

Preferred customer status with key suppliers – Case study at MAN Truck & Bus AG and three of its suppliers

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ABSTRACT: Earlier research has recognized that business-to-business markets tend to have oligopolistic market structures due to a reduction of suppliers and that increasing responsibilities are assigned to suppliers. These causes gave rise to an increased dependence of buying firms on their suppliers changing the dynamics between the two parties as the supplier's resources are restricted. This study examines the benefits of being a preferred customer and which factors influence customer attractiveness as suppliers assess customer attractiveness before entering an exchange relationship. Furthermore, the purpose of this study is to find out which factors influence supplier satisfaction relying on the assumption that satisfaction will to a great extent determine if customers are awarded with a preferred customer status or not. Ultimately, the drivers that directly lead to achieving the preferred customer status shall be identified. For that purpose, a literature review and a case study relying on three interviews at a major producer of commercial vehicles and three interviews at different supplier companies were conducted. The results showed various benefits such as cost, logistics and information sharing advantages. When assessing customer attractiveness factors, the case study revealed that the interviewed suppliers mainly consider economic factors. Their satisfaction in the customer relationship however, according to the case study, is strongly influenced by relational factors including supplier involvement and well-structured and consistent communication from the customer, which at the same time are two important drivers to achieve the preferred customer status. Regarding that one of the outcomes is that suppliers do not treat all customers the same way and that important benefits can be achieved, some practical implications of the study are that awareness at customer companies has to be raised as another result of the study also was that the interviewed customer lacked awareness for the importance of the topic and thus also commitment to reaching the goal of preferred customer ship.

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Keywords

Preferred customer, Benefits of preferred customer ship, Customer attractiveness, Supplier satisfaction, Drivers of preferred customer ship

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1. INTRODUCTION

While it has been common to assume that suppliers endeavour to be as attractive as possible for potential customers within buyer-supplier relationships in order to be successful, there is a growing body of literature exploring the phenomenon of buyers attempting to be attractive to suppliers in order to receive preferential treatment and thus become a preferred customer (Hald, 2012, p. 1229; Schiele, Calvi, & Gibbert, 2012, p. 1178). Schiele, Calvi and Gibbert identified two main causes for this phenomenon as well as the increase in research interest. Firstly, many business-to-business markets are characterized by oligopolistic market structures due to a reduction of suppliers leading to supplier scarcity. Secondly, increasing responsibilities are assigned to suppliers regarding the organization of the supply chains due to the core competence movement and open innovation (Schiele, 2012, p. 1178). These causes gave rise to an increased dependence of buying firms on their suppliers changing the dynamics between the two parties as the supplier's resources are restricted. Therefore, the supplier is able to choose which buyer to serve and to what extent enabling some buyers to receive preferential and thus more favourable treatment (Williamson, 1991, p. 81-83; Zaheer, Gulati, & Nohria, 2000, p. 210; Lindwall, Ellmo, Rehme, & Kowalkowski, 2010, p. 5; Hüttinger, Schiele, & Veldman, 2012, p. 1194-1195; Nollet, Rebollo, & Popel, 2012, p. 1186; Schiele et al. (2012), p. 1178-1179). Consequently, being a preferred customer can provide competitive advantages especially when demand exceeds capacity or if the supplier for which the respective company is preferred customer is highly innovative or market leader (Steinle & Schiele, 2008, p. 11; Hüttinger et al., 2012, p. 1194; Nollet et al., 2012, p. 1186; La Rocca, Caruana, & Snehota, 2012, p. 1241; Schiele, 2012, p. 44; Schiele et al., 2012, p. 1179). The preferred customer status is consistently defined as preferential behaviour on behalf of the supplier towards the buyer (Steinle & Schiele, 2008, p. 11; Hüttinger et al., 2012, p. 1195; Mortensen, 2012, p. 1213; Nollet et al., 2012, p. 1186-1187; Schiele, 2012, p. 44; Schiele, 2012, p. 47). Relying on the assumption that suppliers do not seem to treat all their customers in the same way, the goal of research is to investigate which benefits companies from a preferred status, what influences their customer attractiveness and their supplier's satisfaction and which drivers ultimately lead to the preferred customer status. Therefore the following research question was designed: How can a preferred customer status with key suppliers be achieved?

2. PREFERRED CUSTOMER THEORY

2.1 Among others, Cost, Innovation, Logistics and Loyalty Benefits are identified in the Theory as Benefits of the Preferred Customer Status

An important benefit is that Suppliers often present unique cost reduction opportunities to their preferred customers in form of new solutions costing less or standardization (Bew, 2007, p. 2; Ellis, Henke Jr, & Kull, 2012, p. 1261; Nollet et al., 2012, p. 1187) and may be more receptive to further price negotiations. Furthermore, suppliers may also contribute to cost reductions for the customer by decreasing operational costs or taking over costs of the customer including transportation costs, inventory management, order handling and product checking (Ulaga, 2003, p. 689-690; Nollet et al., 2012, p. 1187). Additionally, earlier research has identified reduced lead times offered to preferred customers, special logistics services such as air

service (Christiansen & Maltz, 2010, p. 182; Christiansen & Maltz, 2010, p. 186) and overall improvement of the logistics process by reducing inventory, improved supply chain responsiveness (Christiansen & Maltz, 2010, p. 186) and supply chain visibility (Christiansen & Maltz, 2010, p. 189). The improved logistics and lead times lead to a decrease of the time-to-market (Ulaga, 2003, p. 686). Price increases due to dependency on innovative suppliers can be overcome by being a preferred customer as trust and commitment reduces transaction and negotiation costs and increases information sharing (Hald, Cordón, & Vollmann, 2009, p. 962; Schiele, Veldman, & Hüttinger, 2011, p. 9; Ellis et al., 2012, p. 1261). As a further benefit, Schiele et al. found out in an empirical survey that a preferred customer status strongly enhances supplier innovativeness (Schiele, Veldman, & Hüttinger, 2011, p. 16). Other research linked supplier involvement and relational reliability to an increase in technology access (Ellis et al., 2012, p. 1265-1266). Additionally, information exchange is improved by supplier's willingness to share information concerning products and markets (Nollet et al., 2012, p. 1187). A further benefit is suppliers engaging in customer competencies development, e.g. through sharing strategic information, personnel training and process improvement (Christiansen & Maltz, 2010, p. 192). Further preferred customer benefits are loyalty advantages such as preferential treatment in the case of bottlenecks due to production capacity constraints (Steinle & Schiele, 2008, p. 11) or even an exclusivity agreement with the supplier (Steinle & Schiele, 2008, p. 11). Consistent supplier product quality and supplier adaptation concerning his capabilities and products to the preferred customer have been identified as further benefits (Wynstra, Wegge, & Van Weele, 2003, p. 74).

