explicitly determine what they can do to be ranked at the top of their suppliers' customer lists. This means that the limited availability of certain resources calls for a switch from traditional arm's length market relationships with power and conflict as focal constructs to a more relationship marketing oriented perspective. Olsen and Ellram (1997), for instance, argue that "it is very important to strengthen the relationship to keep a loyal supplier" (p.108), if the purchase situation is difficult to manage.

In order to ensure that suppliers offer up innovative ideas in product development and manufacturing processes or send delegates for collaborative innovation projects, buying firms must be more attractive for these suppliers than their competitors are. Therefore, we argue that the most successful firms will be those that actively try to become Preferred Customers of leading suppliers, as suppliers tend to grant their favourite customers a more preferential treatment than they concede to other customers they have. In this way, supply-side induced competitive advantages can be created. One first attempt to specify preferred customership is provided by Steinle and Schiele (2008) who define that a firm is preferred customer of its supplier, "if the supplier offers the buyer preferential resource allocation" (p.11). This preferential resource allocation can have positive effects on many of the customer's business areas. For instance, it enhances supplier innovativeness and, at the same time, secures benevolent pricing behaviour (Schiele et al. 2011). Many authors also highlight the positive effects preferred customer status has on operations. Bew, e.g., states that customers of choice get "what they need from suppliers, when they need it" (Bew 2007, p. 1). The most important impact, though, preferential supplier treatment entails for customers has to be seen from a strategic perspective. By creating relationships with suppliers who award them with prioritized attention, preferred customers manage to outperform their competitors from the buying side. Therefore, purchasers may benefit from taking into consideration factors that motivate suppli-

ers to award preferential treatment to selected customers and ultimately from answering the question of what can be done to become the preferred customer of their leading suppliers.

Despite the apparent significance of preferred customer status, its drivers remain largely unexplored in current literature. Although there have already been some attempts to study the antecedents of preferred customer status such as customer attractiveness or supplier satisfaction, there is still a lack of theoretical understanding and empirical analyses. Some authors show that a high level of customer attractiveness and supplier satisfaction helps to ensure the prime commitment of capable suppliers (Christiansen and Maltz 2002, Ellegaard et al. 2003, Essig and Amann 2009, Mortensen et al. 2008b, Nyaga et al. 2010), but there is still no consensus on how preferred customer status can be achieved. We intend to contribute to current literature by developing a theoretical framework describing suppliers' customer evaluation behaviour and its determinants. We further give an overview of already existing findings on the antecedents of preferred customer status.

Thus, the primary objective of this paper is to conceptualize a model which links customer attractiveness, supplier satisfaction and preferred customer status. Based on social exchange theory, it explains the interplay of these factors in the process of interaction between buyer and supplier. We thereby incorporate the dynamic nature of relationship development and take into account that relationships evolve over time. In other words, we consider the factors which provoke suppliers to enter into the next stage of a relationship and, finally, to award Preferred Customer Status. We intend to provide a wider understanding of what motivates suppliers to treat one customer more preferentially than alternative customers. We then conduct a literature review highlighting important contributions on customer attraction, supplier satisfaction and preferred customer status putting an emphasis on the information given in these papers on how to motivate suppliers to award Preferred Customer Status.

This paper is structured as follows: First, we will present the conceptual model. We will then give a comprehensive literature review and conclude with a preliminary concept for the drivers of preferred customership.

THE FRAMEWORK OF PREFERRED CUSTOMERSHIP

Social exchange theory investigates the social processes that govern the relationships between individuals and groups. In 1959, Thibaut and Kelley posited a theory of interpersonal relations and group functioning, where dyadic relationships were primarily considered. The exchange relationship between two participants was analyzed, based upon their interactions. Two constructs have been posited by Thibaut and Kelley as bases for evaluation of the outcomes obtained from a particular relationship: the comparison level (or CL) and the comparison level for alternatives (or CLalt). The comparison level can be defined in the present context as a standard representing the quality of outcomes the party expects from a given kind of relationship, based upon present and past experience with similar relationships, and knowledge of other party's similar relationships. The outcomes obtained from a relationship, compared against this standard, determine the attractiveness of the relationship and the degree of satisfaction the participant experiences from the relationship. The comparison level for alternatives, by contrast, is a standard that represents the average quality of outcomes that are available from the best alternative exchange relationship. As such, CLalt represents the lowest level of outcomes a manufacturer or distributor will generally accept and still remain in the relationship (Anderson and Narus 1984).

Although social exchange theory deals originally with interpersonal relationships, its findings can also be used for analysing exchange relationships between buyers and sellers (Harris et al. 2003). Social exchange literature helps to develop an understanding of what motivates suppliers to serve selected customers better than others. It provides information about a

supplier's customer evaluation behaviour and the factors which provoke suppliers to intensive cooperation and, finally, to award Preferred Customer Status.

Customer attractiveness

Blau argues that “processes of social attraction, without which associations among men would not occur, give rise to processes of exchange” (Blau 1964, p. 7). He describes attraction as the “force that induces human beings to establish social associations on their own initiatives and to expand the scope of their associations once they have been formed” (Blau 1964, p. 20). Although attraction originally deals exclusively with relations between individuals and is still a relatively unexplored concept in a business-to-business context, it is a relevant construct when it comes to explaining why exchange relationships between firms are initiated, continued and developed throughout the relational duration (see Kelley and Thibaut 1978). Many authors in marketing literature take up this idea and constitute some degree of attraction is a necessary precondition for the commencement of interaction, while ongoing attraction determines whether parties are motivated to maintain a relationship (Dwyer et al. 1987, Halinen 1997). In this context, Wilkinson et al. (2005) and Mortensen et al. (2008a) underline that a relationship will only be initiated and developed if individuals at both the supplier and the buyer side perceive attractiveness.

It is assumed in social exchange theory that especially the perception of initial attraction is purely based upon beliefs and expectations from both parties. Blau (1964) states that “an individual is attracted to another if he expects associating with him to be in some way rewarding for himself” (p.xx). On a more operational level, both, Thibaut and Kelley (1959) and Blau (1964), explain that the attraction of another is determined by the expected rewards minus the costs of being involved in a relationship. Wilkinson et al. (2005) adopt this idea in their paper on industrial relationship development and state that individuals within a company

judge the attraction of a potential relationship partner in terms of the expected value that is likely to be produced through an initiation or continuation of a relationship.

With the intention to provide a general definition of customer attractiveness, we argue that *a customer is perceived as attractive by a supplier, if the supplier has a positive expectation towards the relationship with him.*

Following the reasoning of social exchange theory, customer attractiveness is a relevant construct for suppliers when it comes to evaluating customer relationships. The level of attraction present in a relationship determines the suppliers' decision making on whether a relationship with a customer is initiated and developed over time. It automatically also has an impact on the selection of their preferred customers lists. Therefore, we argue that *customer attractiveness is one of the preconditions of preferred customer status. If the expected relationship value is high, it is more likely for the customer to be awarded Preferred Customer Status.*

Supplier satisfaction

As already defined above, Thibaut and Kelley (1959) argue that people engage in interactions with a certain degree of expectations about the quality of outcomes of those interactions. These expectations determine the level of a customer's attractiveness and are based on experiences with similar relationships or knowledge of other firms' relationships. These expectations constitute the comparison level (CL) parties use as a frame of reference to evaluate a relationship later on in the process. Though the level of expectations as experienced by a supplier prior to collaboration determines customer attractiveness, the relationship might not be continued, if these expectations cannot be met in the course of interaction. Buyers, therefore, have to consider that partnering efforts, although they might have seemed highly attractive to them, will not succeed if suppliers' expectations cannot be met in the process.

A relationship is evaluated by comparing the comparison level to the actual quality of outcomes, i.e. the amount of rewards and costs the supplier faces in the course of interaction. The discrepancies between the value actually obtained through a customer relationship and the supplier's expectations towards it determine the level of satisfaction as experienced by the supplier. On the lines of the disconfirmation paradigm (Parasuraman et al. 1988, Grönroos 1984), the supplier's feeling of satisfaction is a result of a comparison process between perceived outcomes and expectations.¹ If the quality of outcomes of a relationship remains below expectations, the supplier will be dissatisfied (negatively disconfirming). In contrast, if the supplier feels that the relationship's quality of outcomes is equal to (confirming) or even exceeds (positively disconfirming) what was expected, the supplier will be satisfied. Anderson and Sullivan (1993) empirically tested the expectancy-disconfirmation paradigm in a consumer goods context and found out that satisfaction is best specified as a function of perceived quality of outcomes and disconfirmation – the extent to which perceived quality fails to match expectations.

Therefore, we establish the following definition: *Supplier satisfaction is a condition that appears if the quality of outcomes from a buyer-supplier relation meet or exceed the supplier's expectations.* The exact nature of the expectations can remain open, as long as they are met, satisfaction is the outcome. This assumption is supported by Anderson and Narus (1990) who found in a study of distribution channels that when the outcomes from a given working relationship meet or surpass expectations, better distributor cooperation and satisfaction (from the distributor's perspective) results.

¹ We base our considerations here on Grönroos' Perceived Service Quality Model and Parasuraman's, Zeithaml's and Berry's SERVQUAL instrument, which they presented in a service marketing context in the 1980s to explain how the quality of services is perceived in relationships. The authors use the disconfirmation construct and measure how well experiences of the service process and its outcome meet expectations. In other words, they compare customer's expectations and experiences, look at the discrepancies and calculate a quality score.

