

L4M5 Visual Cert Test - L4M5 Exam Tutorial

Commercial Negotiation	
Topic 1	Understand key approaches in the negotiation of commercial agreements with external organisations
Topic 2	Sources of justification that can arise in the work of recruitment and supply
Topic 3	Definition and classification of commercial negotiations
Topic 4	Marketing orientation and influence on commercial negotiations
Topic 5	Commercial negotiations in the context of international regulations
Topic 6	Setting a sales price, and defining the variables for price and cost capitalisation
Topic 7	Use of electronic telecommunication or web-based meetings
Topic 8	Setting targets and drawing a line of argument for a negotiation agreement (the line)
Topic 9	Contingent value and contingent approaches to negotiations
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CIPS Commercial Negotiation Sample Questions (Q84-Q89)	
TEST QUESTIONS	
TEST QUESTIONS	
<p>Which of the following is not usually a reason why a supplier charges its customer higher prices after it has reached a fixed price point?</p>	
<p>A. The supplier may have received a quantity discount B. Supplier wants to encourage buyer's demand C. Supplier may be forced to pay new factors to deal in increasing consumer's demand D. Supplier may have high fixed cost, variable cost ratio</p>	
Answers: C	
Explanation:	
<p>Supplier may want to encourage buyer's demand if the buyer tends to prefer lower price. If supplier wants to encourage consumer's demand, it needs to offer discount at bulk amount. So this option is not acceptable.</p>	
<p>Supplier may have high fixed cost, variable cost ratio. Supplier with high fixed cost will have high margin to break even. But once achieved, it may be able to offer discount again. So this option is not acceptable.</p>	
<p>Supplier may have high fixed cost, variable cost ratio. When economy of scale is reached, cost per unit will be minimum when other areas will have more variable cost.</p>	
<p>Supplier may want to deal in increasing consumer's demand. Increasing consumer's demands may excess supplier's storage capacity. Therefore, supplier may need a solution</p>	

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One of the key benefits of the CIPS L4M5 Exam is that it is highly practical and industry-focused. L4M5 exam is designed to equip procurement professionals with the skills and knowledge they need to succeed in real-world negotiations. It covers a range of scenarios that professionals may encounter during commercial negotiations, including negotiating with suppliers, customers, and internal stakeholders. The CIPS L4M5 Exam also provides an understanding of the legal and ethical considerations that need to be taken into account during negotiations.

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CIPS Commercial Negotiation Sample Questions (Q44-Q49):

NEW QUESTION # 44

A senior buyer analyses the supply market and he realises that his organisation is treated as Exploit according to supplier's perspective model. What does he need to do?

- A. Pay the suppliers on time
- B. Raise the transactional costs to do business
- C. Adopt opaque processes
- D. Increase the spend value

Answer: A

Explanation:

The supplier's perspective model has two axes: Spend value and Attractiveness:

Chart, table Description automatically generated

Exploit is the quadrant where the buyer has high spend but low attractiveness. Overarching supplier objective would be: "Milk this customer and charge a high price to compensate for all the pain they put us through".

The buyer should increase its attractiveness to raise the position to Core customer. To do this, a buyer may:

- Simplify procurement processes
- Simplify contracting processes
- Use clear and concise documentation
- Eliminate onerous supplier terms and conditions
- Make the payment on time
- Use transparent processes
- Promote ethical behaviours

LO 1, AC 1.4

NEW QUESTION # 45

According to Fiona Dent and Mike Brent, which of the following are characteristics of Push approach? Select TWO that apply.

- A. Seeking commitment
- B. Directive
- C. Collaborative
- D. Persuasion
- E. Inspirational

Answer: B,D

Explanation:

According to the book 'Influencing: Skills and techniques for business success' by Fiona Dent and Mike Brent, there are two major influencing styles. Push tends to be directive. It tells, and is clear and resolute, but needs to be employed in situations where firmness is required because of difficulties that exist or weakness is evident.

Pull is more participatory and collaborative. It seeks to incorporate everyone's perspective. It can appear wishy-washy if not skilfully employed. That approach should be followed which is most likely to secure commitment and not mere compliance.