2.2 Scientific literature suggests Factors as Risk and Growth which determine Customer Attractiveness

Suppliers assess customer attractiveness before an exchange relationship. This determines whether or not a relationship will be initiated and developed (Schiele, Veldman, & Hüttinger, 2010, p. 4; La Rocca et al., 2012, p. 1242; Hald, 2012, p. 1230; Schiele et al., 2012, p. 1179). Whether or not a supplier is satisfied with the exchange relationship will to a great extent determine if they will award a customer with preferred customer status or not. The three factors attractiveness, satisfaction and preferred customer status with its drivers will be dealt with in the following. Attractiveness is generally viewed as a compound of the expectations a supplier has of future interaction with buyer (Hald et al., 2009, p. 961; Hald, 2012, p. 1230; Ellegaard, 2012, p. 1221; Ellis et al., 2012, p. 1260). Since perceived attractiveness is very subjective, buying parties must gain an understanding of specific supplier's perception of attractiveness to adjust their actions in such a way that doing business seems attractive for the supplier (Hald et al., 2009, p. 968). Drivers of customer attractiveness have been divided into five categories (Hüttinger et al., 2012, p. 1199):

- **Market growth factors:** e.g. size (Fiocca, 1982, p. 55), market share (Fiocca, 1982, p. 55), growth rate of the potential customer (Fiocca, 1982, p. 55; Hald et al., 2009, p. 964; Ramsay & Wagner, 2009, p. 132), entry and exit barriers (Fiocca, 1982, p. 55), and access to new customers and markets (Christiansen & Maltz, 2002, p. 180; Ellegaard & Ritter, 2007, p. 5; Hald et al., 2009, p. 963)
- **Risk factors:** e.g. supplier dependence (Harris, O'malley, & Patterson, 2003, p. 11; Hald et al., 2009,

p. 964; Ramsay & Wagner, 2009, p. 132), risk sharing (Christiansen & Maltz, 2002, p. 189; Ramsay & Wagner, 2009, p. 130) and (Ramsay & Wagner, 2009, p. 130)

- **Technological factors:** ability to cope with changes, skills (Fiocca, 1982, p. 57; Ramsay & Wagner, 2009, p. 128), commitment to innovation (Ellegaard & Ritter, 2007, p. 5; Christiansen & Maltz, 2002, p. 179), and early R&D involvement (Ramsay & Wagner, 2009, p. 130)
- **Economic factors:** e.g. supplier's margins (Fiocca, 1982, p. 57; Ramsay & Wagner, 2009, p. 130), price and volume in the exchange relationship (Ellegaard & Ritter, 2007, p. 5; Ramsay & Wagner, 2009, p. 130; Hald et al., 2009, p. 964)
- **Social factors:** similarity (Harris et al., 2003, p. 14; Hald et al., 2009, p. 965), personal relations (Ramsay & Wagner, 2009, p. 130), compatibility (Harris et al., 2003, p. 21; Ramsay & Wagner, 2009, p. 132), communication (Hald et al., 2009, p. 965; Ramsay & Wagner, 2009, p. 130), and output factors such as trust, commitment, reliability and loyalty (Christiansen & Maltz, 2002, p. 180)

2.3 Supplier Satisfaction is pointed out as a prerequisite for the Preferred Customer Status in Scientific Literature

The importance of supplier satisfaction even though having been identified as critical for a manufacturer's responsiveness to the market (Benton & Maloni, 2005, p. 2) has only recently been recognized and has been left unexplored for many years (Hüttinger et al., 2012, p. 1198). Relying on the findings of various authors, it can be concluded that a supplier is satisfied with the buyer when the buyer is living up to the expectations of the supplier, after interaction has occurred (Anderson & Narus, 1990, p. 45; Geyskens & Steenkamp 2000, p. 11; Oliver, 1999, p. 34; Parasuraman, Zeithaml, & Berry, 1988, p. 17). The drivers of supplier satisfaction have been categorized into four categories (Hüttinger et al., 2012, p. 1201):

- **Technological excellence:** early supplier involvement (Maunu, 2003, p. 95; Essig & Amann, 2009, p. 112), technical competence (Essig & Amann, 2009, p. 111) and supplier development (Ghijsen, Semeijn, & Ernstson, 2010, p. 24). These factors indicate an open relationship with information sharing and joint development.
- **Supply value:** profitability (Maunu, 2003, p. 95), bargaining position (Essig & Amann, 2009, p. 112), cooperative relationships (Wong, 2000, p.429 ; Forker & Stannack, 2000, p. 37; Benton & Maloni, 2005, p. 16; Essig & Amann, 2009, p. 112) and recommendations (Ghijsen et al., 2010, p. 24)
- **Mode of interaction:** The manner (Maunu, 2003, p. 95; Essig & Amann, 2009, p.111-112) and structure (See Essig & Amann, 2009, p. 111-112; Maunu, 2003, p. 96) of communication, the reaction of the buyer to different situations (Forker & Stannack, 2000, p. 37; Wong, 2000, p. 429; Maunu, 2003, p. 96) Essig & Amann, 2009, p. 111-112; Nyaga, Whipple, & Lynch,, 2010, p. 111) and the information a buyer shares with a supplier (Whipple et al., 2002, p. 75; Essig & Amann, 2009, p. 111-112; Nyaga et al., 2010, p. 111; Ghijsen et al., 2010, p. 23)

- **Operational excellence:** forecasting/planning competences (Maunu, 2003, p. 95), the order process characteristics, time scheduling competences, the billing/delivery method, the payment habits, the required effort needed for a delivery, the support the supplier gets from the buyer and the buying company's business competences (Essig & Amann, 2009, p. 111)

2.4 Drivers of the Preferred Customer Ship can be classified into Economic value, Relationship quality, Strategic compatibility and Instruments of interaction

Many of the proposed antecedents for preferred customer ship mentioned by Hüttinger et al. (Hüttinger et al., 2012, p. 1202) coincide with those that are also relevant when attaining customer attractiveness and supplier satisfaction.

- **Economic value:** high purchase volumes (Bew, 2007, p.3), profitability (Moody, 1992, p. 1; Bew, 2007, p. 3)
- **Relationship quality:** loyalty (Williamson, 1991, p. 80), trust (Moody, 1992, p. 1; Blonska, 2010, p. 26) and commitment (Moody, 1992, p. 1; Blonska, 2010, p. 26)
- **Strategic compatibility:** geographical proximity of the supplier (Steinle & Schiele, 2008, p. 11) or being in the same cluster, shared future (Blonska, 2010, p. 31) and general strategic fit (Bew, 2007, p. 3)
- **Instruments of interaction:** early supplier involvement, communication and feedback, quality initiatives and schedule sharing (Moody, 1992, p. 1)

3. METHODOLOGY: INTERVIEWS WITH MAN AND ITS SUPPLIERS WERE COMBINED WITH SCIENTIFIC LITERATURE FINDINGS

To answer the research question how a preferred customer status with key suppliers can be achieved, a case study has been performed. This case study was carried out both at a commercial vehicles manufacturer, MAN Truck & Bus AG but also at three of its important suppliers, namely F.X. Meiller GmbH & Co KG, Hörmann Automotive Penzberg GmbH and Georg Fischer Automobilguss GmbH to gain insight into the views of sides of the buyer/seller relationship. Six personal interviews at the company locations were performed in which eleven questions were asked in the interviews with MAN and seven questions were asked at the supplier companies. MAN named important suppliers which would be interesting to interview in this context but was not willing to establish the contact with suppliers and did not want to be mentioned in the supplier interviews wherefore no direct questions about MAN's behavior as customer could be asked. The asked questions concern classification of suppliers by customers and vice versa, benefits of being a preferred customer, the antecedents of this status and the drivers that ultimately lead to reaching the preferred customer status. Interviews were held in German and relevant information was translated in the case study part. During the interviews, notes were taken which were then written out afterwards what could have led to minor differences in the wording but not in the content. The entire interview in German can be found under section one in the Appendix and the questionnaire in English with its underlying theory for the questions can be found in section three of the Appendix. Aside from the interviews, a review of recent scientific literature

concerning preferred customer ship was conducted in order to compare the results with the results from the case study. The literature review and a bibliography of the used scientific literature that was also used in the main part of the thesis can be found in the second section, "Theory", of the Appendix. For easier comparison of the case study and the theory, summaries of the relevant topics from the theory for each chapter are presented in the respective sections 4.1; 5.1.1; 5.2.1 and 6.1.

