

**CIPS Level 5 – Advanced Diploma in
Procurement and Supply
Module 6 – Category Management**

SAMPLE EXAM QUESTIONS

OBJECTIVE RESPONSE QUESTIONS AND ANSWERS

The correct answer will be identified as [key]

Q1. Which of the following plays a fundamental role in establishing categories when developing a category management strategy?

- a. Macro environmental audit
- b. Portfolio analysis**
- c. Relationship continuum
- d. Stakeholder mapping

LO: 3

AC: 3.2

Q2. The board of Educational Equipment Group (EEG) is concerned about the organisation's lack of adoption of innovative products. In the future, the board is keen that it considers substitute products and products from new market entrants wherever possible. Considering which of the following would directly help EEG in this respect?

- a. Contract management
- b. Performance measures
- c. Pareto analysis
- d. The specification**

LO: 2

AC: 2.2

Q3. A new manager has been appointed with responsibility for an organisation's highest spend category. They have a target to achieve savings and are keen to understand how best to do this without jeopardising product and service quality. Which of the following should they carry out first?

- a. Purchase price cost analysis**
- b. Macro environmental analysis
- c. Micro market analysis
- d. Open book costing

LO: 3

AC: 3.2

Q4. Which of the following are key behavioural skills required to implement category management?

1. Financial analysis
2. Team working
3. Effective communication
4. Risk management

- a. 1 and 2 only
- b. 3 and 4 only
- c. 2 and 3 only
- d. 1 and 4 only

LO: 1

AC: 1.3

Q5. A CPO has identified their key stakeholders as existing strategic suppliers and banks that have provided debt finance to the organisation? These stakeholders are:

1. connected
2. internal
3. external
4. secondary

- a. 1 and 2 only
- b. 2 and 4 only
- c. 1 and 3 only
- d. 3 and 4 only

LO: 3

AC: 3.2

Q6. A category manager has identified a number of 'bottleneck' suppliers on which the organisation has a high level of critical dependency. They plan to identify alternative sources of supply as a contingency. Is this the right course of action?

- a. No, these must be retained as single source only
- b. No, these contracts should be regularly put to e-auction
- c. Yes, because of their high-value savings can be exploited
- d. Yes, there must always be a back-up for high-risk supplies

LO: 3

AC: 3.2

Q7. Clients perceived as 'exploitable' by suppliers will always receive poor quality service. Is this true?

- a. No, because these clients generate high revenues
- b. Yes, because these clients have low value overall
- c. Yes, because suppliers will only focus on clients they wish to nurture
- d. No, because all low value clients are still attractive

LO: 3

AC: 3.3

Q8. Supply chain mapping is a useful tool for category managers to identify which of the following? Select **THREE** that apply.

- a. Cost savings
- b. New suppliers
- c. Risk reduction
- d. Stakeholder communications
- e. Value-add potential
- f. Changing demographics

LO: 2

AC: 2.2

Q9. A new category head (CH) has recently joined Health Care International (HCI), a large private healthcare organisation. The category management concept is new and a number of important stakeholders, within the organisation, have yet to fully embrace it. The CH has identified the stakeholders and has analysed their involvements and needs. They have so far had meetings with the two most important stakeholders. The first introduced themselves and immediately said to the CH 'I'm interested in what you're going to tell me, but just so you know I am the budget holder and ultimately I decide what happens'. The second stakeholder was less forceful saying 'Its good to meet you. I'm interested in hearing all about it and discovering what we can do to help each other'. These two stakeholders used different influencing techniques. Identify the two techniques.

1. Reciprocity
2. Scarcity
3. Consistency
4. Authority

- a. 1 and 2
- b. 3 and 2
- c. 3 and 4
- d. 4 and 1

LO: 3

AC: 3.2

Q10. The CPO of ZYX Technology Group (ZYXTG) has commissioned a study into the organisation's major categories of expenditure. Most of these are different components used in the manufacturing process and are sourced from different suppliers around the world.

Product 1 – ZYXTG achieves a good price and high levels of service from its supplier of this product. There are numerous suppliers of this product and it would be easy for ZYXTG to switch. The market is highly innovative and has changed considerably over the years. Suppliers have had to invest heavily in new systems and supporting hardware and software to keep pace with these changes.

Product 2 – Is more challenging for ZYXMG. This is a low-value but high-risk item and as such its spend on this product, relative to other organisations, is very low. ZYXMG's annual spend on the product is so low it often finds it difficult to receive any quotes at all when it issues an RFQ. It is a high risk product because it plays a vital role in reducing emissions.

Product 3 – The CPO has been nervous about the product for a while. It is a high-risk product and the internal client refuses to deal with any company unless it has a five year profitable track record. Furthermore, the supplier is based overseas and currency fluctuations can have a significant impact on pricing variations over the life of the contract.

Product 4 – The specification for this product is very technical, input-focused and based on conformance. As a result ZYXMG has become locked into the relationship with its supplier. The CPO is concerned because of demographic changes forecast by the sales and marketing team mean that the product requirements will need to be revised soon. A number of different analytical tools have been used in the process of gathering and assessing data in the completion of the study. Two of these are STEEPLED and Porter's Five Forces.

For each of the products, you are required to identify the most dominant factor relating to each of these two tools.

Choose from these options and drag and drop your answers into the table below. [8]

You can only use each option once.

Porter's Five Forces	STEEPLED
Bargaining power of buyers	Social
Bargaining power of suppliers	Technological
Competitive rivalry	Economic
Threat of new entrants	Environmental
Threat of substitute of products	Political
	Legal
	Ethical
	Demographic

Product	Porter's Five Forces	STEEPLED
1		
2		
3		
4		

[KEY]

Product	Porter's Five Forces	STEEPLED
1	Competitive rivalry	Technological
2	Bargaining power of buyers	Environmental
3	Threat of new entrants	Economic
4	Threat of substitute products	Social

LO: 2

AC: 2.2

SAMPLE QUESTIONS