

Antecedents and Benefits of Supplier Satisfaction and the Influence of Segmentation and Status on Buyer-Supplier Relationships: A Multi-Perspective Case Study of Company X and Four of its Suppliers

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ABSTRACT

Interest in supplier satisfaction and the awareness of needing to be preferred customer rather than just preferred supplier has risen in recent years. Nevertheless, research so far has mainly focused on quantitative and theoretical analyses. The concepts of segmentation and status have thus far been not more than a side note in conjunction with supplier satisfaction. Therefore, this research involved a qualitative case study of Company X and four of its suppliers. The results confirmed the link of antecedents such as relational and economic factors to supplier satisfaction and the resulting preferred customer status and the benefits associated with it. Geographical factors are suggested as an additional antecedent category. The findings emphasize the importance of reciprocity in business relationships and exchanges. While supplier satisfaction had mostly relational antecedents, segmentation was found to be economic based from a supplier perspective. Status played no decisive role in the cases studied. Instead the occurrence of companies being simultaneously buyer and supplier for each other was found to supersede other factors in terms of influence on supplier satisfaction and especially segmentation, increasing the importance of a company even if it is not otherwise an important supplier.

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Keywords

Social Exchange Theory; Supplier Satisfaction; Preferred Customer Status; Customer Segmentation; Kraljic Matrix; Status; Case Study

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9th IBA Bachelor Thesis Conference, July 5th, 2017, Enschede, The Netherlands.

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1. SUPPLIER SATISFACTION IN A MULTI-PERSPECTIVE CASE STUDY

The supply chain is of critical importance for any business, since it provides a company with the materials and services it needs to function. This makes suppliers invaluable for any company and shows the need for excellent supply management in an exceedingly competitive global business landscape. Recent research has uncovered numerous benefits of having satisfied suppliers for any given company. These range from general benefits such as more stable business relationships (Padin, Ferro, & Svensson, 2017, p. 11) to the attainment of preferential resource allocation (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 137). Leading research has resulted in a framework based on a social exchange theory (SET), that links supplier satisfaction and buyer attractiveness to a preferred customer (PC) status with benefits such as preferential access to resources (Pulles, Schiele, et al., 2016, pp. 136-138; Vos, Schiele, & Hüttinger, 2016, p. 4621). SET is the model of choice here due to its explanatory power concerning relational characteristics (Pulles, Schiele, et al., 2016, p. 131). While growth opportunity, relational behavior, operative excellence and profitability are shown as direct antecedents of supplier satisfaction, the consequences were shown to be access to the PC status and preferential treatment, ultimately providing a competitive advantage to the buyer company (Vos et al., 2016, p. 4621). To determine these aspects in a practical context, the question is:

Q1: “What are influencing factors of supplier satisfaction for Company X? What are the antecedents and consequences?”

Despite growing research on supplier satisfaction and its link to the preferred customer status, evaluations of the theory in a practical business context, with consideration of the multitude of potential antecedents and consequences are sparse. This thesis will contribute to existing research by conducting a case study at a medium sized German company active in the chemical industry, here referred to as Company X, evaluating its status, its attempts at improving supplier satisfaction and the obtained benefits from this buyer perspective as well as from the view of four of its suppliers.

There are many different kinds of supplier-buyer relationships. To evaluate how the relations and dependencies between companies evaluate their cooperation, an approach to segmentation is part of this research. Analyzing segmentation provides more information about the antecedents of supplier satisfaction and potential implications for the future. A research focus on segmentation is useful given the lack of a clear customer segmentation matrix for these purposes and a currently low amount of research on the link between customer segmentation and supplier satisfaction. Customer segmentation can show the strategic importance of a certain buyer for the supplier based on a variety of factors typically derived from customer value (Bruhn, Georgi, & Hadwich, 2008, p. 1295). These supplier-buyer relationships can also be evaluated through the Kraljic matrix (Kraljic, 1983, p. 111), revealing the importance of the product and the corresponding supplier for the buyer. This research will answer the following questions:

Q2: “What are the consequences of segmentation and how does Company X influence it?”

Next to segmentation, buyers and suppliers typically assign each other a status as another means of differentiating between different actors. Piazza and Castellucci (2014, p. 301) determine different functions of status. These might influence supplier satisfaction and the obtainment of benefits, leading to the question:

Q3: “What status does Company X have with its suppliers? What benefits become available due to this?”

Following this introduction, Chapter 2 will introduce the theoretical framework for this research. This will serve as the basis for the methodology described in Chapter 3. The results of the approach will be introduced in the fourth chapter, before being discussed and analyzed in Chapter 5. Chapter 6 concludes the text with a short summary of the main findings, followed by sources and appendices.

2. THEORY: ANTECEDENTS AND CONSEQUENCES OF SUPPLIER SATISFACTION

2.1 Rethinking the Direction of Marketing

Past research of supplier-buyer relationships has mainly focused on classical marketing, meaning that suppliers were seen as trying to win over customers. Therefore emphasis was on the competition between suppliers and their actions while the customers were considered in a more powerful position in which they could cherry pick the desired supplier at will (Cordón & Vollmann, 2008, p. 13). This is often in contrast to present day reality, in which resources and suppliers are scarce, so that buyers need to work hard to establish a business relationship with the needed suppliers (Biemans & Brand, 1995, pp. 30-31). Even if there are sufficient suppliers, there likely are some suppliers capable of providing better adjusted or higher quality supplies, making them again rare and sought after (Cordón & Vollmann, 2008, p. 14). That situation is the exact opposite of regular marketing. In this so called ‘reverse marketing’ buyers need to compete with each other to win over suppliers (Biemans & Brand, 1995, p. 31).

This illustrates how supplier choice and the relationship between supplier and buyer are critical for promising strategies such as early supplier integration, collaborative research and development (R&D) and joint ventures. Reverse marketing was shown to be leading to strong material cost reductions and with the potential to improve product quality, delivery performance and service support (Biemans & Brand, 1995, p. 31).

An important stream in reverse marketing literature is based on social exchange theory (SET), which provides the basis for a theory of supplier satisfaction and preferred customer status. This SET can be seen as stemming from Homans’ (1958) application of the concept of social behavior as exchange to the business world, concluding that also here all business relations are exchange relations focused on rewards and costs going along with the expectation of reciprocity (Homans, 1958, p. 606). Despite Homans being the first, Emerson (1976, p. 335) sees three main contributors to the field: While Homans focused on the psychology of instrumental behavior, Blau (1964) considered a technical economic analysis crucial. The third elementary contribution to the field was by Thibaut and Kelley (1959) who used a different psychological basis than Homans.

While supplier satisfaction and buyer attractiveness (named “customer satisfaction” in their research) both have an influence on preferential treatment, supplier satisfaction was shown to be of a mediating and ultimately decisive nature compared to buyer attractiveness (Pulles, Veldman, & Schiele, 2016, p. 130; Schiele, Calvi, & Gibbert, 2012, p. 1180). The relationships as shown in Figure 1, clearly demonstrate the critical importance of supplier satisfaction when hoping to attain preferential resource allocation. Model 2 in this figure appears to be based on the cycle of preferred customership by Schiele et al. (2012, p. 1180). Vos et al. (2016) confirm the positive impact of supplier satisfaction

on the occurrence of preferred customer status. They also confirm the importance of other, relational factors in influencing supplier satisfaction, relativizing the impact of customer attractiveness.

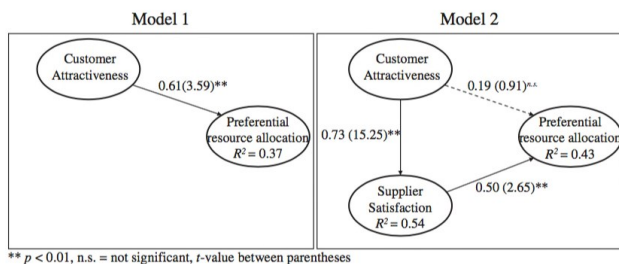


Figure 1 - SET-based Relations (taken from Pulles, Schiele, et al. (2016, p. 130))

The factors of customer attractiveness, supplier satisfaction and preferred customer status were defined on the basis of an extensive literature review by Hüttinger, Schiele, and Veldman (2012, pp. 1202-1203) which led to a preliminary model distinguishing between economic and relational factors when theorizing which factors contribute to the three concepts resulting in preferential treatment of customers. In addition to the aspects mentioned, customer attractiveness appears to be more relevant for ex-ante attraction before business is conducted, while supplier satisfaction and its antecedents are more concerned with factors resulting from the existing relationship (Hüttinger, Schiele, & Schröer, 2014, p. 699).

2.2 Antecedents of Supplier Satisfaction as Economic and Relational Factors

Seeing the importance of being a preferred customer and the benefits it entails, as well as how supplier satisfaction can lead to obtaining this, the question now is how suppliers can become satisfied. There appear to be numerous different factors influencing supplier satisfaction. The strong competitive benefits that can result from satisfying suppliers, as will be shown in section 2.3 of this thesis, have led companies to employ specific sourcing strategies such as a target percentage of turnover bought from a selected supplier, aimed at financially satisfying it and thus receiving PC status (Schiele, 2012, p. 47). Another factor, brought up by Yılmaz-Börekçi, İşeri Say, and Rofcanin (2015, p. 74) is that resilient suppliers lead to higher relation quality in the sense of mutual benefits obtained from the relationship as well as it leading to higher performance which also increases supplier satisfaction. These factors are examples of the two main categories of antecedents of supplier satisfaction: Economic and relational factors (Vos et al., 2016, p. 4619).

