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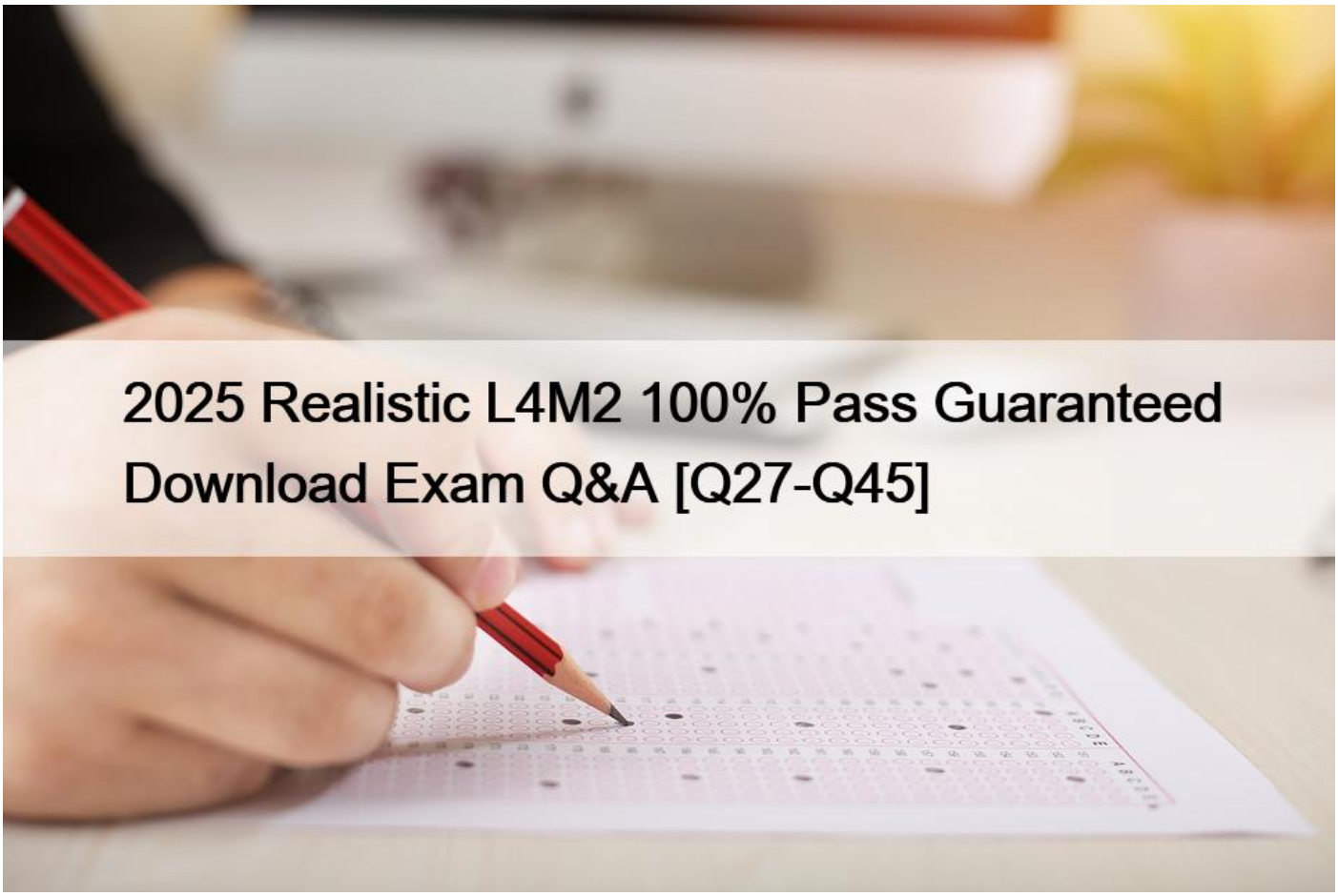

2025 Realistic L4M2 100% Pass Guaranteed Download Exam Q&A Accurate L4M2 Answers 365 Days Free Updates

Procurement professionals who pass the CIPS L4M2 certification exam demonstrate a deep understanding of the principles and practices of defining business needs. Defining Business Needs certification is ideal for professionals who are involved in procurement strategy development, supplier selection, and contract management. The CIPS L4M2 certification exam is recognized internationally and is highly valued by employers in the procurement and supply chain industry.

