

## CIPS.L5M6.v2026-03-11.q43

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### NEW QUESTION: 1

Workshops, safety facilities, and design engineers are indirect costs associated with which industry?

- A. Construction
- B. Retail
- C. Services
- D. Agriculture

**Answer: (SHOW ANSWER)**

In construction, indirect costs include items like workshops, safety facilities, and design engineers. These are necessary for operations but not directly tied to a single output.

[Ref: CIPS L5M6 Study Guide, p.90 - Indirect cost examples by industry]

### NEW QUESTION: 2

A category which includes raw materials required in large quantities and high volumes is often known as what?

- A. Direct Category
- B. Primary Category
- C. Demand Category
- D. House Category

**Answer: (SHOW ANSWER)**

A Direct Category refers to spend on items that are directly linked to the production of goods or delivery of services. For manufacturers, this includes raw materials, components, and items required in high volumes that form part of the finished product. These categories are critical because supply disruptions or price volatility can have significant impacts on production and customer delivery. Conversely, Indirect Categories refer to goods and services not directly linked to production, such as cleaning services, IT systems, or office supplies.

Effective management of direct categories often involves long-term supplier relationships, strategic sourcing, and risk management. Since they directly affect business continuity, procurement strategies must prioritise availability, cost stability, and quality. Category managers often use Kraljic's Matrix and forecasting tools to design robust sourcing strategies for direct categories.

Reference: CIPS L5M6 Study Guide, p.4

### **NEW QUESTION: 3**

Which of the following form part of Cialdini's 7 Principles of Persuasion? Select THREE.

- A. Power
- B. Social proof
- C. Commitment
- D. Liking
- E. Morality

**Answer: (SHOW ANSWER)**

Cialdini's 7 Principles of Persuasion are key behavioural insights relevant to procurement negotiations and stakeholder management. They are:

- \* Reciprocity
- \* Commitment/consistency
- \* Social proof/consent
- \* Authority
- \* Liking
- \* Scarcity
- \* Unity

Options social proof, commitment, and liking are directly part of this framework. These principles are used to influence supplier behaviour, build stakeholder alignment, and negotiate effectively. For example, demonstrating that other organisations have adopted a strategy (social proof) can increase acceptance, while establishing rapport (liking) improves cooperation. Procurement professionals who understand these principles can navigate complex stakeholder environments more effectively.

Reference: CIPS L5M6 Study Guide, p.66

### **NEW QUESTION: 4**

What is the purpose of a Category Board?

- A. To select the Category Manager
- B. To approve spending over a certain amount
- C. To develop and implement a category strategy
- D. To mitigate all risks

**Answer: (SHOW ANSWER)**

A Category Board [sometimes called a Category Council or Committee] is a cross-functional group of stakeholders responsible for overseeing the development and implementation of a

category strategy. It brings together representatives from procurement, finance, operations, and other relevant departments to ensure that sourcing decisions align with overall business objectives.

While boards may also review spending or risk, their main role is strategic governance. They provide input into category planning, approve strategies, resolve conflicts, and ensure stakeholder buy-in. This collaboration is essential, as category management is a cross-functional discipline that cannot succeed if procurement operates in isolation.

Options A and B are too narrow, while option D is unrealistic-no body can "mitigate all risks." Instead, the board ensures risks are recognised and addressed within the strategy.

The study guide highlights the importance of such structures in embedding category management within an organisation's governance framework.

[Ref: CIPS L5M6 Study Guide, pp.614 - Category Boards and governance in category management]

### **NEW QUESTION: 5**

At which stage in the Procurement Cycle can most value be added?

- A. Specify requirements
- B. Supplier selection
- C. Negotiate and award contract
- D. Review

**Answer: D (LEAVE A REPLY)**

CIPS highlights that the review stage of the Procurement Cycle offers the greatest opportunity to add value.

This is because it involves assessing whether objectives have been met, identifying lessons learned, and capturing continuous improvement opportunities. While specifying requirements and supplier selection are critical, the review stage ensures that outcomes are measured against expectations and future strategies are refined. For example, reviewing contract performance may reveal contract leakage or highlight areas where better supplier engagement could drive innovation. This feedback loop transforms procurement from a transactional process into a learning system. By institutionalising review mechanisms, organisations improve their resilience and ensure that procurement strategies evolve with business needs and market changes.

Reference: CIPS L5M6 Study Guide, p.42

### **NEW QUESTION: 6**

Penelope works for an international manufacturer. Which categories are most likely to be outsourced?

- A. Raw materials
- B. Marketing services
- C. Warehousing
- D. Operations
- E. Facilities management

**Answer: (SHOW ANSWER)**

The categories most likely to be outsourced are Marketing services and Facilities Management [FM].

These are examples of indirect spend categories where external providers often offer specialist expertise, cost efficiency, and scalability.

CIPS identifies five indirect categories frequently outsourced: Marketing, Facilities Management, IT

/Communications, Human Resources, and MRO [Maintenance, Repairs, Operations].

Outsourcing these allows organisations to focus internal resources on core competencies such as manufacturing or R&D.

Raw materials, warehousing, and operations are typically core to production and therefore managed internally or strategically sourced, rather than fully outsourced. While warehousing may sometimes be outsourced

[3PL], it is not listed among the primary categories in the study guide.

Outsourcing decisions must balance cost, risk, and strategic importance. For example, outsourcing FM reduces overheads while ensuring professional management of buildings and services, whereas marketing agencies provide creativity and campaign expertise.

[Ref: CIPS L5M6 Study Guide, pp.46-47 - Categories commonly outsourced]

**NEW QUESTION: 7**

Which of the following are potential consequences for an organisation which fails to identify and address risk? Select TWO.