The basis for this distinction is the previously introduced SET, which served as a basis for Hüttinger et al. (2014, pp. 702-703) to evaluate potential antecedents of supplier satisfaction, determining growth opportunity, reliability and relational behavior as the influencers of supplier satisfaction (Hüttinger et al., 2014, p. 712). Vos et al. (2016, p. 4621) expanded on the model of Hüttinger et al. (2014, pp. 702-703) by devising a model of two-tier antecedents for supplier satisfaction (see Appendix 1) since certain factors (the first-tier) can precede and influence the other factors. In this revised causal hierarchical model of supplier satisfaction, including antecedents and consequences, the two tiers are as follows: innovation potential, support, reliability, involvement and contact accessibility form tier two. Innovation potential has an effect on growth opportunity while support, reliability and involvement influence relational behavior.

Contact accessibility influences operative excellence while profitability appears to be an independent factor. These tier one factors then directly influence supplier satisfaction. By showing the statistical significance of these factors, Vos et al. (2016, p. 4621) demonstrate the importance of using economic as well as relational factors since both these aspects have a significant influence on the occurrence of supplier satisfaction.

Economic factors hereby refer to the economic value of the business relation. Factors identified to directly influence this and thus supplier satisfaction are growth opportunity and profitability (Vos et al., 2016, p. 4619). Growth opportunity hereby refers to the ability of the two companies to grow together as well as to then generate new business opportunities (Hüttinger et al., 2014, p. 703). Profitability determines how profitable the relationship is for the supplier.

Relational behavior and operative excellence are the relational factors directly influencing supplier satisfaction (Vos et al., 2016, p. 4619). Only for direct procurement relational behavior has been shown to be statistically significant in determining supplier satisfaction (Vos et al., 2016, p. 4621). It includes aspects such as the behavior of the buyer towards the supplier “with regards to the relational focus of exchange capturing multiple facets of the exchange behavior such as solidarity, mutuality, and flexibility” (Hüttinger et al., 2014, p. 703). Operative excellence on the other hand is concerned with the efficiency of the business operations of the buyer, making it easier for the supplier to do business with this customer (Hüttinger et al., 2014).

In addition to economic and relational factors, the location of a company also appears to play a role in becoming a preferred customer, with obtaining PC status becoming more likely when buyer and supplier are geographically close (Steinle & Schiele, 2008, p. 3).

2.3 Benefits are Obtained by Becoming Preferred Customer

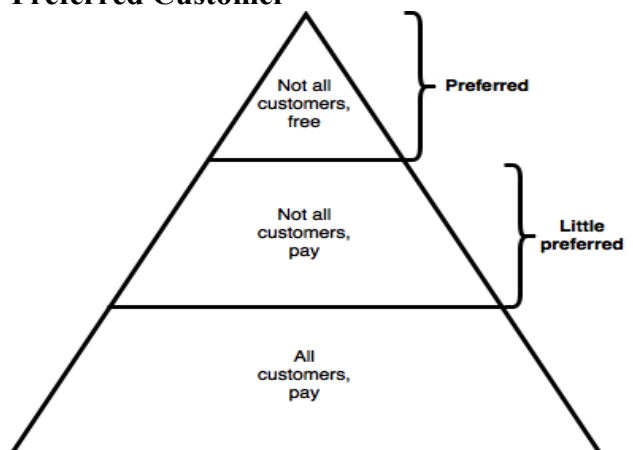


Figure 2 – The Pyramid of Preferred Customer Status

Research on these benefits in previous theses has found it relevant to distinguish based on price (free or paid) and availability (all or only select customers) of these benefits as is illustrated in Figure 2. This can be seen as corresponding to a customer being a bit preferred (paid benefits for select customers) and preferred customers (receiving free benefits other customers do not have access to).

The preferred customer (PC) status is assigned to specific customers as a result of supplier satisfaction as seen in Section 2.2. While supplier satisfaction is crucial for the occurrence of a PC status, other factors such as geographical proximity also play a role in attaining it (Steinle & Schiele, 2008, p. 11). Ellis, Henke,

and Kull (2012, p. 1265) see little connection between the size of the share of a suppliers' sales a company is responsible for and it obtaining PC status, instead concluding that the prospect of good future business relations plays a central role in PC status attainment as a 'Shadow of the future'. It can be seen as a consequence and benefit of supplier satisfaction. Steinle and Schiele (2008) make clear that PC status and preferential resource allocation are inextricably linked by stating that "[a] firm has preferred customer status with a supplier, if the supplier offers the buyer preferential resource allocation" (Steinle & Schiele, 2008, p. 11). This better treatment of companies with PC status results in select buyers receiving better resources than competitors (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 193) or in case of scarce resources them receiving access to the few resources available while other non-preferred customers suffer from the lack of resources (Steinle & Schiele, 2008, p. 11). Pulles, Veldman, et al. (2016, p. 1471) show that for companies in the manufacturing sector (compared to the service sector) "the capability of an organization to build close relationships with its suppliers is positively related to the competitive advantage that a company attains from its relationships" (Pulles, Veldman, et al., 2016, p. 1471). It is shown to be mediated by preferential resource allocation. This appears to be due to the fact that manufacturing firms tend to rely more on the capabilities and resources of suppliers to gain a competitive advantage, making the concept of supplier resource competition especially important for these companies (Pulles, Veldman, et al., 2016, p. 1472). In fact, some companies establish the PC status contractually by guaranteeing a select customer exclusive access to new technologies (Schiele, 2012, p. 47; Steinle & Schiele, 2008, p. 11).

Next to preferential resource allocation in terms of materials, the PC status also increases innovative potential by giving access to a supplier's innovation capabilities and technologies next to allowing for benevolent pricing as a further advantage (Ellis et al., 2012, pp. 1265-1266; Schiele, Veldman, & Hüttinger, 2011, p. 16). Being a preferred customer increases the willingness of suppliers to engage in joint development projects such as NPD (Schiele & Vos, 2015, p. 144). Steinle and Schiele (2008, p. 11) observed that PC status also allowed companies to involve otherwise competing suppliers in joint NPD projects. Overall, collaboration between buyer and supplier is oftentimes critical for company triumph in competitive global markets, as it is seen to increase the success of NPD (McGinnis & Vallopra, 1999, p. 13; Schiele, 2010, p. 149). In their literature research Nollet, Rebolledo, and Popel (2012, p. 1187) gather a number of supplier contributions to product quality and innovation, support, delivery reliability, price and costs a preferred customer can benefit from. Schiele et al. (2012, p. 1183) expect PC status to create benefits in production, logistics, as well as better service in terms of risk management such as quick repairs and access to better-quality products. Supplier satisfaction can also reduce the impact of power imbalances, making both parties feel equal (Benton & Maloni, 2005, pp. 15-17).

2.4 Segmentation and Status to Classify relationships

Given the frequently large number of companies a buyer or supplier does business with, paired with finite resources, it becomes clear that customers as well as buyers need to be segmented to allow for an easy comparison of business relations and opportunities.

CUSTOMER SEGMENTATION. A customer segmentation matrix can be used to analyze the strategic importance of a specific buyer for the supplier based on a variety of factors. In general, the value of a customer can be seen as the basis for customer segmentation (Bruhn et al., 2008, p. 1295). Nevertheless, there are differences in which factors the segmentation is based on. A simple, commonly used form of this is an ABC analysis considering only economic value, while some companies might consider additional factors such as economic and pre-economic criteria, e.g. customer satisfaction (Bruhn et al., 2008, p. 1295). The ABC analysis is often conducted as part of a quality assurance system of the company and was originally described by Dickie (1951) based on the Pareto Principle. Pages 8-10: Customer segmentation informs a company's strategy and the extent to which a specific business relation is important for the company (Lambert, 2009, pp. 8-10). Thus, segmentation can have a significant impact on how the supplier sees its customer and its actions, suggesting a link to supplier satisfaction. If a customer behaves beneficial for the relationship, being in a more important segment likely also increases the (positive) impact of the buyer's actions. Additionally, often used criteria for segmentation such as profitability and growth are equivalent to mainly economic factors shown to be leading to supplier satisfaction as introduced in section 2.2, showing a direct link between segmentation and supplier satisfaction (Lambert, 2009, p. 8).

SUPPLIER SEGMENTATION. An established tool for segmenting suppliers is the Kraljic matrix. It is a tool developed by Kraljic (1983) to evaluate the best purchasing strategy a company should employ. This is done by evaluating a product and the respective supplier on the dimensions of importance of purchasing, which entails factors such as cost of materials/total costs, value-added profile, profitability profile, and complexity of the supply market, composed of supply, possible oligopoly/monopoly conditions, pace of technological advance and entry barriers among others (Kraljic, 1983, p. 111). This makes the value of the company for the buyer in terms of profit impact as well as the difficulty of obtaining it based on the supply market, also called supply risk, the two main strategical determinants of supply strategy. It is widely used in practice, with researchers such as Caniels and Gelderman (2007, p. 227) claiming that this matrix provides information on dominance and power in the business relationship. Nevertheless, their model, as well as the Kraljic matrix it is based on, focuses solely on how a buyer classifies their supplier, therefore not accounting for the perspective of the suppliers and how they would classify their customers.

To account for this, van Weele developed the 'Dutch windmill', essentially adding an equivalent of the existing buyer perspective to the Kraljic matrix, thus allowing for a more realistic view based on now 16 types of business to business relations (van Weele, 2009, p. 200) (see Appendix 2).

