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# The burden of rank: The impact of preferred supplier status on excessive buyer requests

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ABSTRACT

Supplier attempts to ascend the supplier pyramid of buying firms are ubiquitous. Yet, it is unclear whether these attempts might entail undesirable consequences. To address this gap, this research theoretically and empirically examines the effect of preferred supplier status on excessive buyer requests. The results show that preferred supplier status indeed entails so far unaccounted relationship costs as it enhances excessive buyer requests. Alarmingly, this effect is subject to increasing rates as preferred supplier status grows. The results show as well, however, that suppliers can reverse this relationship if they are willing to adhere to relational norms in terms of voluntarily participating in the buyer's supplier development program. This means that initial status gains enhance excessive requests, but at a certain point suppliers can reduce excessive requests through increasing their status when they adhere to relational norms. These results offer new directions both for researchers and practitioners.

## 1. Introduction

As manufacturers are increasingly consolidating their supplier base, achieving and sustaining preferred supplier status—an elevated standing within a focal buyer's supplier hierarchy—is generally viewed as critical for suppliers (Anderson & Narus, 2003; Ulaga & Eggert, 2006). Industry reports, however, indicate that increasing status may actually represent a threat to suppliers as it resides with increasing demandingness of buying firms. For instance, in the automotive industry, prime suppliers like Continental, Denso, and Magna are the very targets of excessive requests for service and delivery concessions. As a result, key auto suppliers typically bear 55 to 65% of the multi-billion cost cutbacks of manufacturers (BCG, 2015).

While the dark side consequences of relationship partner status at the demand side (i.e., preferred customer status) has received considerable attention in marketing research (e.g., Eggert, Steinhoff, & Garnefeld, 2015; Wetzel, Hammerschmidt, & Zablah, 2014; Wieseke, Alavi, & Habel, 2014), research concerned with its counterpart at the supply side (i.e., preferred supplier status) is in its nascent stage (Ivens, Vijver, & Vos, 2013). The related literature has focused on how to gain and sustain preferred supplier status (Ulaga & Eggert, 2006), thereby illuminating potential antecedents to such status and implying that the achievement of such status is, all else equal, a very desirable state. Despite the ongoing calls for research on the dangers of close buyer-supplier relationships (e.g., Ivens et al., 2013; Kalwani & Narayandas, 1995; Sheth, 1996), however, we are not aware of a single study that examines the negative repercussions preferred supplier status may entail for suppliers.

This study fills this gap by asking (1) whether preferred supplier status is associated with adverse relational consequences for suppliers, (2) if so, what is the nature of the relationship between preferred supplier status and such adverse consequences, and (3) which levers suppliers can use to mitigate or avoid adverse consequences of gaining preferred supplier status.

In order to accomplish these goals we build on social exchange theory (SET). According to SET, having control over conferring status as a valuable and desired asset for suppliers endows buyers with the power to request extra-contractual concessions (Shah, Kumar, Qu, & Chen, 2012; Wetzel et al., 2014). Given that elevated supplier status becomes a more valuable asset for a supplier the higher it gets, we propose the buyer's power to request those concessions rises as well. This, in turn, results in the expectation that the effect of preferred supplier status on excessive requests is progressively positive. Further and also in line with SET, we suggest that a potential lever for suppliers to mitigate this

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undesirable effect is to demonstrate the willingness to adhere to relational norms, for instance, by voluntarily participating in a buyer's supplier development program (Wang, Lee, Fang, & Ma, 2017).

We make the following contributions to the literature on buyer-supplier relationships. First, while much has been written about the beneficial outcomes of gaining supplier status (e.g., Ivens et al., 2013; Ulaga & Eggert, 2006), we are the first to discuss supplier status-driven buyer behaviors that create relational damage for a supplier, or even put the entire relationship at risk. Specifically, we contribute to the literature on supplier-buyer relationships by introducing excessive buyer requests as an important category of relationship costs that has not been examined. This is a crucial shortcoming of extant research as this component can constitute a high share of relationship costs for suppliers. Second, we spotlight the possibility that growing status levels trigger an upward spiral of excessive requests, i.e., that at the top of the supplier pyramid the demands become particularly onerous, as a decreasing number of suppliers stand out of the crowd as targets for squeezing out extra concessions. We do so by examining a non-linear relationship between preferred supplier status and excessive requests. Third, we are the first to nail down the suppliers' bottom-line consequences of adhering to relational norms, which is frequently proposed by recent literature as an effective way for shaping buyer-supplier relationships (e.g., Wang et al., 2017). Specifically, we examine whether suppliers that climb up the pyramid can shield from excessive requests through participating in a buyer's supplier development program and so demonstrating cooperative behaviors.

The empirical results show that suppliers' relational norm adherence strongly shapes preferred supplier status' effect on excessive requests. Given no adherence to relational norms (i.e., sole reliance on transactional coordination mechanisms), excessive buyer requests grow at a progressive rate at higher levels of preferred supplier status. If suppliers are willing to adopt relational norms in terms of close cooperation, however, the results imply that from a medium status level on, excessive requests over-proportionally decline with increasing status. Thus, for suppliers willing to adhere to relational norms, the chance is high that the beneficial effects of preferred status are not overshadowed by costly excessive requests.

