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**Exam : L4M6**

**Title : Supplier Relationships**

**Version : DEMO**

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1. Victoria runs a hotel and has recently had several security issues such as attempted robberies. She has decided that she needs to hire a security firm to ensure these issues don't continue. She has done some research and has found there are several local security firms who may be able to provide services to her hotel. However, she hasn't decided exactly what she would require the security firm to do.

What should be Victoria's next steps?

- A. Issue a Request for Proposal
- B. Issue an Invitation to Tender
- C. Issue a Request for Quotation
- D. Issue a Prior Information Notice

**Answer: A**

**Explanation:**

Victoria should use a 'request for proposal' – this allows the security firms to submit ideas on how best to serve the hotel. They might come up with some ideas that Victoria hasn't thought about and can price against their own ideas. As Victoria doesn't have a concrete specification, an ITT or RFQ are not appropriate. A PIN tells suppliers that a tender opportunity is coming up and is used in the Public Sector. A hotel is not a Public Sector organisation. See p.76 for more information on when to issue a Request for Proposal

2. The ABC Analysis, also known as the Pareto Analysis, is a technique that can be used by procurement to which purpose?

- A. supplier positioning
- B. cost analysis
- C. relationship spectrum
- D. cost engineering

**Answer: A**

**Explanation:**

ABC /Pareto is a "Portfolio Analysis Technique to assess the relationships in a supply chain". This, along with the Kraljic Matrix are two examples of "Supplier Positioning Models". See chapter 2.1 p.17 for more details on this

3. The executive board of a manufacturing company is requesting support from the procurement team because the company needs to improve its levels of profitability. After segmenting the overall spend by value and risk of supply, the senior buyer for the company is planning to undertake a cost modelling activity. This will be undertaken with a cross-organisational team of internal stakeholders and key strategic suppliers.

What would be the buyer's initial objective from the cost modelling activity?

- A. To understand the supplier's investment plans
- B. To understand the supplier's financial status
- C. To understand the supplier's pricing strategy
- D. To understand the supplier's competitive threats

**Answer: C**

**Explanation:**

The primary objective of cost modelling is to dissect and comprehend the components that constitute a supplier's pricing. By understanding the supplier's pricing strategy, the buyer can identify cost drivers,

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negotiate more effectively, and seek opportunities for cost savings. This approach aligns with the CIPS L4M6 guidelines, emphasizing the importance of transparency and collaboration in supplier relationships.

4. Jenny is a procurement manager who works in the public sector. She has been charged with organising a tender to source new Xray machines for a hospital and to ensure that they receive 'value for money'.

Which of the following should Jenny consider when drafting her ITT?

- A. Price only
- B. Equity
- C. Whole life costs
- D. Availability

**Answer: C**

**Explanation:**

Jenny should consider whole life costing. Ensuring value for money means considering a combination of price and quality throughout the lifetime of the product. See p.65 for more on 'Achieving Value for Money'

5. A large construction group has a critical contract with a brick supplier. This represents high-value spend and the contract has a five-year duration.

What type of commercial relationship would be the most appropriate?

- A. Partnership
- B. Transactional
- C. Closer Tactical
- D. Outsourcing

**Answer: A**

**Explanation:**

A partnership is the most appropriate type of relationship for high-value, long-term contracts involving strategic goods or services. This relationship allows both parties to work collaboratively toward common goals, share risks, and ensure continuity and quality over the long term. According to the CIPS L4M6 study materials, partnership relationships are encouraged where there is a high level of interdependence and shared objectives.