STATUS. An interesting concept to evaluate in terms of its influence on supplier satisfaction is status, since this is a concept involving many expectations that can certainly influence the mindset of the involved parties. When considering status and its potential influence on supplier satisfaction, Piazza and Castellucci (2014, p. 301) provide an extensive taxonomy of the concept, ultimately identifying the "function of status as *signal*, *intangible asset*, or *mobile resource*." While this is seen as a mainly theoretical distinction, it can help clarify and structure the otherwise broad subject. In its first function, status can serve as a signal of quality or for example something attention worthy

(Piazza & Castellucci, 2014, p. 302). The signaling effect becomes most important when not much information is available or when information gathering is too costly, providing cues on who doing business with might be interesting (Piazza & Castellucci, 2014, p. 302). Next to simply signaling positive attributes status can serve as an intangible asset by itself, providing numerous positional advantages (Piazza & Castellucci, 2014, p. 303). In terms of status as a mobile resource Piazza and Castellucci (2014, p. 304) gather research suggesting that an actor's status increases over time from being part of a network of high status actors, suggesting transferability of status. They introduce a study by Castellucci and Ertug (2010), demonstrating that to make up for the status difference low status actors show more effort, with effort being positive related with performance.

3. METHODS: RESEARCH DESIGN & DATA COLLECTION

In order to be able to adequately compare the aforementioned views of suppliers and buyers concerning buyer attractiveness, supplier satisfaction and preferred customer status, a dual approach will be followed. As a result of time constraints limiting the amount of data gathering and to provide the aforementioned real-world experiences and approaches to supplier satisfaction and preferred customer status, case studies are the optimal way of examining the interplay of analyzed factors in their specific context. To gather the information necessary for this, interviews offer the best method due to their relative freedom they offer participants in their response. This allows for the most complete information gathering, especially since the researcher can come up with follow up questions to interesting leads. This explorative method is the method of choice since it allows for the discovery of new and more factors related to the theoretical concepts studied, also facilitating more in-depth information and discussion of these factors. This stands in contrast to quantitative information gathering which would limit the possible answers based on the questions asked, given its lower openness to unforeseen input.

This means there are two versions of qualitative research with a questionnaire each, one for suppliers and one for buyers. The questions for this can be seen in Appendix 6. These questionnaires are to be sent to the respondents per email before a semi-structured in person interview.

The questionnaire itself, using a previously used questionnaire as a basis, was modified for this specific research. It consists of a general classification part, a section about the benefits obtained from the buyer status, followed by a section about the antecedents of that status and how buyers can influence it.

Given that all interviewees were German, the questionnaire was translated beforehand. The interviews were conducted either personally or on the phone, while minutes were written down due to the preference of the interviewees to not be voice-recorded. The interviews had a duration of 30-60 minutes each.

The first section determines the existence of a preferred customer status as well as whether the buyer has it (or from a buyer perspective whether they think they obtained that status). Next to this, questions about the characterization in a Kraljic matrix will be included to further shed a light on the relationship between buyer and supplier from the buyer side. By investigating the position of the buyer in a customer segmentation matrix from the supplier side, the insights about the importance and relative power of the buyer and suppliers concerning each other will be completed.

The benefits section explores the exact nature of potential benefits offered to the buyer, exploring the consequences of supplier satisfaction. It is evaluated which benefits buyers think they receive and whether they need to pay for them. This is then compared to the supplier view to see whether those perceived benefits in fact do constitute special treatment or are offered to all customers. Additionally, the suppliers will explain the benefits they offer Company X, allowing for a comparison and evaluation of what the buyer notices and appreciates as benefits.

The antecedents section explores in more detail how a buyer can achieve supplier satisfaction and thus reach preferred status and receive benefits, as well as seeing what already has been done to reach this. Once again there will be a comparison of what the buyer thinks they are doing to obtain that status and what the supplier sees and considers deciding factors for this status assignment.

4. RESULTS

In the following sections the findings will be presented for each individual interview partner, following roughly the same structure as the theoretical section, beginning with antecedents of supplier satisfaction, followed by its consequences, information about the segmentation and status of the company. For a complete overview of the antecedents and consequences mentioned by the companies, see the tables in Appendix 3 and 4 which provide this information along with the theories the factors relate to.

4.1 Buyer Perspective – Company X

Company X is a medium sized founder owned German company active in the chemical sector which has effectively become the largest buyer of its main raw material next to generally having a relatively high impact on its market due to large quantities of materials bought and products sold.

When it comes to the suppliers of Company X, long term personal relations are important to the company, resulting in a rather informal categorization of suppliers by the percentage of materials provided by the suppliers. Rather than frequently switching suppliers based on price, Company X, while still negotiating a decent price, works to establish a mutually beneficial positive relationship based on trust. Therefore, Company X has a number of preferred suppliers with whom it aims to create such a relationship and consequently also receive preferred customer status.

SUPPLIER SATISFACTION. Supplier satisfaction is seen as an important criterion for this and is to be achieved by two main practices. The first is reliably buying the products of a supplier to offer them a stable and secure customer, which is thought to be associated with becoming a regular and valuable customer. Company X even buys the same volume when it needs much less, resulting in the company selling the excess for a loss at the market with the sole purpose of giving their suppliers a stable income stream. They are not informed of this procedure. In conjunction with this, suppliers who also serve as customers (Supplier B and C) are offered the results of overproduction first.

The second business practice aimed at improving supplier satisfaction is reliability in their payments. Company X is keen on not only always paying reliably but also paying within a week when a common practice among competitors is paying within a month. This way the company can further gain the suppliers' trust by not transferring own accounts payable further down the supply chain. By quickly and reliably paying the suppliers do not

only receive their money faster but can also see the good financial state of Company X, furthering trust and suggesting a stable relationship now and in the future. While there are preferred suppliers with a more important role, the goal of Company X is to satisfy all suppliers by the means discussed here.

BENEFITS. Company X attempts to reduce the work its strategically important suppliers and the company have with each other. It does so by providing the aforementioned fast and convenient processing of orders and payments. Additionally, if minor costs occur these are not directly transferred to the suppliers but only if they get unusually large. The company has noticed that many of its suppliers, including the ones interviewed for this research, have acted similarly. This, along with the generally very open communications due to many years of collaboration, have led to Company X's belief that it does indeed have PC status with these suppliers, even though none of them directly said so towards the company.

Free benefits Company X perceives are no additional costs for short waiting times of the trucks arriving and leaving with products, preferred access to resources and overproduction of suppliers to keep the materials off the market, benefitting the business of Company X as well as strong information sharing. To an undetermined extent these benefits are part of a so called "Mischkalkulation", meaning Company X does not just pay for the product but pay a premium to get premium service. The company calls this their "convenience package", with the suppliers taking on much of the minor work and costs that normally would be taken care of by Company X. The mentioned premium appears to occur in some transactions, while the benefits Company X provides lead to price reductions in other situations. The company was unable to draw a strict line between benefits due to status, PC status or any other aspect and the things received due to the premium paid. A preferred treatment is not further defined but implicit in the connection and transactions of the company.

4.1.1 Struggles of the Industry Increase Strategic Importance of Suppliers

SEGMENTATION. The industry Company X and its suppliers engage in is heavily dependent on regulatory and financial support by German, European and global politics. Given changes in regulations in the past years the number of possible suppliers for Company X has greatly decreased, increasing the importance of the existing relationships. The same has occurred the other way, sped up by the growth of Company X, with suppliers telling Company X that it is now their main or even exclusive customer and they would like to look for additional small customers to spread risks.

Supplier A is in theory easily replaced with one of its many competitors due to the production facilities not being highly different from facilities in other industries. Due to a relatively low supply risk and a medium profit impact, the services provided by Supplier A can be seen as non-critical. Nevertheless, the excellence in terms of service offered by the supplier along with the good knowledge of the facilities by Supplier A make it a valuable resource.

Supplier B supplies a commodity but couples this with a service package that includes providing a number of different materials together, greatly reducing purchasing efforts for Company X. A low profit impact mixed with low supply risk for the products supplier would call for a classification as non-critical. Since

Company B is also an important customer of Company X and this is inextricably linked with it being a supplier, the Kraljic matrix becomes less relevant, with the supplier being of extreme strategic importance without supplying a strategically important product.

Supplier C provides strategically important products, and is the main only supplier for some of the chemicals Company X buys. Its importance, similar to Supplier B, is increased due to the supplier being at the same time a customer. Even when considering only the supplied products, profit impact and supply risk are high, allowing for a clear characterization as strategically important products.

The drop in available suppliers by 50% in the past ten years has left few alternatives, making many existing suppliers strategically important. This is the case especially for Supplier D, who is one of two logistics companies working with Company X, together establishing a highly responsive and stable distribution network for materials and the finished products of Company X. This provides invaluable security, while otherwise finding a logistics company on short notice would be possible but much more expensive. In addition to high profit impact, company X assigns its logistics high supply risk due to the sheer importance of a reliable and efficient transportation company, making it a strategic service and thus supplier D strategically important.

In general, Company X states that its suppliers of materials (Suppliers B and C) are the basis of their success and irreplaceable, while service providers such as Supplier A and Supplier D could be replaced if needed, but they provide much added value due to the aspects described before, making also their services strategically important.

STATUS. Company X sees itself as having a high status, since in a decreasing and risky market it has maintained consistent growth allowing it to become market leader. Its credit score, heavily used by suppliers to evaluate the status of a company and risk associated with working with that company, is significantly higher than that of its competitors, signifying stability and good future prospects. The size of the market with only one main competitor and virtually no alternatives in Europe has necessitated close collaborations between the existing firms, with everyone knowing each other personally and being like "one big family". In fact, Company X maintains some level of business relations with nearly all available suppliers to account for this.

Likely due to the quick demise of less successful companies, the existing suppliers, particularly the ones introduced in this research, are seen as having a high status by Company X, with all of them providing personal connections to management and working flexibly yet reliably due to years of experience.

Supplier A is additionally seen as having a high status due to good quality work, the company being involved with big companies, also in the demanding food market.