- A. Lawsuits
- B. Corruption
- C. Damage to brand image
- D. Financial loss

**Answer: (SHOW ANSWER)**

CIPS highlights that damage to brand reputation and financial loss are two major risks of failing to manage supply chain risks effectively. Legal issues such as lawsuits arise from illegal activity, which is separate from general risk exposure.

Reference: CIPS L5M6 Study Guide, p.111

**NEW QUESTION: 8**

Claudio wants to limit risks from supplier financial instability. Which two actions are most effective?

- A. Use fewer suppliers
- B. Limit spend with one supplier to 30% of external spend
- C. Contract smaller businesses and start-ups
- D. Have contingency plans in place

**Answer: (SHOW ANSWER)**

The most effective approaches are:

\* Limiting dependence on one supplier [B]: CIPS suggests no more than 30% of spend should be concentrated with a single supplier. This reduces exposure if that supplier becomes insolvent or fails to deliver.

\* Having contingency plans [D]: Preparing alternative suppliers, safety stock, or emergency logistics ensures continuity in case of failure.

Options A and C are poor practices:

\* Using fewer suppliers [A]: Increases dependency, making the business more vulnerable.

\* Using small start-ups exclusively [C]: Increases risk because these firms often lack financial stability.

These strategies align with broader supply risk management principles, which focus on diversification, resilience, and proactive planning. Effective category managers must balance efficiency with risk reduction, ensuring supply continuity without over-consolidating.

[Ref: CIPS L5M6 Study Guide, p.57 - Supplier risk mitigation strategies]

### **NEW QUESTION: 9**

In Category Management, often a small number of categories can be responsible for a large proportion of spend. What is this principle commonly known as? Select TWO.

- A. Pareto Principle
- B. The 5 Forces
- C. Six Sigma
- D. 80-20 Rule

**Answer: (SHOW ANSWER)**

The Pareto Principle, also known as the 80/20 Rule, states that around 80% of outcomes are generated by

20% of inputs. In category management, this means that a small number of categories often account for the majority of total spend. Identifying these high-impact categories allows procurement professionals to focus resources where they deliver the most value. For example, managing a few strategic or high-spend categories rigorously may yield more savings and risk reduction than spreading efforts across all categories equally. The principle reinforces the need for prioritisation and focus in procurement strategies. While Six Sigma and Porter's Five Forces are useful tools in other contexts, they are unrelated to spend distribution. Applying Pareto effectively helps organisations achieve better results with limited resources by focusing on what matters most.

Reference: CIPS L5M6 Study Guide, p.22

### **NEW QUESTION: 10**

Frankie Burgers operates in the UK and USA. One supplier holds a monopoly, but the item supplied is low cost. According to the Kraljic Matrix, which type of item is this?

- A. Leverage
- B. Strategic
- C. Routine

## D. Bottleneck

### Answer: ([SHOW ANSWER](#))

This item is classified as a Bottleneck item in the Kraljic Portfolio Matrix. Bottleneck items are low-value in terms of spend but carry high supply risk, often because there are very few suppliers or a monopoly situation.

In this case, Frankie Burgers faces a monopoly supplier, meaning supply risk is high. Even though the item is low cost, its unavailability could disrupt operations, creating significant vulnerability.

By contrast:

- \* Leverage items are high-value but low risk, suited for competitive sourcing.
- \* Strategic items are high-value and high-risk, requiring partnerships.
- \* Routine items are low-value and low-risk, suitable for automated procurement.

Category managers facing bottleneck items often mitigate risk through strategies such as developing alternative suppliers, stockpiling, or long-term contracts to secure continuity of supply.

[Ref: CIPS L5M6 Study Guide, p.157 - Kraljic Matrix applications]

## NEW QUESTION: 11

Which of the following are legal aspects of a contract a Procurement Manager should know?

- A. Sustainability
- B. Relationship management
- C. Liabilities
- D. Intellectual Property
- E. TUPE

### Answer: ([SHOW ANSWER](#))

The three correct legal aspects are:

- \* Liabilities [C]: Define responsibility for damages, breaches, or non-performance.
- \* Intellectual Property [D]: Protects innovations, designs, and brand assets in supplier agreements.
- \* TUPE [E]: Transfer of Undertakings [Protection of Employment], a UK law ensuring employees retain rights when transferred between companies.

While sustainability and relationship management are important procurement considerations, they are not specifically legal aspects of contracts. Legal knowledge ensures procurement professionals protect their organisations from financial, reputational, and operational risks.

TUPE is particularly relevant in outsourcing agreements, where staff may move from one employer to another. Procurement managers must ensure compliance with local employment laws to avoid legal disputes.

CIPS stresses that category managers should not act as lawyers but must have sufficient legal awareness to identify risks and escalate issues to legal specialists.

[Ref: CIPS L5M6 Study Guide, p.57 - Legal aspects in procurement contracts]

## NEW QUESTION: 12

In Category Management, which of the following Models can be used for creating a step-by-step plan for Strategic Sourcing?

- A. Kraljic Matrix
- B. The Pareto Principle
- C. Porter's 5 Forces
- D. Kearney's 7 Step Model

**Answer: (SHOW ANSWER)**

Kearney's 7 Step Strategic Sourcing Model provides a structured, step-by-step approach for managing sourcing activities. The steps include profiling the category, assessing the supply market, developing sourcing strategies, and implementing them. This model ensures that sourcing is systematic, evidence-based, and aligned with strategic objectives. Unlike tools such as the Kraljic Matrix, which classifies items by risk and impact, Kearney's model provides an end-to-end process framework for sourcing execution. Similarly, Pareto and Porter's 5 Forces are useful analytical tools but not procedural sourcing frameworks. For category managers, the Kearney Model is valuable because it emphasises cross-functional collaboration, data-driven decision-making, and continuous improvement. Its structured approach reduces risks of ad-hoc decision-making and ensures alignment with organisational goals. This is why it is a central feature of L5M6 study material and often tested in exams.