Following this argumentation, we underline the importance of supplier satisfaction in the discussion of what factors determine the suppliers' decision making. Not only high customer attractiveness and high supplier expectations are important constructs in supplier evaluative judgments, but also the degree of fulfilment of these expectations and the resulting level of supplier satisfaction. Whether the suppliers' expectations are met in the course of interaction, is one important determinant of whether preferred customer status is awarded or not. We argue that *the more satisfied a supplier is in a relationship to a customer, the likelier it is that he turns this customer into his preferred customer.*

“The assessment of outcomes is essential, since it helps the parties make decisions regarding the upgrading or downgrading of their relationships” (Wilson and Mummalaneni 1986, p. 51). Coming back to the study of Anderson and Sullivan (1993), they were also able to show that satisfaction directly affects the behaviour of the exchange partner (in this case the consumer), which was represented as a consumer's repurchase intention or retention. Adapting these findings to the business-to-business context, we claim that the experienced level of satisfaction apparently influences the behaviour of the supplier: The loss of satisfaction is argued to be central to the discontinuation of buyer–seller relationships (Dwyer et al. 1987). The supplier will eventually abandon the relationship with the customer and search for better alternatives (Anderson and Narus 1984). In contrast, a satisfied supplier will undertake actions that strengthen the relationship and will, based on his evaluation, either treat the customer as a standard customer or even award preferred customer status.

Preferred Customer Status

Until now our concept just analysed the development of relationships between buyers and suppliers on a dyadic level. In this stage, other potential partners available in the markets come into play. According to social exchange theory, there is a second construct sellers use to analyse and evaluate exchange relationships with buyers. It is the comparison level for alter-

natives (CLalt). It is a standard that represents the average quality of outcomes that are available from the best alternative exchange relationship (Thibaut and Kelley 1959). Anderson and Narus (1984), who applied the social exchange theory framework in their empirical study, name two preconditions for the development and maintenance of sound relationships: First, one party provides outcomes that meet or exceed the other party's expectations (CL) and, second, these outcomes (considered as a whole) are superior to those available from alternative partners (CLalt). Thus, besides the deviation of expectations and actual quality of outcomes of a relationship, attraction and satisfaction are a result of the comparison to alternatives (Thibaut and Kelley 1959). For example, Johnson (1982) argued that satisfaction is the result of a comparison of the relationship's rewards and costs to those available from other relationships, in addition to the rewards and costs in the present relationship.

Firms enter into a relationship for the purpose of value creation. Suppliers tend to compare the outcomes of one customer relationship to the quality of outcomes they achieve in relationships with other customers when evaluating and taking decisions about their customer portfolio. On this stage, a strategic aspect is added. Firms will only intensify cooperation with customers who best fulfil the supplier's purpose of value creation by increasing rewards and decreasing costs associated with serving a certain customer. (Zitat Thibaut and Kelley 1959) This customer then is the most attractive and satisfying partners for this supplier.

Regarding the supplier's decision on which customer is awarded preferential treatment, we argue that only those customers who are more attractive and are more satisfying than alternative customers are awarded Preferred Customer Status. If, however, a supplier is more satisfied with the relationship outcomes of another relational partner who is even more attractive to him, merely Standard Customer Status might be awarded. Consequently, whether Preferred or Standard Customer Status is awarded depends on the suppliers' perceived attractiveness and satisfaction and is contingent on each party's knowledge of alternative players.

We argue that, *a supplier awards a buyer with preferred customer status if he considers this customer most attractive and is at the same time more satisfied with him as with other buyers. As a consequence, a supplier reacts with prime commitment and privileged resource allocation for this customer.* This means that the status assigned to each customer has a direct impact on the strategic supplier's intention: Whereas investment in a relationship with a standard customer may be low, the preferred customer might be fostered and awarded favourable treatment. Thus, customer attractiveness and supplier satisfaction are the necessary conditions for achieving preferred customer status; a benevolent strategic prioritisation by the supplier is the sufficient condition.

Collaboration (whether as standard or preferred customer) seems to affect the supplier's ability to better understand the value of a relationship to a certain customer. As the relationship progresses and interaction provides information, materialised experiences and satisfaction seem to affect the strength of attraction as perceived later in a relationship as well (Halinen 1997). Favourable outcomes of exchange relationships may lead to increased attraction while unfavourable outcomes are likely to have the opposite effect (Harris et al. 2003). This effect is assumed to be especially strong when a customer possesses preferred customer status. Preferred customer and supplier work closely together and adapt their processes and routines gradually. In the course of interaction, the two firms and, to be more accurate, their individuals become more familiar and develop a better knowledge to interpret each other's problems and market conditions. This is in line with Harris et al. (2003) who argue that the perception of attractiveness in relationships is most likely to arise between individuals in firms who are familiar with each others background, goals, and values..

Due to the above described reasoning, there is a coherence between Preferred Customer Status and the level of attraction present within a relationship. We argue that *Preferred customer status and its effects on working relations are positively interrelated with customer attractiveness.*

We argue that there is a circular relation between customer attractiveness, supplier satisfaction and preferred customer status. As preferred customer status positively influences customer attractiveness, suppliers may continue or even expand the relationship with their favourite customer. A kind of relationship intensity climax begins. However, it is important to mention at this point that, in line with the risen level of attractiveness, also the suppliers' expectations are updated in the course of interaction. This means for buyers to satisfy these novel demands. If suppliers are satisfied with the quality of outcomes of a relationship, the level of customer attractiveness and supplier satisfaction will increase with each cycle turn, which, in turn, helps preferred customers to distinguish themselves even more from alternative customers. Remember that preferred customer status is a relative approach and contingent on the comparison level of attraction and satisfaction experienced in relationships with competitive customers. In their description of buyer–seller relationship development, Dwyer et al. (1987) stated that for relationships in the most advanced phase of cooperation, which is for us the preferred customer stage, “the exchange partners have achieved a level of satisfaction from the exchange process that virtually precludes other primary exchange partners” (p. 19). Using comparison level arguments, Johnson and Rusbult (1989) proposed that there is a tendency to devalue alternative relationships due to the high level of satisfaction as experienced in the present relationship (see also Ping and Dwyer 1988, Ping 2003). “Alternatives should appear less attractive because the subject's comparison level for alternatives has been increased as a consequence of involvement in the present satisfying relationship” (Ping 2003, p. 239). According to Dyer and Singh's (1998) relational view, relational rents can be created by creating isolating mechanisms. Following this reasoning, preferred customers should be able to generate competitive advantages because this partnering behaviour cannot be simply imitated by competing firms.

However, it has to be noted at this point as well that a preferred customer might also be relegated to a standard customer, if supplier demands cannot be satisfied in the process.

Ellegaard and Ritter (2006) refer to this problem and state that “when actors continuously act in ways that surpass expectations of partners and hereby increase attractiveness and future partner expectations, it becomes increasingly difficult to meet these expectations” (p. 6).

With regard to the above described theoretical derivations, we suggest the following model:

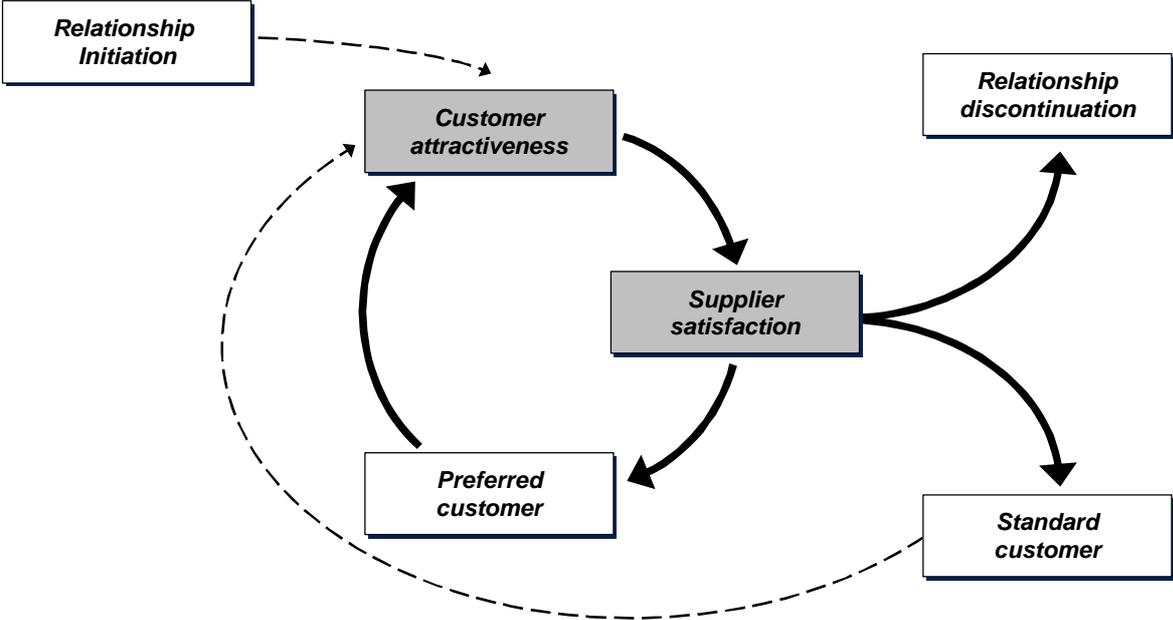


Figure 1. The virtuous circle of preferred customership.