Supplier B enjoys a good reputation and thus high status according to Company X.

For Supplier C the company simply stated, that they do not have a bad reputation and they must be good or they would not be doing business with Company X anymore.

Supplier D is seen as having a relatively high status from being reliable, even though some companies criticize the use of Eastern European drivers, which nevertheless has the advantage of increased flexibility.

4.2 Case 1 - Supplier A: Preference in extreme Cases

Supplier A is a small founder owned pipeline construction company responsible for the piping at Company X. It is located near Company X.

ANTECEDENTS. One of the three main determinants of a good business relationship with Supplier A is geographical proximity, as it is seen as crucial for flexible and timely responses to problems. A direct connection to the decision makers of a company, e.g. the owner, is the second main determinant of satisfaction of Supplier A since it is necessary for Supplier A to be able to plan and provide solutions to the company easily. In fact, the only times Supplier A refused to work with other companies was in cases in which the people responsible for the project at the customer company frequently disagreed with each other or the direction of the project Supplier A was involved in. This lack of contact accessibility led to complications and lost time for Supplier A that eventually resulted in the decision to have no future business relations with these previous customers. A third factor, that often occurs along with the second factor in larger companies, is the existence of a clear safety protocol protecting the employees of Supplier A. Company X provides these three factors for the satisfaction of Supplier A and is therefore preferred when there is need to prioritize customers.

The only thing Company X could do to further improve supplier satisfaction is a more long-term planning of projects that would ease personnel and materials planning for Supplier A.

Despite the high level of quality and service Supplier A provides, the main intention of the company is a very good business relation in the long run, rather than short term profits. The two types of payment they offer reflect this. For projects of unknown work amounts or smaller repairs the Supplier A offers time-based payment, which is calculated to improve flexibility but does not bring profits to the company. Supplier A does this to help their customers since its owner believes that the networks of buyer and supplier can be of use for each other, meaning help for the buyer will likely mean appreciation and support of the buyer for Supplier A in other situations. Only project-based payments lead to profit for Supplier A since they also reflect the focus of the company on innovative projects and custom-made solutions. Despite a stronger focus on non-monetary factors, Supplier A mentions and appreciates the fast and reliable payments made by customer X.

4.2.1 Everyone is Preferred but Company X Benefits from Long Business Relations

BENEFITS. Most benefits from working with this company are available to all customers. Since the company is selective with who it works with, they see no need to further differentiate between preferred and not, attempting to provide the best experience for all. Personnel of this company is excellently trained, the company itself being a “Meisterbetrieb” in which the owner is an expert with extensive education and training he can now provide to its employees. These skills allow for joint innovation projects and a shift of planning work from the customer to Supplier A, picking up on the needs of a customer to then design a custom solution. This expertise also allows the company to react flexibly to different projects and sizes, since next to the core employees the company has a network of select people on call who can work on projects when needed, always with the supervision of the core employees. With this highly flexible approach the company intends to make everyone feel like a preferred customer, offering premium treatment with high

flexibility in terms of working hours to any customer. Nevertheless, in case of extreme work overload or sparse other resources such as materials select companies, such as Company X, will gain preferential access due to the factors described before. Additionally, the experience Supplier A has with the facilities of Company X along with the close communication with the management of both companies allow for faster, tailored solutions. Supplier satisfaction here leads to a longer business relationship which results in general benefits for Company X in terms of speed and increased willingness to react on a short-term basis. Due to knowledge of the work amounts and frequency of overtime needed at Company X, a package deal or “Mischkalkulation” is made available, which makes frequent smaller negotiations and payments unnecessary, reducing the workload Company X has with the business relationship, saving time and thus costs.

SEGMENTATION. The relatively small size of the company and their small number of customers make an extensive segmentation of customers impractical. While the company does distinguish between food and non-food customers, due to different legal regulations for these sectors that need to be complied with, the company does not prefer any segment or otherwise differentiates.

While materials and services provided to Company X can be spread to all parts of the Kraljic matrix, provided level of quality along with the low number of comparable companies in such geographical proximity call for a strategic partnership of the two companies in the eyes of Supplier A. It sees itself as having a high profit impact as well as high supply risk due to the supplier offering better service than competitors.

STATUS. Supplier A sees itself as having a high status due to its high quality reliable work and the good reputation this has helped build over the years. It stated the same about Company X, with fair treatment of all companies and reliable payments being additional reasons for an as high perceived status.

4.3 Case 2 – Supplier B:

Supplier B is a trader of a variety of different chemicals, allowing it to be both buyer and supplier to Company X.

ANTECEDENTS. Company X is a preferred customer not only due to its relatively high sales volume but also based on flexibility as a buyer and supplier, this bidirectional sales relationship, quality products and good personal relations and communications.

BENEFITS. With an increasing sales volume, a company becomes more important for supplier B. This results in a higher flexibility offered by the supplier while customers also increase their expectations. While otherwise the supplier claims to treat every customer equally, they do provide a closer personal relationship with regular information exchange, along with increased support. Preferential resource allocation also occurs in case of product shortages. Further benefits are free product samples and against payment special packaging types.

SEGMENTATION. The supplier mainly categorizes customers based on sales volume. While turnover and profit play a role in these thoughts, these numbers are not used to systematically

divide customers into A, B and C categories. Initially every customer is treated as an A customer.

Further segmentation is based on the location (continent) of the company as well as industry, since a grouping based on these factors has proven useful for the creation of departments overseeing these groups. When considering a Kraljic matrix, many items provided are commodities while others call for a strategic partnership, which is what the two companies engage in. The combination of buyer and supplier function is seen as a reason for classification of the relation as high profit impact and high supply risk since it is seen as a rare and mutually beneficial asset.

STATUS. Its status is seen as high by Supplier B. This is due to the fact that it can provide many different products and qualities, thus delivering their customers exactly what they want. The company is also already led in second generation, demonstrating its long successful history. Company X is seen as having an equally high status, due to high quality products and consistently reliable deliveries and payments.

4.4 Case 3 – Supplier C: Three-Tier ABC Customer Classification

Supplier C is a founder owned company working as a supplier of chemicals to a number of different manufacturing industries. While they mainly serve as a supplier to Company X, they also occasionally buy the products of Company X, therefore creating a bidirectional sales relationship.

ANTECEDENTS. Reasons for the satisfaction of Supplier C are flexibility (of both parties), a consistent increase in turnover with Company X, good quality and reliability. The continuity in business conducted with each other is named as an activity Company X has conducted to obtain PC status, next to the factors mentioned here for supplier satisfaction. This continuity and a decent profit margin and amount ordered are essential for satisfying Supplier C. Next to this an exclusivity deal would be helpful, as well as a good future perspective and a fair, equal level of communication. This good communication criterion is what makes it more difficult for larger companies to satisfy Supplier C.

BENEFITS. Next to the aforementioned preferential resource allocation, benefits offered mainly consist of logistics issues, with free as opposed to paid delivery on Saturdays to the delivery of smaller batches for the same shipping costs as well as generally increased flexibility in terms of delivery times. Access to the suppliers' delivery certificate management system can also be granted. Paid benefits would be longer stays of a truck to wait for the company as well as the supplier being on call 24/7 when needed. Paid benefits such as special campaigns with customers as well as the securing of critical resources or storage of liquids could be obtained with increased supplier satisfaction.

SEGMENTATION. The company has a clear classification of their customer companies into so called A, B and C customers based on sales volume and profit. In the case of Supplier C, while A customers are given the best possible experience, C customers, typically only interested in getting the lowest possible price, receive no preference whatsoever. Even among A customers there is a finer distinction based on which product is requested. In terms of shortage the A suppliers who most rely on the product

in question are of highest preference. Normally A customers will not be aware that there was a shortage because Supplier C does their best to arrange a replacement or bigger supply from all possible sources, making sure all A customers are provided with what they need. Company X is classified as an A supplier and buyer which to Supplier C is equivalent to being a preferred customer. Since Supplier C serves multiple industries, they began segmenting based on the future perspective of the industries, meaning declining industries and the related companies will not gain preference. The profit impact of the supplier on Company X is seen as high, just as supply risk is, demonstrating the strategic importance of this business relationship.

STATUS. Next to the aforementioned issues associated with company size, status in the form of established, old or large companies is seen as irrelevant for their business decisions by Supplier C. Nevertheless, the supplier assigns itself a high status due to generally good performance in terms of quality along with good relations to other companies on the market. Company X is understood to be of high status due to a consistently good quality and growth along with high reliability.

4.5 Case 4 – Supplier D:

The main business of Supplier D is logistics. The Germany based company is internationally.

ANTECEDENTS. To Supplier D, being a preferred customer is equivalent to being an A tier customer. This mainly requires being a profitable customer. For Company X, additional factors such as joint growth and history together, which translated to a steady growth in orders placed with Supplier D and the good personal relation of the two companies. This was further enhanced by the establishment of informal regular meetings of select companies such as Company X and Supplier B and Supplier D. Further, being the largest single customer, constant availability and open communications as well as fair payments and a good location additionally contribute to supplier satisfaction and being assigned this preferred status

BENEFITS. In case of sparse resources or short term, unplanned events, A tier customers still receive the best possible support, with B customers being served depending on the situation and C or lower customers being told that unfortunately the company cannot help them. This means preferential resource allocation is a main benefit of supplier satisfaction. The fair prices also pay off on the buyer side, allowing for lower prices when Company X was facing drastically increased costs due to market changes. Along with this the companies also do not calculate extra costs for each other when e.g. a loaded truck needs to wait a bit. The open communications and meetings with other businesses have resulted in a successful joint innovation and business of Company X, this supplier and Supplier B since 2015 in the production and distribution of freezing prevention solutions. Supplier D promises Company X to react to its orders and provide service within 24 hours. The networking and communication efforts of Company X have enabled Supplier D to collaborate with its competitor and the only other transportation provider Company X does business with, further improving speed and availability as well as reducing costs of organizing different transports.

