

HOW TO BECOME SUPPLIERS' PREFERRED CUSTOMER?



Overview

In today's competitive industrial landscape, companies can secure preferential treatment from key suppliers. This helps them gain significant advantages through effective supplier relationship management.

This article explores how companies can transform their supplier relationships into strategic partnerships. By becoming their "preferred customer", they can create mutual value.

THE MYTH OF "CUSTOMER IS KING"

If you are involved in supplier relationship management, you know that the customer is not always king. Sometimes suppliers may even seem reluctant to engage with you.

Consider these common situations:

- Your production department is suffering from your supplier's poor on-time delivery rate, resulting in significant production losses, but **your supplier refuses to give you more visibility of its shipments.**
- Your research department is in talks with a supplier about a project that could lead to a breakthrough innovation, **but the supplier refuses to share its Intellectual Property.**
- You send a Request for Quotation (RFQ) to a market-leading supplier you need for your project. Your project's success hinges on their response quality and speed. **Yet they fail to reply on time.**

Why does this happen?

UNDERSTANDING THE SUPPLIER'S PERSPECTIVE

Suppliers invest where the return on investment is clear. They allocate resources to customers and projects where:

- **Strategic alignment exists:** The opportunity supports the supplier's positioning, strategy and development roadmap, rather than forcing them in unplanned directions.
- **Customer is trustworthy:** All information related to the customer (KYC), his business and the opportunity are available and reliable.
- **Decision-making is based on a rational assessment:** They understand their chances of success in working with the customer, because they know the evaluation criteria and patterns, the rules of the contract, the principles of value sharing...
- **Visibility into required resources:** There is visibility of what is required of the supplier (workload, skills, data, etc.) and when it is required, so that they can organize themselves accordingly.
- **Suppliers do not require guarantees of success:** They need reliable information to evaluate whether investing their time and resources is worthwhile.

Suppliers are more likely to trust information from a customer who has already established a certain level of intimacy.

In our three situations above, the supplier may instead have chosen to work with you instead of other customers if:

- You have been in contact with them in advance of this project so that they understand the **importance of the associated RFQ**, and it has been on their agenda for months.
- Your **legal department** has discussed the **T&Cs** with the supplier in advance so that the supplier's IP is protected.
- You have developed a **collaborative digital platform** with your supplier to track deliveries daily and **an action plan** to resolve delays.

This can also mean that suppliers will **invest in innovations** essential to your product. They understand your **strategy** and **trust your ability to implement them effectively**. This will maximize their impact. They may also commit to **capacity investments** beyond contractual agreements when needed, as they know your ramp-up plan will be executed as planned and that the value created will be fairly shared. Similarly, they will be more inclined to collaborate with you on **risk mitigation efforts** within your shared supply chain, as they trust your risk identification process and your teams' ability to work effectively with theirs to strengthen the weakest links.

CASE STUDIES

THE TANGIBLE COMPETITIVE ADVANTAGE OF “PREFERRED CUSTOMER” STATUS

CASE STUDY 1 - Strengthening supplier relationship to reduce costs

One of our clients in the defence industry identified four key suppliers with whom they wanted to become a “preferred customer”. They implemented a structured governance model, enhanced information sharing, and optimized collaboration processes. Suppliers greatly appreciated this approach because they gained better visibility in their conversion rate on the client’s requests for proposals. This allowed them to focus on the most relevant opportunities, understand expectations more clearly, and significantly reduce the effort required to respond to tenders. Additionally, the team proactively addressed many potential risks, such as long convergence delays on Terms & Conditions, which enabled faster and more effective negotiations. **As a result, two of these suppliers agreed to permanently reduce their margin rates for this client, acknowledging that decreased sales efforts led to lower costs.**

Moreover, positioning yourself as a supplier’s “preferred customer” can yield strategic benefits far beyond cost efficiency.

CASE STUDY 2 - Accelerating innovation and market readiness in Aerospace

A leading aerospace OEM implemented a “preferred customer” program with its key strategic suppliers. By sharing its long-term technology roadmap, the company fostered close collaboration between marketing, market intelligence, and engineering teams.

Together with the suppliers, they co-developed a technology roadmap aligned with future satellite development, ensuring that critical suppliers started working on interoperable components well ahead of time.

As a result, when telecom operators launched their procurement tenders, the OEM had a clear competitive edge: its product had a higher Technology Readiness Level, a more attractive development timeline, and superior technical capabilities. This allowed the OEM to outperform competitors, secure all major contracts in that market segment and award their strategic partners the expected sub-contracts, for their already developed equipment solution.

WHEN TO INVEST IN “PREFERRED CUSTOMER” STATUS

Creating intimacy requires investing in sharing information beforehand, planning together, and optimizing common processes. This investment is justified when :

The supplier base is limited, or you are not a significant buyer: Suppliers will have many other customer solicitations. Therefore, investing in the creation of intimacy is critical to strengthen your supplier relationships and make you a more attractive customer by making the collaboration smoother and more valuable for them (improving sustainably the effort-to-benefit ratio).