## 2. Conceptual framework

The model that we present in this research features the effect of preferred supplier status on excessive buyer requests, while also examining the moderating role of relational norm adherence. Fig. 1 provides an overview of the model. We next provide precise definitions of each of these key variables.

Preferred supplier status is the starting point of the model. Purchasing departments increasingly focus relationships with those suppliers they consider most important by granting them preferred supplier status (Ulaga & Eggert, 2006). Status is a precious exchange resource as it accrues not only concrete advantages, but also entails high symbolic meaning through association with rank or station in a hierarchy (Cropanzano & Mitchell, 2005; Foa & Foa, 1980). Consequently, we define *preferred supplier status* as the standing a buyer has designated to a supplier within its supplier hierarchy, regardless of the supplier's standing in other (social) hierarchies. Thus, preferred supplier status captures the degree to which a buyer has a preference for a particular supplier.

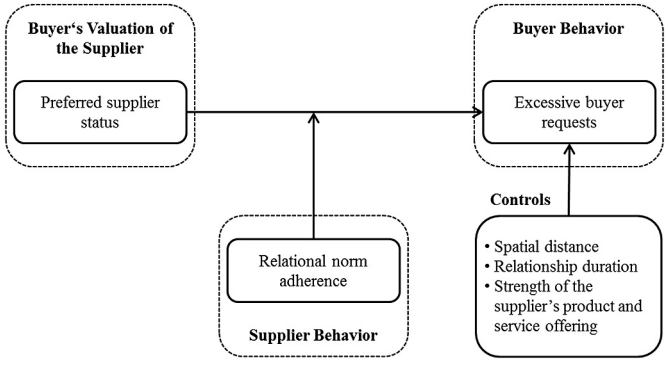


**Fig. 1.** Conceptual framework.
Notes: The main effect hypothesized in this study is nonlinear in nature. We therefore concentrate on the general relationship to be considered in the framework and detail the form and direction of the effect in the hypotheses section.

Next, "squeeze-out" concessions have been discussed in the light of elevated status (Emerson, 1976; Molm, 1997). Indeed, making these concessions is often seen by buying firms as something that suppliers have to give in return for the status received (BCG, 2015).We term those requests imposed by the party that grants the status (i.e., buying firm) on the status-receiving party (i.e., supplier) as excessive requests. We define *excessive buyer requests* as a customer's overt and persistently inflated demands toward a supplier to make exaggerated relationship investments and cost concessions.

The model further suggests that in order to reduce buyer-imposed costs in terms of excessive requests, preferred status suppliers will demonstrate buying firms the willingness to adhere to relational norms that go beyond transactional governance mechanisms like control or arm's-length coordination (Gundlach & Murphy, 1993; Wang et al., 2017). Accordingly, the moderator *relational norm adherence* captures whether a preferred status supplier closely cooperates with buyers through bilateral mechanisms, like sharing of information and capabilities, to achieve jointly determined outcomes (Lambe, Wittmann, & Spekman, 2001).

Finally, the model contains several control variables to isolate the effects of preferred supplier status on excessive request above and beyond typical drivers of buyer behaviors. We include three additional predictors of excessive requests that are frequently considered as predictors in studies on buyer-supplier relationships and that should be accounted for in order to rule out alternative explanations. We consider *relationship duration* because the length of a relationship may affect the outcomes of buyer-supplier relationships, regardless of the status a supplier has achieved as a relationship partner (Doney & Cannon, 1997; Kotabe, Martin, & Domoto, 2003; Wagner, 2011). We also consider the *strength of supplier's offerings* as the contributions a supplier makes to a buyer's goal achievement through valuable product and service offerings, which might be more meaningful for predicting the extent of excessive buyer requests than preferred supplier status (Palmatier, Houston, Dant, & Grewal, 2013; Ulaga & Eggert, 2006). Finally, the spatial distance between both firms affects coordination and delivery between the two parties. In addition, physical distance makes communication per se more difficult due to cultural differences, time differences, availabilities, and a more difficult development of trust when face-to-face meetings are not possible or occur more seldom (e.g., due to using online alternatives for personal meetings). These aspects might influence buyer demands toward a supplier (Cannon & Homburg, 2001). We therefore account for *spatial distance* between the supplier and the buyer.

## 3. Theoretical foundation

This study focuses upon exchanges that have an "instrumental function" for gaining rewards. Put simply, this is a setting where parties maintain a series of interactions in order to achieve beneficial arrangements that are not available elsewhere, which are the core of social exchanges (Blau, 1964; Emerson, 1976; Homans, 1974). According to SET, two constituting premises of exchanges are (1) the use of power and (2) the emergence of relational norms that curtail the use of power (Emerson, 1976; Lambe et al., 2001; Wieseke et al., 2014).

The first premise is that, initially, relationship outcomes are mainly shaped by power, which emerges if one exchange party controls a

resource highly valued by another (Lambe et al., 2001). Status is frequently mentioned by SET as one of the most important and precious resources that is exchanged by relationship partners (Cropanzano & Mitchell, 2005; Foa & Foa, 1980). Suppliers keenly seek to gain preferred supplier status and stand out in the supplier hierarchy in order to gain a higher share of business (Kotabe et al., 2003; Ulaga & Eggert, 2006). Having control over granting supplier status as a scarce asset equips buyers with power over suppliers, which may manifest in pressure and demands (Molm, 1997, Plouffe, Bolander, Cote, & Hochstein, 2016). However, the use of power often leads to relationship imbalances and causes relationships to be unstable.