SEGMENTATION. Given the numerous unforeseeable problems occurring in the international logistics sector, Supplier D has an extensive classification of not only A, B, C but also D, E and more tier customers, based on profit. Since Company X is its single largest customer, Company X is seen as A customer and even among those as one of the most important ones. The supplier sees its services as having a high profit impact along with high supply risk, not because there are no competitors but because its unique adjustments and agreements with Company X such as the many drivers hired from the area around Company X, increasing speed and flexibility levels only this supplier can provide. The joint development project further increased its strategic importance.

STATUS. Supplier D sees its own status as being good due to the company being known throughout Germany and receiving more and more leads and recommendations from satisfied customers. Nevertheless, the supplier is aware of improvement potential and strives to enhance its status especially in social aspects to reduce any negative impact of it partially relying on Eastern European drivers. Company X is considered to have a high status, especially due to an “impressive” growth and sound and successful business relations.

5. ANALYSIS AND DISCUSSION OF THE FINDINGS

To analyze the results of the interviews described above, all factors mentioned as antecedents and consequences have been organized in tables along with information on which supplier mentioned the factor and whether it fits to any of the theories explored in section 2. This was done to not only explore which theoretical factors and models apply to the analyzed business cases but also to uncover aspects that have not received much attention in research so far. The antecedents can be found in Appendix 3, while the benefits gained from supplier satisfaction are listed in Appendix 4.

ANTECEDENTS. It appears that the limited number of buyers and suppliers in the industry makes close collaboration between all companies with stakes in that sector necessary for continued success. While many companies failed and closed down, those that worked together closely, even theoretical competitors such as the two logistics companies mentioned before, benefit from helping each other out and providing even better service to their customers. Rather than heavily competing and bargaining, one company's win is seen as a win for the entire industry given the state of it. This is possible due to the experience that all involved companies will face difficulties at some point, so instead of exploiting this they strengthen each other to maintain a stable network that is profitable for everyone. This clustering of expertise and resources allows the involved companies to compete with strong companies of related industries and strike deals with large companies. This illustrates the importance of good communications as an antecedent in this research. While factors related to payment were mentioned by all suppliers, economic factors were mentioned far less than relational factors. Next to these two categories, the geographic location appears important too, especially for the two service providers Supplier A and Supplier D. This gave reason to create a new model adding the factors established in the research present here. It can be found in Appendix 5. In this model, the addition of the category of “geographical factors” to the original model displayed in Appendix 1 can be seen. This integrates the findings of Steinle and Schiele (2008, p. 11) with the concept of supplier

satisfaction. While likely also related to the factor of contact accessibility, a joint history and past growth was seen as an antecedent as well, leading to the addition of “joint history” as an additional relational factor in the revised model in Appendix 5 with influence on supplier satisfaction. Despite apparently performing well in terms of satisfying its suppliers, Company X identifies reliability in terms of ordering and payments as main practice to satisfy its suppliers, a fact that was positively mentioned in interviews with the suppliers but appeared less decisive than many of the other factors. Simultaneously being supplier and buyer was not mentioned in the previous research evaluated, while appearing to play a decisive role in satisfying the suppliers it applied to (Supplier B and Supplier C). It leads to Suppliers B and C listing antecedents which are based on Company X's performance as a supplier rather than buyer, such as the quality of its products.

In the interviews, it became clear that being a preferred customer typically also means being an important customer in the sense that the contribution of such a customer to the profitability of the supplier is essential. This results in a dependency of the supplier on the orders of this preferred customer, creating a risk for the suppliers. This can explain the emphasis on the close personal ties of the suppliers with the management of these customers, establishing trust and a personal responsibility to mitigate risk.

BENEFITS. In terms of benefits, there was no clear distinction between some little preferred customers receiving paid benefits and fully preferred customers receiving free benefits. Instead the price of the benefits was dependent on the specific benefit rather than PC status, with preferred customers receiving some things for free and some for a premium. Interestingly, even the supposedly free benefits were often linked to a slightly higher price paid by the customers who obtained PC status. This means that for a premium the suppliers were willing to provide a better service experience and preference of that customer, ultimately making economic factors the basis of PC status, with more often than not customers at least indirectly paying for the benefits they receive. This was evident in the package deals that were popular with Company X, often in the form of the aforementioned “Mischkalkulation”. At the same time, it was also found that due to the excellent behavior of preferred customers, in other situations discounts were available. These findings relativize the pyramid shown in section 2.3, meaning that in the observed cases the tip of the pyramid or special free benefits only available for preferred customers were often indirectly paid for, while some of the benefits other companies would need to pay for were indeed offered for free to the preferred customers.

The complex pricing structures of PCs and suppliers are in accordance with the reciprocity assumption of SET, meaning a benefit of one party also leads to a benefit of the other party, here gaining complexity due to the two possible directions of this reciprocity. It is clearly reflected in the in all interviews used phrase of the business relationship as a ‘give and take’ (“Geben und Nehmen”). On both sides, an increased tolerance for additional work can be seen, meaning that normally paid benefits and extras are free to a small extent, thus avoiding billing every small detail and variation. This is due to the impression of these little perks balancing each other out in the long run, thus making it possible to avoid the added hassle of billing them and making for a more relaxed and positive relationship. In the cases examined here Company X is not only the preferred customer of suppliers A, B, C and D but these suppliers are equally preferred suppliers of Company X. The reciprocity of this bilateral preference relationship is at the heart of the observed benefits. Given the network of these companies some of the suppliers such

as Supplier B and Supplier D are in similar relationships, creating a preferred network with even more expansive benefits and opportunities for the involved parties. The situation of being simultaneously buyer and supplier can be seen as the most extreme form of this reciprocity, resulting in an inextricably linked net of business relations in which benefits provided to one side ultimately can provide benefits to all involved parties.

While it is important to distinguish which party needs whom more, in the examined cases preferred customer status goes hand in hand with a preferred supplier status. Instead of analyzing every benefit received on both sides, the companies appear to see it as a reciprocal give and take, with the firm belief that even temporary losses will be offset by a bigger win-win relationship in the long run. The additional non-preferential relationships with smaller or commodity suppliers just based on price are not part of this research. It is to note that even in this opposite the non-preference seems to be mutual, putting more emphasis on the reciprocity. If a (large) company is responsible for much of the turnover of a supplier it will naturally have a favorable position in terms of e.g. service provided. Nevertheless, the interviews have shown that, if that company does not also treat the suppliers as 'preferred suppliers', meaning it satisfies economic and relational factors to a high level, the supplier is likely to explore alternatives and thus to a company that treats the supplier better if available. This means, while temporary benefits are possible, a long term beneficial relationship entailing preferred customer status requires a high degree of reciprocity in terms of preference.

This reciprocity is also reflected when determining the three most important benefits of supplier satisfaction. A frequently mentioned concept was that of flexibility, in terms of delivery, price calculations and about every other aspect of the business relationship. It was mentioned not only as a benefit but also as something the suppliers receive from the buyer, leading to the emphasis of mutual flexibility of the relationship along with support when needed, in the case of Supplier D by offering lower prices in times of crisis. The reduced bureaucracy and joint solving of problems is a sign of goodwill and reduces time consuming work as well as conflict potential by reducing the number of transactions and negotiations. The second most important benefit and result of the reciprocity idea is joint NPD, here in the form of a project of Suppliers B and D together with Company X, blurring the direction of the business relationship with everyone working together as a supplier for other companies. This is not only profitable for all involved parties but also strengthens the relationship further, facilitating future benefits. The third main benefit is preferential resource allocation, which was mentioned in the form of preference of Company X over other customers in times of limited resources, allowing for a secure supply for Company X and thus also further downstream, greatly enhancing the reliability and competitive advantage of Company X.

5.1.1 Segmentation Based on Present Financial Aspects and Industries

Despite long term relations of the suppliers with Company X, the suppliers are less focused on aspects such as LTV but instead look more at the current contribution of a company to overall profits and turnover. This is likely a result of the volatile and thus risky market the companies engage in, where a probable political change of tone could destroy the currently prevailing business models. Nevertheless, many did mention that the prospect of a positive future together also adds to the classification of a customer as 'A customer'. Next to these financial classifications, categorizations based on industries are common among the interviewed, due to different regulations and behaviors of the

different companies. In the case of Supplier C, being an A customer and thus an important customer leads to the company also being a preferred customer.

In many German industries, the use of quality assurance systems ("QS System" in German) appears to be commonplace. A part of this system is the segmentation of customers into A, B and C categories. It seems as if the A category here is considered equivalent to a PC status while B customers might be little preferred, leaving C customers as easily replaceable customers with little additional interaction or special treatment. This is in accordance with the observation, that the criteria for segmentation are equivalent to economic factors leading to supplier satisfaction and preferred customer status. The other type of segmentation observed, based on industries and markets, does not appear to have any relation to supplier satisfaction or the other concepts evaluated here, with the exception of Supplier C, who uses future outlook of markets as a basis for further investments, which will likely have an effect on its buyer-supplier relations. Given the lack of different cases involving this supplier, no meaningful analysis of this can be conducted here.

