

The perks of being an attractive public customer

Attractive
public
customer

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Abstract

Purpose – In industrial buyer–supplier relationships, being an attractive customer has been found to result in superior supplier performance. However, there is a limited understanding of how these benefits transfer to the public domain. This study aims to explore the influence of customer attractiveness on supplier resource mobilization efforts toward the public sector.

Design/methodology/approach – A qualitative approach was used, focusing on in-depth interviews with 23 informants from 3 critical and complex supplier markets. The data were processed using inductive coding and thematic analysis.

Findings – The findings indicate that customer attractiveness in the public sector influences suppliers' mobilization efforts on several dimensions. In addition to stimulating competition in the tender phase, customer attractiveness can yield important benefits to quality, supply stability and innovation during the business relationship. It appears imperative for the public sector to improve its standings with suppliers to both mitigate the apparent risk of sub-par treatment and to unlock the preferential supplier treatment associated with being an attractive customer.

Social implications – Receiving increased mobilization from suppliers will result in better use of public money and help improve resilience and innovation in public procurement.

Originality/value – This study extends the research on customer attractiveness in the public sector by being the first to explore the range and nature of its influence on supplier mobilization efforts.

Keywords Public procurement, Customer attractiveness, Supplier resource mobilization

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1. Introduction

Public procurement is an economic giant, representing 12% of the gross domestic product in developed countries (OECD, 2023a). It is increasingly used to drive economic growth and stimulate desired societal outcomes, such as contributing to sustainability goals and unlocking innovation (Grandia and Meehan, 2017; Holma *et al.*, 2022). However, many resources cannot be freely accessed or acquired on the market; suppliers tend to actively differentiate between their customers and concentrate their resource mobilization efforts on specific customers (Ellegaard and Koch, 2012; Wadell *et al.*, 2019). Hence, research suggests that the degree to which a customer is successful in mobilizing suppliers depends on that customer's attractiveness. The more attractive a customer is in the eyes of a supplier, the more the supplier will be willing to comply with or go beyond that customer's request. Ample evidence from the private sector supports this claim, and suppliers have frequently



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been reported to reciprocate attractive customers with superior performance (Bemelmans *et al.*, 2015; Ellis *et al.*, 2012; Patrucco *et al.*, 2019; Schiele and Vos, 2015).

Despite its emergence as a core concept in research related to supplier resource mobilization (Kragh *et al.*, 2022; La Rocca and Snehota, 2021), the literature on customer attractiveness has largely neglected the public sector (Schiele, 2020). This is a shortcoming not only due to the economic and societal value of the public domain but also because of its unique regulations and objectives governing buyer–supplier interactions, making the body of research from the private sector less applicable (Bergman and Lundberg, 2013). In addition, public procurement suffers from insufficient supplier appeal judging from studies examining the price effects of attracting more bidders in the tender phase (Jääskeläinen and Tukiainen, 2019; Onur and Tas, 2019). Recently, the concept of customer attractiveness has been introduced to the public sector by Schiele (2020), Kelly *et al.* (2021) and Karttunen *et al.* (2022). However, these studies target how public customers can improve their standings with suppliers, as opposed to the behavioral outcomes an attractive customer can expect from its suppliers. This is unfortunate because before customers in the public sector (hereafter referred to as public customers) attempt to improve their attractiveness, they should have insights into how this can affect suppliers' behavior. Consequently, while there is substantial support from the private sector that customer attractiveness can influence supplier resource mobilization well beyond tender prices and the decision to bid or not, this is yet to be examined within the public domain.

Therefore, the following research question is addressed:

RQ1. How does customer attractiveness influence supplier resource mobilization toward the public sector?

The study explores the subject through in-depth interviews with 23 informants from 3 supplier markets, purposefully selected for their complexity and criticality. This supplier-centric approach offers a counterpoint to the buyer-oriented dominance of the public procurement literature (Obwegeser and Müller, 2018). To further deepen and substantiate the collected data, interviews were supplemented with meetings involving representatives from pertinent industry associations and discussions with a broad array of suppliers and public customers, thereby enabling triangulation from diverse information sources (Yin, 2009, pp. 98-102).

The study contributes to the public procurement literature by introducing an empirically derived framework illustrating the influence of customer attractiveness on supplier mobilization efforts in the public sector context. In doing so, it provides novel insights into the outcomes of customer attractiveness in this domain. Public customers are encouraged to pay additional attention to supplier mobilization beyond stimulating competition in the tender phase. Being a sufficiently attractive customer to receive bids is not to be equated with being sufficiently attractive for the desired supplier performance. The findings indicate that it is imperative for public customers to aim higher than this to improve quality, supply stability and innovation through the supply chain.

2. Literature review

This section first introduces the concept of supplier resource mobilization and its relationship to the literature on customer attractiveness. It then discusses the applicability of this research to the public sector context.

2.1 Supplier resource mobilization

Organizations control some resources they need internally, while others must be mobilized from external sources. Supplier resource mobilization is concerned with the latter and can be

defined as a buying organization's efforts to influence supplier resource allocation (Pulles *et al.*, 2019). At its core, the concept is built on the assumption that not all suppliers are interested in all potential customers and that not all suppliers treat their existing customers the same. Indeed, suppliers can be highly selective in choosing between potential customers and exercise a large degree of differentiation within their customer portfolio (Pulles *et al.*, 2019; Schiele *et al.*, 2015). This is exacerbated by the supplier scarcity reported in several major industries (Kalaitzi *et al.*, 2018), which has worsened due to the supply chain crisis caused by the Covid-19 pandemic (Sheffi, 2021). Moreover, highly skilled suppliers tend to be rare and in great demand, further promoting an unequal distribution of resources (Patrucco *et al.*, 2019; Reichenbachs *et al.*, 2017).