In anticipating such an outcome, the second SET premise proposes that, as relationships evolve, exchange partners search for mechanisms that balance relationships and that assure the continuance of the exchange while buffering exchange costs (Blau, 1964). Adhering to relational norms is regarded as a key balancing mechanism that develops through the interactions of exchange partners (Emerson, 1976). The key component of relational norms is the pursuit of cooperative and close social relations by sharing resources and capabilities, joint planning and adapting offerings and operations to exchange partner's needs (Gundlach & Murphy, 1993; La Rocca, Ford, & Snehota, 2013; Moran, 2005). Relational norm adherence builds trust, which tempers the influence of power as the guiding mechanism for exchanges (Lambe et al., 2001). Thus, SET proposes that suppliers will search for ways to signal buyers their willingness to adhere to relational norms in order to safeguard against power-driven demands. We next build on these premises of SET in our theorizing.

## 4. Hypotheses development

### 4.1. The effect of preferred supplier status on excessive buyer requests

Social exchange theory suggests that parties only enter, maintain, and move relationships to the next level if it is economically rewarding (Blau, 1964; Thibaut & Kelley, 1959). Therefore, both exchange parties will try to achieve an advantageous agreement. However, both parties are aware that preferred status is a most valuable asset, which the supplier wants to gain and sustain and the buyer controls (Foa & Foa, 1980; Modi & Mabert, 2007). In such a situation, SET suggests that having the power over a valued resource will tempt a buyer to use this power to shape the relationship in a way that its own benefits are maximized. This scenario is particularly likely to occur as a buying firm can expect that the use of power will be accepted by a supplier in order to repay for the sourcing loyalty established through preferred supplier status. These expectations materialize in actual buyer requests (Gouldner, 1960; Pelser et al., 2015). A buyer also anticipates that a supplier will interpret the fulfilling of excessive requests as the prerequisite for differentiating from other suppliers and for maintaining the relationship and therefore is likely to acquiesce (Blau, 1964; Lambe et al., 2001). As a result, the buyer systematically confronts the preferred status supplier with excessive requests.

However, the higher the status level a buyer confers, the more unlikely it is that a supplier will achieve this level (Drèze & Nunes, 2009). This makes status an increasingly scarce resource with increasing status level and endows the party that controls this resource with disproportionately high power to squeeze out the supplier's highest possible relationship input (Jap, Robertson, Rindfleisch, & Hamilton, 2013). Moreover, with a largely reduced number of firms on the top levels of the supplier hierarchy, each supplier stands out with more prominence as a target for requesting excessive concessions. At the same time, suppliers are increasingly willing to fulfill high levels of excessive request to prevent downgrades. As it becomes increasingly difficult to reach extraordinarily high levels of supplier status, the perception of status as a scarce resource is reinforced. The preceding arguments lead to the expectation that the effect of status on excessive buyer requests is positive and accelerates with increasing status levels. Thus:

**H1.** Preferred supplier status has a positive effect on excessive buyer requests.

**H2.** The positive effect of preferred supplier status on excessive buyer requests is non-linear such that it grows with increasing preferred supplier status.

### 4.2. The moderating role of supplier's relational norm adherence

Adhering to relational norms is regarded by SET as the most important instrument to shift exchanges from purely power-driven to more balanced (Lambe et al., 2001). According to SET, relational norm adherence becomes manifest through a firm's voluntary efforts to implement cooperative and close social relations (Gundlach & Murphy, 1993; Moran, 2005). For instance, a supplier may participate in a manufacturer's supplier development program.

Even these actions, though, may have discrepant effects. On the one hand, supplier's adherence to relational norms signals to a buyer that the supplier cares about the future prospects of the relationship and is willing to increase the capabilities that help the buyer to better achieve its future business goals (Alcacer & Oxley, 2014). This may motivate a buyer to reduce excessive requests. On the other hand, sharing information and capabilities through a close cooperation may be exploited by a buyer to squeeze out even more concessions (Maurer, Dietz, & Lang, 2004). We now discuss in detail which role relational norm adherence plays for buyer reactions to preferred supplier status in terms of excessive requests at different ranges of preferred supplier status.

The theoretical reasoning provided above implies that using relational, norm-driven governance mechanisms like close cooperation entails exchanges of important internal information (Modi & Mabert, 2007) and provides a buyer more information about a supplier's potential weaknesses (Hahn, Watts, & Kim, 1990). In addition, a buyer gains deep insight into a supplier's processes and structures, which helps to envision the potential for performance improvement or cost reductions on the part of the supplier. Thus, at lower levels of supplier status this information is likely be used by a buyer's purchasing department to enhance self-benefits by exploiting supplier potentials before the supplier moves up in the supplier pyramid, pushing the supplier as hard as possible. At lower levels of preferred supplier status, we conclude that supplier's willingness to closely cooperate even accentuates a buyer's power over the supplier, which exaggerates the positive effect on excessive buyer requests.