3.1 The MAN Truck & Bus AG, a leading Manufacturer of Commercial Vehicles, and three important Suppliers were interviewed for the Case Study

MAN Truck & Bus is a company specialized on commercial vehicles headquartered in Munich. With revenue of 9.2 billion Euros (2012) ("MAN achieves solid operational profit," 2013), MAN Truck & Bus is the biggest company of the MAN Group which has revenue of 15.8 billion Euros (2012) ("MAN achieves solid operational profit," 2013) and belongs by the majority to the Volkswagen Group. MAN Truck & Bus operates four manufacturing sites in Germany and many more across the whole world ("MAN at a glance", n.d.). According to the company website MAN's purchasing strategy is based on long-term partnership with suppliers and on smooth running of all the involved processes. Combining the strengths of the automotive suppliers industry in Germany and striving for cost advantages in global procurement markets is the key to success for the purchasers of MAN. In their partnerships with suppliers, MAN wants to establish a system of continuous improvement with a zero-error principle contributing to an overall lean management system with short throughput times and a minimum amount of inventory in stock ("Purchasing", n.d.). At the central purchasing department in the MAN Truck & Bus AG headquarter in Munich three interviews were conducted with representatives from the areas Purchasing Process Management, Purchasing Strategy and Supplier Relationship Management. Furthermore, an interview with a Purchasing Manager in charge of the commodity group coatings, synthetic materials and foils was carried out. The first interview with suppliers was conducted at the Munich-based company F.X. Meiller GmbH & Co KG which is a globally active manufacturer and seller of tipper bodies and trailers with 1,500 highly-qualified employees, especially being famous for the corresponding hydraulic systems. Meiller cooperates closely with vehicle manufacturers when developing their product to provide perfect matching of the vehicle's chassis and its body. Sophisticated logistics and short response times distinguish Meiller (in the following referred to as Meiller) according to their website from its competitors ("Welcome to the Meiller company", n.d.). The Key Account Manager for Daimler was interviewed in a personal interview on location. As a part of the GF Automotive Group, Georg Fischer Automobilguss GmbH, the second interviewed company, is based in Singen. The production site is specialized on the manufacturing of cast components such as wheel hubs, brake calipers and frame parts. At the local production site in Singen, there are 1,100 employees and the production capacity is 200,000 tonnes of cast components annually. It is among the largest sites of the Swiss-based GF Automotive Group ("Location Singen", n.d.). Three sales managers of Georg Fischer Automobilguss GmbH (in the following referred to as Georg Fischer) were interviewed in a personal interview on location. A very special case in terms of customer relations is the Hörmann Automotive Penzberg GmbH (in the following referred to as HAP) which designs, develops, manufactures and processes customised metal

components and systems for the automotive industry. The company emerged from a former MAN bus production site located in Penzberg, Bavaria, and since 2008 it is a subsidiary of a Group of suppliers for the automotive and communication industry, the Hörmann Group. 50,000 components and systems are produced daily by 700 employees ("Company Profile", n.d.). According to information of MAN, HAP's product range is strongly influenced by MAN. Furthermore, due to its history as a former MAN production site it still is very dependent on the company MAN which as main customer makes up 95% of HAP's revenue. MAN expects HAP to go out of business immediately in case of switching the supplier (Interview with Supplier Relationship Manager of MAN Truck & Bus AG). The Sales Director was interviewed personally for the case study at the MAN Truck & Bus AG headquarters in Munich.

4. EMPIRICAL FINDINGS

4.1 Benefits of the Preferred Customer Status

4.1.1 MAN mentions price reductions through cost-saving initiatives and improved negotiations as benefits of being a preferred customer

An important benefit of being a preferred customer perceived at MAN is easier, more constructive and better structured communication. This benefit is an antecedent for many other related benefits such as better and more honest feedback and improved reachability which all have been perceived by the interviewed supplier relationship manager (Interview with Supplier Relationship Manager in charge of Coordination of Production Readiness of MAN Truck & Bus AG). A further benefit is that being a preferred customer ship at MAN most of the time evolves and is strengthened in long-term relationships which have the benefits of better knowledge of business partner enabling easier and faster problem solving. When having good relations, suppliers at MAN are more likely to make own suggestions for cost savings according to the interviewed purchasing manager what is of crucial importance as suppliers tend to be able to identify cost saving potentials in their own products more easily due to their knowhow in the particular area (Interview with Supplier Relationship Manager of MAN Truck & Bus AG). Therefore, a win-win situation can be created as the purchaser achieves savings while the profit margins of the supplier are not necessarily reduced. A further benefit perceived at MAN through the easier communication when being a preferred customer is better negotiation results (Interview with Purchasing Manager of MAN Truck & Bus AG). In contrast to smaller and newer clients, as a long-term Partner of many Suppliers, MAN stated to get access to newly developed products often before the official market launch. The R&D department and the "Forward Sourcing" department which is concerned with sourcing products for new projects are informed at an early stage and can therefore adjust to changes in technology more easily (Interview with Purchasing Manager of MAN Truck & Bus AG). When being a preferred customer, the interviewed purchasing manager furthermore noticed a lower defect rate and a higher delivery reliability preventing interruptions in the production (Interview with Purchasing Manager of MAN Truck & Bus AG).

4.1.2 The interviewed suppliers offer a wide range of benefits to preferred customers such as improved JIT and access to their knowhow

At Meiller, Logistics is perceived as one of their main competitive Advantages. Only for their preferred customers whom the Key Account Manager for Daimler identified as MAN and Daimler, the Meiller products, mainly hydraulic tipping devices, are delivered in the determined time and quality directly to the assembly line. This results in an advantage for the preferred customers of Meiller as their needs resulting from JIT-production are satisfied exclusively. The interviewed Key Account Manager additionally states that everything possible is done and all the available resources are delegated to prevent interruptions in the production for their preferred customers (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). When logistics is concerned the Sales Director of HAP claims that everything that a preferred customer wants is done. Customers have very high requirements concerning logistics related to JIT production. For preferred customers, not only the requirements for JIT are fulfilled, but also the requirements of JIS (Just-in-Sequence). Therefore, components are not only delivered in the agreed time and quality to the assembly line, but also in the required sequence for an even more efficient process. This requires an intensive collaboration that is only possible with their most important Key Accounts. HAP tries to deliver the same logistics service to their most important Key Accounts but due to their extreme Situation of MAN being responsible for a very high share of their turnover, the interviewed sales Director stated that in a situation in which it has to be decided to whom limited resources, e.g. to make a special transit of goods which have to be delivered urgently, will be delegated, the decision will most probably be made based on the question: which Supplier is more likely to generate growth and reduce dependency? Based on this statement the conclusion can be drawn that it would be less likely to be MAN as this would increase dependency (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Georg Fischer offers their preferred customers preferred access to the resources they possess concerning logistics which results in shorter delivery times with a higher flexibility due to the fact that they want to improve strategic partnerships with them. They deliver ready-to-install components according to JIT standards to all customers while JIT production works better most of the time with preferred customers due to improved communication (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH).

