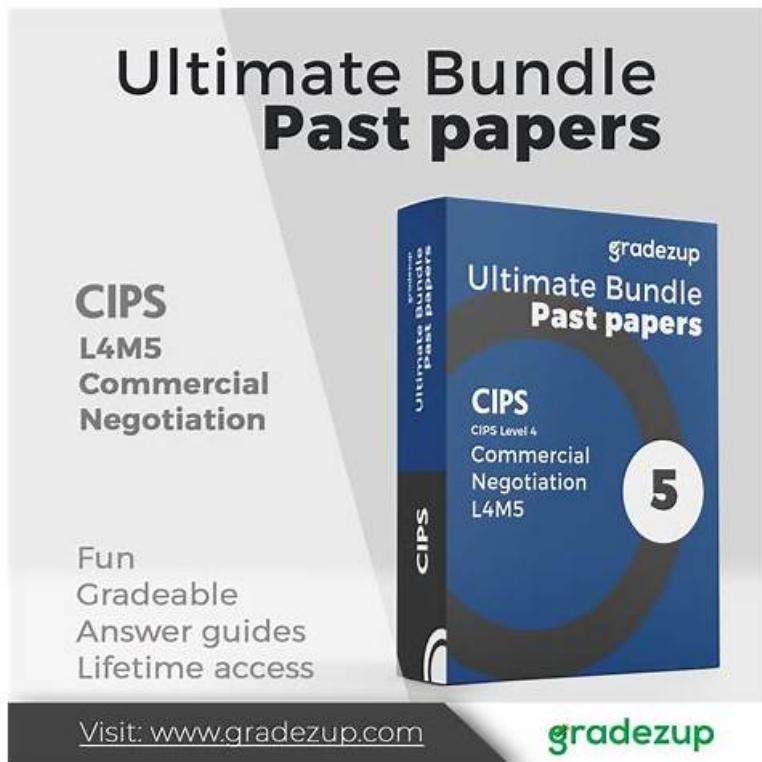


Latest Updated CIPS Reliable L4M5 Test Camp: Commercial Negotiation



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CIPS L4M5 (Commercial Negotiation) Exam is an important exam for procurement professionals looking to enhance their negotiation skills. L4M5 exam is designed to assess the candidate's competency in commercial negotiation, which is a crucial skill for procurement professionals in today's business environment. L4M5 Exam covers a wide range of topics related to commercial negotiation, such as planning, preparation, communication, and problem-solving.

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CIPS L4M5 exam covers a range of topics related to commercial negotiation, including the negotiation process, negotiation styles, tactics and strategies, communication, and relationship management. L4M5 exam is divided into two parts, with the first part consisting of a multiple-choice question paper and the second part being a case study-based assessment. L4M5 Exam is designed to assess the candidate's ability to apply their knowledge and skills to practical scenarios, as well as their understanding of the principles of commercial negotiation. Upon successful completion of the exam, candidates will receive a globally recognized certification that demonstrates their expertise in commercial negotiation.

CIPS Commercial Negotiation Sample Questions (Q247-Q252):

NEW QUESTION # 247

The buyer's bargaining power tends to be relatively higher than supplier's bargaining power in which of the following circumstances?

- A. The buyer's demand is so urgent that it can't be postponed
- B. The buyer is large in size relative to its suppliers
- C. The buyer's spend takes up a small proportion of supplier revenue
- D. The buyer does not have the option to move to an alternative supplier

Answer: B

Explanation:

Buyer power gives customers/consumers (buyers) the ability to squeeze industry margins by pressuring firms (the suppliers) to reduce prices or increase the quality of services or products offered.

There are four major factors to consider when determining the bargaining power of buyers:

1. Number of buyers relative to suppliers: If the number of buyers is small relative to that of suppliers, the buyer's power will be stronger.
2. Dependence of a buyer's purchase on a particular supplier: If a buyer is able to get similar products/services from other suppliers, buyers depend less on a particular supplier. Therefore, the power of the buyer would be greater.
3. Switching costs: If there are not many alternative suppliers available, the cost of switching is high. Therefore, buyer power would be low.
4. Backward Integration: If the buyer is able to integrate or merge suppliers, the buyer has greater bargaining power over the existing suppliers.

When is Bargaining Power of Buyers High/Strong?

There are fewer buyers relative to that of suppliers

The switching costs of the buyer are low

If the buyer is able to backward integrate

The buyer purchases product in bulk (high volume)

The buyer is able to get similar products/services from other suppliers

The buyer purchases the majority of the seller's products

Several substitutes are available on the market

Product is not differentiated

NEW QUESTION # 248

Professional buyer is planning for the next negotiation of a simple one-off contract. This negotiation is typified by which of the following? Select TWO that apply.

- A. Vendor ratings will be used
- B. Continuous dialogue with supplier
- C. Pricing is the most important criterion
- D. Arm's-length approach
- E. Total cost of ownership is the most important criterion

Answer: C,D

Explanation:

Professional buyers, when planning or engaging in negotiation with suppliers, should always be aware of where the intended and actual relationship with this supplier is positioned on the 'spectrum' or 'continuum' of commercial relationships. The relationship spectrum describes the range of commercial relationships between a buyer and supplier based on richness of communication, longevity and mutual dependence.

Timeline Description automatically generated



Establishing the most appropriate commercial relationship is key to delivering superior value

In the question, the contract is simple one-off (or spot buy), which means the relationship will likely to be more transactional. In such relationship, price is the most important criteria and buyer may adopt arm's-length approach.

