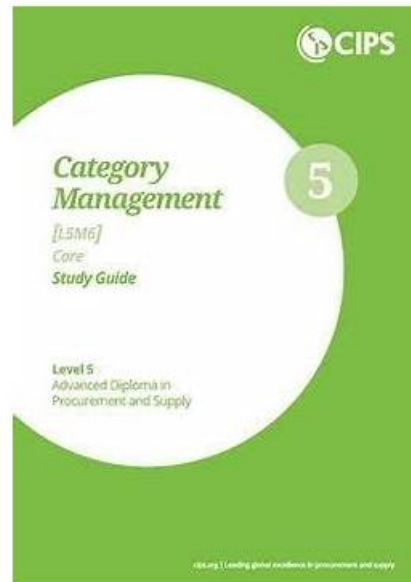


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that you need to learn, prepare and pass the challenging L5M6 exam with good scores.

## CIPS Category Management Sample Questions (Q51-Q56):

### NEW QUESTION # 51

Which of the following is NOT one of Cialdini's principles of persuasion?

- A. Authority
- B. Scarcity
- C. Inducement
- D. Reciprocity

**Answer: C**

Explanation:

The correct answer is Inducement, which is not one of Cialdini's principles. The seven principles are:

- \* Reciprocity - people return favours.
- \* Commitment/Consistency - people stick with commitments.
- \* Social Proof/Consensus - people follow others.
- \* Authority - people respect expertise.
- \* Liking - people are influenced by those they like.
- \* Scarcity - people value what is limited.
- \* Unity - people are influenced by shared identity.

Cialdini's framework is widely applied in procurement negotiations and stakeholder management. For instance, demonstrating scarcity can strengthen a supplier's case for urgency, while using authority enhances credibility during negotiations.

Understanding these principles allows category managers to influence stakeholders and suppliers effectively, building alignment and driving successful outcomes.

[Ref: CIPS L5M6 Study Guide, p.66 - Cialdini's Principles of Persuasion]

### NEW QUESTION # 52

James works for an online retailer and has recently completed a Pareto analysis of customer complaints. He found that the top two issues were website errors and incorrect product codes. However, he is aware there are weaknesses in Pareto analysis. Which of the following are true? Select TWO.

- A. Further analysis will be needed to produce results
- B. There is no insight into root cause
- C. Pareto uses qualitative data only
- D. Pareto only identifies 20% of the issues

**Answer: A,B**

Explanation:

Pareto Analysis identifies the "vital few" issues that cause the majority of problems, usually presented as the 80/20 rule. While it is useful for prioritisation, its limitation is that it only highlights the frequency of issues and not the root causes behind them. In James's example, identifying that "website errors" are the top cause of complaints is useful, but it doesn't explain why the errors occur. Therefore, further investigation such as root cause analysis or process mapping is required to implement corrective action. Another limitation is that Pareto analysis is based on quantitative data only, not qualitative, meaning it cannot capture customer perceptions or subjective insights. This reinforces the need to use Pareto in conjunction with other diagnostic tools for effective problem solving. In practice, category managers must use Pareto as a screening tool to highlight priorities and then follow with more detailed analysis to ensure improvements are sustainable.

Reference: CIPS L5M6 Study Guide, p.93

### NEW QUESTION # 53

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**

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



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**Answer:**

Explanation:

### Trydo Ltd - Drag & Drop Table



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



#### 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 # 54

At which stage in the Procurement Cycle can most value be added?

- A. Negotiate and award contract
- **B. Review**
- C. Supplier selection
- D. Specify requirements

**Answer: B**

Explanation:

CIPS highlights that the review stage of the Procurement Cycle offers the greatest opportunity to add value.

This is because it involves assessing whether objectives have been met, identifying lessons learned, and capturing continuous improvement opportunities. While specifying requirements and supplier selection are critical, the review stage ensures that outcomes are measured against expectations and future strategies are refined. For example, reviewing contract performance may reveal contract leakage or highlight areas where better supplier engagement could drive innovation. This feedback loop transforms procurement from a transactional process into a learning system. By institutionalising review mechanisms, organisations improve their resilience and ensure that procurement strategies evolve with business needs and market changes.

Reference: CIPS L5M6 Study Guide, p.42

#### NEW QUESTION # 55

A list of direct costs within a manufacturing organisation could be found on which of the following?

- A. SWOT Analysis
- B. Profit and Loss Account
- C. Specification
- **D. Bill of Materials**

**Answer: D**

Explanation:

A Bill of Materials [BoM] lists the components, raw materials, and parts required to produce a product.

These represent direct costs as they directly contribute to the finished item. While labour and overheads may also be direct costs, they are not usually in the BoM.

[Ref: CIPS L5M6 Study Guide, p.83 - Direct vs Indirect Costs]

#### NEW QUESTION # 56

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