Over recent decades, the emphasis has increased on understanding how organizations can effectively manage external sources (Ellegaard *et al.*, 2003; Pulles *et al.*, 2016). This trend is indicative of a transition toward a competitive landscape where networks – or ecosystems – compete against each other, warranting an added need for organizations to consider a supply perspective when developing their strategic orientation (Aarikka-Stenroos and Ritala, 2017). If an organization's success depends on its upstream network, the ability to influence suppliers becomes crucial. While the supply management literature suggests several different approaches for achieving this, it appears increasingly evident that suppliers' mobilization efforts hinge on the attractiveness of the customer in question (La Rocca and Snehota, 2021). This is especially the case when the sought-after supplier resource is not a standard component or basic commodity that can be acquired in excess in an open market (Kragh *et al.*, 2022).

2.2 Influence of customer attractiveness on supplier mobilization efforts

Customer attractiveness can be traced to the social exchange theory (Blau, 1964). In this study, the concept is defined as the extent to which a supplier holds a positive perception toward a customer organization (similar to Hüttinger *et al.*, 2012). The underpinning logic for a customer to work toward increased attractiveness, as explained by the social exchange theory, can be boiled down to that attraction creates attraction through reciprocity norms (Blau, 1964; Lambe, 2001). It is in the best interest of a self-maximizing actor to prove itself attractive to the party of its attraction (Aminoff and Tanskanen, 2013). As such, customer attractiveness is linked to supplier attractiveness in potentially virtuous and vicious circles (Ellegaard and Ritter, 2007; Makkonen *et al.*, 2016). This logic also applies in the reversed order in that it is particularly important for a customer to become attractive to suppliers that are attractive to them (Aminoff and Tanskanen, 2013; Cordon and Vollmann, 2008, p. 58; Pulles *et al.*, 2019).

There is substantial empirical support from the private sector that customer attractiveness can motivate a supplier to superior mobilization efforts. From a holistic viewpoint, it has been found to result in competitive advantages for the customer (Pulles *et al.*, 2016), mutual successful outcomes for the dyad (Aminoff and Tanskanen, 2013) and increased satisfaction with the suppliers' performance in general (Bemelmans *et al.*, 2015). In terms of specific performance metrics, the observed benefits of being an attractive customer include cost reduction (Bew, 2007; Patrucco *et al.*, 2019), quality improvements (Bemelmans *et al.*, 2015; Makkonen *et al.*, 2016) and access to innovations (Ellis *et al.*, 2012; Schiele *et al.*, 2011). In driving supplier commitment and loyalty (Glas, 2018; Prakash, 2011), customer attractiveness can also shield against exploitation and mitigate fears of over-dependency on specific suppliers (Hald *et al.*, 2009; Schiele and Vos, 2015). Further, Pulles *et al.* (2016) argue that an indirect strategic advantage can be derived in that reaching an elevated customer

standing reduces competitors' chance of receiving preferential treatment from the same supplier.

By the same token that an attractive customer can receive preferential treatment, an unattractive customer could conceivably experience sub-par supplier performance compared to regular customers. However, as noted by [Wadell et al. \(2019\)](#), we still lack a good understanding of supplier resource mobilization during deteriorating customer attractiveness. One exception to this dearth of studies is [Reichenbachs et al. \(2017\)](#) who argue that customers of low importance face increased strategic supply risk in the form of canceled deliveries when there is an abundance of incoming orders or capacity problems.

2.3 Applicability to the public sector

There are reasons to believe that the role of customer attractiveness may differ in the public sector context. As discussed, the connection between customer attractiveness and supplier resource mobilization is explained through the notion of reciprocity. It is in the best interest of a supplier that finds a customer attractive to mobilize resources to establish a business relationship with the customer and nurture the relationship to continue and possibly expand it. While the first part of this rationale remains intact through the transition to the public domain, the second part may be affected by the unique regulations governing the public sector. For instance, the European Union (EU) directive on public procurement means that a public customer must submit even well-performing suppliers to renewed competition and also that past performance cannot be accounted in favor of the incumbent supplier in ways that violate the strict regulations on equal treatment ([EU, 2022a](#)). This may hurt the extent to which suppliers are willing to mobilize toward an attractive incumbent public customer, as there is less guarantee that this will prolong the relationship. Additionally, the argument that customer attractiveness can create indirect strategic benefits if the customer is shared with competitors ([Pulles et al., 2016](#)) is conceivably less applicable to public customers.

Unfortunately, there is little research beyond theoretical speculation to guide us. As previously mentioned, studies involving customer attractiveness in the public sector ([Karttunen et al., 2022](#); [Kelly et al., 2021](#); [Schiele, 2020](#)) have targeted antecedents rather than outcomes. With that said, [Kelly et al. \(2021\)](#) touch on the latter in finding that suppliers' dissatisfaction with the tendering process can lead to rejecting business proposals, poorly developed bids and an adversarial attitude in the subsequent relationship. Adjacent studies in public procurement have examined the effect of public customers' ability to stimulate competition in the tender phase. According to this research, the public sector suffers from insufficient appeal insofar as the number of bidders is below what would be ideal from a pricing standpoint ([Jääskeläinen and Tukiainen, 2019](#); [Onur and Tas, 2019](#)). However, these studies do not explore supplier resource mobilization efforts beyond the bid decision. Further, they base the measurement of supplier performance on bid price, which is not necessarily to be equated with either the actual price or total costs. Indeed, especially in complex services, where it is difficult to account for all possible contingencies in a contract, and where the qualitative performance of a supplier is non-standardized, it should not be taken for granted that the submitted bid is a good representation of how the supplier will perform for the customer ([Tadelis, 2012](#)).