NEW QUESTION 27

Which of the following roles are relevant to a ‘services’ market?

* A data researcher

* A warehouse manager

* A marketing consultant

* A logistics director
* 1 and 2 only
* 2 and 3 only
* 3 and 4 only
* 1 and 3 only

Detailed Explanation:Roles such as a data researcher and marketing consultant are directly tied to the provision of services, which are intangible and often knowledge-driven. Warehouse managers and logistics directors are more relevant to goods markets.
Reference: CIPS Level 4, Services Procurement.

NEW QUESTION 28

A procurement organisation is keen to encourage innovation available within the supply market in the execution of an upcoming significant contract opportunity. A team member suggests that the specification should define the performance indicators so that supplier’s solution can be checked against them. Which of the following will enable the organisation to achieve this goal?

* Using an outcome focused specification
* Establishing transparent selection criteria
* Using an output focused specification
* Applying a precise performance framework

The buying organisation is keen to encourage innovation so they should use the outcome or output based specification. In an outcome-based specification, umbrella statements like ‘good quality’, ‘ambient temperature’, ‘convenient way’ are often used. This may confuse the suppliers, and it’s hard to check the solution that supplier offers. On the other hand, ouput-based specifications often include measurable requirements. For example, a specification for air conditioning system states that the system should maintain the room temperature at 19-24 degrees Celsius. Therefore, output specification is more appropriate in this case.

NEW QUESTION 29

When preparing through-life specification, which of the following requirements should procure-ment team define besides the physical asset? Select TWO that apply.

* Customer service
* Objectives
* Market analysis
* Logistics and installation
* Available substitute

Through-life Management involves the life-cycle management of the products, services and activities required to deliver a fully integrated capability to the customer, while reducing the cost of ownership for the customer.

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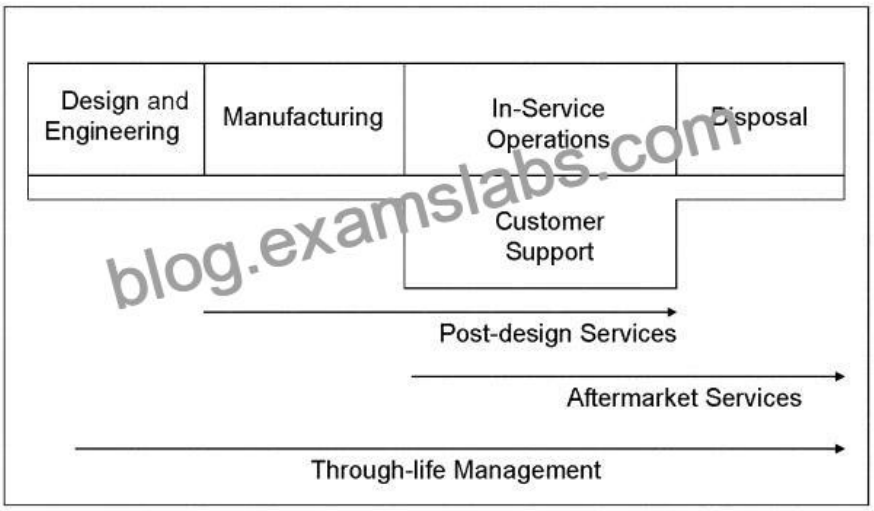


Source: Andrew Graves

With through-life management, buyer not only cares about the physical asset but also other factors like customer services and maintenance.

NEW QUESTION 30

Which of the following is an assumption of Kano model?
* The relationship between product functionality and customer satisfaction is always linear
* Different types of customer requirements have different impact on customer satisfaction
* All types of customer requirements have the same impact on customer satisfaction
* All customer requirements are basic requirements