Reference: CIPS L5M6 Study Guide, p.28-29

### **NEW QUESTION: 13**

Barb is a Category Manager at XYZ Logistics. She is putting together a Category Plan. Which of the following sections should she include? Select THREE.

- A. HR information on the team
- B. Supply market analysis
- C. Category objectives
- D. Category risks
- E. History of the category

**Answer: (SHOW ANSWER)**

A Category Plan is a strategic document that sets out how a category will be managed to deliver organisational objectives. It typically includes:

- \* Supply market analysis to understand supplier dynamics, competition, and risks.
- \* Category objectives, which align with organisational strategy and specify what procurement aims to achieve.
- \* Category risks, which outline potential threats and mitigation strategies.

HR information and a full history of the category are not required, as the plan is forward-looking, focusing on strategy rather than operational details. While historical context may be summarised in an executive overview, it does not form a full section. A well-structured Category Plan supports better decision-making, stakeholder engagement, and ensures consistent management of spend. It provides a roadmap for how value will be captured, risks managed, and supplier relationships developed. Without it, category management risks becoming reactive and fragmented.

Reference: CIPS L5M6 Study Guide, p.10

**NEW QUESTION: 14**

A new supplier to a marketplace is using break-even pricing to determine the price at which to sell a product.

Which of the following does this type of pricing structure not consider? Select TWO.

- A. Fixed costs
- B. Variable costs
- C. Price elasticity
- D. Competitors' pricing

**Answer: (SHOW ANSWER)**

Break-even pricing is a method where a supplier sets a price to cover fixed and variable costs, ensuring they do not operate at a loss. However, this approach does not account for price elasticity (how sensitive demand is to price changes) or competitors' pricing strategies. This can be a weakness because while break-even ensures financial sustainability, it may not ensure competitiveness or profitability in dynamic markets.

For procurement professionals, understanding suppliers' pricing models helps in negotiation and cost management. If a supplier relies only on break-even pricing, they may either set prices too low (risking financial instability) or too high (losing market share). Category managers must consider broader market forces, cost drivers, and customer behaviours to anticipate supplier pricing strategies. By understanding these limitations, buyers can push for more favourable terms and ensure that suppliers align with market expectations.

Reference: CIPS L5M6 Study Guide, p.180

**NEW QUESTION: 15**

Category Strategy Development is composed of 4 key stages. Which of the following is the correct order?

- A. Develop progress tracking plan, define resources needed, roadshow, create strategic plan
- B. Roadshow, create strategic plan, define resources needed, develop progress tracking plan
- C. Develop progress tracking plan, define resources needed, create strategic plan, roadshow
- D. Create strategic plan, develop progress tracking plan, define resources needed, roadshow

**Answer: (SHOW ANSWER)**

The correct sequence of Category Strategy Development is:

- \* Create the strategic plan - outlining objectives, tactics, and desired outcomes.
- \* Develop a progress tracking plan - defining performance measures and milestones.
- \* Define resources needed - identifying staff, skills, and financial support required.
- \* Conduct a roadshow - presenting the strategy to stakeholders and gaining buy-in.

This order ensures strategies are clearly defined before resources are committed and that tracking mechanisms are in place to measure success. The roadshow is critical to gain organisational support and alignment, ensuring all stakeholders understand the plan and contribute to its implementation. Mis-sequencing these steps can result in wasted resources, poor

engagement, or ineffective execution. Category managers must follow this structured approach to maintain accountability, transparency, and long-term success in strategy implementation.

Reference: CIPS L5M6 Study Guide, p.12

### NEW QUESTION: 16

ABC Ltd wishes to ensure compliance across its supply chain.

Which of the following are steps that can be taken to ensure compliance with regulations and standards including CSR?

- A. Only work with large suppliers who have a CSR policy
- B. Make ethics and compliance a priority when qualifying new suppliers
- C. Communicate the company's values across the supply chain
- D. Do not work with suppliers in low-cost countries

**Answer: (SHOW ANSWER)**

\* Making ethics and compliance a priority [B] ensures supplier selection considers regulatory and social responsibility aspects.

\* Communicating values across the supply chain [C] builds alignment and accountability.

A and D are incorrect because having a CSR policy doesn't guarantee practice, and low-cost country sourcing does not automatically mean non-compliance.

[Ref: CIPS L5M6 Study Guide, p.107 - Ensuring compliance in supply chains]

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### NEW QUESTION: 17

Jam Incorporated requires raw materials to be delivered from suppliers. One particular ingredient is a high supply risk and the strategy of the company is to hold inventory as a contingency. Which type of item is this?

- A. Bottleneck
- B. Strategic
- C. Leverage
- D. Non-critical

**Answer: (SHOW ANSWER)**

This is a bottleneck item. According to the Kraljic Matrix, bottleneck items are characterized by high supply risk and low profit impact, which makes them difficult to source. Holding contingency stock is a recommended strategy for such items.

Reference: CIPS L5M6 Study Guide, p.97

**NEW QUESTION: 18**

Ted is a potato farmer from Devon. He sells his potatoes to many local customers including restaurants, wholesalers and manufacturers. For one customer, Ted is keen to drive a premium price for his potatoes as he is confident the customer can afford to pay more. What type of customer is this to Ted?

