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NEW QUESTION: 1

A negotiation is coming to the end. Both parties haven't had any official commitments. Right before leaving the room, the buyer strongly disagrees with supplier's set up prices and requests a discount. The supplier doesn't reply but nods and smiles. Can the buyer consider these actions as an acceptance?

- A. Yes, because smiling shows supplier's readiness in signing the deal off
- B. No, because nodding and smiling are etiquette of polite rejection
- C. No, because nodding and smiling are not clear signs of neither acceptance nor rejection
- D. Yes, because negotiator should rely on non-verbal communications only

Answer: C (LEAVE A REPLY)

Good negotiators are attuned to all stimuli and not just the verbal and written information exchanged. Tone of voice, body language, facial expressions and other clues from TOP are noticed, and with experience and knowledge, interpreted correctly. This interpretation may also involve knowledge of culture norms and values.

A smile, a 'yes' and the type of hospitality received, (in the business context), can mean very different things in different international business cultures.

Trained negotiators will consider non-verbal communication (such as nodding and smiling) and body language as one source of signal from TOP, but will rarely rely wholly on this as a guide to what TOP is thinking or feeling. Furthermore, international and regional cultural considerations must be included here to avoid errors in interpretation. Emotional intelligence also has an important role in forming a more holistic perspective of what TOP may be thinking or feeling.

NEW QUESTION: 2

All of the following shift the supply of watches to the right except...?

- A. An advance in the technology used to manufacture watches
- B. A decrease in the wage of workers employed to manufacture watches
- C. An increase in the price of watches

D. Manufacturers' expectation of higher watch prices in the future

Answer: C (LEAVE A REPLY)

Explanation

A supply curve will slope upward from left to right showing more supply at higher prices, as illustrated in the graph below:

A picture containing chart Description automatically generated



A movement along the supply curve will be brought about by a change in price, but a shift of the whole curve will be caused by a determinant other than price:

- The physical feasibility and time and energy required to produce the products
- Technology and innovation
- The objectives of the producers and their future expectations
- Prices of other goods and services
- Government's policies

LO 2, AC 2.2

NEW QUESTION: 3

Which of the following are macroeconomic factors that may have influence to the commercial negotiation?

Select TWO that apply

- A. Equilibrium price
- B. Supply curve
- C. Unemployment rate
- D. Bargaining power of supplier
- E. Rising import tariffs

Answer: (SHOW ANSWER)

Explanation

There are many macro economic factors that could influence procurement in general and commercial negotiation in particular. Below are six factors that are agreed to be fairly significant:

- * Economy growth rate
- * Inflation rates
- * Interest rates
- * Currency exchange rate
- * Unemployment rate
- * Protectionism

LO 2, AC 2.2

NEW QUESTION: 4

SBL provides contract bathroom furniture and fittings for a wide variety of domestic and commercial clients.

To some suppliers, SBL spendclaims a large portion of their revenue. But SBL is famous for imposing draconian obligations on these suppliers. Which of the following is most likely to be overarching objective of these suppliers to SBL?

- A.** Charge a higher price to compensate for all the pain SBL has put
- B.** Win and keep business with SBL at any costs, even without profits
- C.** Drop the business with SBL immediately
- D.** Hold on and keep SBL happy but make sure that the business is profitable

Answer: A (LEAVE A REPLY)

According to Paul Steele's 'The Seller's Perspective', customer can be classified into 4 categories as below:

Chart, treemap chart Description automatically generated

The Seller's Perspective



In this scenario, although SBL's spend claims large portion in suppliers' revenues, their draconian treatment will reduce SBL's attractiveness in supplier's perspective. SBL falls into Exploit quadrant. With exploitable customers, suppliers tend to 'milk' the customer and charge a high price to compensate for all the pain customer put on them.

NEW QUESTION: 5

XYZ Ltd decides to go to market for a cleaning contract to service a number of offices. It knows that it will get a price which may, or may not, be better than the one it is currently paying. To gain leverage in the marketplace, the organisation decides to add other related services to the scope, such as gardening, security and maintenance, which increase the value of the contract. This is an example of which forms of spend consolidation?

- A. Purchasing consortia
- B. Volume consolidation across categories
- C. Volume pooling
- D. Volume redistribution

Answer: B (LEAVE A REPLY)

Explanation

Buying organisation may increase its leverage with suppliers by concentrating spend. Supplier spend consolidation can take many forms as outlined below:

- Vendor base reduction: straightforward reduction of number of suppliers in any category
- Volume pooling: pooling cross organisational requirement until your order volume is high enough to attract new bidders/additional discounts
- Volume redistribution: making recommendations following spend analysis to move from one supplier to another

- Volume consolidation across categories: certain purchase requirements may be common across a number of categories. In the scenario, XYZ has combined different categories but closely related to office services into a larger contract so that they can increase their leverage.
- Standardisation and harmonisation of specifications: analysis of specifications and standards for a high spend purchased input, may show that there is a little difference between them and that the specification can be standardised or at least harmonised across the group or across national, regional or global operations.
- Forming purchasing consortia: buyers may decide to come together and combine their purchase volumes to attract better deals.

LO 1, AC 1.3

NEW QUESTION: 6

Which of the following are most likely to be direct costs of a steel manufacturer? Select THREE that apply.

- A. Cleaning services
- B. Coal
- C. Senior management salary
- D. Insurance for production lines
- E. Scrap metal
- F. Hourly production wages

Answer: B,E,F (LEAVE A REPLY)

Direct costs are those costs of a product/service directly attributable/traceable to its production.

Examples of direct costs including the following:

Materials and services bought-in: In steel manufacturer, raw materials are iron ores, scrap metal, coals, etc Labour or wages: money paid to staff for the work involved in producing the product. Other expenses: other charges incurred that can be specifically attributed to a particular product, batch or service

NEW QUESTION: 7

Which of the following are effective approaches when procurement professionals negotiate with monopoly suppliers?

1. Delaying payment with monopoly suppliers as long as possible to increase bargaining power
 2. Setting up stronger BATNA
 3. Engaging in the negotiation with a distributive approach
 4. Eliminating requirements in the specification that prioritises monopoly suppliers
- A. 1 and 4 only
 - B. 3 and 4 only
 - C. 2 and 3 only
 - D. 2 and 4 only

Answer: D (LEAVE A REPLY)

In most commercial negotiations with monopolistic organisations, one can expect that in general they will have far greater bargaining power - you will need them more than they need you. Their BATNA is stronger in the short run, but over time their power can be challenged effectively.

Ways of dealing with monopoly suppliers include the following:

Making yourself an attractive buyer

Seeking out alternatives / substitutes in a private or public manner

Designing out the requirement that forces you to go to the monopoly suppliers, or seek to make the product, or threaten to make it yourself if feasible Lobbying government or campaigning, as part of an industry or trade body, for a reduction in barriers to entry that support the monopoly

NEW QUESTION: 8

In airline industry, suppliers prefer to adopt dynamic pricing in order to constantly monitor and change their fares in response to market conditions. Dynamic pricing is based on which costing method?

- A. Activity-based costing
- B. Cost plus costing
- C. Absorption costing
- D. Marginal costing

Answer: D (LEAVE A REPLY)

Dynamic pricing is the practice of dynamically calculating the price of a product or service in order to incorporate real-time market conditions, input costs, and/or competitive perspectives. Dynamic pricing which is based on marginal costing, is used by airlines and many other organisations.

Marginal cost is the cost of producing an additional unit of output. Marginal Costing is a costing technique wherein the marginal cost, i.e. variable cost is charged to units of cost, while the fixed cost for the period is completely written off against the contribution.

NEW QUESTION: 9

Understanding supplier's mark-up and margin can provide procurement professional a comprehensive insight into supplier's net profits. Is this statement true?