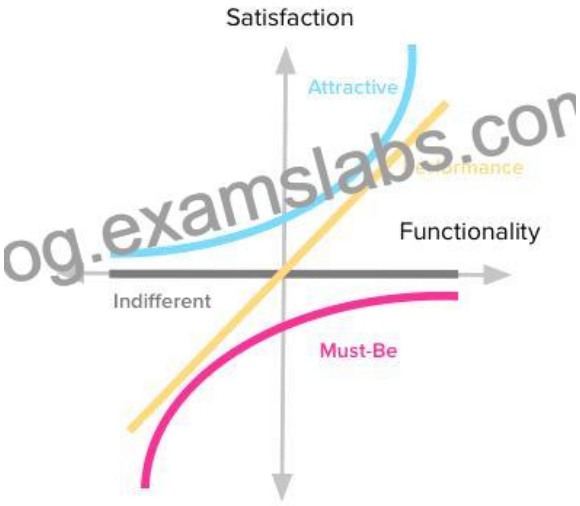
Kano model of excitement and basic quality (Kano et al, 1984; Berger et al, 1993; Matzler et al, 1996) brings a different perspective for the analysis of improvement opportunities in products and services because it takes in consideration the asymmetrical and non-linear relationship between performance and satisfaction. The Kano model classifies customers requirements in three categories (figure 3):

a) Basic Requirements. The basic requirements fulfill the basic functions of a product. If they are not present or their performance is insufficient, customers will be extremely dissatisfied. On the other hand, if they are present or have sufficient performance, they don’t bring satisfaction. Customers see them as prerequisites. For instance, for luxury automobiles, “air bags” are considered basic. A customer won’t feel satisfied if the automobile has “air bag”, however he/she will not buy it if “air bag” is not present.

b) Performance Requirements. As for these requirements, satisfaction is proportional to the performance level – the higher the performance, the higher the customer’s satisfaction will be and vice-versa. Gas consumption in automobiles is an example of these requirements. Usually customers explicitly demand performance requirements.

c) Excitement Requirements. These requirements are key to customer satisfaction. If they are pre-sent or have sufficient performance, they will bring superior satisfaction. On the other hand, if they are not present or their performance is insufficient, customers will not get dissatisfied. For instance, a surprise gift at the end of a dinner in a restaurant will certainly bring satisfaction, but it will not cause dissatisfaction if not offered. These requirements are not demanded nor expected by customers.

Two other types of requirements may be identified in the Kano model: neutral and reverse ones. Neutral requirements do not bring either satisfaction or dissatisfaction. Reverse requirements bring more satisfaction if absent than if present.



Reference:

– Integrating Kano model and QFD for Designing New Products

– CIPS study guide page 171-172

NEW QUESTION 31

Alexander has identified that he wishes to use a performance-based specification for the purchase of a new HR staffing scheduling system. Was this the correct course of action?
* No, because technology is changing rapidly
* Yes, because a specific blueprint is necessary for functional requirements
* Yes, because suppliers have greater technical knowledge than the buying organisation
* No, because there are clear objective criteria for evaluating alternative solutions

NEW QUESTION 32

Apple’s CPO is planning a budget for purchasing carbon-free aluminium next year. There are 27.4 tonnes of aluminum in stock, while Apple will need 200 tonnes for production next year and double inventory for production in the following year. How much aluminum will Apple need to purchase in next year?
* 172.6 tonnes
* 117.8 tonnes
* 282.2 tonnes
* 227.4 tonnes

The quantity of aluminium Apple needs to buy is calculated as follows:

Quantity needed for production + the inventory needed at the end of the year – inventory at start of the year That formula is quantified as: 200 + 54.8 – 27.4 = 227.4

NEW QUESTION 33

Which of the following factors would mean a buyer had high bargaining power in a competitive market?

Select TWO that apply.
* Many substitute products are available
* Buyers are procuring a low volume of products
* High switching costs for the buyer
* Buyers are demanding large volumes
* Products are highly differentiated

NEW QUESTION 34

Which of the following is the technology that disrupts traditional retail?
* Self-Driving Cars
* Blockchain
* E-commerce
* Robotics

One of the biggest disruptors in retail has been e-commerce. According to a report by IDC, in the month of December 2018, which is also the holiday season in the west, the e-commerce sector globally, has grown by 20 percent.

LO 2, AC 2.2

NEW QUESTION 35

Which of the following is the core of value analysis process?
* Be creative
* Develop
* Evaluate
* Gather information
* Carry out functional analysis

Value Analysis (VA) is concerned with existing products. It involves a current product being ana-lysed and evaluated by a team, to reduce costs, improve product function or both. Value Analysis exercises use a plan which step-by-step, methodically evaluates the product in a range of areas. These include costs, function, alternative components and design aspects such as ease of manufac-ture and assembly.