A virtuous circle between customer attractiveness, supplier satisfaction and preferred customer status can be formulated. The expected relationship outcomes (CL) and the comparison level for alternatives (CLalt) are the core of the construct, which suppliers use as standards to evaluate the rewards and costs actually gained through interaction with a certain customer and to compare these outcomes with the rewards and costs generated in relationships with alternative customers (Kelley and Thibaut 1978, Ellegaard and Ritter 2007). From a buyer’s perspective, thus, the main question is how he can become and stay more attractive to suppliers and how he can increase supplier satisfaction within the relationship in order to actively influence the suppliers’ decision making on which customer is awarded preferred

customer status. We, by now, know the variables that determine suppliers' customer evaluation. What we still do not know, however, is what the drivers of these variables are and what buyers can exactly do to promote their own attractiveness as customers, to boost perceived supplier satisfaction and, finally, to positively affect their strategic suppliers' decision making behaviour.

To identify potential antecedents of preferred customer status, we will provide insights from current literature. Following the theoretical concept described in the previous section and illustrated in Figure 1, we classify the papers analysed into three categories, differentiating between contributions on (1.) customer attractiveness, (2.) supplier satisfaction and (3.) literature that directly addresses the preferred customer topic. In the next sub-sections, we will give an overview of relevant papers for each category and elaborate the information provided there on how buyers can become more attractive to suppliers, increase their level of satisfaction with a relationship and motivate them to award preferred customer status. I.e. the focus of the next chapter is the identification of the antecedents of customer attractiveness, supplier satisfaction and preferred customer status as mentioned in current literature.

THE DRIVERS OF PREFERRED CUSTOMERSHIP: A LITERATURE REVIEW

METHODOLOGY

Despite the apparent significance of preferred customer status, there is still no systematic and comprehensive overview of factors and methods, which lead to preferential supplier treatment. There are a number of contributions on the antecedents of customer attractiveness, supplier satisfaction and preferred customer status, but all of these studies treat the respective topic separately. We intend to review and integrate these different streams of literature according to our framework of preferred customership. In this way, an overview of factors shall

be provided which buyers can use to influence the supplier's decision making on whether preferred customer status is awarded or not.

This article adopts certain principles for systematic literature review suggested by Tranfield et al. (2003) with the aim of ensuring rigor, replicability and relevance to practice. In a first step, we limited the review to peer-reviewed journal articles. It should be noted, that for the sake of rigor the search was limited to English-language journal publications. To also consider early work, the review focused on the period 1980-2011. Literature was primarily identified using database searches. The EBSCO host (Business Source Premier) was the main database for the literature search. Journals not available on EBSCO were either searched manually or via ScienceDirect and Emerald databases. The keywords used for searching sources included 'customer attractiveness', 'supplier satisfaction', and 'preferred customer status'. As the denomination for being a supplier's favourite customer is ambiguous in current literature, also search terms such as 'customer of choice' or 'best customer' were included. To cover all contributions relevant for this literature review, also keywords like 'preferential supplier treatment', 'supplier goodwill' and 'supplier loyalty' as possible specifications of preferred customer status were taken into account. The titles and abstracts of the articles found were reviewed against their congruence with the question at hand.

In a second step, additional sources were identified through citations tracking and searching the Google Scholar database. A number of additional articles, books and book chapters were included, as they contribute essential findings on how buyers can become preferred customers of their strategic suppliers.

In line with Tranfield et al. (2003), data extraction techniques were employed to conduct both quantitative and qualitative analysis of the retrieved papers. The key dimensions used for literature analysis were the following:

- 1) Numbers of sources for each category
- 2) Methodological approach applied in each study

3) Antecedents of each category named in literature

ANALYSIS OF THE LITERATURE

Quantitative analysis

It has to be highlighted that there is an overall limited number of contributions on customer attractiveness, supplier satisfaction and preferred customer status available in current literature. All in all, a total of merely 26 sources qualified for analysis. These 26 sources are categorized in Figure 2 according to the category they belong to and the methodology used for analysis.

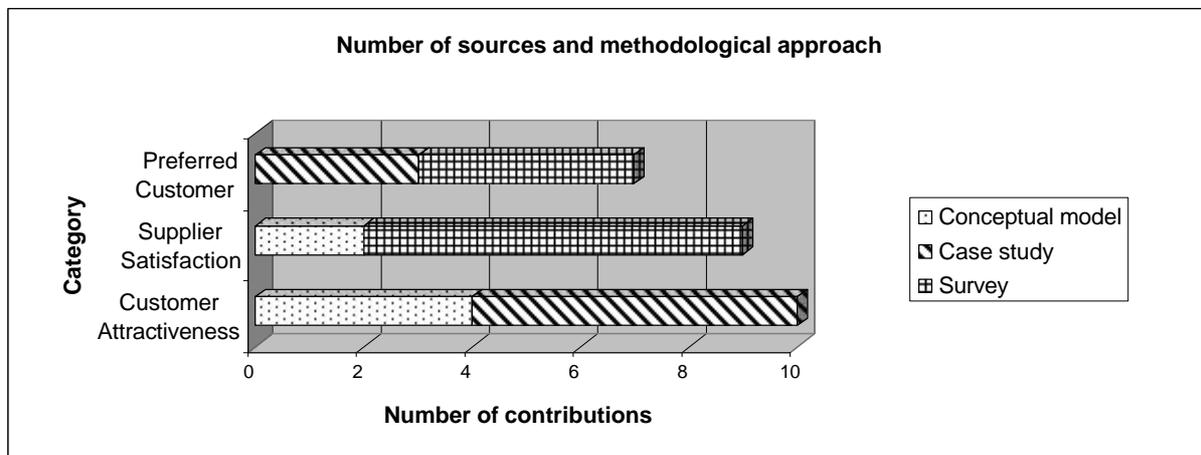


Figure 2. Quantitative literature analysis

It is illustrated that there is a limited number of articles that deal directly with customer attractiveness. Although customer attractiveness is the category where most publications were found, we merely were able to identify ten contributions which could be considered in the present analysis. Whereas attraction has already been mentioned in various articles about relationship development in the Industrial Marketing literature (see e.g. Dwyer et al. 1987), there seems to be an overall lack of awareness and attention currently paid to the concept of customer attractiveness in a business-to-business context. This fact is vividly illustrated by Ellegaard and Ritter (2007) and Mortensen et al. (2008a) who state that attractiveness in a business to business context is a rather underdeveloped research area. Regarding the methodology

used in these sources, it has to be noted that four out of these ten studies are conceptual in nature and the remaining six use a case study approach. Thus, results indicate that literature on customer attractiveness is mainly conceptual in nature or based on case studies, but lack empirical verification.

Regarding literature on satisfaction, the search for papers revealed that there is a high concentration of research on satisfaction in relationship marketing and distribution channels literature. In this context, researchers have studied the processes of establishing and managing satisfactory relationships since decades (Beekman and Robinson 2004, Briscoe et al. 2005, Grönroos 2000, Varey et al. 2005, Morgan and Hunt 1994, Van der Haar et al. 2001). However, these studies focus exclusively on satisfaction downstream the supply chain, i.e. on retailer or customer satisfaction. This makes Essig and Amann (2009) argue that “in the field of supply management, satisfaction research must be characterised as rudimentary” (p. 105). In line with Leenders et al. (2005) who claim that the impact of supplier satisfaction on the outcome of the business relationship is completely neglected, the research on its antecedents also lack wide scholarly attention. We were only able to identify nine studies which clearly focus on supplier satisfaction. The prevailing methodological approach taken in these studies are surveys. As can be seen in Figure 2, 78% of all sources identified use surveys as research methods. These are followed by conceptual models.

The term “preferred customer” is not new (see Hottenstein 1970), though its application from a purchasing perspective has received little attention. Williamson (1991) was the first to elaborate on the preferred customer idea from a purchasing perspective, though his work has largely been ignored for two decades. Only recently, the preferred customer idea re-emerged as a concept, but, as we already indicated above, it still lacks a clear definition. Although we accounted for the different denominations in the search for literature, only seven contributions could be identified treating preferential supplier treatment as subject in the broadest sense. According to Figure 2, all contributions on preferred customer status (100%) are based on

quantitative and qualitative evidence. This indicates that the construct seems to lack a conceptual foundation completely.

Qualitative analysis

Antecedents of customer attractiveness

According to the framework of preferred customership, customer attractiveness is the first cornerstone of the virtuous circle of preferred customer status presented in Figure 1. We will now give an overview of relevant papers for this category and elaborate the information provided there on how buyers can become more attractive to suppliers. Giving an overview of the antecedents of customer attractiveness mentioned in existing literature gives valuable references for answering the question at hand, namely on what buyers can do to become a preferred customer of strategic suppliers.