In conclusion, the literature from the private sector shows that customer attractiveness can influence supplier mobilization efforts in a way that enables the customer to enjoy a range of benefits across different performance metrics. However, it remains largely unexplored in the context of the public sector. Therefore, a study was conducted to explore this from the perspective of suppliers in three different purposefully selected markets.

3. Method

This study used a qualitative, exploratory design, suitable to the nascent nature of the research and the complexity of the subject under scrutiny (Maxwell, 2012, pp. 29-38). It was crucial to obtain detailed, nuanced and context-specific insights that qualitative methodologies excel in producing (Creswell, 2013). Interviews were used, as they can provide rich and detailed data, particularly useful in understanding novel contextual settings (Kvale, 1996). To enable corroboration and triangulation of the data, the interviews were supplemented by meetings with industry representatives and discussions of preliminary results at two larger gatherings of suppliers and customers, respectively (Yin, 2009, pp. 98-102).

3.1 Supplier selection

The main empirical data rely on interviews with suppliers from construction, technical consultancy and medical technology. These three industries were chosen following two meetings with representatives from a nationwide public procurement institution. To find appropriate supplier markets, four central criteria were established. First, following the rationale that it is most important to be attractive to key supplier segments (Cordón and Vollmann, 2008, p. 58), we wanted industries salient to the public sector. Second, we targeted non-atomistic supplier markets that may suffer from scarcity and where the decision to serve one customer influences the capacity to serve others (Pulles *et al.*, 2019). Third, based on the logic that customer attractiveness has more leverage for suppliers that differentiate between customers, we wanted suppliers with a non-standardized offering. Finally, we were interested in the potential contrast between suppliers that virtually only serve the public market (medical technology firms) and suppliers with both public and private customers (technical consultants and construction companies). As explained by the social exchange theory, the perception of a customer is not only determined by factors endogenous to the relationship but also by a comparison of alternatives (Thibaut and Kelley, 1959).

The next step was to select suitable companies in these industries. Following the first criteria above, we targeted well-established suppliers to the public market, ranging from medium to large in size. All were based in the same northern EU country. Table 1 provides an overview of the companies.

3.2 Data collection

Our goal was to select informants with a holistic understanding of their company's mobilization toward different customers. This meant targeting senior managers (see Table 1 for their positions). For six of the largest suppliers, it became apparent that sessions with two separate informants were needed to provide a comprehensive picture of the topic at hand. We stopped reaching out to new suppliers when only limited additional information was predicted to be gained (i.e. theoretical saturation) (Francis *et al.*, 2010).

In total, 23 informants were interviewed, divided between 17 organizations: 6 technical consultants, 6 construction companies and 5 medical technology firms. Each interview lasted for 50–90 min. The sessions were conducted in person (with two exceptions via video calls), and all except three sessions were recorded. Given the sensitive subject, the informants were assured of a confidentiality process that included the use of pseudonyms and the removal of any markers from the results that could potentially identify either their own company or any customer discussed (Ramsay and Wagner, 2009). Attention was paid to building rapport with informants, and they were told to feel free to not discuss any topic that made them uncomfortable.

Industry	Company alias	Turnover (M€)	Employees	Interviewees
Technical consultancy	TechAlpha	>100	>500	Chief executive officer (CEO) (1) Head of business development (2)
Technical consultancy	TechBeta	>100	>500	CEO (1) Head of business development (2)
Technical consultancy	TechGamma	25–100	100–500	Chief marketing officer (CMO)
Technical consultancy	TechDelta	25–100	100–500	CEO
Technical consultancy	TechEpsi	25–100	100–500	Head of division
Technical consultancy	TechZeta	25–100	100–500	CMO
Construction	ConAlpha	>100	>500	Head of division (1) CMO (2)
Construction	ConBeta	>100	>500	Head of tenders (1) Business development manager (2)
Construction	ConGamma	>100	100–500	Head of sales
Construction	ConDelta	25–100	100–500	CEO
Construction	ConEpsi	25–100	100–500	Senior partner
Construction	ConZeta	25–100	100–500	CEO
Medical technology	MedAlpha	>100	>500	Head of KAM (1) Head of tenders (2)
Medical technology	MedBeta	>100	>500	Head of division (1) Commercial manager (2)
Medical technology	MedGamma	>100	100–500	Head of public affairs
Medical technology	MedDelta	25–100	100–500	Business development manager
Medical technology	MedEpsi	25–100	100–500	Commercial manager

Table 1.
Overview of cases
and informants

Sources: Created by author. For confidentiality purposes, data are shown within intervals

A thematic interview guide was used with open questions designed to encourage fluent conversation, an especially suitable technique for senior informants (Aberbach and Rockman, 2002). It included introductory inquiries on interviewees, industry developments and company characteristics. This was followed by general questions about customer structure (e.g. type of customers, state of demand, segmentations) and organization toward the demand side (e.g. sales structure, operational interfaces, tender evaluation process). The questions, then, specifically targeted suppliers' mobilization efforts (e.g. variation in mobilization, customer differentiation, factors influencing mobilization efforts). Thereafter, the interviews focused on suppliers' perceptions of working with the public sector (e.g. view of public customers, pros and cons versus private customers, differences between public customers) and targeted questions of how this influenced the mobilization efforts (e.g. role of customer attractiveness, conditions that impact this leverage, consequences of being attractive versus less attractive). The questions were formulated to purposefully not steer the suppliers to predetermined areas derived from theory. Instead, the themes were exhausted by extensive follow-up probes (e.g. "why," "how," "can you expand on [x]," "apart from [y], can you think of other [z]"). Framing the conversation in this manner minimized subjecting the informants to possible preconceived ideas of the researchers. Moreover, the suppliers were frequently encouraged to provide concrete examples to substantiate their claims.