- A. Yes, because supplier's mark-up and margin are two most valuable sources of information to procurement
- B. No, because mark-up and margin inform little about supplier's net profit
- C. No, because margin is enough to tell procurement about supplier's profitability
- D. Yes, because these are two indicators of supplier's future prospect

Answer: B (LEAVE A REPLY)

Explanation

Mark-up and margin allow supplier to make gross profit. Remember that every supplier operates under different cost structures and some are set up to be most profitable at a particular level of volume, so it is dangerous to assume all suppliers can survive on a lower margin if their volume increases. Intelligent buyers understand that mark-up and margin may define gross profits, but they tell you very little about a supplier's net profits.

LO 2, AC 2.1

NEW QUESTION: 10

Which of the following will help to indicate personality preferences in four dimensions?

- A. Thomas-Kilmann Conflict Resolution model
- B. Intelligence quotient
- C. Mill's RESPECT mnemonic
- D. Myers-Briggs Type Indicator

Answer: D (LEAVE A REPLY)

The Myers-Briggs Type Indicator (MBTI) is an introspective self-report questionnaire indicating differing psychological preferences in how people perceive the world and make decisions. MBTI indicates personality preferences in four dimensions.

The Thomas-Kilmann Conflict Mode Instrument (TKI) is a conflict style inventory, which is a tool developed to measure an individual's response to conflict situations.

Mill's RESPECT mnemonic is set out by Harry A. Mills which describes seven steps to agreements. An intelligence quotient (IQ) is a total score derived from a set of standardized tests designed to assess human intelligence.

NEW QUESTION: 11

A procurement professional is negotiating with a supplier on cleaning service. She realises that there are huge cost-saving opportunities if the supplier agrees to reduce its mark-up and unnecessary employee benefits.

Supplier's mark-up and employee benefits are examples of which of the following?

- A. Spend waterfall
- B. Spend cube
- C. Spend tree
- D. Addressable spend

Answer: D (LEAVE A REPLY)

Explanation

A key consideration when seeking to negotiate prices is to establish what proportion of the spend is addressable by procurement action such as negotiation. Addressability of spend is influenceable through negotiations or application of other saving effort or leverage with suppliers.

LO 2, AC 2.1

NEW QUESTION: 12

Economic growth can be measured by...?

- A. The PPI
- B. GDP
- C. The CPI
- D. SBLI

Answer: B (LEAVE A REPLY)

Gross Domestic Product (GDP) is the monetary value of the goods and services manufactured or supplied in a financial period. In general terms, when the GDP rate falls or slows down, there will be a fall in demand for goods and services demanded in the economy, with a fall in firms' revenue and profit margins. When GDP is rising, there will be an increase in demand.

Consumer Price Index (CPI) is a weighted measurement that evaluates the average cost of a basket of goods bought by a consumer.

Producer Price Index (PPI) is an average change in prices that a producer receives in return for its goods or services.

Small Business Lending Index (SBLI) is an indicator of small business lending trends.

NEW QUESTION: 13

An experienced procurement professional is developing strategies for forthcoming negotiations with her key supplier. To avoid negotiation deadlocks, she identifies the reasons why negotiations could fail. Which of the following are most likely to be reasons for negotiation failures? Select TWO that apply.

- A. Underlying interests of TOP are overlooked
- B. MIL objectives are well established
- C. Both parties focus on common interests
- D. Buyer helps to create a co-operative atmosphere
- E. Unachievable objectives were set up

Answer: A,E (LEAVE A REPLY)

It has been said that most negotiations are won (or lost) at the preparation stage. Success in a negotiation cannot be claimed unless you can refer back to your objectives and show how you have achieved them. In broad terms, negotiation plans/strategies involve 4 key activities:

1. Developing and prioritising your objectives and limits
2. Seeking to understand TOP's objectives
3. Developing concession plans
4. Planning the resources and logistics required and agreeing team roles.

Questions to gain an understanding of why a negotiation failed

Did we collect and make effective use of all information available when preparing for the negotiation?

Did we set objectives for the negotiation that were stretching and achievable and established MIL objectives?

Did we determine a strategy for the negotiation?

Did the other party understand our needs correctly?

Were we aware of the underlying interests of the other party?

Were our proposals convincing enough for acceptance by the other party?

Did we explore different variables in the negotiation?

Did we fully understand all proposals?

Did we give any unplanned concessions and did we check the importance of these?

Did we focus on common interests?

Did we ask a range of questions?

Did we get answers to all our questions?

Could we answer all the questions addressed to us in a proper and positive way?

Did we summarise effectively?

Did we use different methods of persuasion in the negotiations?

Which tactics did we use and what effect did they have?

Did our negotiating team work well as a team?

Did we help to create a co-operative atmosphere

NEW QUESTION: 14

According to Fiona Dent and Mike Brent, which of the following are characteristics of Push approach? Select TWO that apply.

A. Inspirational

B. Persuasion

C. Collaborative

D. Seeking commitment

E. Directive

Answer: B,E (LEAVE A REPLY)

According to the book 'Influencing: Skills and techniques for business success' by Fiona Dent and Mike Brent, there are two major influencing styles. Push tends to be directive. It tells, and is clear and resolute, but needs to be employed in situations where firmness is required because of difficulties that exist or weakness is evident.

Pull is more participatory and collaborative. It seeks to incorporate everyone's perspective. It can appear wishy-washy if not skilfully employed. That approach should be followed which is most likely to secure commitment and not mere compliance.

The two divisions can be further divided into four style categories: directive; persuasive reasoning; collaborative - team oriented, people oriented to inspire them with a vision. The directive style relies on your expertise and reputation being respected by others, and where there really does seem to be one answer. It is "I" driven whereas persuasive reasoning is more "we" and issue driven. Directive styles can make the user appear as "a bull in a china shop"; persuasive reasoning can be portrayed as tough guy.

Collaborative influencing takes the "we" element further and seeks to mobilise everyone's ideas in a journey of discovery. It may have the flavour of "I'm your best friend", which may not go down too well. Visioning style is concerned to stir people's emotions in support of achieving an objective. This last one has been used by demagogues to stir people's hearts and minds for evil purposes as well as good.

A useful table offers the benefits, problems, words and body language associated with each style along with advice on when to use and when to avoid each. Cases and exercises illustrate these styles.

Empathy comes in for extended treatment with the definition of "standing in the other's shoes".

This does not necessarily happen just intuitively, and therefore before a specific influencing effort

there should be intense effort to think about the other person or persons and to sense what it might feel like to be them - their hopes, fears, concerns, what turns them on, what turns them off, where are they coming from.

NEW QUESTION: 15

Procurement team is required to improve leverage with their suppliers through spend consolidation. To check whether there is any opportunity to consolidate spend, which of the following should be priority of procurement team?

- A. Spend analysis
- B. Value engineering
- C. Price analysis
- D. Total cost analysis

Answer: A ([LEAVE A REPLY](#))

Explanation

In order to identify opportunities where you can increase your leverage with supplier, you need to understand your spend. Undertaking spend analysis of your accounts payable (AP) data is an essential first step here.

NEW QUESTION: 16

A procurement manager is preparing for a negotiation with an important supplier. He plans to withhold some crucial information so that his company gains the upper hand in the negotiation. Is this correct when considering using integrative approach to the negotiation?

- A. No, this approach requires honest and open discussion
- B. Yes, the supplier must know what buyer wants and how to provide that even when the buyer is silent on these matters
- C. Yes, the buying organisation must maximise its gain, even at the detriment of the other party
- D. No, holding back information will prompt the supplier gain higher negotiation power

Answer: ([SHOW ANSWER](#))

Integrative negotiation is a negotiation strategy in which the involved parties work together to find a solution that satisfies the needs and concerns of each. This process often involves group brainstorming and creative thinking for individuals to suggest different ideas that benefit both parties.