As early as in 1982, Fiocca argued that suppliers should evaluate their business accounts using attraction as a segmentation criteria. He encourages suppliers to apply differentiated marketing strategies according to their customers' business attractiveness. The author proposes an overview of factors which determine a customer's business attractiveness:

- 1) According to Fiocca, economical factors such as a customer's size, its growth rate and its influence on the market are determinants of a customer's business attraction. Industrial sellers tend to consider an account as attractive when its purchases or potential purchases are larger than those of other buyers. Following this argumentation, it is obvious that large firms have a ready-made edge in terms of establishing themselves as more important customers (Williamson 1991). However, also other elements can define an account as an attractive account. Fiocca (1982) argues that industrial sellers may only marginally consider the amount of purchases, when the account is particularly prestigious or a market leader.
- 2) Therefore, he also names competition in the sense of the customer's competitive position in the market as one criterion of attractiveness. From a suppliers' perspective, customers

should be smart competitors because, otherwise, suppliers may have to subsidize them in their ability to compete. Variables such as the customer's strength and weaknesses, its vulnerability to new technology and its level of integration are included in this category.

- 3) For Fiocca, financial and economical factors also play an important role when it comes to estimating the customer's attractiveness. A customer's margins, its leveraging factors like economies of scales and experience, a customer's barriers to entry or exit and its capacity utilization fall into this category.
- 4) Also technological factors must not be neglected: In this sense, a customer's attractiveness is determined by its ability to cope with changes, the depth and types of its technological skills as well as its patents and copyrights.
- 5) The author also mentions socio-political factors like the ability to cope and to fit as antecedents of customer attractiveness.

Christiansen and Maltz (2002) conducted three case studies of small Danish firms that were trying to become 'interesting customers' to their large international suppliers. The authors argue that smaller customers must analyse which preferences their bigger suppliers have and focus on indirect value creation. In order to become attractive, they have to find areas, which bigger suppliers evaluate as compensating to lower economical attraction. The authors show in their case studies, that customer attractiveness is not exclusively a consequence of size and volume, but can also be achieved through alternative modes of collaboration such as joint product development, joint manufacturing process development and joint logistics development. The first firm observed managed to become an attractive customer by helping suppliers develop better products, improve processes and increase revenue by knowledge transfer, extensive face-to-face contact, risk sharing and information exchange. The second firm's attractiveness was achieved due to its long-term orientation and its commitment to the supplier. The cooperation was characterised by the sharing of market knowledge, the supplier's participation in the buyer's process development and the open book information pro-

vided. In the third case, the use of a single-sourced logistics provider, the implementation of new planning and inventory programs and the resulting efficient supply chain management made the customer an interesting customer in the eyes of its suppliers.

Ellegaard et al. (2003), again drawing on case studies, highlight the particular importance of customer attractiveness in complex industrial buyer-supplier relationships. They argue that “by focusing on being an attractive business partner the customer will automatically influence the supplier to act according to customer wishes” (Ellegaard et al. 2003, p.352). The cases show that the human factor, i.e. the many human relations embedded in the relation between the companies, plays an important role in attractiveness. Tight social and professional relations between employees from the two companies studied worked as a reinforcement of the relation and are important for the creation of attraction between the companies. Another finding of the case studies is that every supplier and supplier employee perceive the customer and its attractiveness according to their own mindset. Consequently, each supplier should be treated in a differentiated manner. Customer employees should take into account the different backgrounds, business understandings, cultures, etc. of the supplier when managing such relationships. It should be noted here that Ellegaard et al. (2003) were the first to argue that attractiveness is not only present on a company-to-company level, but that it is also experienced interpersonally. Whereas Fiocca focused in her framework exclusively on hard factors, the latter argue in line with social exchange theory that social factors such as tight human relations play an important role in determining whether a customer is seen as an attractive account.

Harris et al. (2003) provide a conceptual framework that handles attraction in a business context. They define attraction 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). Thus, the economic, resource and social content of relationships are

hypothesised to determine the level of attractiveness as perceived by the partners. The authors conducted 54 interviews among barristers and solicitors to explore the conceptual framework and found out that there are additional determinants of attraction that go beyond the content of the relationships. More specifically, the authors denominate familiarity is a necessary condition for attraction to occur. The interviews revealed that attraction is most likely to occur between individuals who enjoy geographical proximity, functional proximity and/or repeated exposure. Moreover, “perceptions regarding which parties are attractive and which are not are influenced by (i) professional and organizational socialization processes, (ii) similarity, (iii) compatibility, and (iv) knowledge of alternatives” (Harris et al. 2003, p. 17). It seems as if individuals prefer to work with others who have similar backgrounds, attitudes and styles of working. Additionally, the authors confirm that attractiveness is relative and contingent upon each party’s knowledge of alternatives. This includes elements of social exchange theory and is in line with Kelley and Thibaut’s (1978) and Anderson and Narus’s (1984, 1990) earlier works.

Ellegaard and Ritter (2006) underline the importance of customer attractiveness as a valuable add-on to the relationship literature. The authors argue that the concept should be adopted by purchasing researchers because it might certainly help to better understand the development of relationships over time. Attraction is based on expectations and is, thus, future-oriented. As such, attraction might, according to the authors, demonstrate its potential as a better indicator for long-term development. Ellegaard and Ritter (2006) also stress that “attraction is related to a relationship’s value creation, but goes beyond it” (p. 6). Like value, attraction is concerned with costs and rewards, but, beyond that, focuses on social and behavioural elements of relationship development. This is due to the fact that attraction occurs between people, rather than physical objects.

Ellegaard and Ritter (2007) provide a definition and conceptualisation of attractiveness. They propose that the perceived attractiveness of one actor by another actor is deter-

mined by three main areas, which are value creation, interaction process, and emotions. This means that the potential value created for the supplier is one factor which has to be addressed by the buyer in order to increase its level of attractiveness. Walter et al. (2001) developed a model of direct and indirect value functions by which the buying company can contribute to the supplier's value creation. Direct functions such as profits and volume as well as indirect functions like innovation development and market access can thus be considered drivers of customer attractiveness. Second, attractiveness is determined by interaction processes. Trust and commitment are interpreted by Ellegaard and Ritter (2007) as key variables for successful buyer-supplier collaboration and are mentioned as influencing factors of attractiveness in a relationship. Emotions are the third element of attraction and cover the irrational part of decision making. The authors argue that feelings and emotions as experienced by one actor determines the level of attractiveness perceived by the other party.

Mortensen et al. (2008b) argue that customer attractiveness for suppliers may not be seen as a static condition but instead may change in the course of interaction. Therefore, the authors propose a process model for attractiveness in supply chains containing five different relationship types determined by the complexity of the relationship and the maturity of the company. Regarding the drivers of attraction existent within a relationship, the paper at hand unfortunately does not provide any new insides.

“You as customers need to be seen as more attractive than other choices for the best – smartest- suppliers” (Cordon and Vollmann 2008, p. 55). This is a challenge Cordón and Vollmann regard as essential to create win-win customer-supplier partnerships that outperform the competition. They explain that increasing attraction is not about paying higher prices to suppliers, but about becoming a “smart partner”. This means that customers have to bring a supplier to wish to work with them because significant joint benefits can be achieved. Cordón and Vollmann suggest ten golden rules for becoming an attractive customer. For instance, customers should help the supplier properly evaluate its expected pay-offs and should not

hide information. They also advise customers to develop the reputation of being open to new ideas. Becoming an attractive customer particularly implies joint improvement efforts, not unilateral demand for the supplier to achieve them.

Hald et al. (2009) focus in their conceptual paper on how dyadic relationships are best managed in a relational way and how attraction can be created between buyer and seller. They discuss attraction as the force drawing social exchange actors together and describe it according to social exchange theory (Kelley and Thibaut 1978) as composed of the three components “expected value”, “perceived trust” and “perceived dependence”. Adopting a supplier focus, Hald et al. (2009) derive from current literature four components for increasing expected value: price/volume, growth, access to new buyers and competency development. The components that lead to trust and consequently to attraction in buyer–supplier dyads can be classified into benevolence (built by loyalty and support) and integrity (dependent on shared values, fairness and reliability). Perceived dependence, in turn, has a moderating effect on perceived expected value and in this way also impacts the actor's overall perceptions of attraction. Expected association value, associate alternatives and level of transaction specific assets have been suggested as relevant components in this case. Additionally, Hald et al. (2009) provide four mechanisms (investment, adaption, communication and institutionalization) which buyers can apply to influence the three dimensions of attraction simultaneously in a buyer-supplier relationship.

Ramsay and Wagner (2009) exploratively analyse organisational supplying behaviour in order to inform buyers about suppliers’ needs, wants and preferences. They contribute to a better understanding of suppliers’ wishes and behaviour by identifying various sources of supplier value. An extensive list of those sources is provided referring to published descriptions of buyer characteristics that suppliers consider attractive. Findings are classified into the following seven different categories: The authors identified financial sources of supplier value (e.g. overall profit and sales volume), efficiency-related sources of supplier value (e.g. low

modification rate, appropriately trained staff), overall trading relations and communication (e.g. contact stability, joint teams, receptiveness to supplier ideas), sources of supplier value concerning ethical behaviour (e.g. fairness), risk and uncertainty (e.g. risk sharing, forecast reliability, early R&D involvement, supplier independence/power), technological sources of supplier value (e.g. supplier-led innovation support), market linkages (e.g. market access, market information) and sources of supplier value referring to corporate image (reputation). Buyers may be able to use this enhanced understanding of factors which create value for suppliers in a relationship to increase customer attractiveness and influence the suppliers' behaviour in a beneficial manner.

It can be summarized that research on customer attractiveness specifies several factors influencing attraction in a business relationship and provides much information about how buyers can increase the level of perceived attractiveness. As mentioned earlier, though, these factors lack any empirical verification and are, if at all, only tested in an explorative way.

