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Preferred customer treatment is relative resource allocation

Preferred customer treatment is a supplier-side resource decision. Separate attractiveness, satisfaction, commitment, and treatment before ranking.

Sinan Isoglu, MBA (Quantic)
Commercial growth leader, lecturer and doctoral researcher

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MANAGEMENT SUMMARY

A preferred customer is not necessarily the customer with the largest order, the highest loyalty score, or the best margin. Baxter's supplier-side study defines preferred customer treatment as the supplier's intended relative allocation of resources to a focal buyer compared with other customers. Its model separates expected financial attractiveness, supplier satisfaction, supplier commitment, and treatment. The study uses 314 usable manufacturer responses from a 1,407-questionnaire New Zealand mail-out, a 23% response rate, and a fourth-largest-customer design. This article explains the distinction, interprets the model without turning associations into a causal recipe, and offers a synthetic review map for naming the resource, comparison set, horizon, evidence, and challenge. It is an evidence review, not a buyer score, negotiation playbook, or service-sector benchmark.

Keywords: Preferred customer treatment · Supplier relationships · Resource allocation · Customer portfolio · B2B strategy

A preferred customer is not simply the buyer with the largest order, the highest loyalty score, or the most flattering relationship description. Preferred customer treatment is a supplier-side decision about relative resource allocation. The question is not only whether a buyer is valuable. It is what the supplier intends to allocate to that buyer compared with the supplier's other customers, and why.

Roger Baxter's study gives the distinction a precise object. Preferred customer treatment is "the relative intended level of resource allocation by the supplier, compared to its allocations to other customers." The resource can be money, personnel time, knowledge, skills, relationships, or physical items. The word preferred therefore describes a relationship between a customer and a supplier's scarce capacity.

That perspective reversal matters because several familiar numbers point in different directions. A seller's account score ranks buyers for a seller's attention. A customer P&L assigns revenues and costs to a seller-defined object. A loyalty measure may ask whether a buyer is attached to a company or to a salesperson. Baxter asks a different question: how does the supplier perceive the buyer, and what does that perception have to do with the supplier's intended allocation of resources?

The live account-score article examines the seller's allocation decision, while the customer P&L article keeps its accounting boundary visible. This article starts from the other side of the exchange. It offers neither a buyer score nor a promise that a practice earns preferential treatment.

Why is preferred customer status determined by supplier economics rather than buyer spend?

The easiest error is to turn preferred into a label that seems to explain itself. A supplier may call a relationship strategic, important, or preferred. Those words become evidence only when the reader can identify the object behind them.

Baxter's constructs make that object separation possible. Customer financial attractiveness is the supplier's view of the relationship's expected performance over a stated future horizon. Supplier satisfaction describes the supplier's experience of the relationship. Supplier commitment describes the supplier's commitment to the relationship. Preferred customer treatment describes the intended relative allocation of resources.

These are related, but they are not interchangeable. Financial attractiveness can be an expectation. Satisfaction can describe the relationship as it has been experienced. Commitment can describe an intention to maintain the relationship. Treatment is an allocation decision relative to other customers. A dashboard that compresses all four into one preferred-customer score loses the reason the label was assigned.

Table 1 The objects behind preferred customer treatment

Object	Perspective	What it carries	What it does not establish
Customer financial attractiveness	Supplier	Expected performance of the relationship over a declared horizon	Realised buyer-side value or a guaranteed result
Supplier satisfaction	Supplier	The supplier's experience of the relationship	A direct path to preferential resource allocation
Supplier commitment	Supplier	The supplier's commitment to the relationship	The amount of resource actually allocated
Preferred customer treatment	Supplier	Intended relative allocation to a focal customer compared with other customers	An absolute status or a delivery guarantee
Resource categories	Supplier	Dollars, personnel time, intangible inputs, and physical items	A universal score or a buyer-controlled entitlement

Author's synthesis grounded in Baxter (2012), complete accepted author version, and Palmatier, Scheer, and Steenkamp (2007). The table separates constructs; it is not a validated scale or a customer-ranking formula.

The table is more cautious than a status taxonomy. It names perspective and boundary first. A buyer may be important to itself yet unattractive to a supplier, while a satisfied supplier places capacity elsewhere. These observations can coexist because they refer to different objects.

Why does preferred treatment require an explicit reference peer group?

Relative allocation is the load-bearing phrase. A buyer cannot be preferred in the abstract. It is preferred relative to something: the supplier's other customers, a declared customer group, or a defined allocation baseline. Remove that comparison and preferred becomes a flattering adjective.