Compromising is often common in integrative negotiation, and both sides may need to give up certain needs to reach a solution. Honesty can also promote successful integrative negotiation because it can lead to a comprehensive understanding of the issue and what each party needs to be satisfied with the result.

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NEW QUESTION: 17

In a detailed cost breakdown, a company has a salary cost of 9%, raw materials cost 51% and overheads cost

24%. Which of the following represents the mark-up of that company?

- A. Approximately 84%
- B. Approximately 19%
- C. Approximately 116%
- D. Approximately 16%

Answer: B (LEAVE A REPLY)

Explanation

Mark-up is the amount added to the cost of an item to get to its selling price and is expressed as a percentage.

Mark-up(%) = (Price - Cost) / Cost x 100

= (100 - 9 - 51 - 24) / (9 + 51 + 24) x 100 = 16 / 84 x 100 = 19.04%

LO 2, AC 2.1

NEW QUESTION: 18

Which of the following method should be used in negotiation if both parties want to communicate verbally and non-verbally without having to meet face-to-face?

- A. Web conferencing
- B. Telephone
- C. Teleconferencing
- D. In-person meeting

Answer: A (LEAVE A REPLY)

Explanation

Using webcams in a web conference means you are able to communicate both verbally and non verbally.

Over the phone, you cannot see TOP, the only cue/signal you have regarding their mood, interest and attitude is person's voice, intonation and any delay.

A teleconference is a telephone meeting among two or more participants involving technology more sophisticated than a simple two-way phone connection.

In-person meeting requires you team and TOP to be in the same place at the same time.

LO 2, AC 2.4

NEW QUESTION: 19

In which of the following persuasion methods, the influencer uses logics and objective reasons to persuade the others to buy into influencer's ideas?

- A. Persuasive reasoning (push)
- B. Collaborative (pull)
- C. Visionary (pull)
- D. Directive (push)

Answer: ([SHOW ANSWER](#))

There are two major persuasion methods: 'push' and 'pull'.

Persuasion can be defined as encouraging someone to do something that you want them to do for you.

Persuasion is reasoning with someone so that they will believe or do something they might not otherwise do.

Persuasion can be considered as 'pushing' on TOP so that they can accept the change in attitude or behaviour as a result of your actions.

Influence is the ability to affect the manner of thinking of another. Influence can be considered as pulling on TOP so that you achieve the same result, but TOP feels they have changed their attitude or behaviour as a result of their reflection and thinking, and not your direct actions.

There are multiple variables to consider when choosing between 'push' and 'pull'. Professor Fiona Dent of Ashridge Business School proposes situations when each style might be most appropriate, breaking down push into 'directive' and 'reasoning' and 'pull' into 'collaborative' and 'visionary':

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Directive (push)	Collaborative (pull)
<p>An individual-driven persuasion style in which the person seeking to influence another declares their own view/idea in the expectation that it will be accepted and followed by the other. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer is an expert while the followers are not • The people being influenced are new/inexperienced • The situation necessitates very speedy action • The situation involves a safety- or security-critical issue or a strict deadline. <p>If this persuasion style is not used effectively or appropriately, the influencer risks developing a reputation for being heavy handed and dictatorial.</p>	<p>A team-oriented persuasion style in which the person seeking to influence another involves the other party in the decision-making process. All parties are encouraged to offer views and ideas about the issue. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer needs commitment from the other parties • The influencer is actively seeking innovative ideas from others • There is no clear solution to the issue at hand <p>If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being indecisive and weak.</p>

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Persuasive reasoning (push)	Visionary (pull)
<p>An issue-driven persuasion style in which the person seeking to influence another gets other parties to buy into the influence's ideas by presenting them in an impartial, objective, logical, and rational way. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The influencer has a great deal of knowledge about the issue and a high credibility with others • The situation demands that the influencer gets others to buy-in to an unpopular decision • Research has identified a 'best' answer <p>If this persuasion style is not used appropriately or is overused, the influencer risks developing a reputation for being inflexible and stubborn.</p>	<p>A persuasion style in which the person seeking to influence another does so by understanding the other party's emotions, and stimulating that party's imagination to visualise the desired future goal of the influencer. This style is particularly effective in the following situations.</p> <ul style="list-style-type: none"> • The organisation has just embarked on a complex change process • The influencer's goal is to attract others' attention and stimulate future debate • The current situation demands innovative thinking <p>If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being idealistic or egotistical.</p>

Using logical and objective reasons is one of the typical characteristics of persuasion reasoning method.

NEW QUESTION: 20

Which of the following is a true statement regarding macroeconomic factors and their potential impact on negotiations?

- A. Macroeconomic factors always directly influence the negotiations
- B. Expectations on macroeconomic prospect are always correct
- C. Changes in macroeconomic factors may affect businesses and individuals differently
- D. Macroeconomic factors cannot be influenced by anyone's expectation or sentiment

Answer: (SHOW ANSWER)

Explanation

'Macroeconomic factors always directly influence the negotiations': This statement is false. For any given negotiation it is not the macroeconomic factor itself that necessarily influences the negotiation but the change or rate of change that factor.

'Changes in macroeconomic factors may affect businesses and individuals differently': This statement is true.

Macroeconomic factors are factors that have general effects on the economy and many businesses may be completely unaffected or affected more or less than others in the same industry by a change in a factor.

'Macroeconomic factors cannot be influenced by anyone's expectation or sentiment': This statement is false.

When it comes to macroeconomic factors another key consideration is expectation regarding what might happen to these factors, or specifically the measures, metrics or percentage rates associated with these factors in the future.

'Expectations on macroeconomic prospect are always correct': This statement is false.

Expectations are not always correct.

LO 2, AC 2.2

NEW QUESTION: 21

Distributive approach in negotiation is typified by which of the following?

- A. Distributive approaches are inherently inferior to integrative approaches in commercial negotiation
- B. Both parties understand each other's goals
- C. Each party attempts to maximise the value obtained at other's expense
- D. Both parties share 50:50 of the 'pie'

Answer: (SHOW ANSWER)

Distributive approach to negotiation used when the interested parties are attempting to divide something up or distribute something of value, also known as zero-sum approach or win-lose. Commercial situations often demand a distributive bargaining approach, if the 'pie' is inherently of a fixed size. In this case, any conflicts must be resolved by sharing it.

In win-lose approach, a negotiator wants to maximise the value obtained in a single deal, the relationship with the other party is not important. Therefore, a strong party may win more than 50% of the metaphorical 'pie'.

It should not be assumed that win-win can be applied to all commercial negotiations, or that win-lose approaches are inherently inferior.

NEW QUESTION: 22

Are tactical ploys only used in distributive approach?

- A. No, because tactical ploys strengthen the other party's position
- B. No, because tactical ploys will be more effective with integrative approach
- C. Yes, because tactical ploys will help to gain insights into the other party's interests
- D. Yes, because they will be irritants to long-term relationship

Answer: D (LEAVE A REPLY)

There are many tactics and ploys that can be used to persuade others, particularly those not trained in negotiation. But in general these tactics should be used with care, as they can backfire; and in situations where a long-term relationship is desired, they can be, if detected, become an irritant to TOP.

Tactics are particularly effective if and when you are dealing with untrained negotiators, in consumer's buying situation and in once-off encounter.

NEW QUESTION: 23

Which of the following would cause a demand curve for a good to be price inelastic?

- A. There are a great number of substitutes for the good
- B. The consultancy service
- C. The luxury goods
- D. The necessary goods

Answer: D (LEAVE A REPLY)

Explanation

Essential goods and services such as electricity, fuel, basic food stuffs, commuter transport and habitual products such as tobacco, alcohol and sugar-based drinks are often cited as facing a relatively inelastic demand curve. This means when the price goes up, the quantity demanded does not decrease very much and so they are often the target of government taxation.

LO2, AC 2.2

NEW QUESTION: 24

Which of the following are factors that might shift the demand curve for a consumer good to the right?