KRALJIC. When looking at the business models of the suppliers and their customer structure, it becomes clear that Company X is a main customer in all four cases, giving it immense importance for the successful continued existence of these suppliers. In the Dutch Windmill model this positions Company X as a 'Core' customer. This can be seen as an argument which makes Company X dominant and more powerful in this relationship. Nevertheless, particularly the years of collaboration have helped establish a well working, efficient network of companies that transcends and increases the individual value contributions of the suppliers. This experience and convergent growth increases the importance of suppliers and buyer for each other. Any new business would be less profitable particularly in the initial years of learning what exactly the other party wants and needs as well as how to get there. Even by typical standards, the product/service contributions of Supplier C and Supplier D clearly position them as strategic suppliers in the Kraljic matrix at the core of the Dutch Windmill. The invaluable experience and knowledge of Company X Supplier A has acquired compensate for its otherwise replaceable service, moving the supplier from the Routine to the Strategic sector, given that any other company would mean large losses in productivity due to a long learning phase. Supplier B, while providing small amounts of commodities typically characterizing the 'Leverage' sector of a Kraljic matrix, mainly gains importance through its significant role as a buyer, making the Supplier B a strategically important company. Thus, despite low importance of the supply contributions, the factors associated with doing business with Supplier B place it in the 'Strategic' sector.

The findings of the case studies suggest, that, similar to the segmentation of the Company X by its suppliers, also when classifying suppliers, the more important a supplier is, the more likely it also is to be preferred supplier, with Company X being its preferred customer. Especially the term Kraljic axis of profit impact once again corresponds with economic factors of supplier satisfaction, in this case profitability. It can be seen that segmentation can be based on factors leading to supplier satisfaction or is at least related to them, especially in terms of economic factors such as profitability of the relationship. Thus, while a strategically important customer could theoretically exploit its suppliers, it also per definition performs well on economic factors contributing to supplier satisfaction, suggesting segmentation and supplier satisfaction are often correlated.

STATUS. Status as in having a good reputation was identified as a contributing factor to the good existing business relationships of the interviewed companies. In its definition of being an established, big and successful company it was less relevant to the interviewed companies since Suppliers B, C and D worked with Company X from the early startup phases on. For all suppliers, the close personal contact with the management was seen as far more important, leading to the statement that collaborating with small to medium sized and preferably owner led companies is more desirable than with a large company. On the contrary, collaborating with large companies and eventually depending on them and their large order volumes are seen as highly risky due to the lack of personal ties, with the danger of a sudden end of the business relationship as soon as the large company finds a better, typically cheaper alternative. Supplier D specifically expressed the desire to, as a medium sized company also work preferably with other medium sized companies. This leads to the idea that similar company sizes might lead to a more compatible type of management (still personal) along with manageable order sizes. Perceptions about status were largely congruent, with all involved companies enjoying a comparatively high status. The lack of differences in status makes it difficult to evaluate its influence on supplier satisfaction and the other concepts considered in this research. It does not appear to play a critical role, with especially Supplier A making clear that the different potential aspects associated with status can have positive as well as negative influence on existing and possible business relationships. Status as a mobile asset might play a role in the high status of all interviewed companies, with the companies, especially the established ones in the beginning of Company X's existence, allowing for an increase in the status of the other companies. This can also be seen as a condition for the extensive networks that formed and grew between these companies over time. In accordance with the signaling function of status, the reason for the high status of especially Company X was often determined to be high quality.

5.2 Limitations and Future Research

A risk with the relatively open interviewing method is, relevant factors can easily be forgotten by the interviewed parties. Another important limitation of this research stems from the very limited sample size. With only one buyer and four suppliers, the results obtained may not be representative of more general markets or supplier-buyer relations. This means one needs to be cautious to extrapolate from the findings presented here. Further and more extensive research is needed to derive generalizable conclusions applicable to other cases.

Given that the involved businesses have an interest in keeping relations good, responses to this research may be skewed towards perceivably desired answers in order to keep business relations healthy. Since the buyer company selected which of their suppliers this research can target, these suppliers might be vastly different. Differences between different markets, products and services and direct vs. indirect procurement can further complicate deriving conclusions from a joint analysis. It has reduced the service areas of construction as well as logistics to one company each. Company X admitted to selecting suppliers it has good relations with for the purpose of avoiding any risk this research could do to fragile relations. Thus, the views of suppliers with a less strongly positive attitude towards Company X could be drastically different.

While there are numerous factors that have been confirmed and evaluated to affect and stem from supplier satisfaction, the interviewed companies did not provide a satisfying differentiation in terms of importance of these factors. It is

therefore unclear which factors are crucial compared which are simply beneficial.

Despite the intuitive logic of the Dutch windmill approach and its usefulness, even Van Weele himself only dedicates one paragraph in his book *Purchasing and Business Strategy* to the approach, more as a side note when mentioning limitations of existing approaches (van Weele, 2009, p. 200 & 202). The main takeaway is that it is important to evaluate both sides.

It is impossible to evaluate all factors influencing supplier satisfaction, the benefits obtained or to fully represent the relationship between two companies, especially within the scope of this research. Therefore, there will likely be many aspects which are not mentioned or further explained in this report. For example, next to the factors described in the two-tier model, power and trust dimensions appear to also play a role in resource allocation (Pulles, Veldman, Schiele, & Sierksma, 2014, p. 31).

Future research will need to focus on the symptoms of unilateral preference relationships as these will likely be rather different. More research into the subject of how company status and size affect business relationships is needed as well. Next to this, the relation of segmentation and supplier satisfaction needs more varied cases to determine whether the observed correlation is stable for other segments and degrees of satisfaction.

Based on the limitations mentioned in section 5.2, a more varied and large sample would allow for a more comprehensive evaluation, providing a more complete and generalizable or predictive result. Additionally, a more extensive theoretical base could allow for more aspects and factors to be evaluated.

6. MAIN FINDINGS

While this research mainly confirmed the existing research introduced Chapter 2 of this paper, it also uncovered further concepts that could make the existing models even more comprehensive. In the cases studied, next to economic and relational factors, geographical factors also played a role in obtaining supplier satisfaction. In terms of benefits derived from supplier satisfaction, it could be seen that in many cases even "free" benefits are indirectly paid by other means. Preferred customer status hereby goes hand in hand with preferred supplier status, meaning that benefits are typically not one-sided but also require benefits for the other side. This demonstrated a strong desire for reciprocity among the companies interviewed. An entirely new but highly interesting and seemingly important finding is the occurrence of companies being each other's buyer and supplier simultaneously, shifting the view from one direction of the supply chain to up and downstream behavior of a company together to establish whether it satisfies the other party. Segmentation and a high rank here was typically linked to supplier satisfaction, albeit more based on economic than relational factors. Status did not appear to play a direct role in influencing the other topics of this research, despite maintaining a connection to these concepts through its link to quality and networking.

THEORETICAL IMPLICATIONS. Next to the confirmation of the theoretical models introduced, geographical factors as well as a time-based relational factor were suggested as additions. Segmentation was found to be linked to the economic factors of the supplier satisfaction model. Status had no significant influence on supplier satisfaction.

PRACTICAL IMPLICATIONS. From a business perspective, this research not only highlights the benefits of satisfying suppliers but also the economic, relational and geographical

factors that play a role for this. When attempting to obtain the benefits through these factors, reciprocity is paramount, with especially in relational aspects the company needing to offer the benefits it wants to receive, e.g. flexibility. A one-sided relationship will likely fall apart as soon as the supplier finds a more mutually beneficial option. While economic factors are linked to favorable segmentation and benefits, especially relational factors are needed for suppliers to go the “extra mile”.

7. ACKNOWLEDGMENTS

I would like to express my gratitude for Company X and their suppliers for offering their insights and supporting this thesis. I would also like to thank my supervisor for providing extensive feedback and support throughout the entire process.