- A. Development
- B. Exploitable
- C. Nuisance
- D. Core

**Answer: (SHOW ANSWER)**

This is an exploitable customer, according to the Supplier Preferencing Model. Suppliers may attempt to increase profit margins with customers they perceive as less important but who have fewer alternatives and can afford to pay more.

Reference: CIPS L5M6 Study Guide, p.99

**NEW QUESTION: 19**

"Survival of the fittest" is a concept in supplier relationships. Which of the following does it describe?

- A. Low focus on pricing, low focus on relationships
- B. Low focus on pricing, high focus on relationships
- C. High focus on pricing, high focus on relationships
- D. High focus on pricing, low focus on relationships

**Answer: (SHOW ANSWER)**

Survival of the fittest in supplier management means driving competition by focusing heavily on price reduction, with minimal emphasis on building long-term relationships. This approach treats suppliers as interchangeable, encouraging them to compete aggressively for contracts. It can yield short-term cost savings but risks damaging supplier collaboration, innovation, and resilience. It is suitable for commodities or non-strategic items where price is the dominant factor. Other approaches differ:

- \* Trust-based or partnership models balance price with collaboration.
- \* No-cost modelling focuses on process transparency.
- \* Strategic alliances prioritise innovation and value creation.

Category Managers must carefully choose when to apply "survival of the fittest" as it may undermine long-term supplier stability if used indiscriminately.

[Ref: CIPS L5M6 Study Guide, p.160 - Supplier relationship models]

**NEW QUESTION: 20**

What is a 'black swan' event?

- A. An event that brings about a negative outcome

- B. An event that is random or unexpected
- C. An event that is planned for meticulously in advance
- D. A regularly occurring event

**Answer: (SHOW ANSWER)**

A black swan event is an unexpected and rare occurrence with significant impact. Examples include the 2013 horse meat scandal in the food industry, which was unforeseen and highly disruptive.

Reference: CIPS L5M6 Study Guide, p.104

### **NEW QUESTION: 21**

Category Management and Strategic Sourcing are terms which are interchangeable. Is this statement TRUE?

- A. Yes - they are synonyms and used interchangeably within most organisations
- B. Yes - Strategic Sourcing is a type of Category Management
- C. No - Category Management is a process most effectively applied when using a recognised framework and supporting tools
- D. No - Category Management is a tactical form of sourcing

**Answer: (SHOW ANSWER)**

Although some organisations mistakenly use Category Management and Strategic Sourcing interchangeably, they are not the same. Strategic Sourcing is a philosophy or approach to procurement, while Category Management is a structured process, applied most effectively through recognised frameworks like Kraljic or Kearney's 7-step model. Category Management is strategic, not tactical, and focuses on long-term value creation, supply market management, and alignment with organisational objectives. A direct quote from L5M6 states: "Category Management is a process and is applied most effectively when using a recognised framework and supporting tools." This clarity ensures that organisations do not reduce Category Management to short-term sourcing exercises. Instead, it emphasises cross-functional collaboration, innovation, and market analysis to achieve sustainable value.

Reference: CIPS L5M6 Study Guide, p.49

### **NEW QUESTION: 22**

Which of the following parts of a SWOT analysis summarise activities and characteristics which are internal to the business? Select TWO.

- A. Strengths
- B. Weaknesses
- C. Opportunities
- D. Threats

**Answer: A,B (LEAVE A REPLY)**

A SWOT Analysis distinguishes between internal factors (strengths and weaknesses) and external factors (opportunities and threats). Strengths are internal capabilities, resources, or skills

that give the organisation an advantage in the market-such as strong supplier relationships, unique expertise, or cost leadership.

Weaknesses are internal limitations, such as lack of investment, poor technology, or inadequate processes.

These are factors the organisation has direct control over and can improve. On the other hand, opportunities and threats are external influences outside the business's direct control, such as market trends, legislation, or competitor actions. For category management, applying SWOT allows managers to assess the current position of categories and design strategies that build on strengths and address weaknesses. This analysis also ensures that procurement strategies remain aligned with organisational goals and competitive environments. The correct recognition of internal versus external factors is essential to avoid misdiagnosis and wasted effort.

Reference: CIPS L5M6 Study Guide, p.121

### **NEW QUESTION: 23**

In which section of a balance sheet would you find the term "goodwill"?

- A. Current assets
- B. Non-current assets
- C. Current liabilities
- D. Non-current liabilities

**Answer: (SHOW ANSWER)**

Goodwill is found under Non-current assets in a balance sheet. Goodwill arises when one company acquires another for a value greater than its tangible assets, reflecting intangible benefits such as brand reputation, customer loyalty, patents, or strong supplier relationships. For example, if a company is valued at £10 million based on tangible assets but is purchased for £15 million, the £5 million difference is recorded as goodwill. This asset remains on the balance sheet until impaired [e.g., if the acquired brand loses value].

It is not a current asset because it cannot be quickly liquidated within one year. Nor is it a liability [current or non-current] since it represents value, not debt.

For procurement and category managers, goodwill can signal a supplier's market position, brand strength, and long-term stability. It highlights how intangible assets, though harder to measure, play a role in supplier evaluation and business acquisitions.

[Ref: CIPS L5M6 Study Guide, p.183 - Financial terms and balance sheet analysis]

### **NEW QUESTION: 24**

Volatile inflation rates are a risk that can affect any business. Which STEEPLED factor would this fall under?

- A. Political
- B. Ethical
- C. Socio-Cultural
- D. Economic

**Answer: (SHOW ANSWER)**

Inflation is directly linked to the Economic factor within STEEPLED. It affects costs, purchasing power, and business profitability.

[Ref: CIPS L5M6 Study Guide, p.109 - STEEPLED analysis factors]

### **NEW QUESTION: 25**

Porter's 5 Forces is a useful tool to analyse market factors that affect profitability. Which of the following is not one of the forces?