The two divisions can be further divided into four style categories: directive; persuasive reasoning; collaborative - team oriented, people oriented to inspire them with a vision. The directive style relies on your expertise and reputation being respected by others, and where there really does seem to be one answer. It is "I" driven whereas persuasive reasoning is more "we" and issue driven.

Directive styles can make the user appear as "a bull in a china shop"; persuasive reasoning can be portrayed as tough guy.

Collaborative influencing takes the "we" element further and seeks to mobilise everyone's ideas in a journey of discovery. It may have the flavour of "I'm your best friend", which may not go down too well. Visioning style is concerned to stir people's emotions in support of achieving an objective. This last one has been used by demagogues to stir people's hearts and minds for evil purposes as well as good.

A useful table offers the benefits, problems, words and body language associated with each style along with advice on when to use and when to avoid each. Cases and exercises illustrate these styles.

Empathy comes in for extended treatment with the definition of "standing in the other's shoes". This does not necessarily happen just intuitively, and therefore before a specific influencing effort there should be an intense effort to think about the other person or persons and to sense what it might feel like to be them - their hopes, fears, concerns, what turns them on, what turns them off, where

are they coming from.

NEW QUESTION # 46

Which of the following are types of questions that are useful in opening and testing phases of a negotiation?

Select the TWO that apply.

- A. Open
- B. Closed
- C. Leading
- D. Narrow
- E. Probing

Answer: A,E

Explanation:

In the opening phase, parties should confirm understanding and get the issues on the table.

The testing phase is an information gathering stage where the hypothesis and assumption you have made in the planning stage can be tested or confirmed or disproved.

Opening questions (those that start with 'what', 'how', 'why') are used at the opening and testing stages to uncover needs and underlying motives, and to allow the buyer to get a feel of what is in store in the negotiation.

Probing questions are also useful to check that the supplier fully understand their offering, as well as your needs, and can also be used to communicate to the supplier that you know this category well. These questions are typically useful at the opening and testing stages.

NEW QUESTION # 47

An automotive company purchases high quality steel to produce components. The steel is an important raw material and the contract value is enormous. They sources the steel from oversea and contact some potential suppliers. One of the potential suppliers invites the procurement team to their premise for a new business opportunity. Should the procurement team accept the invitation?

- A. Yes, because the visit would increase the buyer's bargaining power
- B. No, because negotiating over telephone is enough to collect information on supplier's capability
- C. No, because the travel would incur unnecessary costs
- D. Yes, because this is an opportunity to assess the supplier's capacity

Answer: D

Explanation:

Explanation

In the scenario, the value of contract as well as the importance of purchased item justify the procurement's travel. Visiting a supplier at their HQ or operational facility may facilitate the procurement team in assessing, albeit briefly, the culture of the organisation, how busy they seem and how staff engage with each other. A visit is a good opportunity to assess supplier's capacity.

LO 2, AC 2.2

NEW QUESTION # 48

A garden furniture supplier currently in negotiations for a high-value contract has offered the procurement manager a visit to their site. The supplier suggests that during this visit, they can undertake the contract negotiation. What would be an appropriate response from the procurement manager?

- A. Decline the offer as it would take too much time to go and visit the supplier
- B. Accept the offer as this would save time. A supplier visit and negotiation could be done at the same time
- C. Accept the offer as this would be an ideal opportunity to see what the supplier can offer and will provide the supplier with familiarity while negotiating
- D. Decline the offer as negotiating while on a site visit will provide the supplier with an unfair advantage because they will be in a familiar environment

Answer: D

Explanation:

Negotiating in the supplier's environment (their site) can unintentionally shift the power dynamic. The supplier may gain a psychological edge due to the comfort and control of their surroundings. Best practice recommends holding negotiations in a neutral setting to ensure balance and reduce any influence based on physical context. While site visits are beneficial for supplier evaluation, they should be separate from the negotiation to maintain objectivity.

Reference: L4M5 Commercial Negotiation 2nd edition (CORE), Section 3.4 - Controlling the Environment of Negotiation

NEW QUESTION # 49

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