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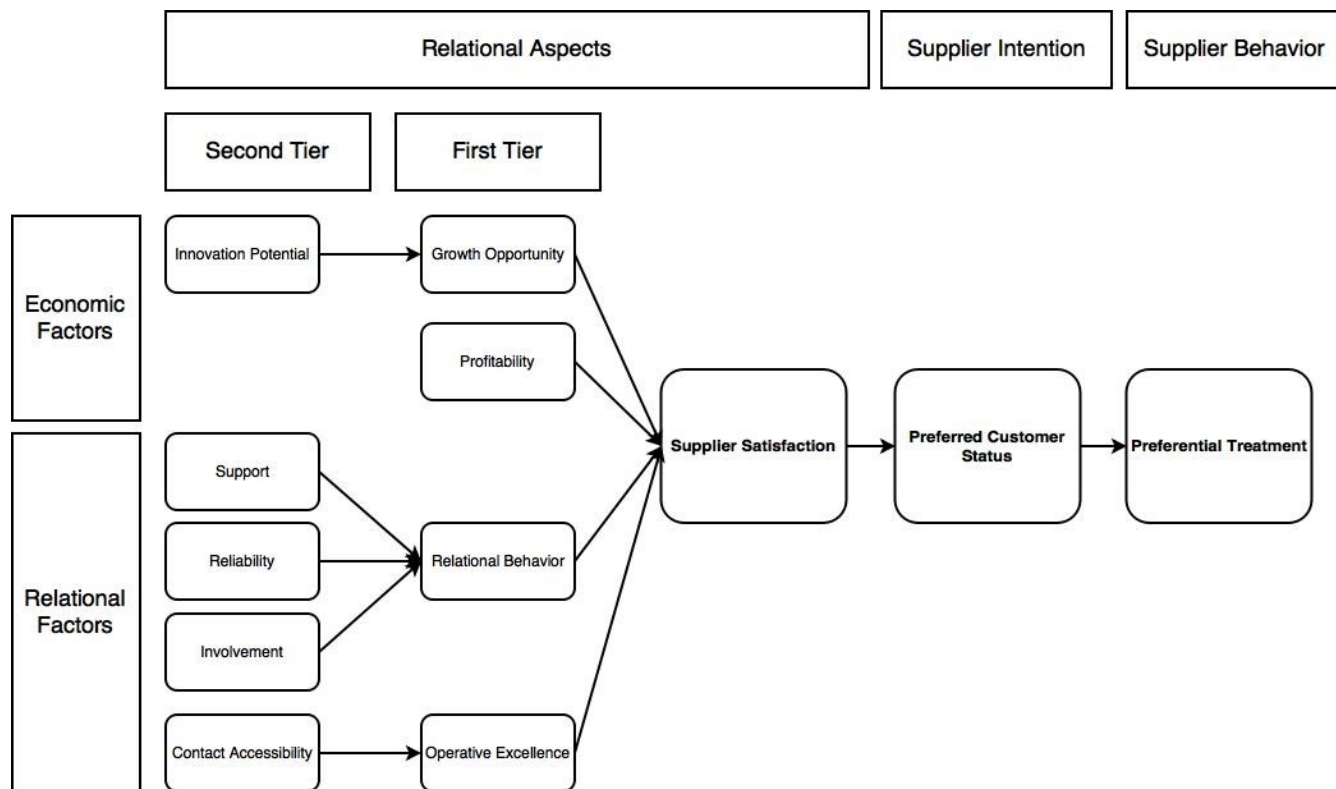
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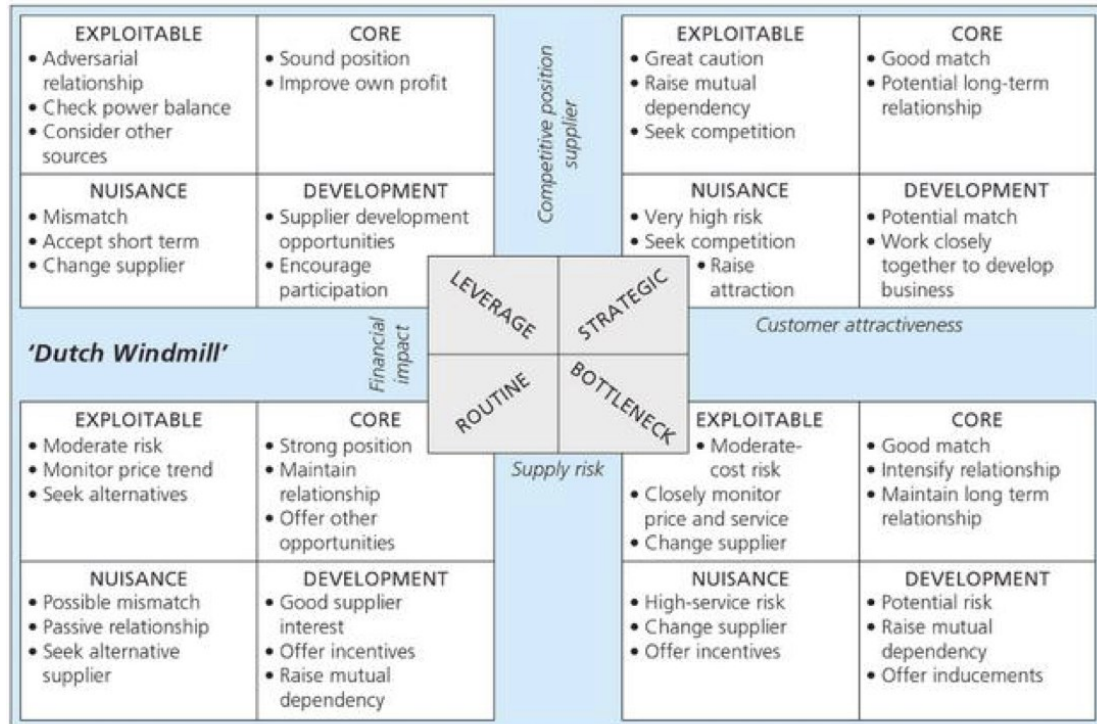
9. APPENDIX

9.1 Appendix 1



Supplier Satisfaction Antecedents and Consequences (adapted from Vos et al. (2016, p. 4620))

9.2 Appendix 2



'Dutch Windmill': analyzing buyer-seller interdependence (From van Weele (2009, p. 202))

9.3 Appendix 3

Factors in double brackets “((...))” show factors negatively affecting supplier satisfaction for Company X. Supplier names are shortened to S along with their respective letter, e.g. Supplier A being referred to as SA here.

Antecedent	Mentioned By	Theoretical Basis
Perfect payment practice of Company X (fast and reliable)	SA	Operative excellence (relational, 1 st -tier); Reliability (relational, 2 nd -tier)
Location close to supplier	SA	Locational Factors
Personal contact with management	SA, SB	Operative excellence (relational, 1 st -tier)
Strong system to guarantee employee safety (using a so called “Freigabeschein” document)	SA	Support (relational, 2 nd -tier)

High sales volume	SB	Profitability (economic, 1 st -tier)
Simultaneously buyer and supplier	SB	Reciprocity => relational behavior (relational, 1st-tier)
Good quality	SB	Factor of Company X as a supplier rather than buyer
Good personal communication	SB	Contact accessibility (relational, 2 nd -tier)
Flexibility of Company X	SB, SC	Relational behavior (relational, 1 st -tier)
Constant growth	SC	Growth opportunity (economic, 1 st -tier)
Same or increased quality over time	SC	Factor of Company X as a supplier rather than buyer
Reliability of Company X	SC	Reliability (relational, 2 nd -tier)
Continuity in orders	SC	Reliability (relational, 2 nd -tier); Profitability (economic, 1 st -tier)
Sufficient order volumes	SC	Profitability (economic, 1 st -tier)
Attractive profit margin	SC	Profitability (economic, 1 st -tier)
Joint Growth	SD	Growth Opportunity (economic, 1 st tier); Joint history
Long history together, with management	SD	Joint history
Company X as one of the largest customers	SD	Profitability (economic, 1 st tier)

24/7 availability of Company X	SD	Contact accessibility (relational, 2 nd -tier)
Convenient location for drivers	SD	Locational factors
Reduction of empty back transports/ utilization optimization	SD	Operative excellence (relational, 1 st tier); Profitability (economic, 1st-tier)
Constant communication, also about problems	SD	Contact accessibility (relational, 2 nd -tier)
Sharing of information e.g. from conventions by Company X	SD	Relational factors (relational, 1 st -tier)
Negotiation of higher prices when Supplier faced problems	SD	Profitability (economic, 1 st -tier); Support (relational, 2 nd -tier)
Fair division of orders (since there are two suppliers)	SD	Reliability + Support (relational, 2 nd -tier)
Loyalty of Company X when approached by alternative suppliers	SD	Relational behavior (relational, 1 st -tier)
((low revenue (not a problem since it is a mutual issue)))	SB	Profitability (economic, 1 st -tier)
((relatively high prices of Company X as a supplier))	SC	Factor of Company X as a supplier rather than buyer
((Availability of products as a supplier))	SC	Factor of Company X as a supplier rather than buyer

9.4 Appendix 4

The following Table gives information on the benefits mentioned, their type in terms of the pyramid of preferred customer status introduced in Section 2.4, the source it

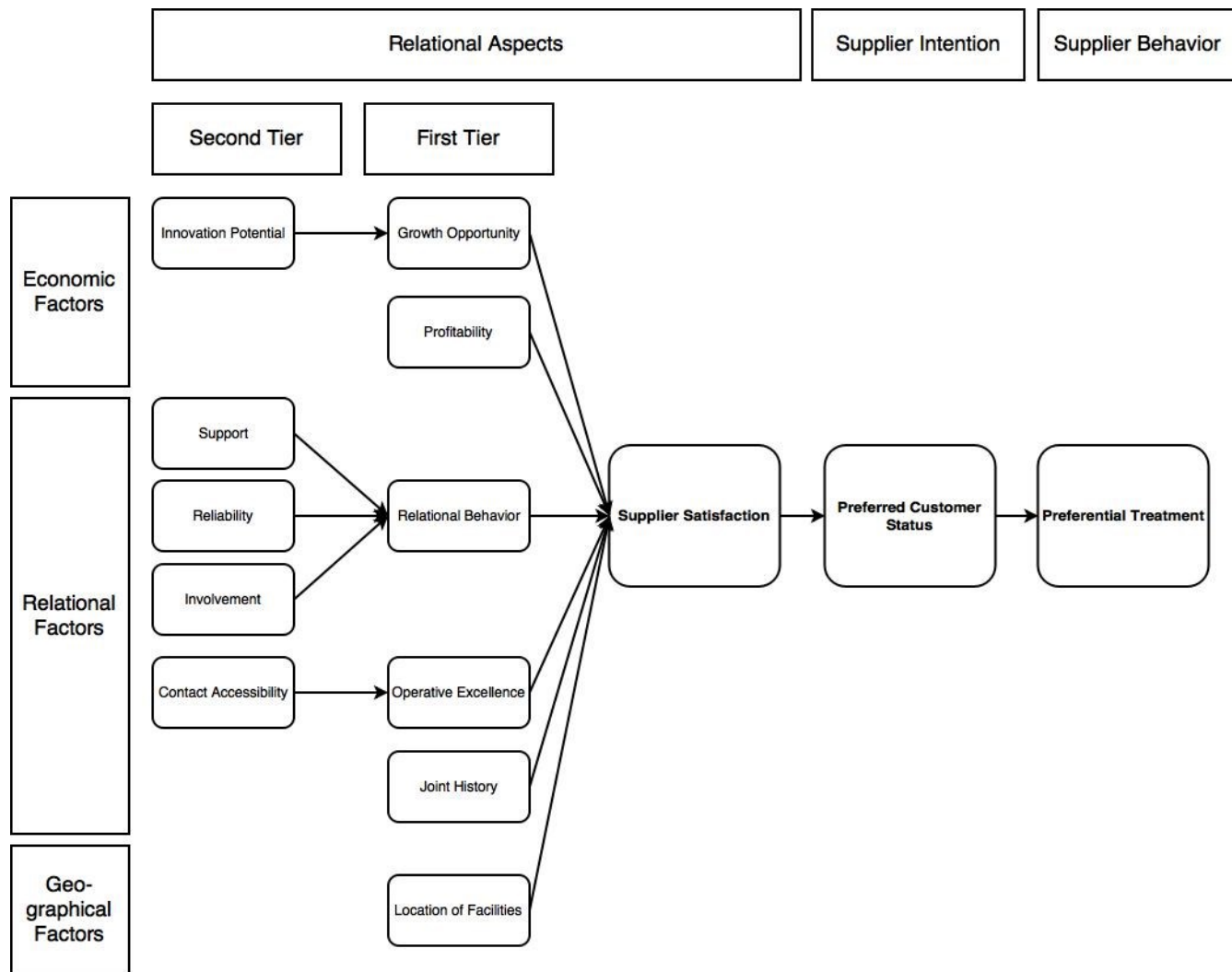
was mentioned by and the theoretical concept it corresponds to. Benefits in double brackets “((...))” are benefits company X could gain access to with increased supplier satisfaction. Supplier names are shortened to S along with their respective letter, e.g. Supplier A being referred to as SA here.