- A. Threat of buyers
- B. Rivalry among existing firms in the industry
- C. Threat of new entrants
- D. Threat of substitutions

**Answer: (SHOW ANSWER)**

The correct terminology is bargaining power of buyers, not "threat of buyers". Porter's Five Forces are:

- \* Threat of new entrants
- \* Bargaining power of suppliers
- \* Bargaining power of buyers
- \* Threat of substitutes

Reference: CIPS L5M6 Study Guide, p.111

### **NEW QUESTION: 26**

Francis is a Category Manager within a large agricultural company which has over 10 categories. He believes that the Category with the largest spend (in £) is the most important category to the business. Is he correct?

- A. Yes - Categories with larger budgets buy more important items
- B. Yes - A larger spend signifies that the category is buying larger volumes of items than other categories
- C. No - This fails to address the importance of the item to the organisation's service / product
- D. No - All categories are equally as important to the business

**Answer: (SHOW ANSWER)**

Francis is not correct. Spend alone does not determine the importance of a category. For example, a high-spend category may include non-critical items, while a lower-spend category may include bottleneck or strategic items essential to operations. The importance of a category is determined by its impact on organisational goals and supply risk, not just spend.

Reference: CIPS L5M6 Study Guide, p.98

### **NEW QUESTION: 27**

When using the Kraljic Matrix to analyse the category of item, which of the following categories does Kraljic recommend be further analysed in conjunction with a comparison of the buyer's strength vs supply market strength?

- A. Strategic

- B. Bottleneck
- C. Leverage
- D. Non-critical

**Answer: ([SHOW ANSWER](#))**

For strategic items, Kraljic recommends further analysis through a 3x3 supply positioning matrix, which compares buyer strength against market strength. This creates three possible strategies: exploit, balance, diversify.

Reference: CIPS L5M6 Study Guide, p.102

### **NEW QUESTION: 28**

Jonah is a Procurement Specialist responsible for a sub-category of work which includes procuring skilled labour for construction. Sub-categories can also be known as what within a Category?

- A. Sets
- B. Commodities
- C. Lots
- D. Divisions

**Answer: ([SHOW ANSWER](#))**

Within Category Management, sub-categories are often referred to as commodities. These are narrower groupings within a category that focus on specific goods or services. For example, within the Construction category, commodities might include raw materials, subcontracted labour, or specialist equipment hire.

Recognising commodities helps procurement apply tailored strategies that address their specific market dynamics and risk profiles. It also provides clarity when developing category plans, as different commodities may require different sourcing and supplier management approaches. By managing at both category and commodity levels, organisations can strike a balance between broad strategic alignment and detailed tactical execution.

Reference: CIPS L5M6 Study Guide, p.52

### **NEW QUESTION: 29**

A list of direct costs within a manufacturing organisation could be found on which of the following?

- A. Profit and Loss Account
- B. SWOT Analysis
- C. Bill of Materials
- D. Specification

**Answer: ([SHOW ANSWER](#))**

A Bill of Materials [BoM] lists the components, raw materials, and parts required to produce a product.

These represent direct costs as they directly contribute to the finished item. While labour and overheads may also be direct costs, they are not usually in the BoM.

[Ref: CIPS L5M6 Study Guide, p.83 - Direct vs Indirect Costs]

**NEW QUESTION: 30**


Bellatricks Ltd has four main categories of spend, each headed by a Category Manager. Below is a brief outline of each:

- \* Category Manager 1: Has a PhD and 15 years' experience. Very competent in developing specifications. Persuasion style built on knowledge, facts, and science.
- \* Category Manager 2: Meets deadlines, identifies actions, achieves goals. Assertive, self-assured, articulate.
- \* Category Manager 3: Strong soft skills, relates well to people, builds supplier relationships. Motivates others by being passionate and creating shared purpose.
- \* Category Manager 4: Creative thinker, anticipates market changes, produces quick solutions. In negotiations, they see problems from multiple perspectives.

Task:

Complete the table by identifying each Category Manager's competency and style of persuasion when negotiating with suppliers. Each response should only be used once.

**Bellatricks Ltd - Drag & Drop Table**



Chartered Institute of  
Procurement & Supply

Category Manager	Competency	Style of Persuasion
Category Manager 1	---	---
Category Manager 2	---	---
Category Manager 3	---	---
Category Manager 4	---	---

**Options to Place**

Competencies	Styles of Persuasion
Functional Expert	Confidence
Influencer	Empathy
Innovator	Inspire
Results Seeker	Logic

**Answer:**

### Bellatricks Ltd - Drag & Drop Table

Category Manager	Competency	Style of Persuasion
Category Manager 1	Functional Expert	Logic
Category Manager 2	Results Seeker	Confidence
Category Manager 3	Influencer	Inspire
Category Manager 4	Innovator	Empathy

### Options to Place

Competencies	Styles of Persuasion
Functional Expert	Confidence
Influencer	Empathy
Innovator	Inspire
Results Seeker	Logic



Explanation:

### Bellatricks Ltd - Completed Drag & Drop Answer Key

Category Manager	Competency	Style of Persuasion
Manager 1	Functional Expert	Logic
Manager 2	Results Seeker	Confidence
Manager 3	Influencer	Inspire
Manager 4	Innovator	Empathy



Category Manager 1 # Competency: Functional Expert | Persuasion: Logic

This manager has a PhD, 15 years' experience and is confident developing specifications. That profile maps directly to Functional Expert-deep technical knowledge, standards, and specification ownership. In persuasion terms, the description "strong product knowledge, facts and science" signals a Logic style:

arguments are evidence-led (data, benchmarks, test results, TCO calculations). In supplier negotiations, this type will frame proposals around measurable outcomes and compliance to technical requirements, using structured evaluations and objective criteria. The benefit is credibility and clarity; the risk is over-focusing on technical detail at the expense of relationship nuance. In category work, this style suits complex, specification-driven buys (e.g., engineered components, regulated goods) where accuracy and verification matter most.