When Innovation and shared development project is concerned, the interviewed Key Account Manager at Meiller stresses the long-term partnership with MAN and Daimler, their preferred customers. From the beginning of the planning phase of new commercial vehicle generations Meiller joins the development activities. The hydraulics and other characteristics of Meiller's tipper can therefore be synchronised with the preferred customer's vehicle and Meiller furthermore consults the Engineers furthermore in the planning and development phase with their knowhow. As an example, the new Mercedes-Benz Arocs has been named in the interviews. The planning of this commercial vehicle began eight years ago when Meiller engaged in supporting Daimler in the planning and design phase. Four years ago, the development phase began, in which a project team was formed consisting of Engineers of both companies working on synchronising their products for an optimal fit and maximum quality. While preferred customers of Meiller have the benefit of Meiller's products being adjusted to their products throughout the development phase, other commercial vehicle manufacturers have to expect a product that

is not as adjusted to their needs (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). At HAP, preferred customers strongly influence the product range. Allowing the preferred customers to develop the components on their own and giving HAP the specifications, they are provided with the benefit of what the sales director calls "production-optimized component development" while HAP helps with their knowhow in the area, e.g. concerning process innovations in the production. Therefore, preferred customers of HAP can adjust the components exactly to their needs (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). An important antecedent of the preferred customer status is supplier involvement, especially in the product development as it also makes the production easier. Thus, involvement is a precondition but according to the interviewed sales managers also a huge benefit at the same time. Preferred customers therefore engage in shared development and benefit of Georg Fischer's knowhow in the area of castings for the automotive industry. Involving the experts of Georg Fischer is claimed to improve the production process and the end product itself significantly. As Purchasers and other representatives of the customer organisation according to the interviewed sales managers seldom possess profound knowledge about castings, benefits like price and weight reduction due to new materials and production processes are unlikely to materialise for customers not involving Georg Fischer who consequently do not possess the preferred customer status (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH).

Meiller is generally very flexible when it comes to fulfilling customer's demands due to the great variety of different areas of application for tippers. But while for regular customers the standard products are customized, the preferred customers are given the benefit of significantly influencing the product range so that it perfectly fits their vehicles (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). Also when it comes to logistics, Meiller, HAP and Georg Fischer claim to be more flexible for their preferred customers than they are for the rest (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG; Interview with Sales Director of Hörmann Automotive Penzberg GmbH; Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). A further flexibility benefit that the sales managers at Georg Fischer only provide to preferred customers is that they do not necessarily insist on their standard payment arrangements (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). In the case study, also information exchange benefits for preferred customers could be identified. At Meiller for example, preferred customers get important insider information directly from Meiller. Furthermore, Meiller gets many requests from customers who want special tippers for their Trucks which are not offered in the serial production by MAN or Daimler. If such a request for an additional option of the tipper is very common, Meiller provides MAN and Daimler with the information that it could be relevant for the series production. A recent case was for example that the request for an extra tarpaulin for the tippers was very common. Meiller then gave the information to their preferred customers and advised them in integrating it into the series production (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). The HAP sales director also claimed to provide preferred customers with extra information, for example concerning process innovations in the area of the production of frame attachments. Therefore, HAP uses their knowhow to advise preferred customers about new possibilities, e.g. in the design of the components resulting from the process innovations (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Georg Fischer also provides information about product innovations, e.g. with lighter

materials or process innovations, e.g. when now a component that had to be casted in several separate steps and then built in separately in the assembly process can now be casted as one piece. Also this benefit required supplier involvement (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). A very interesting benefit that Meiller provides to preferred customers is that they work together with them in the international expansion and act in accordance with their preferred customer's needs when making decisions such as where to locate their production sites abroad. Thus, Meiller sites abroad can be found close to their preferred customer's sites (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). An example is that their production site in Poland was located in the same city as MAN's local production site for trucks, Nieplomice. With this benefit provided to preferred customers, manufacturers in the automotive industry can overcome some problems related to finding adequate suppliers in the international expansion. A further benefit provided by Meiller is to endow MAN and Daimler with preferential treatment concerning sales and marketing activities. When Meiller presents their tipper at trade fairs, image films etc. they preferentially show them on trucks of the newest generations of their preferred customers. This has the benefit of marketing activities for their preferred customers which are free of charge. When a potential customer has seen the Meiller tipper at a trade show he will possibly associate it with an MAN or a Mercedes-Benz truck afterwards and will, according to the interviewed Key Account Manager, be more likely to buy a truck of that brand with a tipper. The interviewed representative of Meiller furthermore stressed the Key Account status of preferred customers. While MAN and Daimler are not the only Key Accounts they benefit apart from having the additional benefits of being preferred customers also from the regular benefits from being Key Accounts such as improved service (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). In the interview at Georg Fischer, also the improved service was pointed out. Furthermore, the sales managers stressed the advantages resulting from improved communication (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH).

4.1.3 The benefits provided by the suppliers for preferred customers match the ones described in scientific literature

Most of the benefits pointed out in the literature were also mentioned by at least one of the suppliers and some even by MAN except for a real exclusivity agreement. Especially the logistics benefits such as special services (Christiansen & Maltz, 2010, p. 182; Christiansen & Maltz, 2010, p. 186), overall improvement of the logistics process by reducing inventory, improved supply chain responsiveness (Christiansen & Maltz, 2010, p. 186) that were stressed in the scientific literature could be confirmed by the interviewed suppliers, e.g. in the case of Meiller offering exclusive JIT for Daimler and MAN (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG) or in the case of the company HAP which claims to do everything preferred customers want in the area of logistics (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). This includes logistics according to the standards of Just-in-Sequence production for their preferred customers. Only MAN representatives stated to not have noticed any logistics advantages (Interview with Purchasing Manager of MAN Truck & Bus AG). Various explanations such as the purchasing department having poor contact with the logistics department or that the purchasers are simply not aware of the benefits that are provided by suppliers

as they seem to them as completely normal due to high expectations could be suggested. Very interesting benefits that were not explicitly stressed in the literature yet were provided by Meiller's Key Account Manager. In this context, the benefit of support in the international expansion is to mention. By acting in accordance with preferred customers in the choice of foreign production locations and thus offering the required products also in other countries, e.g. through opening up production sites close to where preferred customers are based, the supplier solves a problem of internationally expanding companies which often tend to be confronted with problems concerning the local supply market. A further benefit that he points out is that customers with a high status are experiencing preferential treatment in marketing their marketing activities which is a positive side effect that also does not have found much attention in scientific literature (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). The benefit suggested in scientific literature that suppliers may present cost reduction opportunities to their preferred customers and may be more receptive to further price negotiations could also be confirmed in the case study which could be important to convince more pragmatically thinking purchasers of actively enhancing supplier relations (Bew, 2007, p. 2; Ellis et al., 2012, p. 1261; Nollet et al., 2012, p. 1187). Georg Fischer salesmen for instance, stated to help preferred customers to achieve benefits like price and weight reduction by making use of their knowhow (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH) and the interviewed purchasing manager of MAN stressed that suppliers are more likely to make own suggestions for cost reductions and that negotiations tend to be more successful if the relations with supplier are better (Interview with Supplier Relationship of MAN Truck & Bus AG).

