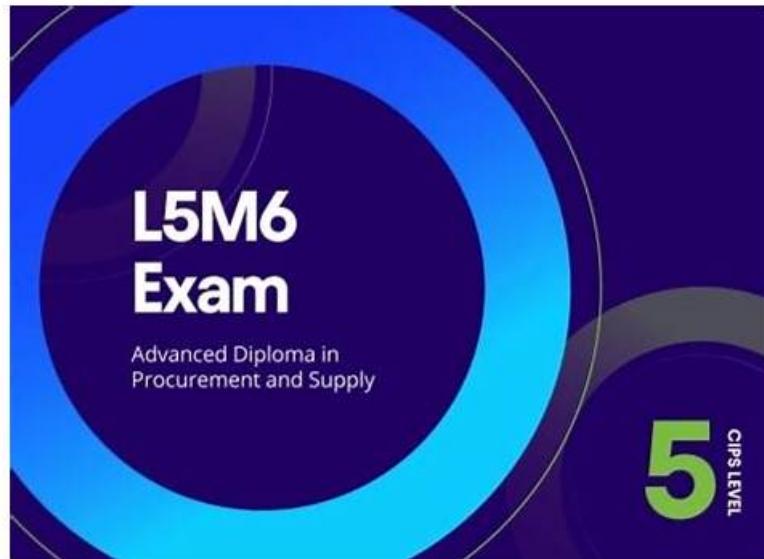


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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Understand the Concepts, Tools, and Techniques Associated with Managing Expenditure: This section of the exam measures the analytical abilities of a Category Analyst and focuses on expenditure management techniques within category management. It explores how organizations identify, classify, and analyze different types of spend to enhance procurement efficiency and value creation.
Topic 2	<ul style="list-style-type: none">Understand Approaches that Can Be Used to Develop Category Management Strategies: This section of the exam measures the skills of Procurement Managers and focuses on understanding how category management strategies are formulated within procurement functions. Candidates are expected to differentiate between strategic and conventional sourcing, evaluate how these approaches support long-term supplier relationships, and align them with organizational goals. The section also emphasizes the role of category management in enhancing sourcing efficiency and achieving cost optimization.
Topic 3	<ul style="list-style-type: none">Understand the Strategic Impact of a Category Management Process: This section evaluates the strategic insight of a Procurement Manager into how category management influences organizational performance. It explores the use of data-driven decision-making and market intelligence to shape sourcing strategies and drive sustainable procurement outcomes.

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CIPS Category Management Sample Questions (Q12-Q17):

NEW QUESTION # 12

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

Answer: A

Explanation:

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 # 13

Teddy Ltd has created a virtual cross-functional procurement team across divisions. What could become a barrier to success?

- A. Time
- B. Geography
- C. Cost
- D. Language and use of acronyms

Answer: D

Explanation:

The key barrier is language and the use of acronyms. In cross-functional, international, or virtual teams, communication challenges can hinder collaboration. Procurement often uses specialised terminology and acronyms that other functions or non-native speakers may not fully understand. This can create confusion, misalignment, and inefficiency.

Geography is less of an issue in virtual teams, as digital platforms enable collaboration across locations. Time and cost can be challenges, but the study guide specifically identifies language and acronyms as barriers.

Effective category managers overcome this by using clear, simple communication and ensuring shared understanding of procurement terms. This reduces misunderstandings and ensures that all team members- finance, engineering, operations-can contribute effectively.

Cross-functional teamwork is central to category management success, but only if barriers to collaboration are proactively addressed.

[Ref: CIPS L5M6 Study Guide, p.64 - Cross-functional teams and barriers]

NEW QUESTION # 14

What are the three main enablers of successful Category Management?

- A. Tools
- B. Technology
- C. People
- D. Environment
- E. Place

Answer: A,B,C

Explanation:

The three key enablers are People, Tools, and Technology. Each plays a distinct but interconnected role in making category management effective:

* People: Skilled category managers and cross-functional teams provide the expertise, negotiation skills, and stakeholder engagement needed for success. Without trained professionals, strategies cannot be executed effectively.

* Tools: Analytical frameworks like Kraljic's Matrix, spend analysis, TCO, and risk assessment tools enable informed decision-making. These provide structure and evidence for procurement strategies.

* Technology: Digital platforms such as e-procurement systems, data analytics software, and supplier relationship management [SRM] tools support efficiency, transparency, and scalability.

By contrast, options such as "Place" and "Environment" are not formal enablers within CIPS's framework.

While environmental and cultural context matter, they are not listed as the three foundational enablers.

The study guide emphasises that category management can only be effective when these three enablers work together-skilled people using appropriate tools and supported by the right technology.

[Ref CIPS L5M6 Study Guide, p.6 - Enablers of Category Management]

NEW QUESTION # 15

Peak Pricing is also known as which other type of pricing model?

- A. Dynamic pricing
- B. Penetration pricing
- C. Limit pricing
- D. Price skimming

Answer: A

Explanation:

Peak pricing is another term for dynamic pricing, where the cost of a product or service changes in response to fluctuations in demand and market conditions. A common example is airline ticket pricing, where fares increase during peak travel periods and drop during off-peak times.

Dynamic pricing relies on market data, technology, and sometimes artificial intelligence to adjust prices in real-time. It maximises revenue by capturing higher margins during periods of strong demand while stimulating sales when demand weakens.

Other options are different strategies:

- * Penetration pricing involves initially low prices to gain market entry.
- * Limit pricing aims to deter new entrants by setting prices low enough to discourage competition.
- * Price skimming involves launching at a high price, then gradually lowering it as demand declines.