At higher levels of preferred supplier status, the consideration of mutual benefits and shared goals is the aspect of close cooperation that increasingly dominates the exchange. Once a supplier starts to stand out as a compliant sourcing partner, awareness is heightened that the supplier needs to equally benefit from the relationship in order to guarantee relationship continuance (Ford & Håkansson, 2013). Through intense collaborative learning and knowledge transfer a supplier invests in improving its competencies and performance on the subjects that matter most for the buyer. This endows a supplier with increasing countervailing power, which effectively balances the power between supplier and buyer (Lambe et al., 2001; Nagati & Rebolledo, 2013). Therefore, at higher status levels the balancing effect of relational norm adherence prevails and the willingness to adhere to relational norms should restrict a buyer's tendency to elicit additional efforts through excessive requests. Hence, at higher levels of supplier status, exchanges involving strong relational elements have higher chances for achieving mutually beneficial outcomes than arm's-length exchanges (Wang et al., 2017). At higher status levels we expect that a negative effect of preferred supplier status on excessive requests becomes more accentuated and effectively counteracts supplier status' positive effect on excessive requests if a supplier adheres to relational

norms.

In sum, adhering to relational norms in terms of close cooperation is likely to have a Janus-faced role for shaping the effects of preferred supplier status on excessive requests. We propose that at low levels of supplier status information sharing through cooperation is a dangerous behavior, as it may lead to a situation where status upgrades increase excessive requests. Beyond this low level, however, intense cooperation efforts are potentially less costly as excessive requests are reduced with enhancing status. Thus, formally, relational norm adherence leads to a relationship between preferred supplier status and excessive requests which has a decreasing slope.

**H3.** Relational norm adherence negatively moderates the effect of preferred supplier status on excessive buyer requests.

## 5. Research method

### 5.1. Data collection and sample

The data set used for this study includes both survey and archival information about manufacturer-supplier relationships. We chose to cooperate with the German subsidiary of a large manufacturer of machinery that has multiple first-tier suppliers. The choice comes with several important advantages. First, in the machinery industry, the major part of value creation originates at the dyad of first-tier suppliers and manufacturers, which makes these buyer-supplier relationships most critical. Second, relative to focusing a myriad of different buying firms, the setting allows for close cooperation with the manufacturer, which helped us gather detailed and highly confidential information on preferred supplier status and excessive buyer requests. Third, by focusing on one manufacturer, we achieved homogeneity and comparability in the units of analysis for our empirical study and minimized potential confounding factors (Bolton & Tarasi, 2007; Scheer, Miao, & Garrett, 2009).

The study's key interest requires examination of the manufacturer's relationships with different suppliers. Prior to drawing our sample, we screened suppliers in the manufacturer's supplier database to ensure they met two criteria: transactions with this supplier must have taken place within the year before our survey, and the buyer must have indicated regular interactions in the year before our survey. From these suppliers, we drew a stratified probability sample in order to guarantee supplier variety such that it contained sufficient numbers of suppliers at different status levels (Bolton, Lemon, & Bramlett, 2006).

Next, the study's key constructs originate on the part of the buyer, which is represented by the manufacturer. In order to achieve precise assessments of constructs, we therefore addressed the survey to the manufacturing firm (Cannon & Perreault, 1999). Prior discussions with employees involved in different functions at the manufacturing firm revealed that a purchasing manager supervised each buyer-supplier relationship, handling virtually all interactions with the respective supplier. Thus the purchasing managers represented the most knowledgeable informants (Cannon & Perreault, 1999). From the manufacturer's database, we could clearly identify which purchasing manager was responsible for each supplier. In these assignments, we considered only one supplier per respondent, thus precluding the spill-over of assessments of one relationship onto another (Kumar, Heide, & Wathne, 2011). We used a three-wave procedure to collect the data from the purchasing managers (pre-announcement signaling top-management support of the study, survey mailing, and follow-up phone call). In the end, we received 170 completed surveys for further analysis, for an excellent response rate of 79%. Finally, the manufacturer matched the survey information with archival data.

### 5.2. Measurement

We used survey data to measure the dependent variable of excessive buyer requests, as well as the control variables of relationship duration and strength of supplier's offerings. The seven-point Likert scales (anchored by 1 = strongly disagree and 7 = strongly agree) were formulated based on prior literature. We captured excessive buyer requests using a multi-item measure and we used single-item measures to capture relationship duration and strength of supplier's offerings. We performed a confirmatory factor analysis to assess excessive buyer requests' psychometric adequacy. The results indicate convergent validity, as all item loadings are significant ($p < 0.01$). The measurement model provides a good fit to the data ($\chi^2(2) = 7.51$, $p < 0.01$; comparative fit index [CFI] = 0.97; standardized root mean square residual [SRMR] = 0.03). The sufficient Cronbach's alpha value ($\alpha = 0.91$) suggests that the measure is reliable (Bagozzi & Yi, 1988). To assess the construct's discriminant validity, we apply the Fornell & Larcker (1981) test, which indicates that the construct's average variance extracted is greater than its squared correlation with any other variable in the model. Therefore, the measure exhibits discriminant validity.

We drew on archival data provided by the manufacturer to objectively measure the independent variable preferred supplier status, the moderator relational norm adherence as well as the control variable spatial distance. The preferred supplier status measure is based upon a standardized ABCD scheme the buyer uses to classify all suppliers according to the economic value of the supplier to the customer (anchored by 1 indicating that the supplier is a D supplier and hence not preferred at all to 4 indicating that the supplier is classified as A and thus is most preferred).[1] Measuring supplier status this way, based on objective data, avoids common method concerns.