Benefit	Type	Mentioned By	Theoretical Basis, benefits lie in
Increased speed	Free, select	SA	Support, risk management
Improved engineering/planning effort by supplier	Free, select	SA	Quality
Work also with other suppliers to always provide solution to Company X	Free, select	SA	Joint development with other suppliers
Flexibility in terms of overtime and emergencies	Free, everyone	SA	Better risk management; support
Work on Sundays/Holidays	Paid, everyone	SA	Support
“Mischkalkulation” overtime etc already partially included in price (guarantees convenient service with reduced paperwork for Company X)	Paid, select	SA	Support
Special types of packaging	Paid, select	SB	Production/logistics
Free samples	Free, select	SB	Price
Closer information exchange and support	Free, select	SB	Support

Reaction to orders within 24 hours ⇒ Faster service	Free, select	SD	Logistics; support
Always service, no matter the situation/difficulty, preference over other customers	Free, select	SA, SB, SD, (SC mentioned it as merely as a result of turnover/segmentation)	Preferential resource allocation
No charges for extra services	Free, select	SD	Price/Costs
During price increase, maintenance of low price of critical route	Free, select	SD	Price/Costs
Creation of a joint business of S4, Company X and another company	(Free, select)	SD	Joint development projects
Collaboration of S4 with other transportation company => optimal service for Company X	Free, select	SD	Delivery reliability
Replacement of lacking products, guarantee of excellent and complete order so customer notices no problem of supplier	Free, select	SC	Quality
Free delivery on Saturdays (for others a paid benefit)	Free, select	SC	Price/Costs
Lower order volumes still offered at better price	Free, select	SC	Price reduction

Flexibility in terms of availability & delivery	Free, select	SC	Logistics
Free access to delivery certificate system of supplier	Free, select	SC	Support
Letting a loaded truck wait during Sunday (when trucks are not permitted to drive in Germany)	Paid, everyone	SC	Logistics
2 nd driver sent to truck, reduction of break and delivery times	Paid, everyone	SC	Logistics
((24/7 availability))	Paid, select	SC	Support
((Storage of liquids))	Paid, select	SC	Support
((Campaigns with Customer))	Free, select	SC	Support
((Securing of critical resources with the supplier taking the risk))	Free, select	SC	Support; delivery reliability; costs
((Advance financing of products))	Free, select	SC	Support, costs

9.5 Appendix 5 – Findings in the Antecedent Model



Supplier Satisfaction Antecedents and Consequences (adapted and modified from Vos et al. (2016, p. 4620))

9.6 Appendix 6 – Questionnaires for Buyer and Suppliers (German)

BUYERS

Fragebogen für Einkäufer

Allgemein

1. Teilen Sie die Geschäftsbeziehungen zu Ihren Lieferanten in Kategorien ein? Wenn ja, wie und in welche Kategorien?
2. Haben Sie den Eindruck, dass Ihre Lieferanten ebenso vorgehen?
3. Ist Ihr Management bestrebt, Ihre Lieferanten zufrieden zu stellen (abgesehen vom potentiellen Zahlen erhöhter Preise)?
 - a. Wenn ja, welche Lieferanten versuchen Sie besonders zufrieden zu stellen? Bei welchen Lieferanten ist ihnen Zufriedenheit besonders wichtig?
4. Ist ihr Management bestrebt, ein "Bevorzugter Kunde" bei Ihren strategisch wichtigen Lieferanten zu werden?
 - a. Falls ja, wie zeigt sich dies?

b. Falls nicht, wie könnte Ihr Management in dieser Sache helfen?

5. Bei wem sind Sie ein "Bevorzugter Kunde" geworden?

6. Wie würden Sie den Status Ihrer Firma im Markt einschätzen?

Fragen über die Lieferanten, die ebenfalls interviewt werden:

7. Wie unsicher ist die Verfügbarkeit der Produkte oder Dienstleistungen dieser Lieferanten? (Kraljic Matrix)

8. Was ist die strategische Wichtigkeit dieses Produkts bzw. dieser Dienstleistung für ihre Firma?

9. Gibt es viele potentielle Lieferanten für dieses Produkt bzw. diese Dienstleistung? (Kraljic Matrix)

10. Aus welchen Gründen haben Sie ihre derzeitigen Lieferanten gewählt?

11. Haben Sie mehr als einen Lieferanten für dieses Produkt bzw. diese Dienstleistung

12. Wie würden Sie den Status Ihrer Lieferanten im Markt einschätzen?

Vorteile

13. Bemerkten Sie kürzere Durchlaufzeiten, einen Einfluss auf die Kaufpreise und/oder besseren Zugang zu innovativen Kapazitäten und gemeinsamen Entwicklungsprogrammen?

14. Welche anderen Vorteile bemerken Sie als Konsequenz des Zufriedenstellens ihrer Lieferanten bzw. eines möglichen "Bevorzugter Kunde" Status?

15. Für welche Vorzüge müssen Sie zahlen und welche stehen ihnen kostenlos zur Verfügung?

16. Genießen Sie Vorzüge, die andere Kunden Ihres Lieferanten nicht genießen?

Ursachen

17. Gibt es Aktivitäten die Sie Ihnen bei der Zufriedenstellung von Lieferanten bzw. dem Erreichen des "Bevorzugter Kunde" Status hätten helfen können, die Sie aber nicht genutzt haben?

18. Sind Maßnahmen geplant um weitere Lieferanten zufrieden zu stellen bzw. deren "Bevorzugter Kunde" zu werden?

19. Ist Ihre Firma in der Lage, Lieferanten zufrieden zu stellen? Welche Faktoren sorgen hier für Zufriedenheit?

20. Welche der zuvor genannten Faktoren sind notwendig und welche sind hinreichend?

21. Welche Faktoren verursachen Unzufriedenheit bei Ihren Lieferanten?

SUPPLIERS

Fragebogen für Lieferanten / Dienstleister

Allgemein

1. Teilen Sie die Geschäftsbeziehungen zu Ihren Kunden in Kategorien ein? a. Wenn ja, wie und in welche Kategorien?
4. Teilen Sie einer Kundenfirma insgesamt einen "Bevorzugter Kunde" Status zu oder differenzieren Sie zwischen verschiedenen Produktkategorien bzw. Abteilungen?
5. Haben Sie der Company X einen "Bevorzugter Kunde" Status zugeteilt?
6. Verwenden Sie eine Value Map oder eine sonstige Klassifizierung Ihrer Kunden?
7. Wo würden Sie sich selbst in einer Kraljic Matrix positionieren?
8. Wie würden Sie den Status ihrer Firma einschätzen?
9. Wie würden Sie den Status der Company X einschätzen?

Vorteile

10. Wie beeinflussen Ihre Einschätzungen von Kunden Ihr Verhalten Kunden gegenüber?
11. Welche Vorteile bieten Sie bevorzugten Kunden? (Logistik, Produktionsplanung, Innovationen, extra Leistungen, Flexibilität, frühere Informationen...)
12. Für welche Vorteile müssen Kunden zahlen und welche sind kostenlos verfügbar?
13. Können Sie noch zufriedener mit ihrem Kunden sein? Welche Vorteile würden Sie dann anbieten?

Ursachen

13. Sind Sie mit ihrer Geschäftsbeziehung mit der Company X zufrieden? Welche Faktoren haben einen Einfluss auf ihre Zufriedenheit?

14. Welche Faktoren verursachen Unzufriedenheit in dieser Geschäftsbeziehung?
15. Was sind ihre Gründe der Company X einen "Bevorzugter Kunde" Status (nicht) zu geben?

Was hat die Company X für diesen Status getan?

Wie könnte sich dieser Status weiter verbessern?
16. Weiß die Company X von ihrem Status? Teilen sie ihren bevorzugten Kunden ihren Status mit?
17. Welche Aktivitäten oder Verhaltensweisen werden von Kunden benötigt um ein bevorzugter Kunde zu werden? Was sind notwendige und was hinreichende Bedingungen hierfür?
18. Welches Verhalten zeigen Firmen üblicherweise um einen "Bevorzugter Kunde" Status zu erreichen? Unterscheidet sich dies von ihren Wünschen?