1. Prices of complementary goods decrease
2. Price of the consumer good decreases
3. Customers' expectation of higher prices in the future
4. Consumer tastes shift toward substitute products

- A. 3 and 4 only
- B. 4 and 2 only
- C. 1 and 3 only
- D. 1 and 2 only

Answer: C (LEAVE A REPLY)

Explanation

A shift in demand occurs when an influencing factor other than price changes. Those factors are:

- The income of buyers
- The tastes and preferences of buyers
- The prices of other goods and services, especially substitutes and complements
- Expectations of buyer about the future

In this question:

- 'Prices of complementary goods decrease' will lead to quantity demanded for that complements rising, then demand for consumer good will increase accordingly.
- 'Price of the consumer good decreases' will increase the quantity demanded for that good, but it will not shift the demand curve

- 'Customers' expectation of higher prices in the future': in this scenario, customers tend to buy more to store in present, which leads to demand curve shifting to the right
- 'Consumer tastes shift toward substitute products': Demand for substitutes will rise, so demand for that consumer good will decrease and the demand curve shifts to the left.

LO 2, AC 2.2

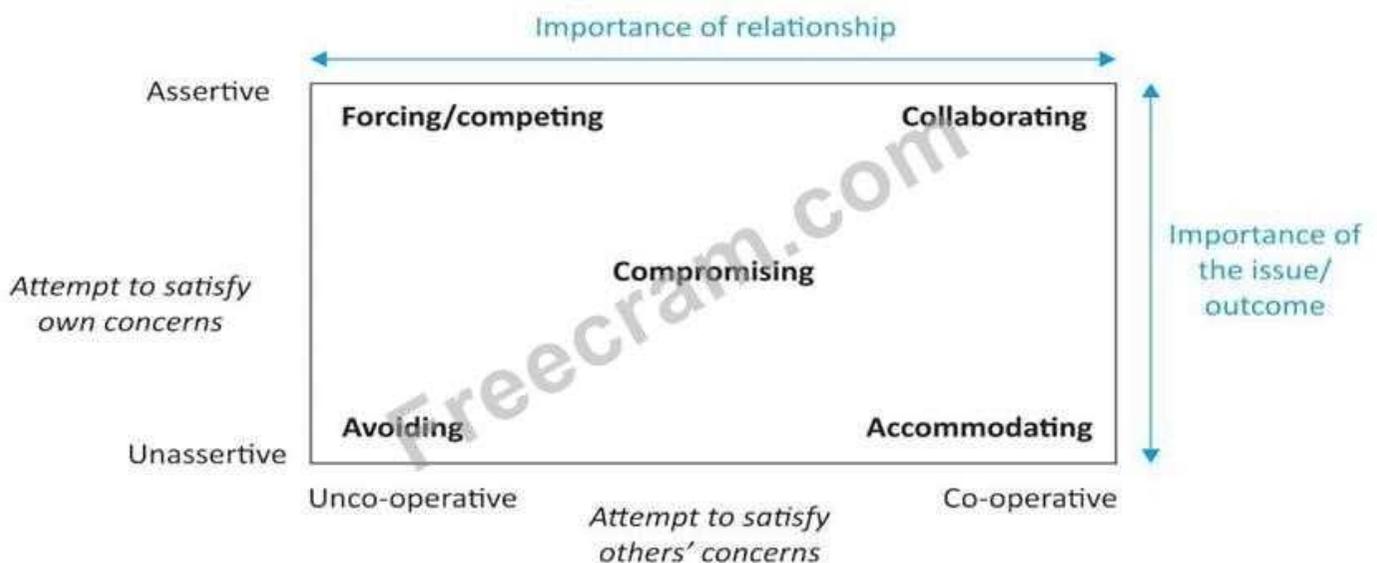
NEW QUESTION: 25

A procurement professional is sourcing low value items. He conducts market analysis and realise that these items can be provided by many suppliers and switching cost between suppliers is relatively low. He also assume that the relationship between buyer and supplier will be transactional rather than long-term. According to Thomas-Kilmann conflict model instrument, which of the following is the most appropriate style that the procurement professional should adopt when negotiating with these suppliers?

- A. Avoiding
- B. Compromising
- C. Competing
- D. Collaborating

Answer: C (LEAVE A REPLY)

According to Thomas-Kilmann conflict model instrument, there are 5 conflict management styles: Graphical user interface, text, application, email Description automatically generated



In this scenario, the buyer's bargaining power is stronger than suppliers', and the relationship is transactional.

Therefore, to get the most preferable outcome, the procurement professional can take an assertive approach, while he doesn't need to co-operate closely with these suppliers. Competing will be the most appropriate approach to negotiation in this scenario so that the buying organisation can get a better deal.

NEW QUESTION: 26

Which of the following is the best description of direct cost?

- A. Direct costs are only variable raw materials that constitute a product
- B. Direct costs include raw materials, labour and overheads
- C. Direct costs include only raw materials and labour of making the final product
- D. Direct costs include raw materials, labour and other expenses attributable to the final product

Answer: D (LEAVE A REPLY)

Direct costs are those costs of a product/service directly attributable/traceable to its production, for example, the costs of labour and materials directly used to produce the goods/services which the organisation sells.

NEW QUESTION: 27

Which of the following are examples of non-verbal negotiation? Select THREE that apply.

- A. Asking the supplier to repeat their proposal
- B. Getting messages across with facial expressions
- C. / Speaking softly with long pauses
- D. Communicating with the other party by using gestures
- E. Explaining to the supplier about the scope of the project
- F. Using the body language

Answer: B,D,F (LEAVE A REPLY)

Explanation

Nonverbal communication is important because it gives us valuable information about a situation including how a person might be feeling, how someone receives information and how to approach a person or group of people.

There are several types of nonverbal communications you should be aware of, including:

1. Body language

Body language is the way someone situates their body naturally depending on the situation, the environment and how they are feeling.

Example: Someone might cross their arms if they are feeling angry or nervous.

2. Movement

The way you move your arms and legs such as walking quickly or slowly, standing, sitting or fidgeting, can all convey different messages to onlookers.

Example: Sitting still and paying attention in a meeting conveys respect and attention.

3. Posture

The way you sit or stand can also communicate your comfort level, professionalism and general disposition towards a person or conversation.

Example: Someone might slouch their shoulders if they feel tired, frustrated or disappointed.

4. Gestures

While gestures vary widely across communities, they are generally used both intentionally and unintentionally to convey information to others.

Example: Someone in the United States might display a "thumbs up" to communicate confirmation or that they feel positively about something.

5. Space

Creating or closing distance between yourself and the people around you can also convey messages about your comfort level, the importance of the conversation, your desire to support or connect with others and more.

Example: You might stand two to three feet away from a new contact to respect their boundaries.

6. Paralanguage:

Paralanguage includes the non-language elements of speech, such as your talking speed, pitch, intonation, volume and more.

Example: You might speak quickly if you are excited about something.

7. Facial expressions

One of the most common forms of nonverbal communication is facial expressions. Using the eyebrows, mouth, eyes and facial muscles to convey can be very effective when communicating both emotion and information.

Example: Someone might raise their eyebrows and open their eyes widely if they feel surprised.

8. Eye contact

Strategically using eye contact (or lack of eye contact) is an extremely effective way to communicate your attention and interest.

Example: Looking away from someone and at the ground or your phone may convey disinterest or disrespect.

9. Touch

Some people also use touch as a form of communication. Most commonly, it is used to communicate support or comfort. This form of communication should be used sparingly and only when you know the receiving party is okay with it. It should never be used to convey anger, frustration or any other negative emotions.

Example: Placing your hand on a friend's shoulder may convey support or empathy.

NEW QUESTION: 28

Which of the following is the first step in the development of negotiation strategies?