4.2 Customer attractiveness as prerequisite for a business relationship and thus also for the preferred customer status

4.2.1 Belonging to the VW Group is seen as an important factor why MAN thinks they are attractive as a customer

In all three Interviews at MAN for the case study, the interviewed representatives of the company were convinced that MAN is an attractive company for customers (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG; Interview with Supplier Relationship Manager of MAN Truck & Bus AG; Interview with Purchasing Manager of MAN Truck & Bus AG). Both the interviewed purchasing manager and the representative from the purchasing strategy department stressed the size of MAN, the high purchasing volume which makes up a high share of their annual revenues and the high share of purchased components amounting for 80% of the total components of the built commercial vehicles. Also the fact that MAN belongs to the VW Group since a few years was stressed by both as an important further attractiveness factor (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG; Interview with Purchasing Manager of MAN Truck & Bus AG). Another factor why MAN representatives perceive their company as an attractive customer is their positive Image. In the Interviews it was stressed that MAN stands for quality and that potential suppliers have to fulfill strict criteria which is the reason why suppliers like naming MAN as a reference. Moreover, as a

further attractiveness factor the commercial vehicles industry itself in which MAN is an important actor was mentioned for two reasons. Firstly, MAN gives new suppliers, e.g. from the area of plant engineering, the possibility to enter a new market, which, according to the interviewed supplier relationship manager is easier in the commercial vehicles industry than in the rest of the automotive industry. Secondly, suppliers which are only established in area of passenger cars can enter the commercial vehicles industry as a new market through MAN (Interview with Supplier Relationship of MAN Truck & Bus AG). Apart from all the attractiveness factors mentioned before, the interviewed purchasing manager of MAN stated clearly that an evaluation of economic factors is the most important attractiveness factor. Revenue, profit margins and growth that can be achieved by gaining a new supply contract play a crucial role in accordance with the purchasing manager's statements (Interview with Purchasing Manager of MAN Truck & Bus AG).

4.2.2 In one case the strategic fit but for the rest mainly profit margins and growth opportunities are the main factors influencing customer attractiveness identified by interviewed suppliers

In the case study, when confronted with the question which factors are important for the attractiveness of a potential customer, the Key Account manager for Daimler of Meiller, mentioned that they have different customer groups. On the one hand customers who just want one or several tippers for their small companies and on the other hand the large truck manufacturers. The main factor concerning the customer attractiveness of the truck manufacturers is the willingness to practice the business model that Meiller wishes: A long-term business partnership, in which Meiller supplies complete units for the series production (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). At the interview with HAP the Sales Director stated that for his company the most important customer attractiveness factors are firstly technical complexity of the component and its production and secondly the lot size. The interrelation of these two factors also has implications for the profit margins that HAP consequently estimates for the project. As an example he names on the one hand the components HAP builds for the TGX series of MAN (Truck Model). The components are ordered in a large lot size and the comparably low technical complexity of the production could be reduced over the years. On the other hand, components for specialized construction vehicles come in low lot sizes and have a high technical complexity. The Sales Director explains that with a high lot size and low technical complexity of the production usually the profit margins are the highest and vice versa. Aside from lot size and technical complexity of the component to order, a further important attractiveness factor for HAP is if the customer and its product promise growth. If this second criteria is fulfilled which helps HAP to reduce its dependence on MAN, they would even consider a less favorable product constellation according to the previously mentioned attractiveness factor (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Growth and entering new markets seems to be a very important factor when suppliers evaluate attractiveness of customers as not only HAP stresses its importance, but also the sales managers of Georg Fischer. They combine the factor of growth in an example with a further closely related factor innovative power mentioning that they recently due to capacity reasons had to decide on whether to develop a wheel hub for a smaller but highly

innovative customer who promises growth and a larger client which they consider to be of descending importance. Apart from growth, of course economic factors such as volume of the purchase, lot size, profit margin are important for customer attractiveness at Georg Fischer. In the area of castings for the automotive industry they consider themselves as technology and innovation leader wherefore the interviewed sales managers also stated that due to prestige reasons another attractiveness factor is that a customer also has this status in his field. Then they can proudly name the customer as reference and furthermore considering technology and innovation leadership a predictor, they also expect the business processes which include supplier relations to be better forecasting a more successful partnership (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH).

4.2.3 Economic and growth factors dominate the evaluation of attractiveness

Very important in the evaluation of attractiveness of (new) customers were the factors classified in the literature as market growth factors. Especially size (Fiocca, 1982, p. 55) and growth rate (Fiocca, 1982, p. 55; Hald et al., 2009, p. 964; Ramsay & Wagner, 2009, p. 132) of the potential customer and access to new customers and markets (Christiansen & Maltz, 2002, p. 180; Ellegaard & Ritter, 2007, p. 5; Hald et al., 2009, p. 963) were as well stressed (Interview with Sales Director of Hörmann Automotive Penzberg GmbH; Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). Also Economic factors such as supplier's margins (Fiocca, 1982, p. 57; Ramsay & Wagner, 2009, p. 130) from the literature were pointed out by both Georg Fischer and HAP. The Social factors like personal relations (Ramsay & Wagner, 2009, p. 130) were not explicitly mentioned as important for the evaluation of attractiveness and tend to be rather of higher importance afterwards during the collaboration. Meiller was again a special case naming the strategic fit between the business models a prerequisite for customer attractiveness (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG) which was not mentioned in the applied classification of factors for customer attractiveness. In the classification of antecedents of the preferred customer status however, Strategic compatibility containing factors such as general strategic fit (Bew, 2007, p. 3) is considered in the classification Hüttinger et al. (2012, p. 1202). Considering the statement of the Meiller Key Account Manager that the business models must fit for a customer to be attractive, it could be considered to include strategic compatibility also already in the classification of attractiveness factors. All three interviewed MAN employees were convinced that their company is an attractive company for customers (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG; Interview with Supplier Relationship Manager of MAN Truck & Bus AG; Interview with Purchasing Manager of MAN Truck & Bus AG). In fact MAN's attributes purchasing 80% of all produced vehicle components (Interview with Purchasing Manager of MAN Truck & Bus AG) and belonging to the largest automotive manufacturer in Europe, the VW Group are coincident with the factors positively influencing customer attractiveness that literature (Fiocca, 1982, p. 55; Hald et al., 2009, p. 964; Ramsay & Wagner, 2009, p. 132) and the results of the case study suggest. The case study revealed that technological factors as classified by Hüttinger et al. (2012, p. 2012) as for example skills (Fiocca, 1982, p. 57; Ramsay & Wagner, 2009, p. 128) are in some cases as mentioned in the Georg Fischer interview a predictor, forecasting well-functioning business processes which include supplier relations

(Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). Aside from that, the MAN supplier relation manager mentioned that MAN stands for quality and that suppliers like naming MAN as a reference (Interview with Supplier Relationship Manager of MAN Truck & Bus AG).