Additional data included meetings with representatives from the relevant industry associations and with the largest business federation in the country (in total, four sessions at 1–2h each with 6 persons). The main purpose was to gather initial data that could inform upcoming supplier interviews. Moreover, the preliminary results were presented and discussed

in two larger settings (~2h each for ~100 suppliers and ~40 public procurers). These sessions served as a source of iterative feedback and validity check, enabling triangulation of the findings and further heightening the study's reliability (Yin, 2009, pp. 98-102).

3.3 Data analysis

The analysis was based on an inductive coding approach (Gioia *et al.*, 2013), interchangeably referred to as “data-driven or qualitative coding” (Richards, 2010, p. 94). This method does not rely on predefined codes or themes; instead, it engenders these directly from the raw data. While codes and themes are typically described as “emerging from” or “inherent to” the data in this type of analysis (Thomas, 2006), we concur with Braun and Clarke (2021) that such labels may inadvertently portray an illusory picture of the results unveiling themselves with negligible researcher intervention other than extraction. Although the findings were not derived from *a priori* expectations or models, active involvement in the analysis came through interpretative engagement with the data.

The major steps were as follows. First, the transcribed interviews, together with the material from other data sources, were systematically organized using specialized software (NVivo 12) to streamline the coding process, such as assigning tags based on organization and informant. After organizing the data, each transcript was closely examined multiple times to ensure familiarity with the content. This was preceded by initial coding across all material. In this first-order analysis, the focus was on adhering to the informants' terms with little effort made to distill the categories (Corley and Gioia, 2004; Gioia *et al.*, 2013). Consequently, the inclusive emphasis resulted in an extensive list of potentially relevant information. The second-order analysis involved axial coding (Strauss and Corbin, 1998), where the focus was on understanding the relationship between and among these categories. This resulted in the collation of data and reduced the categories to a more manageable number of themes. Finally, the themes were analyzed for similarities, which resulted in a number of overarching dimensions. In practice, the process was far from linear and is better understood as recursive with continuous reviews and refinements. Significant efforts were made to ensure that each theme and dimension provided a reliable representation of the relevant empirics, with frequent modifications undertaken to accomplish this.

In the end, a framework was produced that included four dimensions, each containing 2–3 themes. For each of the themes, a selection of illustrative quotes was selected. In the findings section, we delve into this framework, each of its dimensions, underlying themes and how they encapsulate the nuanced experiences of our informants.

4. Findings

Building on our data-driven analysis and interpretive engagement with the collected data, a framework was produced that encapsulates the findings. This framework, which we detail in Figure 1, reveals several ways in which customer attractiveness influences supplier resource mobilization toward public organizations. It is structured around four key dimensions, each comprising a set of themes. These are as follows: bid behavior (selection, effort and pricing), quality (price stability, competence and attentiveness), supply stability (intention and priority) and innovation (substantial and incremental). In the following sub-sections, each dimension and the respective themes within are explored and discussed in detail.

4.1 Bid behavior

The first dimension, bid behavior, concerns a supplier's motivation to secure the customer in the first place. It comprises selection (i.e. whether the customer is selected for a bid), effort

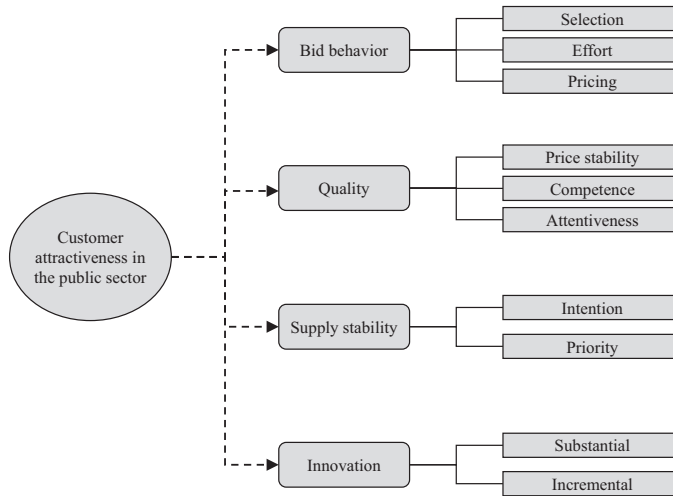


Figure 1.
Dimensions of
supplier mobilization
influenced by
customer
attractiveness

Source: Created by author

(i.e. the level of effort put into attaining the customer) and pricing (i.e. the price submitted during the tender process).

In terms of selection, the findings support prior research indicating that public customers struggle to meet the threshold for sufficient attractiveness to motivate suppliers to submit bids (Karttunen *et al.*, 2022; Onur and Tas, 2019). Most suppliers displayed a level of selectiveness in which many potential public customers were rejected. For instance, TechBeta, TechEpsi, ConAlpha and ConBeta proclaimed to reject a large part of the public sector entirely, namely, procurements that did not emphasize qualitative aspects in the evaluation criteria. The other suppliers did not label this as a “deal-breaker” by necessity but frequently brought up price-based procurements as contributing to non-participation. Moreover, there were examples given of both public customers who were, in effect, blacklisted due to past collaboration issues and public customers with priority in selection due to positive experiences with them in the past. Medical technology firms displayed less selectiveness than the other two supplier groups, explanations for this include a more streamlined tendering process, a less capacity-sensitive service and fewer customer alternatives.