In order to give an overview of all mentioned drivers of customer attractiveness in current literature, we adopted Fiocca's (1982) framework for describing the hard factors of a customer's business attractiveness. Following Ellegaard et al's (2003), Ellegaard and Ritter's (2006, 2007) and Harris' (2003) reasoning, we also included a category for social factors. To cover all categories of possible antecedents, we introduced a fifth category named risk factor. This category refers to Ramsay and Wagner's arguing that forecast reliability, demand stability and risk sharing also play an important role in determining a customer's attractiveness.

Drivers of customer attractiveness	Reference
Market factors	
Size	Fiocca, 1982
Market share	Fiocca, 1982
Growth rate	Fiocca, 1982; Hald et al., 2009; Ramsay and Wagner, 2009
Influence on the market	Fiocca, 1982
Vulnerability to new technology	Fiocca, 1982
Level of integration	Fiocca, 1982
Access to new customers/markets	Christiansen and Maltz, 2002; Ellegard and Ritter, 2007; Hald et al., 2009
Financial factors	
Margins	Fiocca, 1982; Ellegard and Ritter, 2007; Ramsay and Wagner, 2009
Price/Volume	Ellegard and Ritter, 2007; Hald et al., 2009; Ramsay and Wagner, 2009
Cost elements	Ramsay and Wagner, 2009
Value creation	Ellegard and Ritter, 2006; Ellegard and Ritter, 2007; Hald et al., 2009
Leveraging factors (economies of scale, experience, etc.)	Fiocca, 1982
Barrier to entry or exit	Fiocca, 1982
Capacity utilization	Fiocca, 1982
Windfalls	Ramsay and Wagner, 2009
Negotiating pressure	Ramsay and Wagner, 2009
Technological factors	
Customer's ability to cope with changes	Fiocca, 1982; Ramsay and Wagner, 2009
Depth of skills	Fiocca, 1982; Ramsay and Wagner, 2009
Types of technological skills	Fiocca, 1982
Commitment to innovation	Christiansen and Maltz, 2002; Ellegard and Ritter, 2007
Knowledge transfer	Christiansen and Maltz, 2002; Hald et al., 2009; Harris et al., 2003
Supplier trainings and field visits	Christiansen and Maltz, 2002; Ramsay and Wagner, 2009
Joint improvement efforts	Cordón and Vollmann, 2008
Early R&D involvement	Ramsay and Wagner, 2009
Social factors	
Trust	Christiansen and Maltz, 2002; Ellegard and Ritter, 2007; Hald et al., 2009; Ramsay and Wagner, 2009
Commitment	Christiansen and Maltz, 2002; Ellegard and Ritter, 2007
Extensive face-to-face contact	Christiansen and Maltz, 2002; Ramsay and Wagner, 2009
Supplier participation in internal teams	Christiansen and Maltz, 2002; Ramsay and Wagner, 2009
Tight personal relations	Ellegaard et al., 2003; Ramsay and Wagner, 2009
Adaption	Fiocca, 1982; Ellegaard et al., 2003; Hald et al., 2009
Familiarity	Harris et al., 2003
Similarity	Harris et al., 2003; Hald et al., 2009
Compatibility	Harris et al., 2003; Ramsay and Wagner, 2009
Behaviour	Ellegard and Ritter, 2006
Fairness	Hald et al., 2009; Ramsay and Wagner, 2009
Customer attentiveness	Cordón and Vollmann, 2008; Hald et al., 2009; Ramsay and Wagner, 2009
communication	Hald et al., 2009; Ramsay and Wagner, 2009
Information exchange	Christiansen and Maltz, 2002; Cordón and Vollmann, 2008
Risk factors	
Risk sharing	Christiansen and Maltz, 2002; Ramsay and Wagner, 2009
Standardisation of product	Christiansen and Maltz, 2002
Single-sourcing strategy	Christiansen and Maltz, 2002
Dependence/power	Hald et al., 2009; Ramsay and Wagner, 2009
Knowledge of alternatives	Harris et al., 2003; Hald et al., 2009
Level of transaction specific assets	Hald et al., 2009
Demand stability	Ramsay and Wagner, 2009
Long-term interactions/loyalty	Christiansen and Maltz, 2002, Ellegaard et al., 2003; Hald et al., 2009; Ramsay and Wagner, 2009
Reliability	Hald et al., 2009; Ramsay and Wagner, 2009
Patent protection	Fiocca, 1982

Table 1: Antecedents of customer attractiveness

Assuming that the attractiveness of a buyer is given, the next issue would be to understand how supplier satisfaction can be achieved, because an unsatisfied supplier would find it difficult to award preferred customer status to any customer, regardless of its ex-ante attractiveness. The next paragraph, therefore, reviews the literature on supplier satisfaction.

Antecedents of Supplier Satisfaction

According to our framework for preferred customership, supplier satisfaction is the second important precondition for preferential supplier treatment. If buyers intend to influence a supplier's customer evaluation behaviour, they should also have a better understanding on how to increase supplier satisfaction. To address this need, this chapter provides an overview of contributions on supplier satisfaction putting a special emphasis on the drivers identified there.

Although customer satisfaction has already been recognized as a relevant concept of business success for decades (see e.g. Anderson and Narus 1990, Cannon and Perreault 1999, Dwyer et al. 1987, Sigauw et al. 1998, Walter et al. 2003), supplier satisfaction until now has been widely neglected and remained largely unexplored. Wong (2005), for instance, was one of the first to note that “partnering efforts should also take into consideration the satisfaction of the suppliers” (p. 427) because those efforts will not succeed if suppliers' needs cannot be satisfied in the process. He stated that a cooperative culture, commitment to supplier satisfaction and constructive controversy will secure the full and whole-hearted support of the suppliers. All in all, the author suggests that a relational and cooperative approach towards suppliers will make suppliers more satisfied with the relationship.

A similar result was achieved by Forker and Stannack (2000) who conducted a dyadic survey. They compared the effects the contrasting competitive and cooperative exchange relationships have on the degree of satisfaction buyers and suppliers experience in the respective relationship. In line with Wong's assumption, buyers and suppliers in cooperative relation-

ships expressed greater contentedness than their counterparts did in competitive relationships. However, buyers and suppliers seem to have a better shared understanding (they sense that the value they provide is compensated with equal value received) within the competitive relationship than within the cooperative relationship due to the greater transparency of the roles of each party in the market exchange or the higher sunk costs suppliers face in a partnership resulting from higher asset specificity. A possible deduction for buyers aiming to increase supplier satisfaction could be to enter into more intimate relationships, but to organize interaction in a way that supports the suppliers' perceived feeling of reciprocity and transparency and reduces their fear of incurring sunk costs.

Whipple et al. (2002) become a little more concrete regarding the factors impacting satisfaction. They empirically test the effect information sharing between trading partners has on the overall dyad's satisfaction. They found out that an increase in the amount of operational information exchanged has a positive impact on alliance satisfaction. However, their study also revealed differences in the perception between buyers and suppliers. Whereas buyers seem to value the accuracy of the information exchanged, for suppliers, the additional critical factor impacting satisfaction was the timeliness of information exchange. As information and its early provision in particular are essential for a supplier's internal planning processes, it has a direct impact on satisfaction as experienced by the supplier.

Maunu (2003) addresses the topic of supplier satisfaction in her dissertation. She first elaborates a conceptual framework of supplier satisfaction. Nine supplier satisfaction dimensions are defined, which are grouped under the two topics: Business related dimensions and communication related dimensions.

1) Business related supplier satisfaction dimensions are hard, fact based values and contain Profitability, Agreements, Early supplier involvement, Business Continuity and Forecasting/Planning as dimensions affecting a supplier's satisfaction. For instance, the Forecasting/planning dimension covers questions such as how well forecasting tools are imple-

mented and how well those forecasts support the supplier's need concerning reliability and visibility of demands.

- 2) In contrast, communication related dimensions are more soft, human based values and composed of Roles & Responsibilities, Openness & Trust, Feedback and The Buying Company's Values. For example, the Openness & Trust dimension refers to the people's professionalism in behaviour and how things are taken care of at the buying organisation.

In a second step, Maunu creates a questionnaire which allows the buying company to measure supplier satisfaction. This questionnaire and the nine dimensions of supplier satisfaction behind it were empirically tested three times before it was implemented in a company as a management tool to improve and further develop its processes with suppliers and external partners.

Benton and Maloni (2005) state that "a supply chain is only as strong as its weakest link. Thus, a manufacturer cannot be responsive without satisfied suppliers" (p. 2). Aim of this paper, therefore, is to empirically test how supplier satisfaction can be increased and, in particular, what the effects of the different "bases of power" of a buyer on supplier satisfaction are. In other words, it is investigated how power-driven buyer-supplier relationships affect both performance and satisfaction. The authors differentiate between coercive-mediated power sources (coercive and legal legitimate), reward mediated power sources and non-mediated power sources (expert, referent, and traditional legitimate). Whereas coercive-mediated power sources are found to have a negative effect on satisfaction, reward mediated power sources and non-mediated power sources affect the level of supplier satisfaction in a positive way. Additionally, there was no evidence found for performance to be a driver of satisfaction. Thus, it can be summarized that supplier satisfaction seems to be driven primarily by the nature of the buyer-supplier relationship rather than by performance. If the power holder is attempting to promote satisfaction, it should emphasize a relationship-driven supply chain strategy based on rewards and non-mediated power sources rather than a performance

based strategy. Manufacturers should avoid the use of coercive power to effectively manage their supply chain and increase satisfaction.