4.3 Supplier satisfaction as prerequisite for the preferred customer status

4.3.1 MAN expects supplier satisfaction to be influenced among others by personal relations and the supplier's product

While being very confident in terms of attractiveness as a customer, the answers concerning supplier satisfaction were of rather mixed nature. The interviewed customer relationship manager stated that no generalizations can be drawn concerning the general supplier satisfaction at MAN due to the fact that all kind of degrees of satisfaction exist. From this statement, it can be inferred, that there also must be some unsatisfied suppliers. The first factor influencing the satisfaction he mentioned is how well the collaboration between the two companies works, where differences exist. These differences also depend on the next mentioned factor which is the specific persons at MAN who are in contact with the supplier. There are no explicit guidelines from the management on how to act towards suppliers and manage the relations with them. Thus, the purchasers and other MAN representatives act towards suppliers according to their own assessment of what is appropriate. Depending on the social and technical competences of the employee and of course also the subjective perception of the supplier, the buyer-supplier relations are largely influenced by personal decisions and relations. Apart from the personal relations, the supplier relationship manager also points out the more surprising fact that he observed that there is the clear tendency among suppliers of MAN that product range influences their satisfaction: According to him, if MAN developed a component and afterwards forwards the specifications to produce it, then the supplier satisfaction is significantly lower than if the supplier has the freedom in developing the component on his own. This tendency that he observed is attributed by him to the assumption that the profit margins when producing selfdeveloped parts are higher and the fact that he can adjust the product and production to his competences (Interview with Supplier Relationship of MAN Truck & Bus AG). The interviewed purchasing manager considered the suppliers from the commodity group he is in charge of as mostly satisfied. He stressed the nature of the communication in the buyer/ seller relationship and reliability of MAN as business partner, especially concerning contract fulfillment, as important factor influencing supplier satisfaction. He points out the importance of contract fulfillment in his conclusion concerning supplier satisfaction stating that the framework contract contains most of the crucial factors and that both sides are satisfied most of the time if it is obeyed. Dissatisfaction of the supplier is ascribed by him to the nature of the relationship between the sales department of the supplier and the purchaser which causes regular interest conflicts due to the purchasers wanting to achieve savings while the salesmen want to achieve price increases (Interview with Purchasing Manager of MAN Truck & Bus AG).

4.3.2 Early supplier involvement, accepting the supplier's knowhow and obeying contracts as frequently stressed factors for supplier satisfaction in the case study

The interviewed Meiller representative claimed that important factors concerning satisfaction of his company as a supplier are good collaboration, as well as honest and constructive feedback which helps to improve product and service. The most important factor stressed by him is a spirit of partnership and well-functioning personal relations in the contact with all the customer's functional areas and hierarchy levels. The attitude of large customers towards Meiller, especially in situations with conflicts of interest as for example in price negotiations is perceived as crucial for satisfaction. Arrogance based on market power and the supplier being dependent has, according to Key Account Manager, resulted in the dismissal of a project by Meiller several times. A further factor influencing Meiller's satisfaction is, as they see themselves as one of the technology leader among the manufacturers of tippers, that the customers accept their knowhow as an advantage and do not try to obstinately enforce their own solutions, e.g. in the development or sampling process (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). HAP being a supplier who does not develop most of the products they manufacture on their own and being furthermore highly dependent on MAN names very specific factors that lead to them being unsatisfied as suppliers. In this context, cost pressure, time pressure, the customer not obeying the frame contract or trying to enforce changes in the contract afterwards are mentioned. Additionally pointed out by the Sales Director are ambiguities resulting from aspects not being clear in the frame contract. These ambiguities can be the result of major changes in the business environment. As an example he points out the introduction of the Euro-6 Emissions standard which put the commercial vehicles manufacturers under major pressure which was then passed on to suppliers. This change in the environment also caused situations which were not explicitly discussed in the frame contract causing ambiguities ultimately leading to supplier satisfaction. A factor also considered as important by HAP's sales director is the communication with different functional areas of the customer. As the supplier has contact with several areas, unstructured communication leading to misunderstandings is also a major cause for dissatisfaction (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Consistent communication from all contact persons of the customer company across the functional areas are also pointed out by Georg Fischer's sales managers. In accordance with the statements of the representatives of the other suppliers, especially with Meiller's Key Account Manager, the sales managers additionally point out that the corporate mentality must be characterized by strategic partnerships on the same level. The Adam Opel AG is named as a negative example which according to them tends to treat Georg Fischer as supplier in a top-down fashion consequently causing dissatisfaction and among others hinders a high customer status. This top-down communication approach is according to the interviewed representatives of this company specialized on castings also to be avoided when giving Feedback which instead should be constructive and objective. Furthermore, an Ethical and moral behavior towards the supplier including reliability and fairness are stressed as important factors by Georg Fischer. The factor fairness is extended by the interviewed sales managers to fairness in price negotiations. They state to offer a high quality product and point out that quality has its price. Insisting on unrealistic price demands,

such as in a recent case, again with the German car manufacturer Adam Opel AG, which insisted on a price where Georg Fischer would have made a loss, may cause dissatisfaction, ruin the overall relationship between the companies and ultimately lead to the dismissal of single projects or the business relation. Long-term partnerships which are recorded as such in contracts provide Georg Fischer with planning security which is pointed out in the interview as a further factor for supplier satisfaction. Only when having planning security Georg Fischer can devote their resources preferentially to preferred customers as like this it can be seen as an investment for the future. During the series production, continuing assistance and involvement by the customer is furthermore named as important factor. This has implications for the transmission of information. Confronting Georg Fischer on short term with changes without involving them causes dissatisfaction (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH).

4.3.3 Concerning satisfaction of the supplier in the business relationship, the case study shows the importance of the mode of interaction

The most important factor for the companies which were interviewed for the case study influencing supplier satisfaction in the business relationship tends to be the mode of interaction, especially the manner (Maunu, 2003, p. 95; Essig & Amann, 2009, p.111-112) and structure (Maunu, 2003, p. 96; Essig & Amann, 2009, p.111-112) also being mentioned in the literature was confirmed by the interviewed suppliers. While at Georg Fischer and Meiller the importance of the manner of communication is pointed out by clearly stating that a spirit of partnership on the same level leads to satisfaction (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG) while a top-down communication approach leads to dissatisfaction (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). The HAP sales Director points out several times that badly-structured communication leads to dissatisfaction (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Also at MAN it is acknowledged that in this phase the supplier satisfaction largely depends on the mode of interaction when the supplier relationship manager points out that all kind of varieties in supplier satisfaction are existent and that they also depend on the social competence of the contact person at MAN (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). A factor not being dealt with extensively in scientific literature which was mentioned several times in the conducted interviews on the buyer but also supplier side is (customer) contract fulfillment obeying to contracts, especially the frame contract. HAP's Sales Director confirms this and furthermore points out that changes and aspects that are not clear in the contract also lead to dissatisfaction (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). The purchasing manager of MAN furthermore stress the importance of obeying contracts for achieving supplier satisfaction stating that the framework contract contains most of the crucial factors and that both sides are satisfied most of the time if it is obeyed (Interview with Purchasing Manager of MAN Truck & Bus AG).