We capture relational norm adherence through suppliers' participation in the manufacturer's supplier development program (SDP). Voluntarily participating in the SDP is the most straight forward possibility for suppliers to signal the willingness to adhere to relational norms in terms of installing a close cooperation with the manufacturer (Joshi, 2009; Modi & Mabert, 2007). The manufacturer provided us objective information for the respective moderator variable that indicated whether a supplier participated in the manufacturer's SDP (0 = no, 1 = yes). The SDP contains all elements that are discussed in the relevant literature as indicators for the adherence to the relational norm of close cooperation, such as firm-to-firm knowledge transfer activities, coordinated quality improvement initiatives, as well as evaluation, certification and motivation procedures (Modi & Mabert, 2007). All these elements are applied, by default, to every supplier who participates in the program. Therefore, the business relationships examined in our study are unlikely to be affected by differences in the SDP implemented in each relationship. The only difference is whether a supplier participates in the program or not. We also measured the control variable spatial distance based on objective information. Spatial distance captures the geographical distance to the supplier's branch. Appendix A provides a detailed overview of all measures and Table 1 summarizes the descriptive statistics and correlations for all our variables.

[1] We validated this measure by correlating it with a survey-based measure of preferred supplier status that we adapted from Wetzel et al., 2014. We obtained the alternative measure by averaging the three items "[supplier] ranks among our preferred suppliers," "[supplier] plays a role as a key supplier," and "we have very much confidence in [supplier]." The correlation between the objective measure of preferred supplier status, as ranked by the organization, and this alternative measure, as reported by the purchasing manager, is 0.76 ($p < 0.01$), suggesting high convergent validity. In addition, the results presented in the analysis section are very similar when we replace the objective measure of preferred supplier status with the survey-based measure.

**Table 1**
Descriptive statistics and correlations.

| Measure | M (SD) | AVE | CR | α | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Preferred supplier status | 2.63 (0.97) | – | – | – | 1.00 | 0.59 | 0.63 | − 0.08 | 0.54 | 0.64 |
| 2. Excessive buyer requests | 3.95 (1.39) | 0.71 | 0.91 | 0.91 | | 1.00 | 0.39 | − 0.16 | 0.55 | 0.57 |
| 3. Relational norm adherence | 0.37 (0.48) | – | – | – | | | 1.00 | − 0.13 | 0.42 | 0.35 |
| 4. Spatial distance (in miles)[a] | 390.32 (1227.02) | – | – | – | | | | 1.00 | − 0.08 | 0.00 |
| 5. Relationship duration | 4.82 (1.60) | – | – | – | | | | | 1.00 | 0.54 |
| 6. Strength of supplier's offerings | 3.88 (1.56) | – | – | – | | | | | | 1.00 |

Notes: Dash (−) indicates not applicable. M = mean, SD = standard deviation, AVE = average variance extracted, CR = composite reliability, α = Cronbach's alpha. Correlations larger than or equal to |0.16| are statistically significant ($p < 0.05$, two-tailed).
[a] Values divided by a constant to preserve data confidentiality.

## 6. Results

### 6.1. Model

The framework presented in Fig. 1 suggests the following equation which formalizes the expectation that preferred supplier status has an increasingly positive effect on excessive buyer requests and that this effect is moderated by supplier's relational norm adherence.

$$EBR_i = \beta_0 + \beta_1 PSS_i + \beta_2 PSS_i^2 + \beta_3 RNA_i + \beta_4 PSS_i \times RNA_i + \beta_5 PSS_i^2 \times RNA_i + \beta_6 DIS_i + \beta_7 RD_i + \beta_8 STR_i + \varepsilon_i \quad (1)$$

In this equation, i is the focal supplier, EBR abbreviates excessive buyer requests, PSS is preferred supplier status, RNA is supplier's relational norm adherence, DIS is spatial distance, RD is relationship duration, STR stands for the strength of supplier's offerings, and ε is the error term. Formally, our hypotheses state that the relationship between preferred supplier status and excessive buyer requests is positive and that the positive effect reinforces with increasing status. Moreover, we expect that the reinforcing positive effect is attenuated if suppliers adhere to relational norms. For testing our hypotheses, $\beta_1$, $\beta_2$, and $\beta_5$ are decisive: The linear term of PSS ($\beta_1$) informs on whether the effect is positive or negative, the quadratic term of PSS ($\beta_2$) informs about the nonlinearity (reinforcing vs. weakening) in the relationship between PSS and excessive requests and the quadratic by linear interaction term ($\beta_5$) informs whether the nonlinearity is accentuated or attenuated by the moderator. H1 would be supported if $\beta_1$ is significant and positive, a significant and positive $\beta_2$ would support H2 and a significant and negative $\beta_5$ would support H3.

### 6.2. Hypotheses testing

Prior to running the analysis, we mean-centered all continuous variables to increase interpretability (Aiken & West, 1991). Further, regressions that include quadratic terms often suffer from multicollinearity. We therefore used orthogonal polynomial variables as predictor variables for all terms that are involved in the preferred supplier status variable (Cohen, Cohen, West, & Aiken, 2013; Homburg, Koschate, & Hoyer, 2005). Orthogonal polynomial variables represent linear combinations of the simple polynomials. Because they are pairwise uncorrelated, they eliminate any collinearity due to the consideration of quadratic terms.