Leenders, Johnson, Flynn and Fearon (2005) consider supplier satisfaction as one important component of purchasing and supply management. They argue that relationship marketing efforts should also be applied upstream the supply chain. In this way, supplier goodwill and real cooperation could be achieved. For clarifying the current purchaser-supplier relationship in terms of satisfaction and stability, they provide a framework called “The Purchaser-Supplier Satisfaction Matrix. The diagonal in the matrix is seen as a fairness or stability line where the level of satisfaction is equally high for both parties. According to Leenders et al. (2005), positions on the satisfaction chart can be improved by a number of marketing and supply management tools:

- 1) Granting substantial volumes, long-term commitments, exclusivity agreements
- 2) Sharing of internal information and extensive communication
- 3) Willingness to change behaviour in the purchasing organisation to improve relations to suppliers
- 4) Rapid response to requests from suppliers.

Essig and Amann (2009) explore the construct of supplier satisfaction as a factor of buyer–supplier relationship quality. “Trust and commitment [...] are stated to be the premises of relationship quality, which, in turn, can be classified as the object of a supplier’s satisfaction statement” (p. 103f.). The complex construct of supplier satisfaction is operationalised through an index and its determinants are measured using a survey. The supplier satisfaction index contains 36 indicators subsumed to three dimensions and six factors.

- 1) The first dimension refers to the “strategic level” of a relationship. It contains indicators (e.g. degree of earliness of integration in production processes, willingness to accept suggestions for improvement, etc.) which allow conclusions about the intensity of cooperation.

- 2) Supplier satisfaction is also determined by factors on the “operational level”. Essig and Amann (2009) split this dimension up into questions about the order process (adherence to arrangements, adherence to long-term contracts, bargaining position, etc.) and billing/delivery (payment procedures, delivery deadlines, required effort needed for delivery, etc.). All these indicators have a direct impact on the overall level of supplier satisfaction.
- 3) The “accompanying level” is the third dimension. The authors name “communication”, “conflict management” and “general view” of the relationship as influencing variables of satisfaction. Subordinate indicators to these variables are, for example, “availability of direct contact”, “quality and frequency of information”, “preciseness of communication” or “reaction speed”.

Nyaga et al. (2010) examine the antecedents of performance and satisfaction with collaborative relationships from two perspectives: buyers and suppliers. From each party’s perspective, collaborative activities such as dedicated investments, information sharing and joint effort that drive satisfaction and performance are determined. Trust and commitment are modelled as key mediating variables on the basis of Morgan and Hunt’s (1994) KMV model. The authors find out that all three collaborative activities have a positive effect on satisfaction and that this effect is either mediated by trust or commitment or by both variables simultaneously. Invariance tests between the buyers’ and suppliers’ perceptions of collaborative relationships show a dichotomy in expectations consisting of “buyers’ focus on relationship outcomes versus suppliers’ focus on collaborative activities” (p. 110). This coincides with Benton and Maloni’s (2005) finding that supplier satisfaction is primarily driven by a relationship- rather than a performance-based supply chain strategy. Whereas buyers are more focused on trust and commitment and the resulting impact on outcomes, suppliers seem to place more importance on safeguarding their transaction specific investments via developing norms. Additionally, Nyaga et al. (2010) state that suppliers are concerned with inputs to the relationship that enable them to improve their performance as well as to provide the buyer with the

expected services. In order to strengthen supplier satisfaction buyers should, therefore, demonstrate a particular interest in information sharing and joint effort (e.g., working on joint teams, conducting joint planning, making joint decisions). This is an important finding when it comes to adapting the relationship strategy for becoming a preferred customer.

What approaches can be undertaken by buyers to increase supplier satisfaction is shown by Ghijssen et al. (2010), who analyse the impact of influence strategies and supplier development on supplier commitment and supplier satisfaction in the German automotive industry. The authors differentiate between indirect influence strategies (information exchange and recommendations) and direct strategies (requests, promises, threats, legalistic pleas). Also two dimensions of direct supplier development activities are taken into account, namely human-specific supplier development and capital-specific supplier development. They find that buyers “should attach more importance to indirect [...] influence strategies and capital-specific supplier development efforts to stimulate supplier satisfaction” (p. 24). Request, threats and legalistic pleas are found to have a negative effect on satisfaction. In addition, promises and human- and capital-specific development efforts can be used by buyers to enhance supplier commitment to the relationship.

When earlier literature has presented several different viewpoints towards supplier satisfaction, this study provides an overview of all possible drivers of supplier satisfaction named in literature. In sum, all contributions analysed here agree on the importance of supplier satisfaction in business relationships and its high impact on business success. A comparison of the findings of the here described surveys show that many authors focus on different factors, but that generally cooperation seems to be the supply management strategy that promote supplier satisfaction best. The appendant modes of interaction (e.g. information sharing or communication) also seem to be major prerequisites for supplier satisfaction.

Drivers of supplier satisfaction	Reference
Supply management	
Cooperative relationships	Wong, 2000; Forker and Stannack, 2000; Benton and Maloni, 2005; Leenders et al., 2005; Essig and Amann, 2009
Commitment to suppliers satisfaction	Wong, 2000
Early supplier involvement	Maunu, 2003; Essig and Amann, 2009
Dedicated investments	Nyaga et al., 2010
Supplier development	Ghijssen et al., 2010
Reward mediated power sources	Benton and Maloni, 2005
Non- mediated power sources (expert, referent and traditional legitimate)	Benton and Maloni, 2005
Recomendations	Ghijssen et al., 2010
Response to supplier requests and suggestions for improvement	Leenders et al., 2005, Essig and Amann, 2009
Joint relationship effort	Nyaga et al., 2010
Business/Operations	
Profitability	Maunu, 2003
Bargaining position	Essig and Amann, 2009
Substantial volumes	Leenders et al., 2005
Long-term time horizons	Maunu, 2003; Leenders et al., 2005
Adherence to agreements	Maunu, 2003; Essig and Amann, 2009
Forecasting/Planning	Maunu, 2003
Order process	Essig and Amann, 2009
Time scheduling	Essig and Amann, 2009
Billing/delivery	Essig and Amann, 2009
Payment habits	Essig and Amann, 2009
Required effort needed for delivery	Essig and Amann, 2009
Support	Essig and Amann, 2009
Technical competence	Essig and Amann, 2009
Business competence	Essig and Amann, 2009
Modes of interaction	
Communication	Maunu, 2003; Leenders et al., 2005; Essig and Amann, 2009
Availability of direct contact in the buying firm	Essig and Amann, 2009
Definition of roles & responsibilities	Maunu, 2003
Communication media used	Essig and Amann, 2009
Politeness of employees	Essig and Amann, 2009
Openness & Trust	Maunu, 2003
Commitment	Nyaga et al., 2010
Reciprocity	Forker and Stannack, 2000
Feedback	Maunu, 2003
Information exchange	Leenders et al., 2005; Nyaga et al., 2010; Ghijssen et al., 2010
Quality of information	Essig and Amann, 2009
Level of information exchange	Whipple et al., 2002; Essig and Amann, 2009
Accuracy of information exchange	Whipple et al., 2002; Essig and Amann, 2009
Timeliness of information exchange	Whipple et al., 2002
Conflict Management	Essig and Amann, 2009
Constructive controversy	Wong, 2000
Reaction speed	Essig and Amann, 2009
Quality of reaction	Essig and Amann, 2009

Table 2: Antecedents of supplier satisfaction

We have already reviewed existing findings on how to increase attraction and satisfaction within a buyer-supplier relationship, direct driver of preferred customer status, however,

have not yet been examined. Looking at the virtuous circle of preferred customership, preferred customer status represents the last cycle stage which describes the desired status of being treated more preferentially by leading suppliers than competitive customer are. In the following chapter, a literature review on how this status can be achieved will be conducted.

Antecedents of Preferred Customer Status

Williamson (1991) argues that buyers should enter into long-term contracts with suppliers to be able to respond quickly to end customers demands at acceptable costs. As contracts, however, cannot cover all contingencies, he suggests that these commercial links should be managed differently, implying a shift from traditional supplier management to a preferred-customer oriented supply strategy. For achieving this, he proposes to concentrate purchases with one primary supplier to increase a customer's importance. "Demonstrating a track record of loyalty is also an important contributor, since it will be profitable for suppliers to allocate their scarce flexibility so as to reward long-term relationships [...] rather than fickle buyers who may be gone tomorrow" (Williamson 1991, p.81). As a result, buyers are awarded a more preferential resource allocation and higher supplier responsiveness. However, Williamson also remarks that being a preferred customer might be connected with higher purchasing prices as a premium paid to the primary source. For keeping the pressure on prices, the author proposes to maintain relationships with secondary suppliers.

Moody (1992) presents in her paper the results of a survey undertaken by the AME where suppliers were asked to name the characteristics of a Best Customer. The following factors are considered as most important: Early supplier involvement, mutual trust, involvement in product design, quality initiatives, profitability, schedule sharing, response to cost reduction ideas, communication and feedback, crisis management and commitment. Furthermore, Moody presents some best practice examples. Motorola, for instance, actively seeks to become a world-class customer in order to guarantee access to world-class suppliers. In their

eyes, a world-class customer 1) is attentive and action-oriented in resolving problems, 2) buys on the basis of total cost rather than invoicing price, 3) treats suppliers with respect, 4) is consistent in areas that affect a supplier's overhead cost structure (e.g. standard certification processes, electronic interfaces, etc.), 5) implements simple, coordinated and fair business processes and 6) involves suppliers early in joint projects. Moody concludes that these firms get better quality and service at even better prices.