4.4 Drivers for reaching the preferred customer status

4.4.1 Several development activities provide MAN's customers with added value

Generally, in the beginning of the interviews and when presenting the topic, when MAN was confronted with the question what they do to achieve the preferred customer status, it was made clear that achieving this status is not of specific interest at the company and that nothing is done to achieve the status. Not being aware of the actual activities MAN undertakes the supplier relationship manager states that if the business relationship works fine, no positive measures are taken to further enhance the partnership. According to his statements at the beginning, only negative measures are taken if the business relation does not have the expected results (Interview with Supplier Relationship of MAN Truck & Bus AG). Seeing themselves as the customers who have to be pleased, only after further reflection and differently formulated questions the representatives had to admit that they actually spend a quite extensive effort on activities which do not necessarily have the goal of achieving preferred customer status but do have a significant effect on the supplier relations and the supplier's appreciation for MAN as customer. MAN for example gives certain benefits to suppliers they consider strategic what according to the interviewed manager from the purchasing strategy department means that MAN has a high dependence on those suppliers due the fact that switching the supplier is difficult or not possible. An example is that while MAN usually applies standard contracts, exceptions can be made for strategic suppliers integrating changes to the contracts to develop the partnership. Furthermore, due to the takeover of MAN by the VW Group, MAN can now make use of synergies applying the supplier data base that is applied across the whole group. This strengthens on the one hand MAN's market position but on the other hand it also provides its suppliers with growth opportunities by now being able to supply further parts of the VW group. MAN's purchasing strategy contains establishing long-term partnerships which gives suppliers planning security. Further advantages for suppliers from resulting from this step are enhanced communication and supplier development programs which will be explained in more detail later on. Long-term relationships are also planned to be established with international suppliers for which the department "Global sourcing" was created (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG). After firstly denying that MAN undertakes measures to enhance supplier relations, the supplier relationship manager admits after further discussing the topic that several supplier evaluation and development related activities carried out by the purchasing department of MAN do represent an added value to suppliers and can lead to an improvement of the relations. In this context he points out that suppliers are regularly audited and evaluated followed by giving them extensive feedback on their performance. If the evaluation had a negative result, so-called "escalation workshops" are executed. In this workshop, all main business processes such as purchasing, production, inventory management, logistics and communication of the supplier are analysed. Relying on the results of the analysis, goals are established and weaknesses in the business processes are identified. This is followed by establishing a set of specific measures to overcome the weaknesses. Usually, only if the measures are not undertaken and thus the goals are not reached, the supplier is switched. Thus, the supplier profits from this extensive development

activity which is furthermore free of charge. But not only underperforming suppliers have access to this kind of development activities. Regular “preventive workshops” where also the main business processes are analysed and feedback is given are carried out by the purchasing department which does not only serve the goal of preventing problems in the series production, but also can be acknowledged as an added value by suppliers and consequently contribute to becoming a preferred customer. The interviewed representative of MAN’s purchasing department however contradicted stating that in the majority of the cases audits and the related undertaken measures are not gladly accepted by suppliers (Interview with Supplier Relationship of MAN Truck & Bus AG). The development activities carried out by MAN, especially the so-called “value stream analysis” being carried out regularly at the suppliers’ location to improve processes, are also mentioned by the interviewed purchaser and the issue of suppliers not acknowledging audits etc. as a help is as well stressed by him. Additionally, he mentions the tool management, MAN offers to some suppliers. A tool manager in the purchasing department is concerned with providing suppliers which do not possess the resources to produce components according to MAN’s requirements with the necessary tools by lending or financing them. According to the purchasers statements, this support gives suppliers the chance to grow without own risk and high investments increasing the suppliers dependency on MAN and also MAN’S status as customer with the supplier. Additionally, the interviewed purchaser pointed out that his most powerful tool to influence supplier relations is the decision on whether or not to consider a supplier in a tendering. When always considering a supplier, he acknowledges this as a confirmation for a good performance and sees the chance of increasing his return with MAN, which consequently, according to the purchaser, may lead to a higher customer status. Furthermore, the purchaser mentions the annual „MAN Truck & Bus Supplier Awards“ where the suppliers with the best delivery performance and other special accomplishments of the last 12 months among all 1200 suppliers were awarded. These awards have the goal of strengthening and expanding the business partnership, showing acknowledgement for good performance and motivate other suppliers. A further initiative of the MAN purchasing department to improve business partnerships, intensify cooperation and improve communication with suppliers is arranging supplier days with selected suppliers. At this occasion processes can be communicated to suppliers and the strategies of MAN and the suppliers can be adjusted. Even though not being the only manufacturer in the automotive industry arranging such supplier days, it can still, according to the purchasing manager, contribute to improve the relations and consequently to achieving the preferred customer status (Interview with Purchasing Manager of MAN Truck & Bus AG).

4.4.2 Well-structured communication across all areas in the customer organisation and on the same level with the supplier as important driver of the preferred customer status

When confronted with the question what customers do to achieve a preferred customer status, Meiller’s Key Account Manager for Daimler explains that in the last year the partnerships of tipper manufacturers and commercial vehicles manufacturers have gone through a process of professionalisation. Meiller’s preferred customers aligned their strategy and business model with Meiller and the communication has been improved, e.g. through establishing supplier hotlines and thus enhancing reachability. Furthermore,

through the professionalisation of purchasing departments now the contact persons for specific suppliers, the respective commodity managers, are more clearly assigned improving partnership among the individuals. In order to improve the functioning of the business relationship and the status with suppliers, customers have applied measures to improve information exchange with their Suppliers. By interconnecting company IT-systems, some customers have given Meiller access to all important drawings, logistics and production data etc. which according to the Key Account Manager has been an important step to achieving preferred customer status as the IT-system connection is a proof of trust by the customer and simplifies the collaboration due to the fact that data does not have to be requested from the customer and vice versa each time. Meiller expects collaboration in marketing and sales activities from customers who want to achieve a preferred status. Their special situation in the commercial vehicles industry allows them to have their own separate brand which can also be seen on the trucks with tippers. This requires Meiller to expand their brand image where they expect help from their preferred customers. In the past, MAN and Daimler, the strategic partners and preferred customers, presented Meiller products in commercials and trade fairs, as well as communicated the advantages of Meiller products to their customers. Aside from Meiller advising customers with their knowhow, a trade-off can be observed also here with some customers constructively giving feedback and advising Meiller in technical issues of their area of expertise or concerning suggestions for product and product range modifications (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). An obvious measure to improve supplier relations and achieve a preferred customer status has been described by the Sales Director of HAP mentioning the acknowledgement of their performance through awards, e.g. the „Supplier of the Year 2010“ Award of John Deere which went to the Hörmann Group. To become a preferred customer the HAP sales Director furthermore points out that customers of course also classify suppliers and that a precondition for a preferred customer status at HAP, also HAP must have a high supplier status. He explains this with the fact that the status with the supplier determines the type of partnership and the access to supplier development programs. As examples, John Deere and MAN are mentioned which both classified HAP as important supplier (Interview with Sales Director of Hörmann Automotive Penzberg GmbH). Similarly, also the sales managers of Georg Fischer stated that a customer only gets a preferred status if the customer’s central purchasing and development departments clearly signalize that a strategic partnership is planned in which Georg Fischer is also a preferred supplier. A very important activity carried out only by some customers is involving Georg Fischer as experts concerning castings in the design and development of the components to be produced. Those customers who allow Georg Fischer to advise them concerning design, composition, cost-saving potentials, quality and logistics have managed to profit in two ways: Firstly, through product and process improvement and secondly through being awarded a higher customer status. When involving the customers, an exchange of knowhow takes place which is of course also of interest for Georg Fischer. The fact that audits are carried out and feedback is given is not a guarantee for gaining a higher customer status at Georg Fischer as it depends on the attitude the customer shows towards the supplier. Customers who have carried out the audits treating Georg Fischer as an equal partner and giving constructive feedback have thereby managed to improve the appraisal Georg Fischer has for them. The interviewed sales managers furthermore stated that a way of involving suppliers that some customers practice is highly valued by them, which is arranging