- A. Determining your BATNA
- B. Developing scenarios around possible options
- C. Recognising TOP's needs and wants
- D. Defining overarching objectives

Answer: D (LEAVE A REPLY)

Developing specific negotiation strategies in areas where risk or spend is high involves analysing a wide range of objectives and variables within the context of the organisation's business requirements. The first stage in any negotiation preparation is to define your overall objectives which may be related to a single variable such as price in the case of a standardised requirement, or many variables in the case of capital equipment. Your negotiating strategies and tactics will all be focused on achieving overall objectives.

NEW QUESTION: 29

Collaborative approach in negotiation not only can fully satisfies the concerns of both, but also ensure that neither party will seek to be opportunistic in later time during the life of the contract. Is this statement true?

- A. Yes, because all parties must have exactly the same goals in integrative negotiation
- B. No, because any party may leverage its own advantage during the contract
- C. Yes, because both parties have well understood each other's goals when they engage in collaborative negotiation
- D. No, because the parties will always find a compromise solution in integrative approach

Answer: B (LEAVE A REPLY)

Integrative, interest-based negotiation can facilitate constructive, positive relationship and establish contracts between parties on a foundation of goodwill. It is important to note it can only facilitate these positive outcomes, it does not guarantee that the other party will not seek to be opportunistic at a later time during the life of the contract. Previous knowledge of the behaviours of the other party regarding honouring contractual and other commitments will be useful here in predicting long-term outcomes, not ensuring that they will not leverage their advantages.

NEW QUESTION: 30

A supplier's mark-up on all products is 25%. Supplier's profit margin is...?

- A. 20%
- B. 30%
- C. 75%
- D. 15%

Answer: (SHOW ANSWER)

Explanation

Table Description automatically generated with medium confidence

$$\text{Markup (\%)} = \frac{\text{Price} - \text{Cost}}{\text{Cost}} \times 100 = \left(\frac{\text{Price}}{\text{Cost}} - 1 \right) \times 100$$

$$\text{Margin (\%)} = \frac{\text{Price} - \text{Cost}}{\text{Price}} \times 100 = \left(1 - \frac{\text{Cost}}{\text{Price}} \right) \times 100$$

Text Description automatically generated with low confidence

$$\text{Markup} = 25\% \rightarrow \frac{\text{Price}}{\text{Cost}} = 1.25 \rightarrow \frac{\text{Cost}}{\text{Price}} = 0.8$$

$$\text{Margin} = (1 - 0.8) \times 100 = 20\%$$

NEW QUESTION: 31

Which type of question should be used to receive affirmation on statement?

- A. Open
- B. Closed
- C. Leading
- D. Narrow

Answer: B (LEAVE A REPLY)

Different questioning styles can be used to elicit desired responses:

Text Description automatically generated

Questioning style	When to use
Open questions What do you think about?	<ul style="list-style-type: none">• To start a conversation• To build rapport• To get the negotiation started and get TOP to start first
Closed questions Can you offer 24hr?	<ul style="list-style-type: none">• To generate a specific response• To receive affirmation on statement – often single word, yes or no• To seek specific information• To bring discussion to an end
Probing questions Tell me more about feature X on product Y.	<ul style="list-style-type: none">• To seek further information when the first answer to the question is insufficient• To seek answers when TOP is being evasive• To gain more information and get to the bottom of the issue
Hypothetical questions If we wanted to buy globally could you supply?	<ul style="list-style-type: none">• To try to get TOP to see things in a different way• To condition TOP into expecting something• To encourage creative thinking/facilitate identification of alternatives

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NEW QUESTION: 32

Jane is planning for a forthcoming negotiation with a key supplier. She has learned what are important to the supplier and what are important to her company from previous contracts between them. In order to avoid negotiation deadlocks, she has set up several concession plans. But Jane

has little experience in dealing with suppliers and doesn't know when to trade these concessions. When is the best time in a negotiation to trade concessions?

- A. In the testing phase
- B. In the proposing phase
- C. At bargaining stage
- D. At opening stage

Answer: C (LEAVE A REPLY)

Explanation

The question asks about the point in time when Jane should make concessions with the supplier. These concessions should be traded after preliminary stages such as opening, testing and proposing are over and proposals move from being tentative and general to being more definite and specific. This stage is called bargaining phase. The bargaining phase is the 'meat' of the negotiation meeting.

LO 3, AC 3.1

NEW QUESTION: 33

Which of the following are types of questions that are useful in opening and testing phases of a negotiation?

Select the TWO that apply.

- A. Closed
- B. Narrow
- C. Probing
- D. Leading
- E. Open

Answer: C,E (LEAVE A REPLY)

In the opening phase, parties should confirm understanding and get the issues on the table.

The testing phase is an information gathering stage where the hypothesis and assumption you have made in the planning stage can be tested or confirmed or disproved.

Opening questions (those that start with 'what', 'how', 'why') are used at the opening and testing stages to uncover needs and underlying motives, and to allow the buyer to get a feel of what is in store in the negotiation.

Probing questions are also useful to check that the supplier fully understand their offering, as well as your needs, and can also be used to communicate to the supplier that you know this category well. These questions are typically useful at the opening and testing stages.

NEW QUESTION: 34

Representatives from South African Department of Health is negotiating the price of hospital drugs with US pharmaceutical companies. Which of the following are most likely to be macro factors that influence the outcomes of the negotiation? Select TWO that apply.

- A. Forward integration
- B. Digitalisation of medicine

- C. Order quantity
- D. Regulations on health and safety

Switching costs of buyer

Answer: B,D (LEAVE A REPLY)

Explanation

All one-to-one commercial negotiations between a specific purchaser and a specific supplier take place within an industrial market and a larger business environment characterised by multiple forces which both parties typically have little control over. STEEPLE framework highlights the 6 main external influences on a business:

Table Description automatically generated

Factors	Risks
Socio-cultural	How changes affect demands or expectations of customers, suppliers or other stakeholders
Technological	Are there opportunities for development – or risks of obsolescence
Economic	How changes affect product demand and/or supply and cost of inputs?
Environmental (or 'ecological')	Which factors may cause supply problems, compliance issues, market pressure or risk to reputation
Political	What are the likely implications of policies or changes in policy
Legal	How organisation need to adapt policies and practices in order to comply?
Ethical	Which issues may cause market pressure or reputational risk

Particularly, pharmaceutical industry is a heavily regulated sector, therefore, legal and regulatory matters in the industry is highly important. Otherwise, technological trends also permeate into pharmaceutical companies, technologies like digitalisation may transform the balance of power in such negotiation.

LO 1, AC 1.3

NEW QUESTION: 35

A purchasing manager is having a negotiation with a supplier to extend the duration of the contract. In order to persuade the supplier to cut the cost by 10%, she promises to shorten the payment period from

45 days to 30 days for each delivery. The supplier's representative does not agree the offer and clearly states that his proposed price is already lower than the market price. The purchasing manager has used which type of power?

- A. Reward
- B. Expertise
- C. Coercive
- D. Informational

Answer: A (LEAVE A REPLY)

In the scenario, to exchange cost cutting, the purchasing manager promises to 'reward' supplier shorter payment period. This is an example of reward power, which results from one person's ability to compensate or reward another for compliance.

The reward does not need to be money, but could be introduction to other buyers in the group, positive references, agreement to trial new product, quicker payment or indeed any other variable that the buyer knows is attractive and valued by the supplier.

NEW QUESTION: 36

Which of the following should be adopted to minimise the conflict between parties in commercial negotiation?

- A. The rule of law
- B. Ground zero
- C. Ground beam
- D. Ground rules

Answer: (SHOW ANSWER)

Ground rules are the basic rules for doing something (Cambridge Dictionary). A negotiation goes more smoothly if ground rules are adopted. Then if something goes awry at a later time, you can point out the ground rule that has been violated. Procurement professional should seek to minimise conflict over process through agreeing 'ground rules' and approach as far as possible with the other party in advance of any negotiation meetings.