In category management, understanding pricing models like dynamic pricing helps procurement anticipate supplier pricing strategies and develop negotiation tactics.

[Ref CIPS L5M6 Study Guide, pp.180-182 - Pricing models and procurement]

NEW QUESTION # 16

Trydo Ltd is an industrial engineering company and is currently assessing its supplier base. Below are descriptions of four of its major suppliers:

* Supplier 1: This supplier has a large share of the market and the market in which it operates is growing. However, the supplier's own costs have increased by 36% over the past 12 months due to raw material price increases.

* Supplier 2: The market is fast growing but as a new supplier to the marketplace, Supplier 2's market share is still relatively low. Trydo is concerned about this supplier's long-term financial situation as the company has taken out many loans and a large mortgage.

* Supplier 3: This supplier operates in a small marketplace, but is a strong player with a sizable market share. Although this isn't of concern to Trydo, having recently run an Acid Test, it is believed that Supplier 3's current liabilities are four times greater than its assets.

* Supplier 4: The market Supplier 4 operates in is shrinking and Supplier 4 already has a low market share. The main issue is Capital Management as stock turnover, debtor days and are becoming prolonged. There have been several complaints about performance.

Task:

Complete the table below. You are required, for each supplier, to determine the product category on the BCG Matrix and to identify the main area of financial concern. Each response should only be used once.

Trydo Ltd - Drag & Drop Table

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	—	—
Supplier 2	—	—
Supplier 3	—	—
Supplier 4	—	—

Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern



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Answer:

Explanation:

Trydo Ltd - Drag & Drop Table



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Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

Options to Place

BCG Matrix Categories	Financial Concerns
Dog Category	Profitability Concern
Cash Cow Category	Liquidity Concern
Star Category	Gearing Concern
Question Mark Category	Efficiency Concern

Explanation:

Output image

Trydo Ltd - Completed Drag & Drop Answer Key

Supplier	BCG Matrix Category	Financial Concern
Supplier 1	Star Category	Profitability Concern
Supplier 2	Question Mark Category	Gearing Concern
Supplier 3	Cash Cow Category	Liquidity Concern
Supplier 4	Dog Category	Efficiency Concern

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Supplier 1 # Star Category + Profitability Concern

Supplier 1 holds a large market share in a growing market, which places it in the Star category of the BCG Matrix. Stars are typically leaders in expanding markets and require continuous investment to maintain their dominance. The concern here is not competitive weakness but profitability. Although revenue potential is strong, Supplier 1's costs have increased by 36% due to rising raw material prices. This erodes margins and threatens profitability despite growth. Stars often generate high cash inflows, but if costs spiral out of control, their ability to sustain investment weakens. Profitability management (e.g., through cost reduction, supplier negotiations, or efficiency gains) is critical to ensuring Supplier 1 continues its growth trajectory and avoids slipping into the "Cash Cow" or "Dog" quadrants in the future.

(Ref CIPS L5M6 Study Guide, p.117 - BCG Matrix application)

Supplier 2 # Question Mark Category + Gearing Concern

Supplier 2 operates in a fast-growing market but has only a small share, making it a Question Mark in the BCG Matrix. Question Marks are high-risk: they may grow into Stars or fail and become Dogs, depending on how they perform and whether investment supports expansion. The major financial concern here is gearing- Supplier 2 has taken out significant loans and a large mortgage, meaning it is heavily leveraged. High gearing increases financial risk, as debt repayments must be met regardless of market conditions. In rapidly growing markets, high gearing can restrict reinvestment and leave firms vulnerable to interest rate fluctuations or downturns. For Trydo, this means Supplier 2 could face difficulties sustaining its growth, posing supply chain risk. Monitoring debt levels and financial stability is essential before committing to long-term contracts.

(Ref CIPS L5M6 Study Guide, pp.117-118 - Question Marks and financial analysis) Supplier 3 # Cash Cow Category + Liquidity Concern Supplier 3 operates in a small, stable market but commands a strong market share. This places it firmly as a Cash Cow-a business that generates consistent revenue without requiring major investment. Cash Cows fund other areas of a portfolio but face limited growth prospects. The concern here is liquidity. An Acid Test reveals that Supplier 3's current liabilities are four times greater than its assets, suggesting it lacks sufficient short-term liquidity to meet obligations. This imbalance can result in cash flow problems, even if long-term profitability remains sound. For Trydo, the risk is that Supplier 3 may fail to pay debts or manage day-to-day operations, creating supply disruption. Procurement managers must ensure financial health checks are conducted regularly and consider diversification strategies if reliance on Supplier 3 is high.

(Ref CIPS L5M6 Study Guide, p.117 - Cash Cows and liquidity issues)

Supplier 4 # Dog Category + Efficiency Concern

Supplier 4 operates in a shrinking market and already holds a low market share, placing it in the Dog category of the BCG Matrix. Dogs are generally unattractive, offering little growth and limited returns. The key concern here is efficiency. Supplier 4 is struggling with capital management issues, such as poor stock turnover and prolonged debtor days. These inefficiencies damage competitiveness and further weaken financial stability. For Trydo, relying on Supplier 4 poses significant risk because inefficiency can lead to delays, reduced quality, and increased total cost of ownership. Unless Supplier 4 improves performance, it may eventually exit the market, leaving Trydo vulnerable. In procurement terms, buyers should avoid long- term commitments with such suppliers and instead focus on exit strategies or alternatives.

(Ref CIPS L5M6 Study Guide, pp.117-118 - Dogs and efficiency management)

NEW QUESTION # 17

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