In 2007, Bew presented a practitioner paper on a conference in which she highlights the importance of being a supplier's "customer of choice", drawing back on a survey with sales personnel. In this survey, 75% of the participants responded to give their preferred customers preferential treatment in allocation of materials, 82% gave first access to new product ideas and 87% argued that only the customer of choice gets unique cost reduction opportunities. Bew estimated that the total value of this package equates 2-4% of cost savings. Please note that these empirical results are in conflict with Williamson's (1991) assumption that preferred customer status is connected with a premium paid to suppliers who award preferential treatment. Although the benefits of being a preferred customer are in the center of Bew's study, it also provides some first indicators for possible drivers of preferred customer status. Bew argues that there are other criteria than merely price and volume supplier use to evaluate their customers. More specifically, suppliers place high weight on additional factors, including strategic "fit", predictable decision processes and cost to serve the customer. As low cost-to-serve customers are as attractive to suppliers as low-cost suppliers are to buyers, removing unnecessary cost-to-serve burdens on suppliers will help to secure customer of choice status.

Blonska, Rozemeijer and Wetzels (2008) empirically test whether a buyer's investments in supplier development influence a supplier's intention to give a buyer a preferential buyer status. The authors find out that there is no direct effect between the two variables. However, it is shown that supplier development positively affects supplier relational embeddedness, i.e. the supplier's intention to strengthen its ties with the buyer via closeness and

reciprocity, and a number of other relational mediator concepts such as trust, commitment and satisfaction, which, in turn, influence preferential buyer status. This means that supplier development impacts the supplier's decision to award preferential buyer status only in an indirect manner. The authors conclude that supplier development only in combination with supplier relational embeddedness, long-term trust, affective commitment and economic satisfaction are antecedents of preferred buyer status. Also power and relationship length could be confirmed as antecedents of preferential buyer status.

Steinle and Schiele (2008) used the preferred customer concept not to explain the benefits, but to explain the problems firms encountered in global sourcing when failing to get access to suppliers located in a foreign regional-sectoral industry cluster. They argue that "achieving preferred customer status is easier for firms located in the same regional or national cluster than it is for foreign firms attempting to access a remote supplier" (Steinle and Schiele 2008, p. 3). As a consequence, geographical proximity between buyer and seller and cluster membership are considered to be substantial antecedents of preferred customership. Relying on the case study results, it is also argued that a firm's purchasing volume has a high impact on the supplier's customer evaluation.

Blonska (2010) again test supplier development as an antecedent of preferential supplying behaviour, but this time relies on social capital theory. She finds out that investments in supplier development will prompt preferential benefits for a buyer only if social capital exists. Thus, social capital has a mediating effect between investments and benefits. In order to investigate these findings more in depth, she differentiates between structural capital (strong bonds), cognitive capital (shared future) and relational capital (trust and commitment) as different expressions of social capital. The following causal relationships were found: Investments in supplier development have a direct effect on relational (trust and commitment) and cognitive (shared future) capital. This, in turn, positively influences structural capital (strong

bonds), which leads to preferential buyer benefits. Preferential buyer benefits are consequently only granted to the buyer if structural capital is created between buyer and supplier.

Finally, the paper of Schiele et al. (2011) provides a first quantitative test on the influence of preferred customer status on supplier innovativeness and pricing behaviour. Regarding supplier innovativeness, Preferred Customer Status had an even higher explanatory power than the technical competencies of the supplier. It was also shown that Preferred Customer Status has a significant positive effect on benevolent supplier pricing behaviour. Apparently, preferred customer status is a relevant and measurable phenomenon. As this study exclusively focuses on the benefits rather than on the antecedents of PC Status, no drivers of preferred customer status can be identified.

In sum, literature already provides some first hints on the drivers and outcomes associated with preferred customer status. Although the significance of being a preferred customer is often underlined in current literature, there are no conceptual contributions discussing how to achieve this. Quantitative investigations of possible antecedents of preferred customer status are scarce and limited in the number of antecedents researched. A broader analysis of what really provokes suppliers to treat selected customers better than others and how this prioritization can be influenced by buying firms, still misses a comprehensive academic picture.

Drivers of preferred customer status	Reference
Relationship value	
High purchase volumes	Williamson, 1991; Bew, 2007; Steinle and Schiele, 2008
Profitability	Moody, 1992; Bew, 2007
Total cost as basis for purchasing price	Moody, 1992
Low cost to serve the customer (overhead costs, delivery cost, service requirements, customization)	Moody, 1992; Bew, 2007
Instruments of interaction	
Early supplier involvement	Moody, 1992
Involvement in product design	Moody, 1992
Supplier development	Blonska et al., 2008; Blonska, 2010
Quality initiatives	Moody, 1992
Schedule sharing	Moody, 1992
Response to cost reduction ideas	Moody, 1992
Communication and feedback	Moody, 1992
Action-oriented crisis management	Moody, 1992
Simple and coordinated business processes	Moody, 1992
Predictable decision processes	Bew, 2007
Atmosphere	
Loyalty	Williamson, 1991
Trust	Moody, 1992; Blonska et al., 2008; Blonska, 2010
Commitment	Moody, 1992; Blonska et al., 2008; Blonska, 2010
Satisfaction	Blonska et al., 2008
Customer attentiveness	Moody, 1992
Respect	Moody, 1992
Fairness	Moody, 1992
Relational embeddedness	Blonska et al., 2008
Strong bonds	Blonska, 2010
Power	Blonska et al., 2008
Compatibility	
Strategic fit	Bew, 2007
Shared future	Blonska, 2010
Relationship length	Blonska et al., 2008
Geographical proximity	Steinle and Schiele, 2008
Cluster membership	Steinle and Schiele, 2008

Table 3: Antecedents of preferred customer status

PRELIMINARY CONCEPT FOR THE DRIVERS OF PREFERRED CUSTOMERSHIP

In the last chapter, we gave an overview of already mentioned antecedents of customer attractiveness, supplier satisfaction and preferred customer status in current literature. We were able to identify a whole bunch of different drivers for each cycle stage. Some of them clearly belong to one specific cycle stage, whereas others are named in every single stage. What all of them have in common, however, is that they – if applied properly - contribute to the closure and proper functioning of the virtuous cycle of preferred customership.

For customer attractiveness, many of the drivers identified concentrate on factors which influence a supplier's perception of a customer's attractiveness before a relationship even started, i.e. ex-ante attraction. Drivers such as a customer's size, market share, growth rate and influence on the market are uniquely named in the first cycle stage and play a major role when the two parties have never been in contact before. Those factors provide valuable information about the customer's competitiveness and, what is even more important for a supplier, its demand potential and stability. If the two parties already know each other and their modes of interaction from past experiences, other factors such as tight personal relations and reliability might gain in importance for evaluating a customer's attractiveness. The fact that attraction develops over time according to the maturity of a relationship and is perceived differently in the course of interaction is taken up by Mortensen et al. (2008a) and Harris et al. (2003) who claim that there are different conditions and lenses for attraction. If the two companies are familiar and fit to each other, different factors might drive attractiveness than it does for unknown firms.

In contrast to customer attractiveness, antecedents of supplier satisfaction refer more to ways interaction between buyers and suppliers in existing relationships can be organised. It particularly comprises factors on a more operational level such as order processes, billing and delivery. In this stage, buyers and suppliers already entered into a relationship and satisfaction is determined by the way business is done. Many antecedents in this context are derived from Essig and Amann (2009) and Maunu (2003) who elaborated a supplier satisfaction survey for implementation in practice.

We just alluded to the differences between the antecedents of the three cycle stages. However, there are surprisingly many factors which coincide in each cycle as antecedents of customer attractiveness as well as supplier satisfaction and preferred customer status. The first variable all three stages have in common is the emphasis on price and volume. For customer attractiveness, financial factors are mentioned by Fiocca (1982), Ellegard and Ritter (2006),

Ellegard and Ritter (2007), Hald et al. (2009) and Ramsay and Wagner (2009) as essential variables for determining attractiveness. Also regarding supplier satisfaction, profitability and substantial volumes are considered important antecedents. In this view, also Williamson (1991), Moody (1992), Bew (2007) and Steinle and Schiele (2008) argue that high volumes, low costs to serve the customer and profitability influence whether a customer gets preferential supplier treatment. It can thus be concluded that the potential of value creation for the supplier is a central element for its decision which customer is awarded preferred customer status. This understanding can be used by buyers who aim to influence their positioning as a customer among their leading suppliers. Value creation, thus, is a common driver in the circle of preferred customership.

