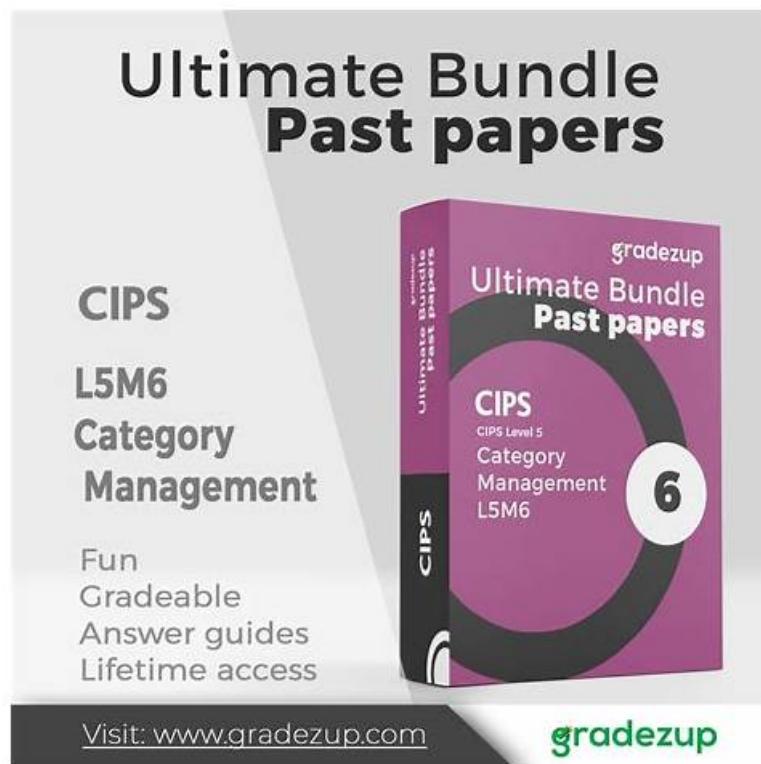


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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	<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.
Topic 2	<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 3	<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.

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CIPS Category Management Sample Questions (Q31-Q36):

NEW QUESTION # 31

Which category of spend item would be most suitable to purchase through an e-auction?

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

Answer: D

Explanation:

Leverage items [low supply risk, high financial impact] are best suited for e-auctions. Buyers can use competitive bidding to drive down prices when multiple suppliers exist.

By contrast:

- * Bottleneck items [low value, high supply risk] are not suited as choice is limited.
- * Strategic items require partnership and collaboration, not price-only competition.
- * Non-critical items don't justify the effort of auctions.

[Ref: CIPS L5M6 Study Guide, p.97 - Kraljic Portfolio Matrix]

NEW QUESTION # 32

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

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

Answer: A,C

Explanation:

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 # 33

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

**Chartered Institute of
Procurement & Supply**

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

Answer:

Explanation:

Trydo Ltd - Drag & Drop Table

**Chartered Institute of
Procurement & Supply**

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



Chartered Institute of
Procurement & Supply

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 # 34

Yvonne is the Lead Negotiator for her Category. She is renewing a contract with an existing supplier and her negotiation technique is based on being passionate and creating a shared sense of purpose. Which negotiation style does she employ?

- A. Inspire
- B. Empathy
- C. Logic
- D. Confidence

Answer: A

Explanation:

The correct answer is Inspire. According to the negotiation styles outlined in the L5M6 study guide, the Inspire style is based on passion, motivation, and creating a sense of shared purpose between buyer and supplier. It focuses on appealing to the values and aspirations of the other party, encouraging collaboration and commitment beyond transactional goals.

Unlike logic [which relies on rational arguments and data] or confidence [which emphasizes authority and assertiveness], inspire creates an emotional connection that fosters trust and long-term cooperation. Empathy is another style that focuses on understanding the other party's position but does not carry the motivational dimension of "inspire." For category managers, using an inspire style can be particularly powerful when renewing contracts with long-term suppliers where collaboration, innovation, and trust are critical to value creation. It demonstrates leadership and ensures both sides are committed to mutually beneficial outcomes.

[Ref. CIPS L5M6 Study Guide, p.67 - Negotiation styles in category management]

NEW QUESTION # 35

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

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

Answer: A,C

Explanation:

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 # 36

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