According to the Value Methodology standard, there are 6 phases to a Value Analysis:

– Information

– Function Analysis

– Creative

– Evaluation

– Development

– Presentation

1. Information

In this first phase, the team attempts to understand why the project exists and who or what it is to produce.

They obtain project data, present the original design or product concepts, and understand the project scope.

Schedule, costs, budget, risk, and other non-monetary issues are studied until the team is comfortable with the concept of the project, what it is to produce, and who its end users are.

This step also includes things like site visits and meetings with the project team, if required. Project documents like plans, drawings, specifications, and reports are obtained and the value engineering team becomes familiar with them.

2. Function Analysis

This step represents the meat and potatoes (core) of the value analysis. The team attempts to determine the functions the project serves. Functions come in two forms:

– Primary functions are those that represent the reason for the project’s existence, for example, a building project might have adequate plumbing as a primary function.

– Secondary functions are those that the project serves without being core to the project. For example, a building project might have as a secondary function maintaining the view of the neighboring building.

The functions are described in verb/noun pairs, such as “supply water to all suites,” or “Maintain view of adjacent park.” For a project like this, the team should come up with 10 – 15 functions. You might be surprised how many secondary functions exist for most projects. Subject matter experts would be a great resource, but in their absence an appropriate level of brainstorming and analysis are necessary.

The team should also identify value-mismatched functions to focus the improvements on. For ex-ample, maybe a large obstruction is preventing the view of the adjacent park from too many suites resulting in a potential mismatch of the cost vs. functional benefit. This is investigated in the next step.

3. Creative

This phase represents the generation of improvement ideas. The team develops alternative ways that the project can perform the functions that have been identified. At this step, the functions are looked at individually and each one gets a list of alternative ways to perform the function. There is no judging between the importance of the various functions.

4. Evaluation

At this stage, a priority is given to each project improvement idea. The ideas are discussed and potential costs are determined. Once the risk-reward profile of each idea is itemized, the team has determined which ideas are worth implementing into the project or feature.

A few years ago, there was a pedestrian bridge built near my home which was originally designed for emergency vehicles. Although this type of design is standard practice for the bridges of this type, the value engineering team identified that emergency vehicle passage was not needed (verb/noun pair = ‘maintain passage for emergency vehicles’). Also, a second major outcome of this value analysis was to change the design to an aesthetic, curved bridge because it was in a prominent location. The redesign of the bridge cost some money but this was more than made up by the cost of the bridge construction. Thus, the value

analysis paid for itself about 10 times over in the reduced construction cost, and the bridge was significantly more aesthetic.

5. Development

Once the value improvement options have been whittled down to the ones that make sense, the value engineering team develop the options to the point of passing them back to the original project team. They must be clearly written and explained so that the project owner and stakeholders can understand how it benefits the project and act on it. Any potential negative factors are identified. Potential costs and cost savings are itemized.

6. Presentation

This last phase represents the presentation of the alternatives to the stakeholders. Often value engineering represents a change in the normal practices that people are used to, an “out of the box thinking.” Thus the best salesperson on the team is often the best one to do the presentation.

Some typical products of a value engineering analysis are a briefing document, risk analy-sis, present worth analysis, advantages vs. disadvantages, etc.

NEW QUESTION 36

To improve the productivity, Plantation Ltd is planning to purchase a tractor, which it has never bought before. The project must be quick to catch up with the next growing season. Leanne, a jun-ior procurement staff at the company, assumes that she could skip market analysis stage to save time. Is this assumption reasonable?
* No, the company assesses supplier’s performance solely based on market analysis
* Yes, Leanne just needs to purchase the tractor from her friend’s company
* No, market analysis will inform the company of the pricing as well as latest technology trends
* Yes, the company has extensive experience in purchasing tractor

Market analysis is a stage in CIPS Procurement and Supply Cycle. This stage informs the purchaser about the number of suppliers, the average pricing, and product trends. Even urgent purchase should undergo market analysis. Without undertaking this stage, the buying organisation may not purchase the right product, or they may purchase at higher price.