Category Manager 2 # Competency: Results Seeker | Persuasion: Confidence

"Meets deadlines, identifies actions, achieves goals; assertive, self-assured, articulate" are classic Results Seeker cues-task focus, milestone discipline, outcome accountability. The persuasion tone is Confidence:

clear asks, firm positions, and decisive proposals. In supplier meetings, this manager will set SMART targets (cost down %, on-time delivery, lead-time reduction), drive cadence (QBRs, action logs), and hold parties to commitments. The upside is momentum and delivery; the watch-out is risking supplier defensiveness if assertiveness isn't balanced with listening. This pairing works well for leverage or non-critical categories where execution speed, price movement and service levels are the primary value drivers.

Category Manager 3 # Competency: Influencer | Persuasion: Inspire

"Strong soft-skills... builds effective relationships... motivates others by being passionate and creating a shared sense of purpose" signals Influencer-credible relationship builder who aligns stakeholders and suppliers. Their persuasion style is Inspire: appeal to shared goals (innovation, sustainability, growth), energise cross-functional teams, and co-create solutions. In supplier negotiations, they'll use vision statements, win-win framing, and recognition to unlock discretionary effort (e.g., co-development, cost-out workshops, service transformation). Strengths include engagement, change adoption and long-term partnership value; risks include under-weighting hard trade-offs if not supported by clear commercial guardrails. This pairing excels in strategic or transformation initiatives where collaboration is the multiplier.

Category Manager 4 # Competency: Innovator | Persuasion: Empathy

"Creative thinker... anticipates rapid changes... produces solutions quickly... sees problems from multiple points of view" matches Innovator-future-oriented, options-generating, comfortable with ambiguity. The persuasion fit is Empathy: actively understanding counterpart drivers (capacity, risk, margin pressures), connecting dots between perspectives, and shaping proposals that address mutual needs. In practice, this manager will run design-thinking workshops, scenario planning, and pilot trials, using supplier insights to re-frame requirements (e.g., modular specs, alternative materials, new service models). The advantage is differentiated value and resilience; the risk is scope drift if ideas aren't prioritised rigorously. This pairing is powerful in volatile markets and for categories needing redesign, sustainability shifts or new tech adoption.

### **NEW QUESTION: 31**

In a marketplace where there is a large number of suppliers, which of the following is true?

- A. There is low rivalry
- B. There is a low barrier to entry
- C. Buyer power is strong
- D. Buyer power is weak

**Answer: C (LEAVE A REPLY)**

When many suppliers exist, buyers have multiple options, increasing their bargaining power. Suppliers must compete for contracts, shifting power toward the buyer.

[Ref: CIPS L5M6 Study Guide, p.112 - Porter's Five Forces: Buyer Power]

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### **NEW QUESTION: 32**

Which of the following are key components to the success of a CFT (cross-functional team)?  
Select TWO.

- A. Members from at least 4 different functions are brought together
- B. All members have technical expertise in the area
- C. The CFT has an articulated purpose
- D. The team has endorsement from company leadership

**Answer: (SHOW ANSWER)**

Cross-Functional Teams (CFTs) are essential in category management, as they bring together expertise from different areas of the organisation. Their success depends on having a clear, articulated purpose and endorsement from leadership to ensure authority and resource allocation. It is not necessary to have exactly four functions (the guidance suggests three or more), nor for all members to have technical expertise-CFTs should balance technical, procurement, legal, and operational knowledge. Strong leadership support ensures the team's recommendations are implemented, while a clear purpose ensures alignment and focus. Without these, CFTs risk becoming unfocused discussion groups with limited impact.

Reference: CIPS L5M6 Study Guide, p.63

### **NEW QUESTION: 33**

Polygon Ltd is a buyer of components. Jeff, a Category Manager at Polygon, is analysing buyer strength in this marketplace to determine his procurement strategy. Which of the following would increase buyer strength?

- A. Fewer suppliers in the marketplace
- B. Low levels of substitute
- C. High level of inflation
- D. Placing larger order quantities

**Answer: (SHOW ANSWER)**

Buyer strength increases when order volumes are large, as this gives leverage in negotiations and can improve pricing and terms. The other options do not necessarily strengthen buyer power.

Reference: CIPS L5M6 Study Guide, p.112

### **NEW QUESTION: 34**

Which of the following can be used to group categories for Category Management within an organisation?

- A. ISO9001
- B. WTO Guidelines
- C. UNSPC
- D. Kraljic Matrix

**Answer: (SHOW ANSWER)**

The United Nations Standard Products and Services Code (UNSPC) provides a universal taxonomy for classifying goods and services. Some organisations adopt UNSPC as a standard way of grouping categories for procurement, while others create their own frameworks tailored to business needs. Unlike tools such as the Kraljic Matrix, which is used to assess risk and value, UNSPC is a classification system designed for spend categorisation and reporting. Using standardised codes ensures better data consistency, benchmarking, and spend visibility across organisations, especially in global supply chains. By adopting UNSPC, procurement teams can reduce ambiguity in spend analysis and ensure categories are aligned with recognised frameworks.

Reference: CIPS L5M6 Study Guide, p.3

### **NEW QUESTION: 35**

In Category Management, which is the best way to group materials and/or services?

