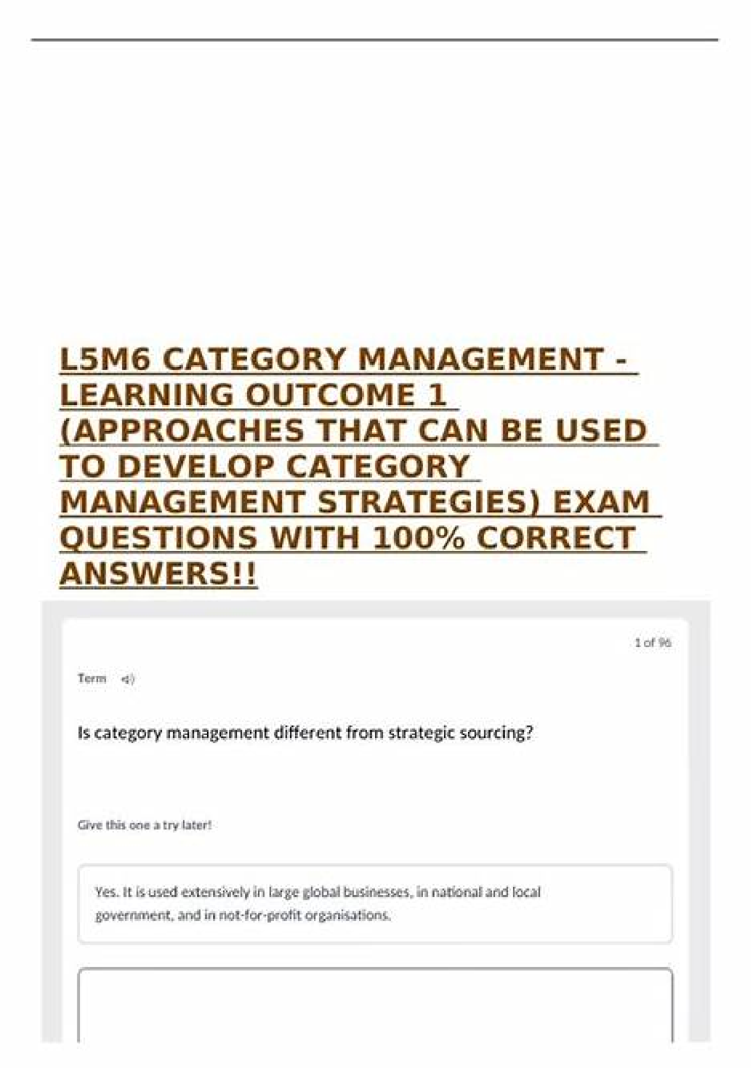
100% Pass Quiz 2026 L5M6: Category Management–Valid Exam Objectives



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CIPS L5M6 Exam Syllabus Topics:

Topic	Details
Topic 1	• 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 2	• 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 3	• 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.

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CIPS Category Management Sample Questions (Q65-Q70):

NEW QUESTION # 65
What name is given to an item or business which has both low market share and low growth?

- A. Question mark
- B. Cash cow
- C. Dog
- D. Star

Answer: C

Explanation:
In the BCG Growth-Share Matrix, a dog is a business unit or product that has both a low relative market share and a low growth rate. Such items typically generate low or no profits and are often seen as candidates for divestment or discontinuation. Unlike cash cows which generate strong cash flow despite slow growth, or stars which dominate high-growth markets, dogs occupy a weak position in the portfolio. Managing these categories strategically is critical because maintaining them often consumes more resources than the value they return. Organisations need to assess whether retaining these products provides any strategic advantage, such as complementing other offerings, or whether resources should be reallocated. This is why category managers use tools like the BCG Matrix to evaluate the positioning of spend categories and align them with organisational strategy.
Reference: CIPS L5M6 Study Guide, p.117

NEW QUESTION # 66
Which of the following approaches to managing cost, common in Category Management, results in the most reduced costs from suppliers and increased value?

- A. Cost-out
- B. Price management
- C. Price acceptance
- D. Cost-down

Answer: A

Explanation:
Cost-out is the most effective approach for reducing supplier costs while increasing value. It involves redesigning products or services collaboratively with suppliers to eliminate costs before they occur. For example, altering product design to use fewer materials can reduce overall costs without compromising quality. This differs from price acceptance (simply accepting a supplier's

offer), price management (controlling or negotiating pricing), or cost-down (gradual cost reduction). Cost-out is proactive and strategic, focusing on long-term value creation rather than short-term savings. For category managers, adopting cost-out strategies requires close supplier collaboration, innovation, and joint investment in process improvements.
Reference: CIPS L5M6 Study Guide, p.79

NEW QUESTION # 67
Claudio wants to limit risks from supplier financial instability. Which two actions are most effective?

- A. Have contingency plans in place
- B. Use fewer suppliers
- C. Limit spend with one supplier to 30% of external spend
- 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 # 68
In a Sourcing Business Model, stakeholders must answer key questions to determine the right model.
Which are the most important?

- A. How much risk does the company wish to take?
- B. What is the most appropriate contractual relationship?
- C. What factors form part of the total cost of ownership?
- D. What is the most appropriate economic model?

Answer: B,D

Explanation:
In deciding the correct Sourcing Business Model, stakeholders must clarify two fundamental issues:
* The most appropriate contractual relationship [C]: This could be transactional [short-term, cost- focused], relational [long-term collaboration], or investment-based [joint ventures, alliances]. The choice defines how risks and rewards are shared with suppliers.
* The most appropriate economic model [D]: This determines the pricing and performance framework, e.g., transactional [pay-per-unit], output-based, or outcome-based [pay-for-results].
Options A and B are important but secondary considerations. Risk appetite and TCO factors are inputs to decision-making, but the contractual and economic models define the overall sourcing structure.
This reflects the study guide's emphasis that sourcing models should be tailored to category complexity and business objectives.
Using the wrong model can undermine supplier relationships and value delivery.
[Ref: CIPS L5M6 Study Guide, p.32 - Key questions in Sourcing Business Models]

NEW QUESTION # 69
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. No - All categories are equally as important to the business
- C. Yes - A larger spend signifies that the category is buying larger volumes of items than other categories
- D. No - This fails to address the importance of the item to the organisation's service / product

Answer: D

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

NEW QUESTION # 70
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