Reference:

LO 2, AC 2.1

NEW QUESTION 37

A supplier of software has received a request to quote for a product. The software supplier considers that the buying organisation making the request provides relatively little benefit or alignment to their own strategy. Which one of the following options describes how the supplier might react to the buyer?
* The supplier will seek to exploit the situation and drive a high price
* The supplier will attempt to foster a strategic relationship with the buyer
* The supplier will provide the buyer with attractive additional software support benefits
* The supplier will seek to offer the lowest price possible

Detailed Explanation:When the buyer does not align with the supplier’s strategic interests, the supplier may take advantage by charging higher prices to compensate for the perceived lack of value. This approach maximizes the supplier’s benefit from a transactional relationship. Reference: CIPS Level 4, Supplier Engagement and Negotiation Strategies.

NEW QUESTION 38

A construction company requires a specification that details the exact composition of the concrete mix and the exact methods of construction required for its use. Which specification should it adopt?
* Design specification
* Performance specification
* Ergonomic specification
* Functional specification

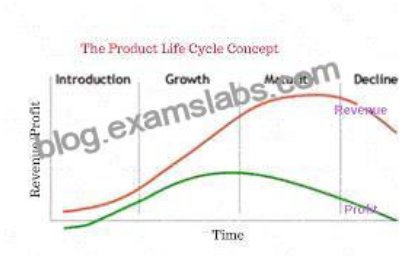
NEW QUESTION 39

Gaskins Caskets (GC) is a manufacturing company that wants to identify new suppliers for a number of current parts. GC no longer has technical drawings for the parts and none of the engineers currently working for them have enough knowledge of the parts to write a specification. What could GC do to get accurate pricing from suppliers for these parts to compare to the existing parts?
* GC’s engineers could estimate the specification and drawings that are sent to prospective suppliers
* GC could send samples of the parts to prospective suppliers as part of the request for quotation
* GC could communicate a cost to the suppliers that must be met regardless of the final specification
* GC could allow suppliers to develop and use their own specification as part of their cost proposal

NEW QUESTION 40

At which stage of product life cycle, price competition between sellers will be the most intense?
* Growth stage
* Introductory stage
* Maturity stage
* Decline stage

The term product life cycle refers to the length of time a product is introduced to consumers into the market until it’s removed from the shelves. The life cycle of a product is broken into four stages-introduction, growth, maturity, and decline.



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Source: https://blueoceanoutsource.co.ke/the-product-life-cycle-concept/ At maturity stage, price competition sets in as more and more supply capacity has been added by new entrants, then the competition will be the most intense.

NEW QUESTION 41

Which of the following specific markets is most likely to have product shortage by nature?
* Retail
* Financial
* Construction
* Services
* Agriculture

Products used in agriculture can be subject to shortage due to natural disasters.

NEW QUESTION 42

A procurement manager is discussing with other stakeholders about the scope and the implementation of the upcoming construction project. A stakeholder argues that the construction projects are often risky as the overall scope of the work can’t be accurately estimated from the beginning. Furthermore, the project spans over a long period, the costs of materials can fluctuate widely. The procurement manager suggests that the pricing structure should be able to cover the supplier’s costs plus 10% markup on total costs. This arrangement is known as…?
* Cost-plus fixed-fee
* Cost-plus award fee
* Cost-plus incentive fee contracts
* Cost-plus Fixed percentage

As you can see from the scenario, the procurement manager is suggesting to use cost plus pricing arrangement.

A cost-plus contract is an agreement to reimburse a company for expenses incurred plus a specific amount of profit, usually stated as a percentage of the contract’s full price. These type of contracts are primarily used in construction where the buyer assumes some of the risk but also provides a degree of flexibility to the contractor.

Cost-plus contracts can be separated into four categories. They each allow for the reimbursement of costs as well as an additional amount for profit:

1. Cost-plus award fee contracts allow the contractor to be awarded a fee usually for good per-formance.

2. Cost-plus fixed-fee contracts cover both direct and indirect costs, in addition to a fixed fee.

3. Cost-plus incentive fee contracts happen when the contractor is given a fee if his or her perfor-mance meets or exceeds expectations.

4. Cost-plus percent-of-cost contracts allow the amount of reimbursement to rise if the contrac-tor’s costs rise.

In the scenario, the procurement manager suggests a pricing structure that covers supplier’s costs and adds 10% markup. This is cost-plus fixed-percentage.