Category spending is significant: Finding interest for you and for your supplier will be made easy by the economic importance of the markets for both your companies.

Internal stakeholders are aligned: All departments (Engineering, Quality, Legal, Marketing...) will need to invest in this cooperation, and be willing to change things for it to succeed.

Supplier demonstrates willingness: They are prepared to engage in a more strategic partnership.

HOW TO BECOME SUPPLIER’S “PREFERRED CUSTOMER”?



Transforming decades of transactional relationships requires deliberate action. Here’s how to convince suppliers that collaboration is worthwhile:

1 Establish cooperation as a company strategy

Suppliers need confidence that your collaborative approach is not a simple purchasing initiative that will be abandoned when challenges arise. This requires:

- Visible executive sponsorship up to the appropriate level (CEO if needed)
- Alignment across all functions facing the supplier
- Clear statement of the targeted value creation and its mutual benefits.
- Consistent communication about the strategic importance of relationship

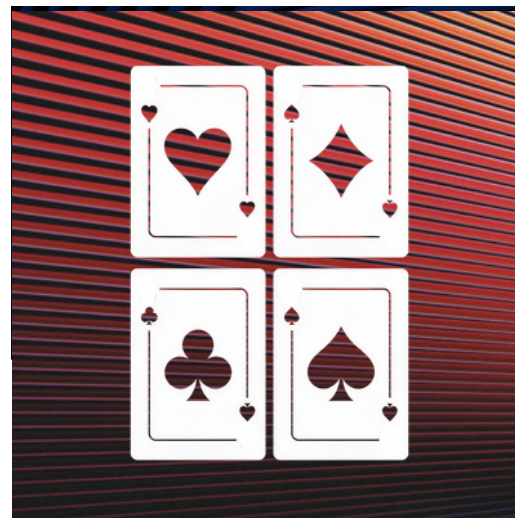
2 Implement a structured cooperation framework

Treat supplier collaboration as a formal initiative, driven professionally with:

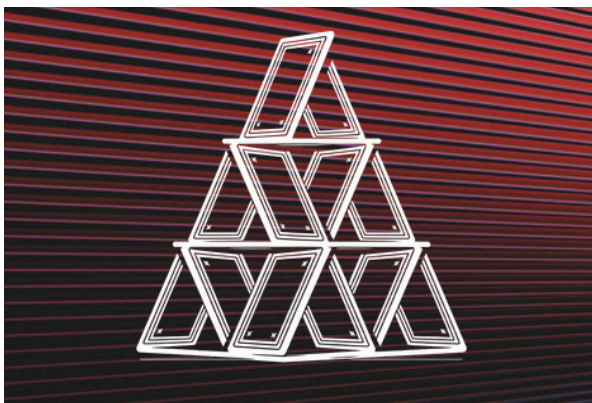
- A cockpit of **shared KPIs** to track mutual benefits and performance of both sides of the partnership
- **Joint roadmaps** to track actions that will enrich the cooperation
- Routines to drumbeat the actions and keep **track of progress KPIs**
- **Collaborative tools** and platform to ease cooperation
- Transparent and shared **governance** over the initiative
- Officially appointed **cooperation managers** – empower a supplier manager and a customer manager to engage stakeholders towards reaching the targets of the initiative and trained towards cross-company cooperation.

This governance structure ensures that suppliers gain visibility into your **expectations** for **performance, resource investments, and upcoming opportunities**. It also allows them to benchmark themselves against competitors and align with your strategic direction—whether in innovation, footprint, or product development.

At first, you will need to provide more information than you receive, but this initial investment builds trust, ultimately leading to reciprocal transparency from suppliers.



3 Demonstrate organizational stability



Suppliers invest in customers they can rely on. This requires **consistent objectives and expectations**, managed change when they are modified rather than imposed disruption, and continuity of strategic cooperation despite personnel and organization changes.

4

Embrace true partnership



Effective collaboration is a 2-way process:

- Continuously **monitor and optimize key performance metrics**, including payment terms, forecast accuracy, and volume commitments
- Actively seek and **incorporate strategic feedback** from suppliers to **address potential blind spots**
- **Share and highlight benefits** created through the collaboration on both sides
- **Acknowledge supplier contributions** to your success

KEY INSIGHTS

In today's highly competitive industrial landscape, every opportunity for optimization is valuable. Strategic collaboration with key suppliers presents a significant yet often overlooked source of competitive advantage. By **investing in becoming a "preferred customer"**, companies can unlock innovation, secure critical capacity, mitigate supply chain risks, and ultimately drive **better business outcomes**.

Achieving this status requires **commitment, structured investment, and organizational discipline**. However, for those willing to move beyond transactional relationships and build **true strategic partnerships**, the **benefits far outweigh the costs**.

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