supplier workshops where innovations, cost and weight saving potentials, strategy alignment and other important factors for a successful buyer/seller relation are discussed. This and other exchanges of knowhow and acts of openness towards Georg Fischer are rewarded with a better customer status. Not only involving Georg Fischer is important. According to the sales managers, some customers already involve the in the planning/ design phase of the casted component. This form of early involvement is the ultimate form of involvement that Georg Fischer wishes from strategic partners and is most important to them when deciding on whether to award a preferred customer status or not (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). For the case study after asking what customers already do to achieve a preferred customer status, the interviewed supplier representatives were asked what customers should still do. The Key Account Manager for Daimler of Meiller named the behavior towards his company by Daimler a “best practice case”. Other customers still could improve the way they communicate with Meiller and coordinate the communication of different functional areas with supplier contact in a better fashion (Interview with Key Account Manager of F.X. Meiller GmbH & Co KG). The same point is also stressed by the Director of Sales of HAP. He complains that if components do not arrive at the agreed time, the supplier is blamed while not all the problems in the collaboration resulting from inconsistent communication due to poor coordination among different functional areas of the customer organization are taken into consideration. Mentioning MAN explicitly in this context shows potential for improvement in this area. Striving for the preferred customer status, the supplier provides special services he does not charge. HAP’s sales director states the wish for customers who want to achieve the preferred customer to acknowledge these services and to reward them (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). Aside from more and earlier involvement of Georg Fischer in the development, the sales managers also state that customers have to show respect for the prices they request due to the superior quality that they offer. Considering themselves the leader in castings for the automotive industry they claim to make high investments in R&D and new machinery. A customer that does not consider performance but only price cannot become a preferred customer of Georg Fischer.

4.4.3 MAN does more to achieve preferred customer status than they are aware of

By establishing long-term partnerships which provides the suppliers with planning security and enhanced communication (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG) or by engaging in supplier development programs through audits and feedback or through workshops for suppliers (Interview with Supplier Relationship Manager of MAN Truck & Bus AG) and carrying out other activities such as the „MAN Truck & Bus Supplier Awards“ and the supplier days (Interview with Purchasing Manager of MAN Truck & Bus AG), MAN conducts more activities that suppliers can perceive as added value and may lead to becoming a preferred customer than they are aware of. The fact that an MAN representative in the interview stated that most of the time, these activities like escalation workshops or audits and feedback are not perceived as pleasant by suppliers (Interview with Supplier Relationship Manager of MAN Truck & Bus AG) may also lead to the conclusion that the way these activities are performed, especially how the communication is handled, should be analysed. Supplier early involvement, communicating with

them on the same level and very importantly structuring their communication across the company to achieve consistency in the supplier contact were the most important activities for the interviewed suppliers.

5. NOT BEING AWARE OF THE IMPORTANCE OF THE PREFERRED CUSTOMER STATUS MAY HINDER THE COMPANY FROM GAINING OTHERWISE ACHIEVABLE BENEFITS

All three interviews at MAN have shown that there is no interest and management commitment to achieve the preferred customer status as strategic goal (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG; Interview with Supplier Relationship Manager of MAN Truck & Bus AG; Interview with the Purchasing Manager of MAN Truck & Bus AG). Stating that nothing is done to improve the status with suppliers who fulfill the requirements and only undertaking measures when MAN is not satisfied as customer (Interview with Supplier Relationship Manager of MAN Truck & Bus AG) shows that there is a lack of awareness for the importance of the topic considering that important benefits like cost reductions (Bew, 2007, p. 2; Ellis et al., 2012, p. 1261; Nollet et al., 2012, p. 1187), improved logistics and lead times (Ulaga, 2003, p. 686) etc. can be achieved. MAN’s view of the customer role in the exchange relationship has to be adjusted to changes in the environment such as oligopolistic market structures and increasing responsibilities that are assigned to suppliers (Schiele et al., 2012, p. 1178). Without increasing the awareness for the importance of the topic, important steps demanded by suppliers are difficult to implement. While economic factors like size (Fiocca, 1982, p. 55), growth rate (Fiocca, 1982, p. 55; Hald et al., 2009, p. 964; Ramsay & Wagner, 2009, p. 132), new markets (Christiansen & Maltz, 2002, p. 180; Ellegaard & Ritter, 2007, p. 5; Hald et al., 2009, p. 963) were stressed in the literature and by interviewed suppliers (Interview with Sales Director of Hörmann Automotive Penzberg GmbH; Interview with three Sales Managers of Georg Fischer Automobilguss GmbH) tend to be the most important factors in the evaluation of customer attractiveness as precondition for entering a business relationship tend to be fulfilled at MAN, supplier satisfaction could be improved, especially when being aware of the fact that some suppliers are not satisfied (Interview with Supplier Relationship Manager of MAN Truck & Bus AG). The most important factors for the companies which were interviewed for the case study influencing supplier satisfaction in the business relationship tend to be the mode of interaction, especially the manner (Maunu, 2003, p. 95; Essig & Amann, 2009, p.111-112) and structure (Essig & Amann, 2009, p. 111-112; Maunu, 2003, p. 96) of the communication, obeying important contracts such as the frame contract (Interview with Sales Director of Hörmann Automotive Penzberg GmbH) and involving suppliers early (Interview with three Sales Managers of Georg Fischer Automobilguss GmbH). When not having management commitment to achieving the preferred customer status as it is the case at MAN (Interview with Purchasing Process Manager and Purchasing Strategy Representative of MAN Truck & Bus AG; Interview with Supplier Relationship Manager of MAN Truck & Bus AG; Interview with Purchasing Manager of MAN Truck & Bus AG) and thus the decision on how to handle supplier relation depends on the judgment of the individual purchasers (Interview with Supplier Relationship Manager of MAN Truck & Bus AG) these important

satisfaction factors and drivers for the preferred customer status are unlikely to be fulfilled.

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