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CIPS Category Management Sample Questions (Q64-Q69):

NEW QUESTION # 64

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.

Answer:

Explanation:

Explanation:

Output image

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 # 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. Star
- D. Dog

Answer: D

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

Frankie Burgers operates in the UK and USA. One supplier holds a monopoly, but the item supplied is low cost. According to the Kraljic Matrix, which type of item is this?

- A. Strategic
- B. Bottleneck
- C. Routine
- D. Leverage

Answer: B

Explanation:

This item is classified as a Bottleneck item in the Kraljic Portfolio Matrix. Bottleneck items are low-value in terms of spend but carry high supply risk, often because there are very few suppliers or a monopoly situation.

In this case, Frankie Burgers faces a monopoly supplier, meaning supply risk is high. Even though the item is low cost, its unavailability could disrupt operations, creating significant vulnerability.

By contrast:

- * Leverage items are high-value but low risk, suited for competitive sourcing.
- * Strategic items are high-value and high-risk, requiring partnerships.
- * Routine items are low-value and low-risk, suitable for automated procurement.

Category managers facing bottleneck items often mitigate risk through strategies such as developing alternative suppliers, stockpiling, or long-term contracts to secure continuity of supply.

[Ref: CIPS L5M6 Study Guide, p.157 - Kraljic Matrix applications]

NEW QUESTION # 67

In mitigating risks within the supply chain, which two factors should be assessed when evaluating potential risks?

- A. People involved
- B. Location
- C. Cost
- D. Severity
- E. Likelihood

Answer: D,E

Explanation:

The two most important factors when assessing supply chain risks are Severity and Likelihood. These are typically measured on a scale [e.g., 1-5], with the product of the two giving a risk score.

* Severity measures the potential impact on the organisation if the risk materialises. For example, supplier insolvency may severely disrupt operations.

* Likelihood assesses the probability of the event occurring.

The combination of severity \times likelihood determines whether a risk is low, medium, or high, and informs mitigation strategies.

Other options are less central:

* Location may influence likelihood but is a sub-factor.

* People involved is not a formal assessment criterion.

* Cost can be a consequence but is part of severity, not a separate factor.

Using severity and likelihood ensures risks are prioritised based on both impact and probability, allowing category managers to allocate resources effectively.

[Ref: CIPS L5M6 Study Guide, p.40 - Risk assessment and mitigation protocols]

NEW QUESTION # 68

Polygon Ltd is a buyer of components. Jeff, a Category Manager at Polygon, is analysing buyer strength in this marketplace to determine his procurement strategy. Which of the following would increase buyer strength?

- A. Low levels of substitute
- B. Fewer suppliers in the marketplace
- **C. Placing larger order quantities**
- D. High level of inflation

Answer: C

Explanation:

Buyer strength increases when order volumes are large, as this gives leverage in negotiations and can improve pricing and terms. The other options do not necessarily strengthen buyer power.

Reference: CIPS L5M6 Study Guide, p.112

NEW QUESTION # 69

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