There should be two sets of ground rules: 1) groundrules for the negotiations between the two parties and 2) ground rules for the negotiating team itself. This article is about the negotiating team ground rules.

The rule of law is the condition in which all members of society, including its political leaders, accept the authority of the law.

Ground zero describes the point on the Earth's surface closest to a nuclear detonation. In the case of an explosion above the ground, ground zero refers to the point on the ground directly below the nuclear detonation.

The Ground Beam is the beam which is provided usually at the foundation level to support building walls, joists, etc.

NEW QUESTION: 37

Leitax is a consumer electronics firm with headquarters in the US and with a global sales presence. The company maintains seven to nine models in its product portfolio, each of which has multiple SKUs. Product life ranges from fifteen to nine months and is getting shorter. The demand planning and master planning processes at the company were ill-defined. Data relevant to forecasting were usually inaccurate, incomplete, or unavailable and the lack of objectives and monitoring mechanisms for the demand planning process meant that process improvement could not be managed. Support for supply management was equally ill-defined, as master production schedules were sporadic and unreliable and suppliers had learned to mistrust them. Leitax's newly appointed Supply chain director, Jessica realises that the "buy-in" of different functional

groups was critical to the improvement of demand planning. She invites relevant stakeholders to a meeting so that they can express their opinions openly. What tactic is Jessica using?

- A. Coalition
- B. Pressure
- C. Consultation
- D. Persuasion

Answer: A (LEAVE A REPLY)

There are nine commonly used influence tactic:

1. Rational persuasion includes using facts, data, and logical arguments to try to convince others that your point of view is the best alternative. This is the most commonly applied influence tactic.
2. Legitimizing
3. Personal appeals
4. Exchange
5. Ingratiation
6. Pressure refers to exerting undue influence on someone to do what you want or else something undesirable will occur.
7. Coalitions refer to a group of individuals working together toward a common goal to influence others.
8. Inspirational appeals
9. Consultation refers to the influence agent's asking others for help in directly influencing or planning to influence another person or group.

In the scenario, there is a problem with demand forecasting and supply chain planning in Leitax. The new Supply chain director invites the stakeholders to a meeting to find the solution. She is using coalition tactics.

NEW QUESTION: 38

Which of the following is the process enabling the buyer to share with the supplier their purposes and needs to focus on some specific areas such as quality, cost, social and environmental standards, etc in the supplier's bids?

- A. Supplier selection
- B. Supply positioning
- C. Supplier appraisal
- D. Supplier conditioning

Answer: D (LEAVE A REPLY)

Supplier conditioning is the process of influencing a supplier or suppliers to behave in a certain way, or to accept certain circumstances. Within a negotiation, the buyer needs to make sure that the supplier has a number of messages in mind, about the outcomes that the buyer needs to achieve and about the shared sense of purpose that buying organisation has in achieving these outcomes.

Supplier appraisal is a process of evaluating a supplier's ability to carry out a contract in terms of quality, delivery, price and other contributing factors.

Supplier positioning is the process of classifying spend with a supplier in terms of the profit potential and supply risk and assists in prioritising categories of spend and developing the right strategy.

Supplier selection is the process of selecting a supplier to acquire the necessary materials to support the outputs of organisations. Selection of the best and/or the most suitable suppliers is based on assessing supplier capabilities (Shih et al., 2004).

NEW QUESTION: 39

Which of the following will positively affect reputational strength of an organisation? Select TWO that apply.

- A. Adopting out-of-date technology
- B. Weak internal coordination
- C. Great gap between reputation and reality
- D. High ethical standards
- E. Strong customer focus

Answer: D,E (LEAVE A REPLY)

Explanation

In a globalised commercial world characterised by dynamic market and multiple companies competing for business, a positive corporate reputation can be an enormous asset. Reputational strength in one organisation might be based on some or all of the following characteristics:

- Quality of products or services
- Low cost/high value for money
- High ethical standards
- Reliability
- Cutting-edge technology
- Strong customer focus
- Engineering excellence

LO 1, AC 1.4

NEW QUESTION: 40

According to Dr. Mari Sako, which of the following is potentially the weakest trust to be built?

- A. Competence trust
- B. Goodwill trust
- C. Charitable trust
- D. Contractual trust

Answer: D (LEAVE A REPLY)

Trust is the expectation that the other party will behave in a predictable and mutually acceptable way. In inter-firm relationships, the presence and absence of trust can affect the level of cost in a relationship. The existence of trust is taught to lower the transaction cost in a relationship. Dr. Mari Sako identified taxonomy of

3 types of trust in commercial relationship, which is very useful from the perspective of procurement.

Contractual trust: Trust based on the contract with TOP. This is potentially the weakest source of trust if there is nothing else to base the trust on, but it is the quickest to establish.

Competence trust: Trust based on TOP's professional qualifications or proven or certified technical capability or experience.

Goodwill trust: Trust based on knowing TOP has your interest at heart and will not behave opportunistically.

This is potentially the strongest type of trust, but it takes the longest time to build.

Otherwise, trust also has legal meaning. A trust is a legal document that can be created during a person's lifetime and survive the person's death. A trust can also be created by a will and formed after death. Charitable trusts are trusts which benefit a particular charity or the public in general.

NEW QUESTION: 41

Which of the following are most likely to turn buying organisation into an unattractive customer in supplier's perspective? Select TWO that apply.

- A. Demands for kickback
- B. Reduced paperwork in procurement processes
- C. Adopting clear and concise CSR policies
- D. Unclear tender award criteria
- E. Using SRM technology

Answer: A,D (LEAVE A REPLY)

Becoming a preferred customer to supplier's perspective can increase the purchaser's leverage in negotiation.

Beside the size of buying organisation or its spend, the following may be sufficient to differentiate the buyer from other buying organisations:

Simple procurement processes: Using SRM technology may help to simplify the process
Simple contracting processes
Clear and concise documentation: Reduced paperwork helps both supplier and buyer save their time and resources.

Absence of onerous supplier terms and conditions

On-time payment

Transparent processes: Unclear tender award criteria can be seen as opaque. Suppliers who attended the tendering processes cannot know the reasons why their bids are rejected and hesitate to attend other tendering.

Ethical behaviour: Suppliers may prefer a buyer who adopts CSR policy because they can predict potential customer's behaviour. Demands for kickback are unethical behaviours.

NEW QUESTION: 42

A public agency opens a tendering process for a road building project that lasts approximately 1 year. They post their requirements on public journal and receive some interests. After conducting due diligence process and selecting the lowest bidder, the project commences. However, the

supplier complains that price of material increases because of a shortage of supply, then they demands an 5% uptick in contract value. The agency investigates the increment and sees that there is indeed a fluctuation in prices of supplier's input. They are likely to accept the proposal, but they are also concerned that supplier may demand more. To avoid making another concession with the supplier, which of the following should be a priority action of the agency?

- A. Disapprove supplier's demands until they finish the project
- B. Seek approval from higher authority
- C. Document a contract variation that only allows another concession if some specific conditions arise
- D. Postpone the decision making until the budget is ready

Answer: C (LEAVE A REPLY)

Explanation

The agency (buyer) has made a concession about the price. Possibly the supplier will request another concession (the salami tactics). To avoid this to be happened, the agency should only allow a concession as an exception, make sure that the concession is documented and only permitted against some exceptional circumstances, and seek agreement to this from the supplier.

LO 3, AC 3.2

NEW QUESTION: 43

According to Professor Gavin Kennedy, in which of the following forms of dispute resolution, both parties will voluntarily exchange their ideas and beliefs?

- A. Litigation
- B. Persuasion
- C. Negotiation
- D. Gambling

Answer: C (LEAVE A REPLY)

Professor Gavin Kennedy highlights that we need to distinguish negotiation from other forms of decision-making by focusing on what is unique about it (the voluntary exchange) and not shared by other techniques such as persuasion, gambling (e.g., coin tossing), command decision, instruction, litigation and coercion.