The comparison is not automatically a ranking of customers from best to worst. The supplier may allocate different resources for different reasons. One buyer may receive scarce engineering time because a technical issue is urgent. Another may receive executive attention because the relationship has unusual learning value. A third may receive better delivery coordination because the supplier has made a commitment that carries operational risk. Calling one of those customers preferred without naming the resource hides the decision inside the label.

The comparison set also belongs to the time horizon. Baxter asks respondents to think about expected performance over the next three years. That is a supplier perception, not an observed three-year outcome. A relationship can be attractive under a growth horizon and unattractive under a short cash or capacity horizon. The horizon determines which expectation is being measured.

The phrase "some customers are more attractive than others" is therefore useful but incomplete. It does not tell the reader which resource, horizon, comparison, or evidence produced the difference. A defensible record must carry all four.

What did Baxter's empirical research establish regarding supplier resource allocation?

Baxter's design is part of the finding. The study is neither a database comparison of all accounts nor a field intervention in which buyer behaviour changes and suppliers respond. It uses interviews for construct validity, then a pilot to choose a focal relationship without simply selecting an unusually good one.

The pilot led respondents to think about their fourth-largest customer. Baxter reports that free selection otherwise favoured good relationships. The rule is not representative of every portfolio, but it makes the selection visible and reduces one obvious way to choose a favourite.

The main survey sent 1,407 questionnaires to manufacturers in New Zealand and obtained 314 usable responses after four incomplete questionnaires were excluded. The reported response rate was 23%. Those are checkable facts about a 2012 study design, not a benchmark for response quality, supplier performance, or preferred-treatment prevalence.

The data are single-wave and single-informant, with the respondent on the supplier side of the dyad. Baxter discusses non-response, specification, common-method, and manufacturing-context limits. The model shows relationships among reported perceptions in that design. It cannot demonstrate that a buyer action causes a supplier to allocate more resources. The practical title sounds like a recipe, but the study tests a construct and a model, not a sequence of buyer interventions.

Which scarce operational assets do suppliers allocate to priority accounts?

Resource allocation sounds like money until the categories are visible. Baxter's measures include supplier dollars, personnel time, intangible inputs such as knowledge, skills, ingenuity, and relationships, and physical items or equipment. Time may be dispersed across technical calls, planning, escalation, and coordination. Knowledge may move through informal advice. Equipment may be reserved or adapted without appearing in an account score.

The word intended matters as much as the category. Preferred treatment is not a guaranteed shipment, reserved engineer, faster answer, or exclusive allocation. It is the relative level the supplier intends. Capacity, risk, or another priority can change the later allocation, so intent and event must stay separate.

This prevents a familiar mistake: a buyer hears strategic and infers that the supplier will always respond first. A supplier may intend priority while capacity prevents delivery. The record must distinguish intention from realised event.

Which four behavioral constructs explain supplier-side prioritization?

Baxter's reported structural model is useful because it does not jump directly from attractiveness to treatment. The study reports standardized paths of 0.27 from customer financial attractiveness to preferred treatment, 0.17 from attractiveness to supplier commitment, and 0.27 from attractiveness to supplier satisfaction. Supplier satisfaction is linked to supplier commitment at 0.47, and supplier commitment is linked to preferred treatment at 0.41.

These coefficients are associations inside a specified structural model. They are not probabilities, percent uplifts, or portable effect sizes. The model also reports R2 values of 0.29 for supplier commitment and 0.30 for preferred customer treatment. Those values describe the variance explained in the reported model. They do not mean that a buyer can predict 30% of its supplier's future resource allocation, and they do not measure the accuracy of a portfolio score.

The direct path from supplier satisfaction to preferred treatment is not significant in Baxter's reported model. The paper interprets supplier commitment as carrying the relationship between satisfaction and treatment. That is a model interpretation, not a causal sequence. It does, however, protect an important distinction: a supplier can report a positive experience of a relationship without that experience appearing as a direct allocation decision in the model.

The result supports questions, not a recipe. If satisfaction is high but treatment is not, ask whether commitment, capacity, or comparison has been left implicit. If expected performance is high but treatment is limited, ask which resource or horizon governs. If no relative allocation can be named, the preferred label is not auditable.

Why is supplier preference fundamentally distinct from customer loyalty?

The contrast with customer-side loyalty is not cosmetic. Palmatier, Scheer, and Steenkamp study whether loyalty is attached to the firm or to the salesperson in buyer-salesperson relationships. Their research uses triadic data from 362 buyer-salesperson dyads and separates loyalty ownership from several commercial outcomes. The object is the buyer's relationship with the seller's firm or representative. It is not the supplier's intended allocation of money, time, knowledge, or equipment across buyers.

That difference matters when a portfolio meeting uses the word relationship. A buyer may be loyal to a salesperson while the supplier withholds scarce technical capacity. A supplier may intend strong treatment while buyer loyalty remains attached to one representative. The observations can create different risks and decisions.