Reference:

– Cost-Plus Contract Definition (investopedia.com)

– CIPS study guide page 30-36

LO 1, AC 1.2

NEW QUESTION 43

Sealines Inc is developing its fleet of cargo ships. The company is planning to build a new ship powered by natural gas. Brian, the procurement manager at Sealines, suggests the project team to develop a through-life specification before engaging with the supplier. Is this a correct approach?
* Yes, decommissioning and disposal costs will not be accounted in this approach
* Yes, this approach will lower the total cost of ownership
* No, a ship is used only once, through-life management is unnecessary

* No, the company just needs to select the lowest bidder

Through-life management is a approach applied to capital asset. According to Ward and Graves, Through-life Management involves the life-cycle management of the products, services and activities required to deliver a fully integrated capability to the customer, while reducing the cost of ownership for the customer. According to CIPS study guide, through-life management comprises of 6 parts:

1. Design

2. Manufacture

3. Installation

4. In-service support

5. Decommission and disposal

6. Customer support

In this scenario, the company is planning to procure a ship, which is a capital asset. Through life management is a good approach. Sealines can start with developing through-life specification. This approach may have several benefits:

– It lowers the costs over the whole life of the asset

– It lowers the risks as there is a single company accountable for costs and service over the life of the asset

– A closer match between the asset delivered and the users’ needs

– Development of capability over the life of the asset as the supplier continues to get experience of the users’ needs and can adapt services to meet them.

NEW QUESTION 44

Which of the following are most likely to negatively affect the suppliers’ bargaining power in a specific market? Select TWO that apply:

* Many suppliers are intent on integrating buyers into their business
* Substitute products are readily available in the market
* There are no differences among suppliers’ products
* Buyers incur high cost when they change their suppliers
* There are almost no threats of backward integration

The bargaining power of supplier is a major determinant of the structure of an industry and also how much profit is available to organisation operating in that industry. Supplier is weak if:

– Substitutes are available and easy to access

– Suppliers are small and fragmented

– The industry is important to the seller

– The sellers’ product or service is not an important of the industry’s value chain

– The sellers’ product or service is undifferentiated

– There are no significant switching costs

– There is no threat of forward integration.

Suppliers may have more power:

– If they are in concentrated numbers compared to buyers.

– If there are high switching costs associated with a move to another supplier.

– If they are able to integrate forward or begin producing the product themselves.

– If they have specific expertise or technology needed to manufacture goods.

– If their product is highly differentiated.

– If there are many buyers and none make up significant portions of sales.

– If there are no substitutes available.

– If there are strong end users who can exert power over the organization in favor of a supplier (This can be the case in labor situations).

In all of these cases, the bargaining power of suppliers is high to demand premium prices and set their own timelines.

LO 2, AC 2.2

NEW QUESTION 45

Despite of better improvement rates than other types of benchmarking, functional benchmarking still has downsides. Which of the following is most likely to be a disadvantage of functional benchmarking?
* Legal issues regarding intellectual property
* Unfair competition
* Difference of corporate cultures across companies
* Benchmarking can only be undertaken within an industry

Functional benchmarking is a comparison to similar or identical practices (e.g., the picking process for assembling customer orders, maintaining inventory controls of spare computer parts, logistics to move operational forces, etc.) within the same or similar functions outside the immediate industry. Functional benchmarking might identify practices that are superior in your functional areas in whatever industry they may exist. Functional benchmarking would be accomplished at the federal level by comparing the IRS collections process against those of American Express. Comparing copper mining techniques to coal mining techniques is an example in the private sector.

Benefits

– Provides industry trend information

– Quantitative comparisons

– Better improvement rate

Challenges

– Diverse corporate cultures

– Great need for specificity

– Not invented here. syndrome

– Common functions can be difficult to find

– Takes more time than internal or percent

– Must be able to visualize how to adapt the best practices

Source: USN Benchmarking Handbook

LO 1, AC 1.3

CIPS L4M2 (Defining Business Needs) exam is a globally recognized certification that validates the professional knowledge and skills required to identify and define business needs effectively. This qualification is suitable for procurement and supply chain professionals who want to enhance their expertise in gathering, analyzing, and interpreting business requirements to deliver effective procurement solutions. The CIPS L4M2 exam is the second unit of the CIPS Level 4 Diploma in Procurement and Supply, which is an internationally recognized qualification in procurement and supply chain management.

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