

Quick Preparation with CIPS L4M2 Questions

CIPS L4M2 Exam Questions

Question: 1

The position of a product in its life cycle can affect the price that suppliers set. Is this statement correct? - correct answer A. No, in market economy, the state decides the price of all goods and services

B. Yes, each stage in product life cycle requires different levels of investment in promotion and distribution

C. No, customer's perception of value is the ultimate determinant of the suppliers' price

D. Yes, it is always the only factor determining the price

Question: 2

A CPO is making a business case for acquiring a new computer system. He has set out objective, generated options, cost and benefit of each option and implementation plan. Which of the following elements should be included in the business case? - correct answer A. Risk assessment

B. Operation management

C. Invitation to tender

D. Contract management

Question: 3

What is the document that defines the activities, deliverables and timelines a supplier must carry out during contract performance? - correct answer A. Statement of work

B. Project initial document

C. Framework agreement

D. Work instruction

Question: 4

A procurement manager is writing a conformance specification for a non-core component. She thinks that if the requirements in specification are higher than ISO standards, her company can achieve greater cost-savings. Is the procurement manager's opinion correct? - correct answer A. No, because higher specification may incur additional costs for the buyer

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CIPS Defining Business Needs Sample Questions (Q150-Q155):

NEW QUESTION # 150

An internal stakeholder has requested advice on how to draft an effective set of project specifications.

Which of the following responses are appropriate?

1. Encourage internal stakeholders to collaborate and share insights for better specification development
2. Draft specifications that include additional requirements outside of the initial scope to ensure added value can be demonstrated
3. Keep specification details restricted and limit engagement to maintain a competitive advantage
4. Regularly review and update specifications to adapt to industry changes and technological advancements

- A. 3 and 4
- B. 1 and 4
- C. 2 and 3
- D. 1 and 2

Answer: B

NEW QUESTION # 151

Which of these are variety reduction initiatives? Select the THREE that apply.

- A. Identifying where Items have similar characteristics
- B. Looking at how frequently each item in a range is used
- C. Drawing up performance or conformance specifications
- D. similar items various specifications/descriptions
- E. Identifying items which can be substituted for each other
- F. Making multiple small regular orders of variant items

Answer: A,B,E

NEW QUESTION # 152

When analyzing direct and indirect costs of potential suppliers for negotiations and planning purchasing budget, the procurement manager collects reports from specialist organisations like Mintel, Gartner and Forrester. Which kind of information source is used by the procurement manager?

- A. RFI
- B. Technical data
- C. Market data
- D. Company annual report

Answer: C

Explanation:

Using Porter's value chain helps procurement professionals know what are direct and indirect costs of supplier. Information on direct and indirect costs will have been collected as part of the market analysis.

Information sources that may help include the following:

- Company annual reports
- Market data
- Technical data
- Request for information
- Plan visits
- Discount lists

Market data is the information that is collected and analysed by specialist organisations like Mintel, Gartner, Forrester,...

Reference: CIPS study guide page 98-105

LO 2, AC 2.3

NEW QUESTION # 153

Which of the following statements is true about product life cycle?

- A. The price remains static throughout the product life cycle

- B. Sale volume will be the highest at the introductory stage
- C. If price skimming is adopted, the supplier will gradually lower the price when it attracts enough buyers
- D. The price competition will be the fiercest at the declining stage because the inventories are plentiful

Answer: C

Explanation:

A product's life cycle portrays the length of time a product is in the market; from the beginning of its introduction to consumers until it is removed from shelves and phased out. This cycle is often divided into four phases: introduction, growth, maturity, and decline.

Depending on the relevant stage, companies will set an according strategy to achieve their desired targets. Pricing and promotions play a pivotal role in the design of these product life cycle strategies. Therefore, product life cycle management, the process of strategizing ways to continuously support and maintain a product, is seen more and more at pricing mature players and could bring real value to your company.

Introduction phase: during the introduction phase, the new product is introduced to consumers and a substantial amount of money is invested in advertising and marketing campaigns to bring awareness of the product to the customer. In this phase competition is low, but units sold will also correspondingly be quite low as well still. Consumers need to be convinced of the benefits of the product.

