

L5M6–100% Free Reliable Exam Sample | Valid Category Management Valid Study Notes

L5M6 CATEGORY MANAGEMENT - LEARNING OUTCOME 1 (APPROACHES THAT CAN BE USED TO DEVELOP CATEGORY MANAGEMENT STRATEGIES) EXAM QUESTIONS WITH 100% CORRECT ANSWERS!!

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Is category management different from strategic sourcing?

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Yes. It is used extensively in large global businesses, in national and local government, and in not-for-profit organisations.

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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.

CIPS Category Management Sample Questions (Q40-Q45):

NEW QUESTION # 40

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

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

Answer: D

Explanation:

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 # 41

According to Porter's Five Forces, supplier power is strong in industries where which of the following is true?

[Select THREE]

- A. Supplier's customers are fragmented
- B. Forward integration is possible
- C. The product is undifferentiated
- D. Switching costs are low
- E. No substitutes are available

Answer: A,B,E

Explanation:

Supplier power is strong when buyers have fewer choices and suppliers have leverage. This occurs where:

* No substitutes are available [A]: Buyers are locked into what suppliers provide, increasing supplier power.

* Supplier's customers are fragmented [B]: When customers are fragmented [many small buyers], they cannot collectively negotiate, so suppliers hold more power.

* Forward integration is possible [D]: Suppliers can bypass buyers and sell directly to the end customer, which gives them negotiating strength.

Options C and E relate more to buyer power:

* Switching costs are low [C]: This reduces supplier power as buyers can easily move.

* Undifferentiated products [E]: This strengthens buyer power since products are interchangeable.

[Ref: CIPS L5M6 Study Guide, p.116 - Porter's Five Forces model]

NEW QUESTION # 42

Joe is a Category Manager at an automobile company. Which of the following would be the best way to decide on categories in this industry?

- A. By supplier
- B. By spend
- **C. By part**
- D. Alphabetically

Answer: C

Explanation:

In the automobile industry, the most logical method for structuring categories is by part. Large manufacturing organisations, such as Ford or Toyota, procure thousands of parts and materials from hundreds of suppliers. To manage this complexity effectively, they segment procurement responsibilities into categories such as engines, tyres, glass, electronics, or body frames. This allows Category Managers to develop deep expertise in their assigned areas, improving supplier relationships and value delivery.

Other approaches are less effective:

* Alphabetical categorisation is impractical and arbitrary, providing no strategic value.

* By spend creates imbalances, as high-value categories would attract disproportionate workload and risk, leaving others underrepresented.

* By supplier could lead to inefficiency and over-fragmentation, as suppliers often provide multiple types of products.

The study guide stresses that categorisation must allow procurement teams to be efficient, balanced, and capable of strategic focus.

By organising categories by part, managers can align more closely with engineering and production needs, ensuring better cross-functional collaboration.

[Ref: CIPS L5M6 Study Guide, p.3 - Defining categories in Category Management]

NEW QUESTION # 43

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

Answer: A

Explanation:

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

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