Regarding effort, major variations were found in the mobilization applied to increase the chances of attaining a customer. As such, the findings challenge the operationalization of the number of bidders as a proxy for competitiveness in public procurement (Jääskeläinen and Tukiainen, 2019; Onur and Tas, 2019). All suppliers recognized that attractive public customers received beyond standard efforts in the bidding process. At the other end of the spectrum, there was a large difference among the suppliers. While some of them informed that less attractive customers are filtered out and not responded to at all, others admitted that bids only warranting half-hearted efforts could still be submitted. As previously discussed, medical technology firms resided in the latter group as they rarely declined to bid on an offer within their scope. There are even examples here that bidding for a contract does not always equate to an intention to win the customer. In two cases, both within medical technology, informants revealed instances where they felt confident in not being able to

secure the business, but a bid was produced anyway as a game-theoretical price-signaling system to competitors. That is, the expressed intention of the bid was to communicate a heightened price level to influence the market to do the same in the future (either to raise pricing long-term or to more easily undercut the competitors next time around).

In terms of pricing, the increased effort may lead to the assumption that customer attractiveness functions as a price-reducing force. However, these findings are inconclusive. On the one hand, they indicate that customer attractiveness made suppliers more careful not to price themselves out of the competition. On the other hand, the bid price was, throughout the interviews, not the preferred way of securing attractive customers. This, together with the virtually unanimous sentiment that the most sought-after public customers were value-driven rather than price-focused, meant that the emphasis was on being competitive through qualitative aspects rather than low price. It was also apparent that less attractive customers could receive extremely low bid prices. Indeed, among all supplier groups, there were examples of unsustainably low prices occasionally submitted to unattractive public customers.

Table 2 provides illustrative quotes for each sub-dimension.

4.2 Quality

The second dimension, quality, refers to the qualitative aspects of suppliers' performance. It comprises price stability (i.e. protection against post-award price increases), competence deployment (i.e. expertise allocated to the customer) and attentiveness (i.e. attention paid to help the customer).

In terms of price stability, customer attractiveness seemed to safeguard against suppliers' attempts to receive more payments than initially agreed. The informants agreed that supplier opportunism was not uncommon toward the public sector, and the most

Theme	Illustrative quotes
Selection	<p>"Many public customers are 'no-go' for us, either because of experience with that particular customer or that we see [by how the procurement is written] that we will not be allowed to do a good job". (TechEpsi)</p> <p>"We want to be the best, not the cheapest, so we prefer to target private clients". (TechBeta-1)</p> <p>"We prioritize the projects of [names a public customer], as we have such a good experience of working with them but otherwise there are a lot of them [public customers] that we can afford to turn down". (ConBeta-1)</p>
Effort	<p>"It is not so much a question of whether we will answer a tender or not; instead, it is about whether we should just do it quickly or really put our best effort into it". (MedGamma)</p> <p>"We sometimes still respond to [procurements based on lowest price] but the quality responses are reserved for other tenders". (TechDelta)</p> <p>"We knew we were not going to get the deal, but it was worth submitting a bid to get a message out about our price intentions". (MedBeta-2)</p>
Pricing	<p>"If you were to look back at our lowest bids – they were probably sent to the least attractive customers but yeah, you get it [discusses that the bids were not sincere]". (TechDelta)</p> <p>"If we really want a customer, we make sure to not price ourselves out but we will not go far below the standard. I mean if a customer is attractive, there must be other things it values – and then we would focus on that instead". (MedAlpha-1)</p> <p>"When the prices get way too low, is it because the customer is so great that the suppliers just had to win it? Of course not, it is rather a signal of the opposite". (ConGamma)</p>

Table 2.
Influence of customer
attractiveness on bid
behavior

Source: Created by author

frequently mentioned manifestation was price manipulation when the concern for damaging the relationship was not a major priority. This explains the previously discussed instances of low bid prices submitted to unattractive customers and serves as a caution against equating bid prices with tender success (Onur and Tas, 2019). In particular, technical consultants and construction companies virtually unanimously concluded that an unattractive public customer conducting price-based procurement runs a considerable risk of paying significantly more than initially agreed. This suggests that unattractive public customers, particularly when they rely heavily on price-based procurement, tend to be subject to post-award price increases resulting in costs that can significantly exceed the initial estimates.

Regarding competence, a common sentiment among the suppliers was that the public sector receives a disproportionately low amount of more skilled workforce. This, in turn, was frequently described as tied to insufficient customer attractiveness. This was most evident for technical consultants, which stood out in terms of the extent to which the expertise within their staff differed. TechZeta assured that public customers often get qualified personnel in the relevant category, but this supplier is an outlier. All other technical consultants claimed that the more skillful employees tended to work with private customers. A few of these suppliers also admitted to deploying newly graduated or the least efficient staff to public customers. A similar, but less drastic, reasoning was heard from construction companies. Medical technology firms differentiated less between customers in this regard, but there were a few relevant examples here as well. One of these suppliers informed that they had voluntarily relocated medical staff shared between two public customers closer to the more attractive one. Another described going beyond their contractual obligations in providing extra personnel to a particularly attractive public customer during a time of need.

In terms of attentiveness, there were different indications that customer attractiveness influenced the care shown toward public customers. Similar to findings from the private sector, suppliers frequently emphasized that the will to ensure success for both parties increased with customer attractiveness (Makkonen *et al.*, 2016; Prakash, 2011). It was also repeatedly argued to increase the willingness to share information and improve the relationship atmosphere because it provided an added incentive to work closely and nurture the relationship in the long run. This sentiment was found in all supplier groups but was emphasized in technical consultants and construction companies. In their case, close collaboration was often seen as a prerequisite to reducing total costs for the customer. For medical technology firms, the interactions usually transitioned to the medical profession and end-users (i.e. patients) once the business had started. That said, the surrounding service apparatus could differ based on their perception of the customer, with examples of increased problem-solving and support in general for attractive public customers.

