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The impact of customer attractiveness and supplier satisfaction on becoming a preferred customer

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ABSTRACT

This paper discusses how a firm can become preferred customer, defined as a particular buying firm to whom the supplier allocates better resources than less preferred buyers. Two concepts play a central role for a firm aiming to become preferred customer: (i) customer attractiveness and (ii) supplier satisfaction. However, the current literature still lacks a clear discussion on the conceptual differences between these constructs and their attributes and is ambiguous with regard to the relationships between the concepts. This study addresses these shortcomings. We examine customer attractiveness and supplier satisfaction as distinct conceptual variables and test how these constructs relate to each other and to preferred customer status. We build upon practitioner input and survey data from 91 suppliers to do so. Our analyses show that the impact of customer attractiveness on preferential resource allocation from suppliers is significantly mediated by supplier satisfaction. These findings expand the current understanding of these concepts. In addition, our findings might help managers better evaluate their relationships with suppliers and align their strategies accordingly to obtain better resources from their suppliers.

1. Introduction

It is well-known that relationships with suppliers offer many opportunities for firms. Previous research provides various examples of firms improving their performance through collaborations with suppliers (e.g., Krause, Handfield, & Tyler, 2007; Bernardes & Zsidisin, 2008; Nyaga, Whipple, & Lynch, 2010). Suppliers can provide resources such as ideas, capabilities, and materials that build competitive advantages that might not be achieved otherwise (Koufteros, Vickery, & Dröge, 2012). However, competing firms may seek similar resources in the same supply base (Takeishi, 2002; Dyer & Hatch, 2006). Therefore, it is not self-evident that firms that collaborate with their suppliers gain a competitive advantage through this collaboration because "other sharks in the water" might obtain better resources. Firms that are capable of obtaining better resources from their suppliers than their competitors have an advantage in resources and will therefore more easily attain a competitive advantage (Hunt & Davis, 2008).

The observation that some buyers obtain better resources from suppliers than their competitors (e.g., Takeishi, 2002; Dyer & Hatch, 2006; Pulles, Veldman, Schiele, & Sierksma, 2014) shows that the allocation of supplier resources to buying firms is a selective process. A recent special issue in Industrial Marketing Management (Schiele, Calvi, & Gibbert, 2012) has emphasized the importance of being a preferred customer (i.e., a buyer to whom the supplier allocates better resources than less preferred buyers). Being a preferred customer can lead to a variety of benefits (e.g., first access to new technology or the allocation of scarce materials in times of high demand; Ramsay, 2001; Hüttinger, Schiele, & Veldman, 2012). Two concepts are argued to play a role in becoming a preferred customer (Hüttinger et al., 2012; Schiele, Calvi, et al., 2012; Schiele, Veldman, Hüttinger, & Pulles, 2012):

i. Customer attractiveness (Christiansen & Maltz, 2002; Ellegaard, Johansen, & Drejer, 2003; Hald, Cordón, & Vollmann, 2009; Ramsay & Wagner, 2009; Mortensen & Arlbjørn, 2012; Aminoff & Tanskanen, 2013; Tóth et al., 2014)
ii. Supplier satisfaction (Essig & Amann, 2009; Ghijsen, Semeijn, & Ernstson, 2010; Nyaga et al., 2010; Ramsay, Wagner, & Kelly, 2013).

Although related, customer attractiveness and supplier satisfaction are conceptually different and they embody different supply management practices that influence the behavior of suppliers in different ways. However, the conceptual delineation between the constructs has proved to be challenging in the current literature (La Rocca, Caruana, & Snehota, 2012). Although the more recent studies provide several explorations of the different dimensions and antecedents of customer attractiveness and supplier satisfaction (e.g., Essig & Amann, 2009; Hüttinger et al., 2012; La Rocca et al., 2012; Aminoff & Tanskanen, 2013; Hüttinger et al., 2014; Tóth et al., 2014), this literature does not provide a clear view of the distinct properties of customer attractiveness and supplier satisfaction, so that there is little consensus concerning their

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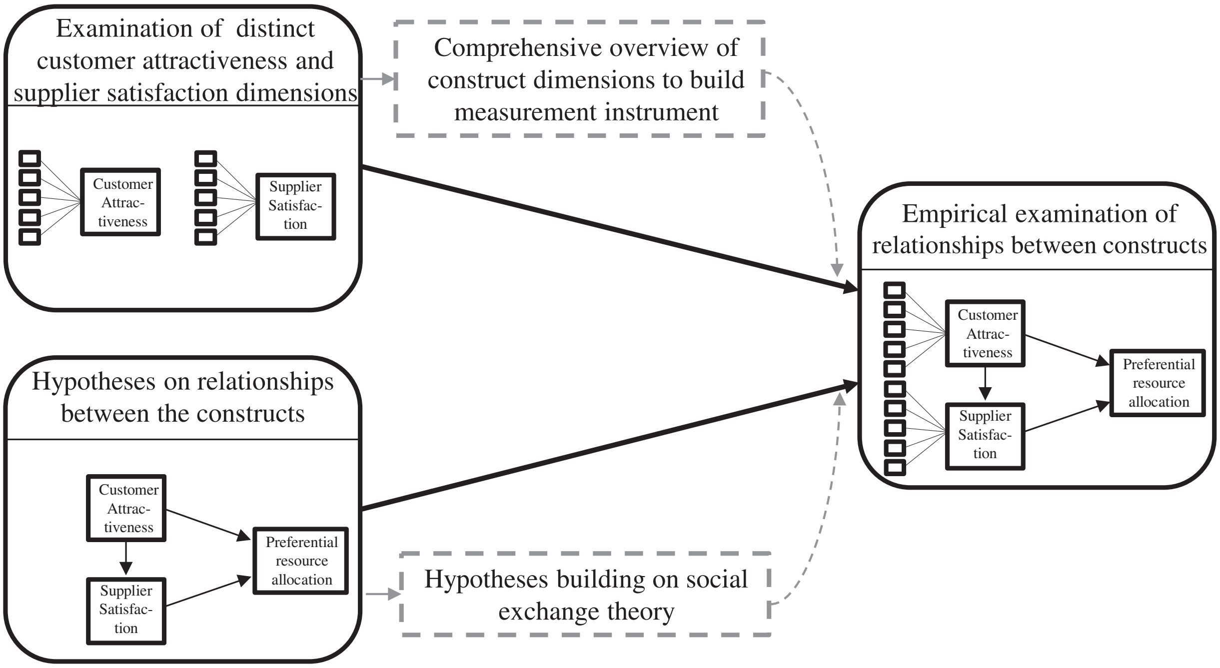