As is summarized in Table 2, we report three models. We first estimate a linear main-effects model (Model 1) and then add the quadratic main effect of PSS (Model 2). In Model 3 we also include the interactions (i.e., PSS × RNA and $PSS^2$ × RNA). For the proper interpretation of the results, Model 3 should include the interaction between both the linear and the quadratic PSS term and the moderator (Aiken & West, 1991; Cohen et al., 2013). When comparing the model that contains the interaction effects with those that do not, we find that the adjusted R-square is larger when we include the interactions thus pointing to Model 3 for hypotheses testing.

Before we test the hypotheses, however, we test for multicollinearity among all our independent variables by inspecting the variance inflation factors (VIFs). The average VIF for the full model is 2.91 with the single highest VIF being 5.98,[2] which is well below the broadly accepted threshold of 10 (Hair, Black, Babin, & Anderson, 2010). This indicates that multicollinearity does not pose a threat to our results.

In Model 3, the linear and quadratic terms of PSS and the quadratic by linear interaction term are relevant for hypotheses testing. A reinforcing positive effect of PSS on excessive requests is described by significant positive linear and quadratic effects. A significant negative quadratic by linear interaction effect shows that the positive effect is attenuated (Aiken & West, 1991).

Table 2 contains the results for the three models. We find a significant and positive linear effect of preferred supplier status on excessive buyer requests ($\beta_1 = 8.86$, $p < 0.01$), clearly in support of H1. We do not find a significant quadratic effect of preferred supplier status on excessive buyer requests ($\beta_2 = 1.08$, $p > 0.10$). Hence, we reject H2. However, we do find support for H3 in the significant negative effect of the interaction between the quadratic preferred supplier status term and relational norm adherence on excessive buyer requests ($\beta_5 = -6.16$, $p < 0.05$). This finding is notable as it suggests that the occurrence of a nonlinear relationship (i.e., reinforcing vs. weakening effects of PSS) strongly depends on a supplier's compliance to relational norms. Fig. 2 shows that the effect of preferred supplier status on excessive buyer requests is progressively positive (i.e., undesirable for the supplier) when the supplier does not adhere to relational norms in terms of implementing a close partnership with the manufacturer. When suppliers adhere to relational norms, the effect reverses and almost perfectly resembles an inverse u-shape, which suggests that suppliers that move from low to moderate levels of preferred supplier status will face (decreasingly) growing excessive requests. However, when they move from moderate levels to the highest levels of supplier status, excessive buyer requests increasingly wear off. In terms of reducing excessive buyer requests, the figure thus suggests that suppliers benefit most from making it to the upper levels of the supplier pyramid when they adhere to the normative expectation of close cooperation.

## 7. Discussion

Considering the trend to manage exchange partners differently, manufacturers increasingly concentrate their sourcing activities on a few key suppliers. Researchers have largely viewed preferred supplier status as a desirable thing (Ulaga & Eggert, 2006). Surprisingly, its undesirable consequences for suppliers have not been empirically examined, although anecdotal evidence shows that high supplier status can backfire. For

[2] Please note all other VIFs in Model 3 are below 5. Please note further that the VIF of 5.98 in Model 3 is for the variable preferred supplier status. Both Model 1 and Model 2 contain the same variable. In Model 1 the average VIF is 1.75 (highest VIF is 2.55) and in Model 2 the average VIF is 1.70 (highest VIF is 2.58), which are all acceptable values. The effect of preferred supplier status on excessive buyer requests remains positive and significant across all three models. This provides further confirmation that multicollinearity is not a concern.

**Table 2**
Regression results.

| Independent variable | Dependent variable: Excessive buyer requests | | | Hypotheses | |
|---|---|---|---|---|---|
| | Model 1 | Model 2 | Model 3 | | |
| Intercept | 3.94 (0.11)** | 3.88 (0.11)** | 4.08 (0.13)** | | |
| *Main effects* | | | | | |
| Preferred supplier status | 4.97 (1.64)** | 4.54 (1.63)** | 8.86 (2.44)** | $H_1$ (+) | ✓ |
| Preferred supplier status$^2$ | | − 2.55 (1.09)* | 1.08 (1.76) | $H_2$ (+) | |
| *Moderating effects* | | | | | |
| Preferred supplier status × Relational norm adherence | | | − 4.01 (3.52) | | |
| Preferred supplier status$^2$ × Relational norm adherence | | | − 6.16 (2.74)* | $H_3$ (−) | ✓ |
| *Control variables* | | | | | |
| Relational norm adherence | 0.03 (0.21) | 0.19 (0.22) | 0.07 (0.24) | | |
| Spatial distance | − 0.07 (0.03)* | − 0.07 (0.03)* | − 0.07 (0.03)* | | |
| Relationship duration | 0.22 (0.06)** | 0.23 (0.06)** | 0.20 (0.06)** | | |
| Strength of supplier's offerings | 0.23 (0.07)** | 0.21 (0.07)** | 0.19 (0.07)** | | |
| $R^2$ | 0.47 | 0.49 | 0.51 | | |
| Adjusted $R^2$ | 0.46 | 0.47 | 0.49 | | |

Notes: Results are based on two-tailed *t*-tests.
*$p < 0.05$.
**$p < 0.01$.