NEW QUESTION: 44

Jasmine and the IHL sales team have a negotiation scheduled with one of AB's lead buyers, Samuel, at AB's premises. This is one of the biggest negotiations that Jasmine has been involved in and is eager not to make any mistakes. Jasmine has heard from a colleague that Samuel tends to adopt an integrative negotiation style.

IHL senior management decides to send a team of three members to the negotiation. Jasmine is among the team and she is assigned to check body language, reactions, feeds insight to her leader and to record important comments and information from the meeting for minutes. Which of the following are roles of Jasmine in the forthcoming negotiation? Select TWO that apply.

- A. Secretary

(Correct)

B. Commercial expert

C. Technical expert

D. Chief negotiator

E. Observer

Answer: A,E (LEAVE A REPLY)

A negotiating team can be as few as two people, and one person can play one or more of these roles:

Table Description automatically generated

Team roles	Responsibilities
Team leader	<ul style="list-style-type: none">• Negotiation decision maker• Responsible for outcomes
Chief negotiator	<ul style="list-style-type: none">• Spokesperson; leads negotiation meetings• Agrees changes to negotiation plan with the leader
Commercial lead	<ul style="list-style-type: none">• Provision of commercial/financial subject matter expertise relevant to the negotiations• Feeds insight and suggestions through to leader
Technical lead	<ul style="list-style-type: none">• Provision of specialist technical subject matter expertise• Feeds insight and suggestions through to leader
Observer	<ul style="list-style-type: none">• Observes TOP• Checks body language, reactions and feeds insight to the leaders
Scribe	<ul style="list-style-type: none">• Records important comments and information from the meetings for minutes and analysis

As from the scenario, Jasmine will act as an observer and a scribe (or secretary).

NEW QUESTION: 45

When prices of input materials increase, supply curve shifts to the left while demand remains stable. The shift of supply will tend to cause which of the following?

A. An increase in the equilibrium price and quantity

B. A decrease in the equilibrium price and quantity

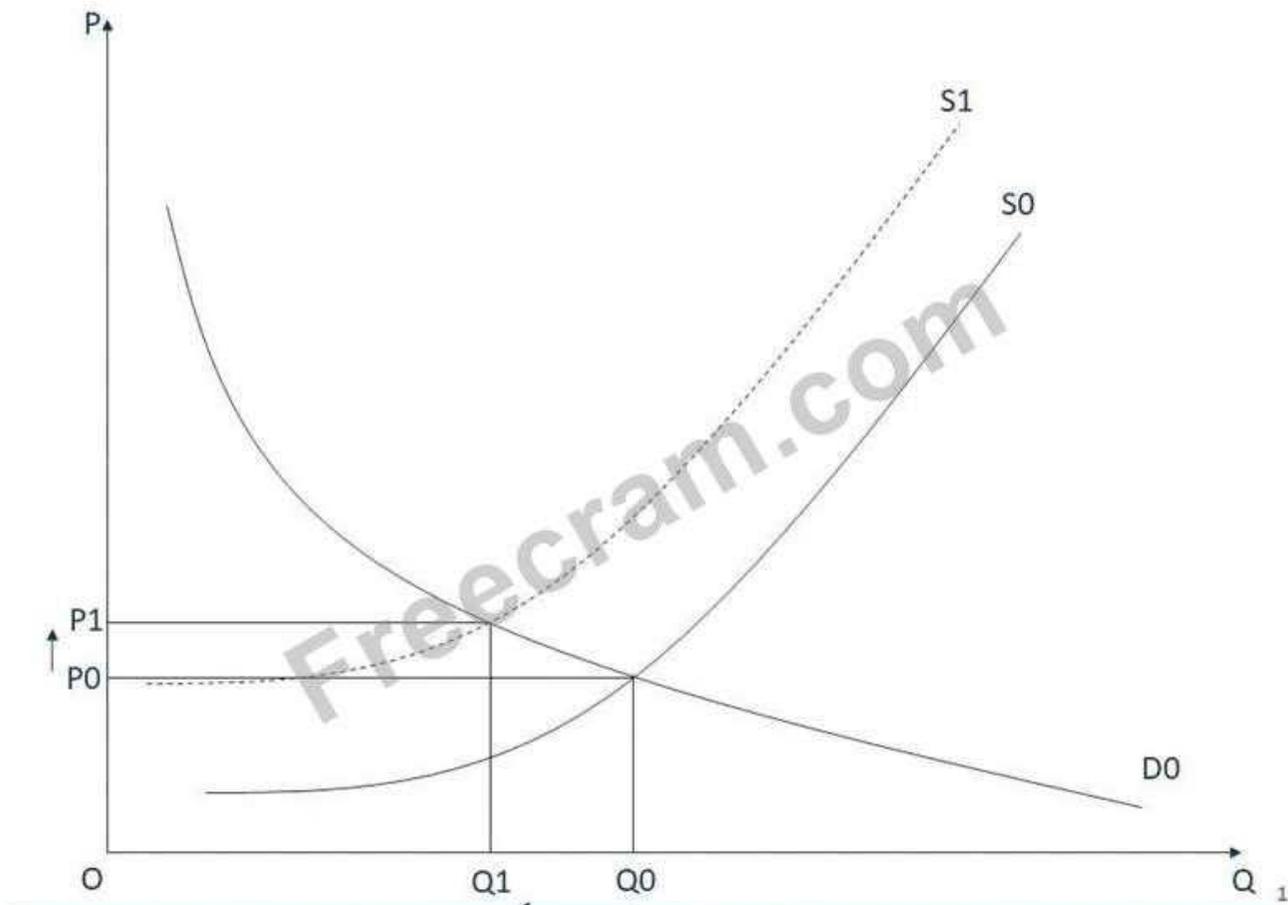
C. A decrease in the equilibrium price and an increase in the equilibrium quantity

D. An increase in the equilibrium price and a decrease in the equilibrium quantity

Answer: (SHOW ANSWER)

The case in the question is illustrated as below:

Diagram Description automatically generated



Centre of excellence in procurement and supply

The equilibrium price initially at P_0 with quantity Q_0 , when supply curve shifts to the left, it will converge with demand curve at new equilibrium point with price P_1 and quantity Q_1 . As you can see from the graph, P_1 is greater than P_0 and Q_1 is smaller than Q_0 .

NEW QUESTION: 46

Ma Bell was the sole provider of landline telephoneservice to most of the US in 1980s. This is an example of...?

- A. Monopsony
- B. Monopoly
- C. Monopolistic competition
- D. Perfect competition

Answer: B (LEAVE A REPLY)

Explanation

A monopoly exists when only one company can supply an essential product or service in a given region because of significant barriers to entry for any competitor. The barriers can be legal, regulatory, economic, or geographic. Ma Bell case is an example of monopoly. The company was broken up in 1982.

A monopsony is a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers.

Pure or perfect competition is a theoretical market structure in which the following criteria are met:

- All firms sell an identical product (the product is a "commodity" or "homogeneous").
- All firms are price takers (they cannot influence the market price of their product).
- Market share has no influence on prices.
- Buyers have complete or "perfect" information-in the past, present and future-about the product being sold and the prices charged by each firm.
- Resources for such a labor are perfectly mobile.
- Firms can enter or exit the market without cost.

Monopolistic competition characterizes an industry in which many firms offer products or services that are similar, but not perfect substitutes. Barriers to entry and exit in a monopolistic competitive industry are low, and the decisions of any one firm do not directly affect those of its competitors. Monopolistic competition is closely related to the business strategy of brand differentiation

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NEW QUESTION: 47

Sally is negotiating with an oversea supplier on the price and payment period. Her company and the supplying organisation are equal in bargaining power. The supplier says that they are investing in new facilities and machinery so the payment period should not be longer than 30 days. Sally knows that her company often pays the suppliers after 45 days from the delivery, but at the moment the company has positive cash flow and it is able to pay immediately. Which of the following should be Sally's concession plan?