Lots of articles never make it beyond this phase: e.g. 3D televisions.

Profits in the introduction stage tend to be low or there may even be a loss. This is because the cost of marketing to establish product awareness plus distribution costs can be far higher than the revenue received from sales. This can be offset to a degree by 'skimming' price in the very early stages. Skimming a price is where a business charges the highest price that it thinks the market will bear initially until product recognition brings in other buyers and then the price drop.

Growth phase: when it's shown there is proven demand for the product and consumers are buying it, the next stage will be its growth phase. This phase is punctuated by increasing demand, increasing production and an increase in the competitive landscape.

Availability of the product is understandably paramount during this phase, going out of stock is unthinkable during the growth period.

The electric car is an example of a product that is currently in the midst of the growth phase.

Maturity phase: normally the maturity phase is the phase that is characterized by declining production and marketing costs due to synergies and economies of scale. During this phase the first signs of market saturation occur and most consumers or households already own the product. Sales numbers still grow, but at a slower pace. In the maturity phase, price competition becomes intense, a broader range of distribution channels are deployed and competition is more focused on competitive pricing, marginal product differences or the difference in services or promotions. This period in the PLC is often said to be the 'cash-cow period'.

That being said, the idea of 'Maturity from the start' also exists. This occurs when a brand decides to launch a product extension and directly follows up the maturity phase of an earlier version of the product. For example, the iPhoneX followed up from the 'normal' iPhone-series and therefore the iPhoneX never had to undergo the introduction or growth phase, but immediately started in its maturity phase.

Decline phase: the final phase of the PLC is entered once the product loses market share to other, newer products and the competitive landscape becomes too hard to survive. During this stage, demand declines, companies are left with overstock with prices and margins getting depressed. Therefore retailers and brands normally start stunting with promotions during the decline of the PLC to sell their final stock.

A well-known example of a product that has been through the decline phase were the Nokia phones; sales results dramatically decreased after the introduction of the iPhone.

Reference:

- CIPS study guide page 90
- Adjusting your Pricing Strategy to the Product Life Cycle Stage (omniaretail.com)
- Price Skimming Definition (investopedia.com)

LO 2, AC 2.2

NEW QUESTION # 154

Warwickshire Ambulance Service (WAS) is an NHS Trust. It operates throughout Warwickshire and the neighbouring areas. It has three core areas of activity, namely the provision of Emergency Ambulance Services, routine Patient Transport Services, and Logistic Medical Services. The agency is working towards higher service level through benchmarking. Which of the following is the benefit of benchmarking to WAS?

- A. It will help WAS analyse the competitors in the industry
- B. It helps WAS identify better ways to deliver service through a cookbook process
- C. Benchmarking is a panacea for all WAS's problems
- D. It will help WAS create performance standards derived from an analysis of the best in business

Answer: D

Explanation:

Benchmarking is 'the pursuit by organisations of enhanced performance by learning from the successful practices of others.

Benchmarking is a continuous activity; key internal processes are adjusted, performance is monitored, new comparisons are made with the current best performers and further changes are explored.

Where information about these key processes is obtained through a co-operative partnership with specific organisations (rather than via a third party such as an independently-maintained database), there is an expectation of mutual benefit over a period of time.

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Successful benchmarking will help you . . .

- find who does the process best and close the gap.
- recognize the leading organizations in a process or activity.
- create performance standards derived from an analysis of the best in business.
- ensure that comparisons are relevant.
- measure your performance, your processes, and your strategies against best in business.
- measure business processes.
- assess performance over time.
- accelerate continuous process improvements (CPI).
- establish more credible goals for CPI.
- establish actionable objectives.



Graphical user interface, text, application, email Description automatically generated

- establish customer expectations of business standards set by the best suppliers in industry.
- help your organization achieve breakthrough improvements.
- create a sense of urgency for change.
- increase customer satisfaction.
- become direction setting.
- provide a positive, proactive, structured process.



The Department of the Navy Benchmarking Handbook: A Systems View
Chartered Institute of Procurement & Supply