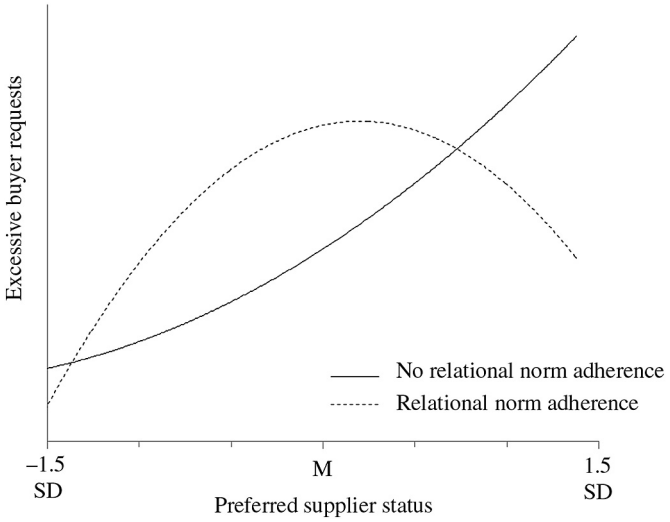


**Fig. 2.** Effect of preferred supplier status on excessive buyer requests.

instance, in the car industry there appear several cases where key suppliers have been forced into bankruptcy by excessive requests of their buyers, raising suppliers' skepticism about whether and when gaining preferred status in the supplier hierarchy of their customers is a viable goal (Schmidl, 2012). With this study, we add to prior research on channel management and relationship marketing by providing initial empirical evidence for the dark side of high supplier status, as well as highlighting the benefit of adherence to relational norms.

The results demonstrate that preferred supplier status enhances excessive buyer requests. The shape of this effect, however, strongly depends on whether suppliers adhere to the norm of close cooperation. The most direct way of doing so is to participate in a buyer's supplier development program. With respect to relational norm adherence, the effect of preferred supplier status on excessive buyer requests exhibits an inverse u-shaped form, with decreasing requests at higher levels of supplier status only if a supplier is willing to cooperate. Otherwise, the effect is increasingly positive and hence disadvantageous for suppliers. These findings have important implications both for researchers and supplier managers, which we discuss next.

### 7.1. Theoretical implications

The findings of this study may serve to initiate further thinking on the implications of status as a preferred relationship partner for the other party's relationship behaviors and ongoing relationship development. Traditional approaches have largely relied upon relationship duration as a determinant of relationship outcomes (Dwyer, Schurr, & Oh, 1987). Recent findings suggest, however, that the efforts made in order to gain status as a preferred relationship partner might be an important predictor for relationship development in addition to relationship duration, per se (Harmeling, Palmatier, Houston, Arnold, & Samaha, 2015; Ulaga & Eggert, 2006). The findings of this study show that the degree of excessive requests toward a supplier indeed strongly depends upon a supplier's status as a sourcing partner of the buyer.

Further, by considering excessive buyer requests, we address the frequent calls to account for the dark-side consequences of preferred supplier status (Anderson & Jap, 2005; Wetzel et al., 2014). Namely, we show that gaining status in an exchange relationship does not only come with benefits for suppliers (such as acquiring a bigger part of the manufacturer's business) that have so far dominated the discussion in the literature. Enhanced status also comes with the risk of facing exaggerated requests for relationship inputs. Researchers interested in capturing the full scope of relationship outcomes should consider excessive requests as a meaningful dark-side outcome. Excessive requests represent an important type of relationship cost that is often observed and extensively discussed in practice, but largely neglected so far in the literature. Ignoring such potential harms inhibits a truly holistic view of supplier-buyer relationships.

We also add to the emerging research stream on the value of adopting relational norms (Ho & Ganesan, 2013; Wang et al., 2017). More and more manufacturers set normative expectations toward suppliers to turn exchanges into close, cooperative relationships (e.g., through joining supplier development programs). Researchers question whether it is beneficial for suppliers to adhere to such relational norm expectations by sharing capabilities and information with customers, or whether suppliers should rely on arm's-length governance mechanisms, such as unilateral coordination and offering modular, but standardized, products (Cantù, Corsaro, Fiocca, & Tunisini, 2013). However, only very few studies have considered the consequences for suppliers that might arise from giving in to buyers' normative requests for cooperative relationships (Blonska, Storey, Rozemeijer, Wetzels, & de Ruyter, 2013). Addressing prior calls for research (Ho & Ganesan, 2013), we extend such studies' findings by demonstrating when adhering to relational norms pays off for suppliers. The results indicate that relational norm adherence largely unfolds its consequences in interplay with preferred supplier status. In sum, the findings support recent calls that suggest it should be promising to further elaborate on relational norm

building initiatives from a supplier perspective (Nagati & Rebolledo, 2013). Better understanding in this regard will dissipate skepticism that close cooperation can actually make suppliers more vulnerable and helps to identify situations in which cooperation results in more productive supply chain partnerships.

### 7.2. Managerial implications

This study comes with valuable implications for suppliers. Generally speaking, suppliers should critically evaluate the goal of becoming a high-status supplier. A supplier granted enhanced status is likely to be confronted with excessive buyer requests. The challenge for managers is to minimize those undesirable effects in order to fully deploy the salutary consequences of supplier status.