What is also noticeable is the accumulation of relational factors in each cycle stage. In particular the analysed surveys in the second cycle stage lead us to the assumption that a cooperative, relationship-driven supply management strategy is much more appropriate than a competitive, outcome-based relationship when preferred customer status is to be achieved. To be more specific, Wong (2000), Forker and Stannack (2000), Benton and Maloni (2005), Leenders et al. (2005), Essig and Amann (2009) and Nyaga et al. (2010) argue that cooperation and cooperative activities lead to supplier satisfaction. In other cycle stages, cooperation is not explicitly named, but there are a whole bunch of other drivers which refer to cooperative modes of interaction. For instance, Córdón and Vollmann (2008), Ramsay and Wagner (2009), Christiansen and Maltz (2002) and Hald et al. (2009) name early supplier involvement, joint improvement efforts, information exchange and communication as antecedents of customer attractiveness. For supplier satisfaction, the same drivers are named by Maunu (2003), Leenders et al. (2005), Essig and Amann (2009), Nyaga et al. (2010) and Ghijsen et al. (2010). In this cycle stage, the list of relational modes of interaction is even expanded by supplier development (Ghijsen et al., 2010) and attentive conflict management (Essig and Amann, 2009), all of which shall have a positive effect on supplier satisfaction. Last but not

least, early supplier involvement, supplier development, communication and action-oriented conflict/crisis management are also mentioned as drivers of preferred customer status.

Forker and Stannack (2000) argue that although supplier satisfaction in cooperative relationships is higher, suppliers do not feel that the norm of reciprocity is fulfilled due to higher asset specificity adherent to collaborations. Therefore, Nyaga et al. (2010) argue that suppliers strive for the development of norms and strong bonds for safeguarding their transaction-specific investments. This leads us to the conclusion that strong interfirm and interpersonal relationships are an essential ingredient for relationship success. This view is supported by the results of the literature review, where social factors play an essential role for becoming a preferred customer. It is important to note that not only hard factors, but to a high extent soft elements of a relationship seem to have a significant impact on the closure and functioning of the virtuous circle of preferred customership. This is in line with social exchange theory where it is argued that factors other than pure economic ones apply to relationship development (Brennan et al. 2010). In all three cycle stages, factors such as trust, commitment, strong bonds, tight relations, fairness, respect and loyalty are found to be drivers for customer attractiveness, supplier satisfaction and preferred customer status (see Christiansen and Maltz, 2002; Ellegaard et al., 2003; Ellegaard and Ritter, 2007; Hald et al., 2009; Ramsay and Wagner, 2009 for customer attractiveness, Maunu, 2003; Nyaga et al., 2010 for supplier satisfaction and Williamson, 1991; Moody, 1992; Blonska et al., 2008; Blonska, 2010 for preferred customer status). It has to be highlighted that without a strong relational embeddedness of the two parties real cooperation and a favourable supplier treatment might not be achievable. Loyalty seems to have a special status: As predictable decision processes, adherence to agreements and long-term time horizons (Bew, 2007; Maunu, 2003; Leenders et al., 2005; Christiansen and Maltz, 2002, Ellegaard et al., 2003; Hald et al., 2009; Ramsay and Wagner, 2009) seem to significantly influence a supplier's experienced level of attraction and satisfac-

tion, preferred customer status might not be awarded to buyers who are committed to a competitive, short term supply strategy and constantly switch from one supplier to another.

A high intensity of cooperation is normally related to a high level of interdependence between buyer and supplier. From a supplier's perspective, a high level of dependence on a buyer and the resulting power the buyer gets over the supplier is expected to be interpreted negatively. For a customer whose attractiveness is evaluated before any cooperation started, high dependence is regarded as a risk factor and has a moderating affect on customer attractiveness (Hald et al. 2009, Ramsay and Wagner 2009). However, if the buyer does not abuse its position in the course of interaction, high buyer power does not necessarily have a negative effect on satisfaction. It rather depends on how the buyer uses its pre-eminence. Benton and Maloni (2005) and Ghijssen et al. (2010) were able to show that reward and non-mediated power sources as well as indirect influence strategies function as drivers of supplier satisfaction, whereas coercive-mediated power sources, i.e. requests, threats and legalistic pleas, affect satisfaction in a negative way. This implies for customers that their predominance does not necessarily have to be given up as it does not automatically preclude preferred customer-ship. Power merely has to be employed in a relational manner.

In order to give an overview of all drivers of preferred customership, we grouped them into different categories assigning them to our three cycle stages. The fact that some drivers are not stage-specific, but virtually boundary-spanning, is expressed through the broken lines in Figure 2 which separate the three different review fields.

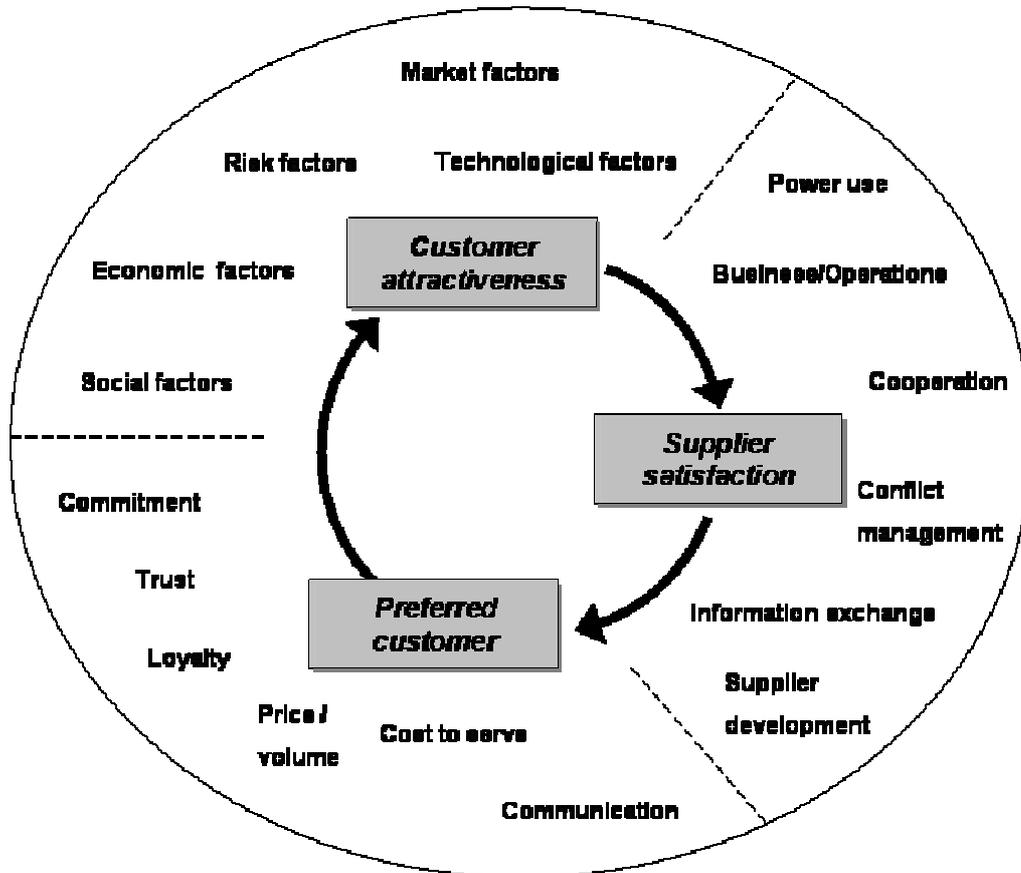


Figure 3: Drivers of preferred customership

Taking social exchange theory as basis (Anderson and Narus 1984, 1990), we conceptualize suppliers as evaluating a customer relationship as a function of the attraction and satisfaction within a relationship versus the comparison level of alternatives. If this knowledge about the drivers of the different cycle stages is adopted adequately by buyers, customer attractiveness and supplier satisfaction can be increased until it surpasses the levels suppliers experience with alternative customers. If this is the case, one customer is awarded preferred customer status and awarded a more preferential treatment than other customers are. These drivers help to understand how buyer-supplier relationships have to be managed in order to influence a supplier's customer evaluation decision.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

The literature review has brought forward a scarcity of research exploring the phenomena of customer attractiveness, supplier satisfaction and preferred customership in general and of its antecedents in particular. Creating a supply-side induced competitive advantage through preferential supplier treatment has received surprisingly little attention in relationship management literature even though the concept has a high impact on business success. The first encouraging empirical research results emphasize and elucidate the importance of a further study on the concept of Preferred Customer Status in business relationships.

Looking at the different drivers identified in the literature review, the question arises on what can be the underlying theory to derive those factors. Whereas for customer attractiveness and supplier satisfaction a certain tendency is observable, authors still seem to struggle with finding a suitable theory which really explains what buyers can do to differentiate themselves from other customers the supplier has. For the first cycle stage, scholars often use social exchange theory to derive antecedents of customer attractiveness. In contrast, for identifying possible drivers of supplier satisfaction, the majority of authors rely on relationship marketing literature. In the third cycle stage, Blonska (2010), for instance, draws on social capital theory to predict antecedents of preferential supplier treatment. It can be seen that many different theories are used to derive influencing factors of preferred customership, but there seems to be no theory which covers all three cycle stages at one time. For the moment, we see that there are several papers on customer attractiveness, supplier satisfaction and Preferred Customer Status, but all of them treat each topic separately. The research on Preferred Customer Status still misses a strong theoretical link which allows us to determine the prerequisites of preferred customership over the whole relationship life-cycle. Thus, one first future research direction would be to elaborate a sound conceptual model for the drivers of preferential supplier treatment.

Drawing back on such a model, the prerequisites for customer attractiveness, supplier satisfaction and preferred customer status could be tested empirically in order to eventually answer the highly relevant question on what buying firms can do to become more attractive for their suppliers than their competitors are.

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