- A. Usage characteristic
- B. Spend category
- C. Geography of supply
- D. Supplier relationship

**Answer: (SHOW ANSWER)**

In category management, grouping is most effective when based on similar usage characteristics. This means materials or services are categorised by how they are used within the organisation, rather than simply by spend or supplier. For example, in healthcare, personal protective equipment (PPE) forms one category, while surgical instruments or bedding may be separate categories. This approach ensures that category managers have a clear understanding of functional requirements, demand patterns, and value drivers.

Grouping only by spend might overlook strategic importance, while grouping by supplier or geography can miss opportunities for cross-functional efficiencies. Usage-based categorisation allows for tailored procurement strategies that align with business objectives and ensure effective stakeholder engagement. It also enables organisations to identify synergies across business units and improve supplier management. By aligning categories to organisational needs rather than just financial or structural dimensions, procurement creates more value and achieves better alignment with corporate strategy.

Reference: CIPS L5M6 Study Guide, p.48

### **NEW QUESTION: 36**

Randoxx Ltd is a manufacturing company which has four main categories of expenditure:

\* Category 1: The market of this category is highly innovative and has rapidly changed over the past five years. There are many suppliers who provide similar products at similar price points.

\* Category 2: This category of spend is for highly specialised products and it is important to Randoxx that the products are carbon neutral. Because of this, there is a reduced number of suppliers who provide products to this category and Randoxx has little influence over the price that they pay.

\* Category 3: This category of spend is for natural resources which are only found in very few parts of the world. Because of this Randoxx imports all of these items from one country abroad and currency fluctuations have a huge impact on the profit margin of this category spend.

\* Category 4: This is a highly technical product which has a patent. It is used in the creation of laptops and phones and it would be impossible to make these with a different product. Due to the growing population Randoxx forecasts that demand for this product will increase.

Task:

Complete the table below by identifying each category's Porter's Force driver and STEEPLE factor challenge. Each response should be used only once.

**Randoxx Ltd - Drag & Drop Table**

Category	Porter's Force	STEEPLE Factor
Category 1	---	---
Category 2	---	---
Category 3	---	---
Category 4	---	---



**Options to Place**

Porter's Forces	STEEPLE Factors
Threat of New Entrants - Low	Technological
Threat of Substitutes - Low	Social
Bargaining Power of Buyer - Low	Economic
Competitive Rivalry - High	Environmental

**Answer:**

## Randoxx Ltd - Drag & Drop Table

Category	Porter's Force	STEEPLE Factor
Category 1	Competitive Rivalry - High	Technological
Category 2	Bargaining Power of Buyer - Low	Environmental
Category 3	Threat of Substitutes - Low	Economic
Category 4	Threat of New Entrants - Low	Social

## Options to Place

Porter's Forces	STEEPLE Factors
Threat of New Entrants - Low	Technological
Threat of Substitutes - Low	Social
Bargaining Power of Buyer - Low	Economic
Competitive Rivalry - High	Environmental


Explanation:

A close-up of a questionnaire AI-generated content may be incorrect.

**Randoxx Ltd - Completed Drag & Drop Question**

**Match each Category with the Correct Porter's Force & STEEPLE Factor**

Category	Porter's Force	STEEPLE Factor
Category 1	Competitive Rivalry - High	Technological
Category 2	Bargaining Power of Buyer - Low	Environmental
Category 3	Threat of Substitutes - Low	Economic
Category 4	Threat of New Entrants - Low	Social


  
 Chartered Institute of Procurement & Supply

Category 1: Highly innovative, many suppliers with similar products at similar price points

\* Porter's Force: Competitive Rivalry - High

\* STEEPLE Factor: Technological

Explanation (150-200 words):

Category 1 operates in a market that is highly innovative and subject to rapid technological change.

Innovation means suppliers are constantly developing new features or solutions, making technology the primary STEEPLE factor. Additionally, because there are many suppliers offering similar products at similar price points, competitive rivalry is intense. Buyers can switch easily, and suppliers must compete aggressively on features, pricing, and differentiation.

This combination of high rivalry and technological change creates both opportunity and risk for Randoxx.

On one hand, innovation drives new solutions that can be leveraged; on the other hand, it increases pressure to manage supplier relationships strategically. Randoxx must monitor technological trends closely while maintaining competitive sourcing strategies to manage this highly dynamic category.

(Ref: CIPS L5M6 Study Guide - Porter's Five Forces, p.112-116; STEEPLED Analysis, p.109)

### **NEW QUESTION: 37**

Sarah is a Category Manager at a shoe manufacturer. She works with a key supplier of raw materials [leather and rubber] and is using a cost-out approach. Which type of relationship is most suited to this approach?

- A. Strategic alliance
- B. Arm's length
- C. Transactional
- D. Closer tactical

**Answer: (SHOW ANSWER)**

The most appropriate relationship type is a Strategic Alliance. The Cost-Out approach involves working closely with suppliers at the design and pre-production stages to eliminate unnecessary costs before they arise.

This requires high levels of trust, transparency, and collaboration.

A strategic alliance provides the framework for this partnership, allowing both buyer and supplier to share information, align objectives, and jointly innovate to reduce costs and increase value. For example, suppliers may suggest alternative materials or design modifications that lower costs without compromising quality.

By contrast:

- \* Arm's length and transactional relationships are too shallow to support cost-out collaboration.
- \* Closer tactical relationships allow more interaction but lack the depth of trust and shared strategy found in alliances.

Strategic alliances are therefore essential where the buyer needs suppliers to contribute their expertise, innovation, and commitment to achieving mutual cost savings and long-term value.

[Ref: CIPS L5M6 Study Guide, p.80 - Cost-out strategies and supplier relationships]

### **NEW QUESTION: 38**

The sale of ice-cream, bikinis and sunglasses usually follows which demand pattern?