To achieve this, suppliers should consider the role of adhering to buyers' relational expectations as an instrument to counterbalance the coercive behaviors of power-advantaged buyers. Manufacturers typically express normative expectations for intense relational cooperation through convincing suppliers to join their supplier development programs (Modi & Mabert, 2007). While a buyer's motivation to stress the importance of relational norms is to realize quality and cost improvement at the supply base; adherence to such relational norms can be a value-enhancing opportunity for suppliers as well resulting in a win-win situation for both parties. The findings of this study indicate, however, that suppliers will only benefit from relational norm adherence when they achieve the upper third of the supplier hierarchy. At this status level, giving in to normative expectations to install a close partnership suppresses undesirable consequences of preferred supplier status in terms of excessive buyer requests. Below this status level, relational norm adherence is harmful in terms of exploding requests by buying firms.

For suppliers that start at a low status level and aim to achieve premium supplier status, we recommend either one of two strategies. First, those that have a low or moderate status level could try to achieve higher levels of preferred supplier status before they implement a partnership model with buyers. This way, suppliers can avoid adverse status effects that are likely to occur at the medium ranges of supplier status.

Second, if suppliers have already implemented close partnership with a buyer, we recommend that they avoid the “medium status trap,” i.e., sticking at moderate status levels because of half-hearted initiatives to push forward. Such moderate levels of preferred supplier status perform worst as they entail exploding requests. For these suppliers, we recommend an all-or-out approach. Either they should strive for a premier position in a buyer's supplier hierarchy, or they should make no effort at all to move up in the pyramid. However, the findings also imply that suppliers that strive for high status and view moderate status levels as a transitory stage should not be deterred by temporarily increased buyer requests as they can finally achieve sharp reduction in excessive requests when achieving upper levels of supplier status. However, they should try not to get stuck in this intermediate state. Thus, if gaining preferred supplier status is the goal, suppliers should try to make big steps toward becoming highly preferred suppliers and not lose focus during this process due to the obstacles they will suffer when passing through the middle zone of the supplier hierarchy.

### 7.3. Limitations and avenues for future research

The point of departure for this study was the assumption that in typical business-to-business markets multiple suppliers face strong and dominant manufacturers and compete for their business. In such settings, preferred supplier status is a prevalent goal of suppliers per se and granting elevated supplier status allows manufacturers to prioritize supplier relationships. This setting is well reflected by our sample where a large variety of firms supplies different components to a manufacturer. Although in our study we do not explicitly focus on the cases in which manufacturers depend on powerful suppliers, we acknowledge that the suppliers considered in our study vary in terms of the strength of their offerings and control for this factor. Given that suppliers with a stronger offering will have a stronger market position relative to other suppliers, we suggest that our analysis implicitly accounts for dependence of manufacturers from suppliers. However, longitudinal studies could examine whether granting elevated supplier status over time shapes relationships in a way that power is gradually shifted from buyers to suppliers and eventually turns “supplier captive” into “buyer captive” relationships (Ivens et al., 2013).

Further, while the close cooperation with one buyer firm enables us to link survey data to observed data for multiple supplier relationships while minimizing confounding factors, a cross-sectional study would allow comparing the findings across different buying firms within an industry and across industries to see if they are stable. Finally, we make an initial proposition on how suppliers can actively shape the effect of preferred supplier status on excessive requests of a buyer by participating in a buyer's supplier development program. However, it would be an interesting undertaking to examine further strategies for the supplier. For instance, suppliers could try to buffer from excessive requests by charging the services that go beyond the contracted levels (Ulaga & Loveland, 2014).

Overall, as the opening example from the car industry has shown, gaining preferred supplier status is no guarantee for success. However, if suppliers are aware of the pitfalls discussed in this study, gaining preferred supplier status can be a truly promising initiative. While this research is an initial step in examining the consequences of preferred supplier status for suppliers, we encourage future research to validate and extend the findings.

## Appendix A. Overview of measures.

| Variable/operationalization | Loadings |
|---|---|
| *Survey data* | |
| *Excessive buyer requests* (based on Shah et al., 2012) | |
| We regularly demand extraordinary efforts of [supplier]. | 0.87 |
| We regularly request extended benefits from [supplier] which exceed the contracted benefits. | 0.90 |
| We request from [supplier] to integrate tasks into their processes which are actually our responsibility. | 0.82 |
| We regularly have demands to [supplier] which reduce [supplier]'s profit. | 0.78 |
| *Relationship duration* (based on Doney & Cannon, 1997) | |
| We have worked with [supplier] for a long time. | – |
| *Strength of supplier's offerings* (based on Palmatier et al., 2013) | |

| | |
|---|---|
| The products and services of [supplier] make a big contribution to our goal achievement. | – |
| *Archival data* | |
| *Preferred supplier status* (based on Homburg, Droll, & Totzek, 2008) | |
| Classification of a [supplier] based upon a standardized ABCD scheme | – |
| *Relational norm adherence* (based on Ho & Ganesan, 2013) | |
| [Supplier]'s voluntary participation in the buyer's supplier development program | – |
| *Spatial distance* (based on Cannon & Homburg, 2001) | |
| Geographical distance from the [supplier] facility to the buyer location | – |

Note: "–" indicate not applicable.

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