NEW QUESTION # 249

Which of the following are most likely to be fundamentals of Fisher & Ury's principled negotiation?

1. Depersonalise the argument
2. Focus on positions
3. Generate creative options
4. Using subjective criteria

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

Answer: A

Explanation:

Principled negotiation is based on four fundamentals: people, interest, options and criteria:



Diagram Description automatically generated

1st Principle: separate the people from the problem: Negotiator should depersonalise the situation and accepting that the subject matter of the negotiation. This can be difficult for untrained negotiators, but this is a key skill to develop

2nd principle: focus on interests, not positions: It is important in principled negotiations not to focus on their parties' positions (what are expressed during negotiations), but on the interests (underlying needs) behind them

3rd principle: invent options for mutual gains: this principle aims to help the parties find a solution that both would benefit from. The more options - or tradeables - that can be brought to the table the better.

4th principle: insist on using objective criteria: is about making sure that the negotiation stays focused on outcomes based on objective criteria and that it is productive.

LO 1, AC 1.2

NEW QUESTION # 250

Which of the following is the most appropriate approach to investors or shareholders who have high level of influence but low interest in the running of business?

- A. Manage them closely
- B. Engage and consult with them regularly
- **C. Engage and keep them satisfied**
- D. Keep these people informed through general communication media

Answer: C

Explanation:

Investors or shareholders who have high level of influence but low interest belong to 'Keep satisfied' quadrant of Mendelow's Stakeholder Matrix.

You may read 2 versions from L4M1 and L4M5 here:

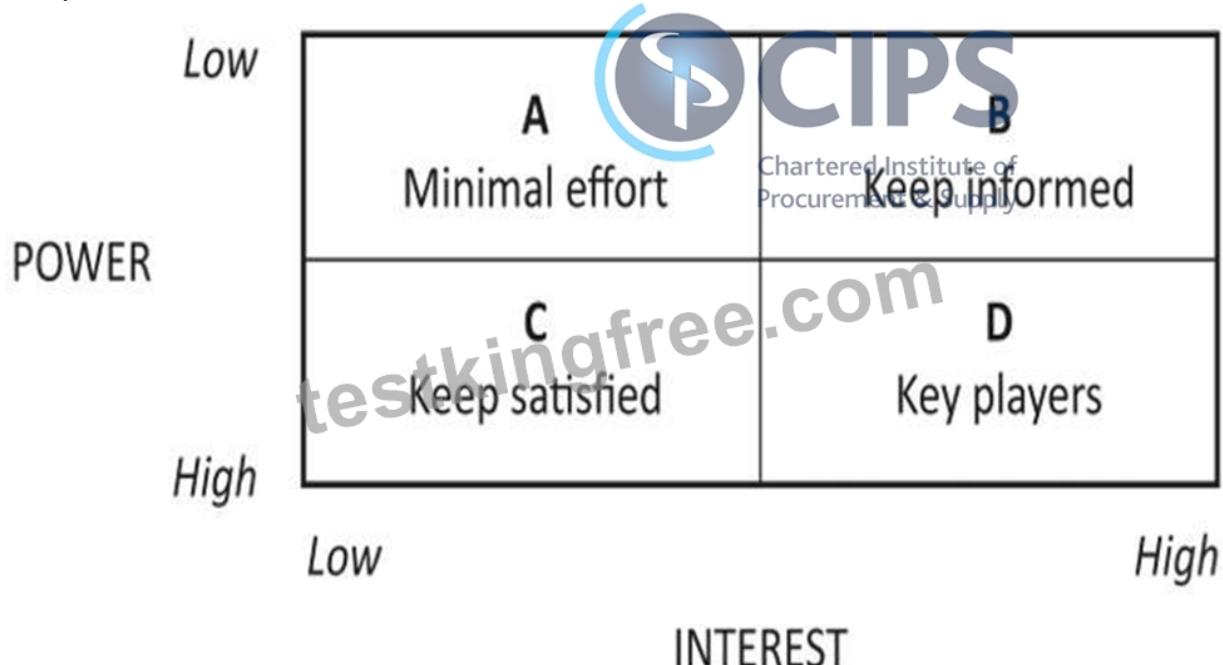


Table Description automatically generated

Level of influence	Engage	Involve
High ↑	Engage and consult on their area of interest. Aim to increase their level of interest so that they become key players.	These are key players so focus your efforts here. Involve these people in governance or decision-making forums. Engage and consult with them regularly.
Level of interest	Build awareness	Inform
Low ↓	Keep these people informed through general communication media, e.g., newsletters, the company website, etc.	Make use of their interest through their involvement in low-risk areas. Keep informed and consult on their area of interest. These people are potential supporters or goodwill ambassadors.

LO 1, AC 1.1

NEW QUESTION # 251

Which of the following is a description of mark-up?

- A. Profit expressed as a percentage of variable costs

- B. Profit expressed as a percentage of costs
- C. Profit expressed as a percentage of the selling price
- D. Profit expressed as a percentage of fixed costs

Answer: B

Explanation:

Mark-up is defined as profit expressed as a percentage of the cost. It calculates the profit margin based on the cost price rather than the selling price, which allows companies to determine how much they are earning over their production or purchase costs. This aligns with standard accounting and CIPS definitions of mark-up in procurement contexts.

NEW QUESTION # 252

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