The live retention article carries the detailed Palmatier coefficients and their financial-risk boundary. Here the study only protects the object distinction. Loyalty, supplier commitment, and preferred treatment can interact, but they are not one measure viewed from different angles.

How can enterprise buyers signal supplier value without claiming universal leverage?

Baxter's practical implication is a perspective instruction: "The buyer needs to understand this from the seller's perspective." That does not mean the buyer can see the supplier's internal allocation or purchase priority. It means that a buyer-side description of its own importance is not enough evidence for a supplier-side decision.

The discussion points toward making future performance, information, and coordination more legible to the supplier. It mentions projections, regular meetings or workshops, market information, adapted documentation or packaging, and links among technical, logistics, and information-technology staff. These are managerial implications, not tested buyer interventions. A projection may clarify an expectation without proving it; a workshop may improve exchange without guaranteeing personnel time.

The safe question is not which tactic earns preferred status. It is which supplier-side expectation or allocation this evidence would clarify, and what would remain unknown.

The buyer can ask the supplier to name the resource category. A statement such as we are strategic is too broad to audit. A statement such as we expect priority access to specialist time during a declared period is comparable with other obligations, stated capacity, and observed delivery. The point is not entitlement. It is a legible exchange in which both parties can notice when label and allocation diverge.

How does relational attractiveness alter supplier portfolio discussions?

A seller-side portfolio begins with the seller's economics; a supplier-side review asks what another organization may allocate to the seller and which assumptions make that likely. The views should not be merged simply because both use the word account.

Two synthetic situations show the value of the distinction. A buyer's revenue is large, but the supplier expects weak performance over the next three years. Or supplier satisfaction is high while commitment or technical capacity is limited. Neither is a universal story. Each portfolio view must state perspective, horizon, resource, and the observation that would change the decision.

Which empirical observations would disconfirm preferred supplier status?

The preferred-customer thesis should be narrowed when the label survives only as language. Warning signals include:

- no named supplier comparison set, so relative treatment cannot be checked;
- no named resource category, so priority is being inferred from a status word;
- a buyer-side loyalty or revenue number being used as supplier-side evidence;
- a future-performance expectation being reported as a realised customer outcome;
- satisfaction being treated as a direct cause of preferred treatment despite Baxter's non-significant direct path;
- an intended allocation being presented as a guaranteed delivery;
- a supplier-service context being treated as equivalent to Baxter's manufacturer sample without new evidence.

Those checks do not invalidate the relationship. They show where the account story has outrun the evidence. A stronger record can state expected performance, commitment, intended relative time, and a capacity limit separately. Each part can then be challenged.

How should procurement and commercial teams conduct a supplier-side resource review?

Use this as a reader-runnable review for a synthetic or public case. It is a decision aid, not a validated scale and not a substitute for a supplier's own data.

1. Name perspective and source. Write the supplier, focal buyer, respondent role, and observation source. Keep the buyer's self-description out of the supplier evidence column.
2. Declare comparison and horizon. State which customers or allocation baseline makes relative meaningful, and separate expected future performance from an observed outcome.
3. Separate constructs. Create fields for financial attractiveness, supplier satisfaction, supplier commitment, and preferred treatment. A blank is more honest than a substitute score.
4. Name resource, intent, and event. Specify the resource category, record intended allocation, and record later delivery separately.
5. Write the challenge. State what would weaken the label, change the allocation, or require another comparison. End with the remaining uncertainty.

The review is complete only when "preferred" can be replaced by a sentence about a supplier, a resource, a comparison set, a horizon, and evidence. If those nouns are missing, the label is doing the work of the analysis.

Where are the empirical boundaries of preferred customer theory?

Baxter's source is the complete accepted author version archived by Auckland University of Technology. The repository identifies it as an author's version and warns that the definitive published version may differ. The setting is New Zealand manufacturers. Its 314 usable responses, 1,407-questionnaire mail-out, 23% response rate, fourth-largest-customer selection, single-wave design, single informant, and structural-model limits remain attached to the results.

This article claims a distinction and bounded interpretation, not a universal ranking, causal buyer recipe, service-sector benchmark, delivery promise, or current portfolio recommendation. It contains no current-employer data, client data, private account list, supplier contract, margin record, or unpublished doctoral material.

The related account-score article and customer P&L article own seller-side allocation and cost assignment. This piece owns supplier-side preferred treatment.

Baxter, R. A. (2012). How can business buyers attract sellers' resources? Empirical evidence for preferred customer treatment from suppliers. Industrial Marketing Management, 41(8), 1249-1258. DOI. Accepted author version archived by Auckland University of Technology: repository record · full text

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END OF ESSAY

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