Fig. 1. Research approach and paper outline.

conceptual relationship with each other or with the preferred customer status concept.

What is missing in the literature is an examination of customer attractiveness and supplier satisfaction as distinct conceptual variables and a test on how these constructs relate to each other and to preferred customer status. Our study addresses these gaps thereby responding to recent calls for theoretical conceptualizations (Schiele & Krummaker, 2011; La Rocca et al., 2012; Mortensen & Arlbjørn, 2012) and empirical evidence on the relationships between these concepts (Hüttinger et al., 2012). More specifically, we draw on social exchange theory to discuss the concepts of customer attractiveness and supplier satisfaction and to build hypotheses on the links between these concepts and preferred customer status. In addition, we draw on discussions with practitioners by using a new World Café methodology to generate customer attractiveness and supplier satisfaction constructs that enable an examination of the constructs as distinct concepts. We use the construct development framework discussed by Diamantopoulos and Winklhofer (2001) to build measures of the customer attractiveness, supplier satisfaction, and preferential resource allocation constructs and test our hypotheses using the data of 91 supply firms.

Fig. 1 shows the research approach of this study and the outline of this paper. In Section 3 we theorize on the relationship between the customer attractiveness, supplier satisfaction and preferential resource allocation constructs. In Section 4 we examine the dimensions of customer attractiveness and supplier satisfaction. Section 5 builds the measures for these constructs and in Section 6 we present the results of the hypotheses tests. This paper begins with a discussion of the preferred customer concept in Section 2.

2. Preferred customer status: obtaining preferential resource allocation from suppliers

Recent literature has examined supplier management as a means to obtain the resources that are critical to attaining competitive advantages over peers (Hult, Ketchen, & Arrfelt, 2007; Hunt & Davis, 2008). Resources are defined as the tangible or intangible financial, human, intellectual, organizational, and physical entities available to the firm that enable it to increase its competitive advantage (Hunt & Davis, 2008; Newbert, 2008). Because competitive advantage is a relative notion (Peteraf, 1993), the resources obtained from the supply base shared with competitors will more likely result in a competitive advantage when the buying firm obtains better resources than its competitors (Hult, Ketchen, Cavusgil, & Calantone, 2006; Capron & Chatain, 2008). As a result, firms compete with their peers for the supplier's resources such as best ideas, most experienced engineers, or latest technologies (Paulraj, Lado, & Chen, 2008; Petersen, Handfield, Lawson, & Cousins, 2008). Therefore, firms must find ways to obtain better resources than their competitors to gain greater advantages from shared suppliers.

The allocation of supplier resources to relationships with buying firms is a selective process in which competing customers may be treated unequally (Mitshuhashi & Greve, 2009). Some buyers obtain better resource allocations from their supply base than others, even though these buyers share the same supplier (Takeishi, 2002; Dyer & Hatch, 2006). Consequently, firms must pay attention to their competitors' actions in the supply base, because if a firm has attained a superior resource allocation position from its suppliers, competitors will attempt to neutralize this advantage to accrue similar resource advantages (Hunt & Davis, 2008; Mesquita, Anand, & Brush, 2008; Ellram, Tate, & Feitzinger, 2013). The buying firm that is able to attain a preferential resource allocation position from suppliers that are shared with competitors is a preferred customer[1] (Steinle & Schiele, 2008; Schiele, Veldman, & Hüttinger, 2011). The literature provides several examples of preferred customer status. For example, Ellis, Henke, and Kull (2012), show the effect of preferred customer status on a firm's access to a supplier's technology. Similarly, preferred customer status has shown to positively relate to buyer–supplier innovation (Pulles, Veldman, & Schiele, 2014). Nollet, Rebolledo, and Popel (2012) discuss benefits such as access to scarce materials, better pricing and higher flexibility in delivery planning to offer continuous supply.

From a consumer marketing perspective, suppliers might intentionally and openly grant buyers or consumers a preferred status for specific purposes (e.g., as a motivator for future sales; Wagner, Hennig-Thurau, & Rudolph, 2009). In industrial buyer–supplier relationships, preferential treatment is more subtle and based on less formal criteria. Only a limited

[1] Critics may argue that the term 'customer' in certain streams of literature refers to the end-user. However, we speak of 'preferred customer' and 'customer attractiveness' to adopt the terminology of the preferred customer literature.