- A. Growth
- B. Decline

C. Cyclical

D. Stable

**Answer: C (LEAVE A REPLY)**

These items follow a cyclical demand pattern, meaning that sales fluctuate in predictable cycles—typically aligned with seasons or climate conditions. For example, demand peaks in summer and falls sharply in winter. Recognising cyclical patterns allows procurement professionals to plan supply and inventory effectively, avoiding both shortages during peak demand and excess stock during low demand periods. This type of forecasting is particularly important in industries such as fashion, tourism, and consumer goods.

Failing to account for cyclical demand can lead to missed sales opportunities or increased storage costs. In category management, understanding demand cycles ensures efficient resource allocation, supplier scheduling, and financial planning. It also supports collaborative planning with suppliers to ensure capacity aligns with market needs.

Reference: CIPS L5M6 Study Guide, p.143

### **NEW QUESTION: 39**

James works for an online retailer and has recently completed a Pareto analysis of customer complaints. He found that the top two issues were website errors and incorrect product codes. However, he is aware there are weaknesses in Pareto analysis. Which of the following are true? Select TWO.

A. Pareto uses qualitative data only

B. There is no insight into root cause

C. Further analysis will be needed to produce results

D. Pareto only identifies 20% of the issues

**Answer: (SHOW ANSWER)**

Pareto Analysis identifies the "vital few" issues that cause the majority of problems, usually presented as the

80/20 rule. While it is useful for prioritisation, its limitation is that it only highlights the frequency of issues and not the root causes behind them. In James's example, identifying that "website errors" are the top cause of complaints is useful, but it doesn't explain why the errors occur. Therefore, further investigation such as root cause analysis or process mapping is required to implement corrective action. Another limitation is that Pareto analysis is based on quantitative data only, not qualitative, meaning it cannot capture customer perceptions or subjective insights. This reinforces the need to use Pareto in conjunction with other diagnostic tools for effective problem solving. In practice, category managers must use Pareto as a screening tool to highlight priorities and then follow with more detailed analysis to ensure improvements are sustainable.

Reference: CIPS L5M6 Study Guide, p.93

### **NEW QUESTION: 40**

Which of the following industries is the only one that does not have a specific SIC code?

A. Agriculture

- B. Finance
- C. Retail
- D. Services

**Answer: (SHOW ANSWER)**

The services industry does not have a specific SIC code because it is highly diverse, spanning multiple activities that do not fit neatly into a single classification.

[Ref: CIPS L5M6 Study Guide, p.88 - SIC classification limitations]

#### **NEW QUESTION: 41**

ABC Ltd is a manufacturer of hi-tech IT equipment in an industry set to grow substantially over the next 10 years. What type of industry is this?

- A. Bull industry
- B. Bear industry
- C. Dog industry
- D. Cow industry

**Answer: A (LEAVE A REPLY)**

A Bull Industry is one that is experiencing strong growth, with positive demand and market expansion expected in the future. In financial terms, "bull" markets are characterised by optimism, rising investment, and business confidence.

For ABC Ltd, operating in a high-growth IT sector, this categorisation is appropriate because demand is projected to increase. This means opportunities exist for innovation, supplier partnerships, and long-term strategic sourcing.

By contrast:

- \* Bear industries represent declining markets, where firms face shrinking demand.
- \* Dog and Cow industries are not recognised terms within category management; they are distractors in this question.

Identifying whether an industry is in a bull or bear phase helps Category Managers assess market risks, supplier relationships, and investment priorities.

[Ref: CIPS L5M6 Study Guide, p.150 - Market classifications: bull vs bear industries]

#### **NEW QUESTION: 42**

'Kaizen' is a Japanese term used frequently in the manufacturing industry. What does it refer to?

- A. Sustainability
- B. Cost Reduction
- C. Continuous Improvement
- D. Supplier Relationship Management

**Answer: (SHOW ANSWER)**

Kaizen translates to "continuous improvement" in Japanese. It is a philosophy that encourages making small, incremental changes that collectively lead to significant performance enhancements over time. Within procurement and category management, Kaizen focuses on ongoing collaboration with suppliers to identify ways to reduce waste, improve quality, and

optimise processes. Unlike one-off cost-reduction initiatives, Kaizen is embedded in the organisational culture and requires engagement from all levels of the supply chain. For example, small adjustments in packaging design might reduce material use, leading to cost savings and environmental benefits. This approach fosters long-term supplier partnerships and supports innovation. In competitive markets, organisations that adopt Kaizen are more resilient and adaptable, making it a key concept for category managers to understand.

Reference: CIPS L5M6 Study Guide, p.40

### NEW QUESTION: 43

Which of the following is NOT one of Cialdini's principles of persuasion?

- A. Reciprocity
- B. Authority
- C. Scarcity
- D. Inducement

**Answer: (SHOW ANSWER)**

The correct answer is Inducement, which is not one of Cialdini's principles. The seven principles are:

- \* Reciprocity - people return favours.
- \* Commitment/Consistency - people stick with commitments.
- \* Social Proof/Consensus - people follow others.
- \* Authority - people respect expertise.
- \* Liking - people are influenced by those they like.
- \* Scarcity - people value what is limited.
- \* Unity - people are influenced by shared identity.

Cialdini's framework is widely applied in procurement negotiations and stakeholder management. For instance, demonstrating scarcity can strengthen a supplier's case for urgency, while using authority enhances credibility during negotiations.

Understanding these principles allows category managers to influence stakeholders and suppliers effectively, building alignment and driving successful outcomes.

[Ref: CIPS L5M6 Study Guide, p.66 - Cialdini's Principles of Persuasion]

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