Table 3 provides illustrative quotes for each sub-dimension.

4.3 Supply stability

The third dimension, supply stability, relates to the reliability of receiving continuous supply from suppliers. It comprises intention (i.e. intention to serve the customer) and priority (priority to serve the customer during capacity shortages).

In terms of intention, some suppliers admitted to avoiding serving a percentage of their public customers. TechDelta, TechZeta, ConDelta and ConGamma all held public contracts on which they tried not to do any work. Not wanting to serve an existing customer may be surprising. However, this was not because of changes in the relationship or surrounding environment. Instead, it was due to the execution of a planned strategy based on one of these

Table 3.
Influence of customer
attractiveness on
quality

Theme	Illustrative quotes
Price stability	<p>“If we get paid fairly and we see a future with the customer, then we really care about upholding our deal of the bargain”. (ConAlpha-1)</p> <p>“Public customers try to mitigate [price manipulation] by detailed steering, but in our industry that is hard to do. [...] This is not how we want to work and we would never dream of taking advantage of a customer that is good to us”. (TechEpsi)</p> <p>“There is a reversed relationship between the bid price and costs the customer ends up paying”. (TechAlpha-1)</p>
Competence	<p>“Private customers are more appreciative of competence. So, they make sure to be in a position where we send really good workers to them”. (ConZeta)</p> <p>“The public sector thinks they can control what they get by specifying everything, but it does not work like that. What they end up getting is ‘paper consultants’ [good CVs that will not actually work on the project]. It is simple really; we send our best people to our best customers”. (TechBeta-2)</p> <p>“It is not exactly the crème de la crème that our industry sends to the public sector”. (TechAlpha-1)</p>
Attentiveness	<p>“How much will we really care about a customer’s success? Well, smart customers realize that this is the key question”. (ConEpsi)</p> <p>“If a customer is good to us, we want it to do well. [...] If we care about the total costs of a project – that matters hugely. Public customers need to get that”. (TechAlpha-2)</p> <p>“The soft stuff – the human element – there our output can vary based on how valuable the customer is. That is the really important stuff, and hard to control in a contract so it should matter more what we actually think about them”. (MedGamma)</p>

Source: Created by author

rationales. Either the public customer was pursued as pure insurance in case of future market downturns or the supplier wanted to qualify for side projects that were not bound to the original arrangement. The extent to which suppliers can reject incoming orders from an existing contract varies, but it was usually framework agreements that left room for this type of tactic. To be clear, the four suppliers that expressed this behavior only practiced it to a small fraction of their public customer portfolio. Nonetheless, whereas customer attractiveness has been linked to delivery priorities in the literature (Bemelmans *et al.*, 2015; Reichenbachs *et al.*, 2017), these findings represent, to the best of our knowledge, the first evidence of customers getting deprioritized to the extent of not being served even under ordinary circumstances.

In terms of priority, several informants exemplified times when they were unable to serve all existing customers and a selection had been forced based on the customer’s standing with the supplier. This could be either due to an unexpected event that temporarily crippled the supplier’s capacity or an abundance of incoming orders that for a while could not be adjusted to by scaling up. In these cases, the findings suggest that public customers tend to run a high risk of exposure to canceled deliveries or delays. For suppliers with a mixed customer portfolio, public customers generally ranked lower than their private counterparts. This signals that the public sector can be exposed to what Reichenbachs *et al.* (2017) discuss as the strategic supply risk of being early in line to be cut from the customer portfolio in times of capacity shortage. An important distinction here is that medical technology firms did not express that customer attractiveness significantly influenced reliance on supply. There was one exception where it had impacted the willingness to help in a residual situation; however, the standard procedure in capacity shortages for these suppliers was that allocation decisions, for ethical and reputational reasons, were outsourced to the medical profession.

Table 4 provides illustrative quotes for each sub-dimension.

4.4 Innovation

The fourth dimension concerns innovation through supply networks. It comprises substantial (i.e. larger, isolated innovation) and incremental (i.e. smaller, continuous innovation).

In terms of substantial innovation, the legislative maneuverability to achieve this for public customers is largely reserved for the procurement phase (EU, 2022b). In theory, the suppliers expressed appreciation for tenders with room to propose their own solution for a specified need. However, in practice, the substantial mobilizing efforts required for these types of tenders were repeatedly argued to demand a level of customer attractiveness that few public organizations attain. The reasoning here was that innovation by default requires beyond-standard efforts and that this, in turn, commands an elevated expectation of a positive outcome for the suppliers. In line with research on the private sector (Ellis *et al.*, 2012; Schiele *et al.*, 2011), innovative capabilities tended to be reserved for the most attractive customers. For construction companies and technical consultants, this meant that mobilization toward innovation was predominately prioritized for private customers, whereas the consequence for medical technology firms was more of a general stagnation in innovative output.

In terms of incremental innovation, medical technology firms essentially saw the assignment as set from the start, restricting post-tender development. Construction companies and technical consultants painted a different picture. For them, any project of complexity inherently contained a large percentage of “unknowns” at the start, leaving significant room for improvements during the collaboration even within the public regulations. The degree to which these suppliers were willing to act in this direction was emphasized to be conditioned on customer attractiveness. ConBeta, ConDelta and TechAlpha explained that this was a prerequisite to incremental innovations during the collaboration on the basis that: it is not something that the customer can contractually demand from them; and it is something that requires “extra” work.

Table 5 provides illustrative quotes for each sub-dimension.

4.5 Aggregated discussion

The findings suggest a prevalent issue of insufficient customer attractiveness within the public sector, leading to sub-optimal supplier mobilization. Public customers are not only rarely granted preferential treatment from suppliers, but they tend to have a lower standing

Theme	Illustrative quotes
Intention	<p>“We avoid doing any job on it [type of contract]. Sometimes, we can be forced to accept every third request or so, but it is just there as a kind of insurance”. (TechDelta)</p> <p>“Some of our public contracts are ‘in the drawer’ so to speak; we can pick them up when there is downtime [. . .] but we rather spend our resources on other customers”. (ConDelta)</p> <p>“In frameworks agreements with ranked selection, it can be better to come in at like number 3 and not to win it [. . .] because we will then receive fewer incoming orders”. (ConGamma)</p>
Priority	<p>“If we have to delay or re-prioritize ongoing projects, then it matters how important the customer is. And, if you look at this [points to a customer pyramid], public customers are not exactly here [points to the top of the pyramid]”. (TechGamma)</p> <p>“It can be that we cannot serve all customers for a while. Then, the relationship and history become decisive. [. . .] We have even accepted to be fined for delaying a project since that extra cost mattered less than following through in time with one of our better customers”. (ConAlpha-2)</p>

Table 4.
Influence of customer attractiveness on supply stability

Source: Created by author

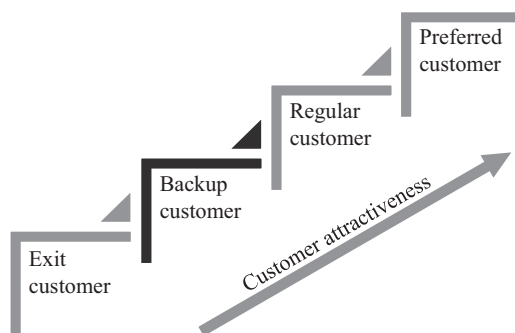
Table 5. Influence of customer attractiveness on innovation

Theme	Illustrative quotes
Substantial	<p>“It is a great idea to write tenders more goal-based but they are kind of missing the first part: that we need to know that the customer is worth that dedication”. (TechAlpha-1)</p> <p>“There is such a focus on price that we have to be in survival-mode instead of having the chance to be innovative. [...] Good luck trying to get development and super-low prices”. (MedEpsi)</p> <p>“We really dedicated ourselves to coming up with a new solution for [names public customer] because they are a really good customer. [...] That type of intensive effort is not something we would do for our other [public] customers”. (ConEpsi)</p>
Incremental	<p>“If we just want to get the job done and get out of there, then there is no incentive to tweak even the little things [...] We do not need to develop anything because the customer says so; we have to want it”. (ConDelta)</p> <p>“If we like working with a customer, we can go that extra mile and see how we can improve things [...] The contract is not set in stone, even for public customers”. (TechDelta)</p> <p>“There will always be plenty of stuff that should be changed after production. And, that is an example of when our thoughts about the customer really matter, as we kind of hold the power there – especially toward the public [customers]”. (TechAlpha-2)</p>

Source: Created by author

than private customers in general, resulting in disproportionately low supplier mobilization. Indeed, the findings suggest that the customer typology of “preferred,” “regular” and “exit” (Reichenbachs *et al.*, 2017; Schiele, 2020) may need to be expanded to include a fourth category: “backup” customers. This additional category represents customers whom suppliers intend to maintain relationships with, yet treat as inferior or third-tier clients. The most glaring example of this category is the public customers that, despite being pursued by suppliers, are deprioritized to the extent of not being supplied even in the absence of market or relationship disturbances (Section 4.3). Figure 2 illustrates this customer typology, including the newly proposed category of backup customers.

Our results demonstrate that the customer attractiveness of public organizations can influence supplier mobilization efforts on several dimensions, which raises the question of when it will. The findings indicate that its influence is contingent on the following: type of supplier, type of mobilization dimension and ability of the customer to adopt a value-driven approach.



Source: Created by author

Figure 2. An extended customer typology based on customer attractiveness

First, medical technology firms displayed less responsiveness to customer attractiveness than other supplier groups. The data suggest that this could depend on a more standardized business offering and fewer customer alternatives. To this end, technical consultants and construction companies tended to find public customers less attractive than medical technology firms. One reason for this seems to be their mixed customer portfolio, as private customers were generally seen as the benchmark for how business should be conducted. Similar to [Purchase et al. \(2009\)](#), the findings suggest that, in the comparison of alternatives ([Thibaut and Kelley, 1959](#)), public customers are at a disadvantage compared to the private sector.

Second, the result shows that customer attractiveness does not have a linear influence on supplier mobilization dimensions. Instead, different dimensions were affected at various attractiveness thresholds. This is most evident at the extreme ends of the spectrum. For sub-dimensions such as “(supply) intention” and to some extent “(bid) selection,” the avoidance of unattractiveness suffices, whereas the beyond standard commitment required for “innovation” and “(supply) priority” equates to these being reserved for the most attractive customer.

Third, the findings indicate that public customers’ ability to leverage their attractiveness is contingent on adopting a value-driven approach. This was seen as necessary to sustain a cycle of reciprocity in which customer attractiveness can be fully leveraged within the public sector. The most fundamental part of this had to do with selecting suppliers based on quality and total costs, as opposed to a more isolated price focus. Informants from all supplier groups also emphasized the importance of signaling a commitment to a value-driven approach that exceeded any single procurement, as illustrated below:

“We had an attractive customer that we made damn sure to perform well for. Then they “rewarded” us by changing selection criteria so a competitor could undercut us on price. [...] Now, they are going back to more qualitative-based procurements, but I doubt we will even bid for them now.” (MedBeta-2).

“Public customers have to submit us to competition, but some are smart so we know that if we do a good job, they will listen to us next time around. Then, we can really commit to long-term win-win.” (TechDelta).

“We invested in new equipment because [public customer] had communicated that it will be their new standard. That type of investment can never reach return-on-investment within one contract.” (ConBeta-1).

Several informants also highlighted the need to respond to supplier efforts through social appreciation and informal relationship management. Further, there were examples of suppliers urging public customers to utilize indirect factors ([Smals and Smits, 2012](#)), such as proactively assisting in enabling market access and knowledge transfer to reward well-performing suppliers. The recurring theme here boils down to a need for public customers to ensure that the efforts suppliers put into the relationship are matched by the outcome they receive. While public legislation emphasizes procedural justice ([Grandia and Meehan, 2017](#); [Griffith et al., 2006](#)), the clear message from these suppliers is that public customers need to pay additional attention to distributive justice ([Trada and Goyal, 2017](#)).

5. Conclusions

5.1 Theoretical implications

This study fills a significant research gap by exploring the influence of customer attractiveness on supplier behavior in the public sector context. While previous research has discussed how to become an attractive public customer ([Karttunen et al., 2022](#); [Kelly et al., 2021](#); [Schiele, 2020](#)),

this study provides an in-depth understanding of the outcomes ensuing from reaching such a position with the suppliers. The principal contribution is the empirically derived framework that elucidates how customer attractiveness influences supplier resource mobilization toward the public sector. It demonstrates the emergence of four dimensions: bid behavior, quality, supply stability and innovation, along with detailing their underlying themes. These findings challenge the tendency of related studies in public procurement to specifically target the price effect of stimulating increased competition in the tender phase (Jääskeläinen and Tukiainen, 2019; Onur and Tas, 2019). Clearly, the range and nature of customer attractiveness's influence on resource mobilization exceed well beyond the suppliers' bid behavior. Further, the study shows that bid price can be a poor proxy for the price ultimately paid for suppliers' services, let alone total costs. At least in complex service offerings, being attractive enough for bids is demonstrably not to be equated with being sufficiently attractive for desired supplier outcomes.

This study also highlights the need to expand the scope of customer attractiveness research beyond the benefits of being an attractive customer to cover the disadvantages of unattractiveness. Public customers deemed unattractive face an apparent risk of sub-par treatment that exceeds well beyond the consequences of few bidders. Indeed, the findings suggest that the typology of categorizing customers into "preferred," "regular" and "exit" is incomplete (Reichenbachs *et al.*, 2017; Schiele, 2020). Certain public customers lie in between the latter two categories and can best be described as "back-up" customers. Here, the supplier displays an unwillingness to at all serve the customer, and the business was instead retained as either insurance for potential market downturns, or to qualify for other procurements.

5.2 Managerial implications

The findings highlight that being an attractive public customer can facilitate a range of beneficial supplier outcomes, and it appears imperative for public actors to actively work to become more attractive to their suppliers. In this quest, customer attractiveness should be seen as a scale that extends beyond the binary question of whether there is sufficient appeal to receive bids from the suppliers or not. The targeted level of attractiveness a customer sets out to build should be reflective of the type of supplier outcome, which is the priority. For instance, it will be difficult for public customers to be innovative through the supply chain, irrespective of goal-oriented procurements, if they do not reach the exclusive customer standing for which these supplier capabilities are reserved. Public customers should also be wary that traditional supply chain strategies to lower risk, such as securing backup suppliers, may further dilute their attractiveness. Given our findings, the resilience of public customers' supply chain has issues with both supply intent and supply priority. Weighting all supplier mobilization dimensions, a substantial upside from the perspective of total costs appears to be substantiated by improvements to customer attractiveness. This upside can arguably be expected to increase considering the turmoil in several supplier markets together with the increased emphasis on public procurement as a lever for social outcomes and innovation (Grandia and Meehan, 2017; Malacina *et al.*, 2022).

While the public procurement literature often focuses on the tender phase (Holma *et al.*, 2022), the findings inform that public customers must concern themselves with supplier mobilization pre-tender and post-award. The former offers an opportunity to engage in supplier dialogues with fewer constraints imposed by public regulations (Alhola *et al.*, 2017; Holma *et al.*, 2022). To achieve and maintain attractiveness, and to fully leverage the benefits thereof, public customers are advised to adopt a value-driven approach. Important elements in this will be to prioritize distributive justice and building long-term supplier relationships.

Achieving this may necessitate resource reallocation, which may be aided by the guidance that customer attractiveness should primarily be targeted toward attractive suppliers (Cordón and Vollmann, 2008, p. 58; Pulles *et al.*, 2019).

5.3 Limitations and future research

The qualitative research design implies that the findings must be applied to other settings, even within the public sector, with caution. In particular, it is plausible that the complexity of the selected supplier markets means that the result differs from commodity-based offerings. Another limitation pertains to informant selection. There is a discussion to be had regarding the degree to which supplier mobilization efforts are decided at the forefront of daily operations or higher up in the organizational hierarchy (Hald, 2012). This study leans toward the latter, which means that certain aspects of customer attractiveness may have gone unnoticed.

By demonstrating the potential of customer attractiveness to influence a range of critical supplier outcomes for the public sector, the study strengthens the concept's applicability in highly regulated markets (Wadell *et al.*, 2019). Future studies could aim to validate and quantify the framework via a survey design. Here, it could be interesting to examine how various thresholds of customer attractiveness connect to different behavioral outcomes, given the current lack of comprehensive models for nonlinear effects. Alternatively, researchers could focus on a single dimension of supplier mobilization. Considering the findings on innovation, coupled with the attention given to "open innovation" in public procurement from both governing bodies (EU, 2023; OECD, 2023b) and the research community (Lenderink *et al.*, 2022; Uyarra *et al.*, 2020), this could be an area of particular interest.

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