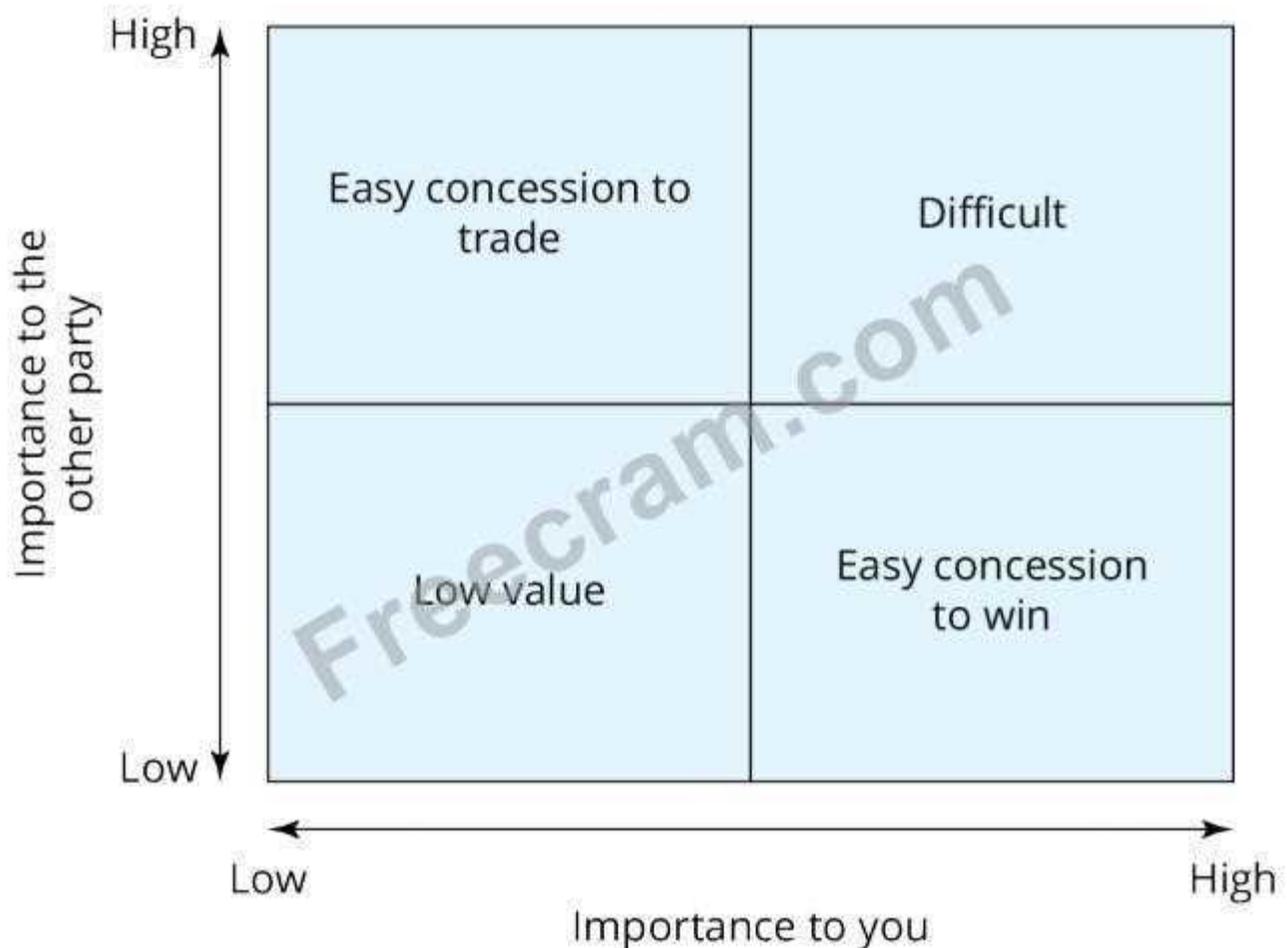
- A.** Contend on the normal payment period
- B.** Shorten payment period but ask for a discount
- C.** Agree with supplier's payment period without any further demand
- D.** Demand for a discount without any other concessions

Answer: B (LEAVE A REPLY)

Explanation

In the scenario, the length of payment period is particularly important to the supplier as they are investing new facilities. Otherwise, the buyer's company has a positive cash flow position and budget is available for a shorter payment terms. So this tradeable (payment period) is important to supplier but it is not a significant problem with the buyer. This tradeable will fall within 'Easy concession to trade' quadrant in the following matrix:

Table Description automatically generated



If the tradeable fall within this quadrant, Sally should shorten the payment period in supplier's favour and try to win as many concessions as possible in return. Asking for a discount may be a reasonable trade-off.

LO 2,AC 2.3

NEW QUESTION: 48

During a negotiation, a procurement manager suggests that the two companies should split the difference which would benefit both the supplier and buyer. Which persuasion method is she using?

- A. Compromise
- B. Threat
- C. Good cop/bad cop
- D. Logic

Answer: (SHOW ANSWER)

In the scenario, the manager propose to 'split the difference', which means each party will accept some of their demands and concede some. This is known as 'Compromise'.

NEW QUESTION: 49

Which of the following are most likely to be fundamentals of Fisher & Ury's principled negotiation?

1. Depersonalise the argument

2. Focus on positions
3. Generate creative options
4. Using subjective criteria

- A. 2 and 3 only
- B. 2 and 4 only
- C. 1 and 3 only
- D. 1 and 4 only

Answer: C ([LEAVE A REPLY](#))

Explanation

Principled negotiation is based on four fundamentals: people, interest, options and criteria:

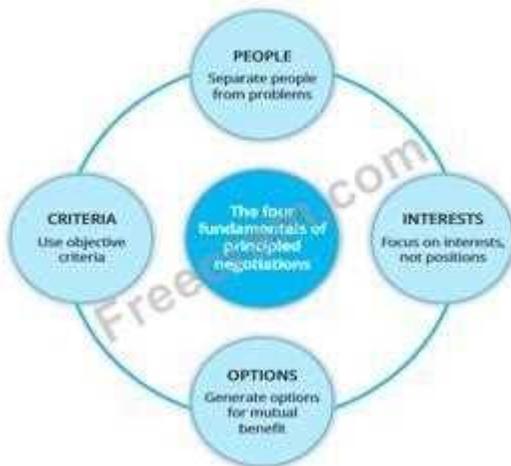


Diagram Description automatically generated

1st Principle: separate the people from the problem: Negotiator should depersonalise the situation and accepting that the subject matter of the negotiation. This can be difficult for untrained negotiators, but this is a key skill to develop

2nd principle: focus on interests, not positions: It is important in principled negotiations not to focus on their parties' positions (what are expressed during negotiations), but on the interests (underlying needs) behind them

3rd principle: invent options for mutual gains: this principle aims to help the parties find a solution that both would benefit from. The more options - or tradeables - that can be brought to the table the better.

4th principle: insist on using objective criteria: is about making sure that the negotiation stays focused on outcomes based on objective criteria and that it is productive.

LO 1, AC 1.2

NEW QUESTION: 50

Stalemate is more likely to happen if both parties trade more variables in a commercial negotiation. Is this assumption true?

- A. No, because the party who offers more variables will have lower bargaining power
- B. Yes, because the negotiation will last endlessly if there are too many variables
- C. No, because more variables will facilitate more possible negotiated outcomes
- D. Yes, because more variables will cause more conflicts of interest

Answer: C (LEAVE A REPLY)

Explanation

Negotiation variables such as price or contract length, etc are that can be traded with TOP in a negotiation. The more variables you can identify, the better. The more variables you can identify and articulate, the lower the chances of the negotiation reaching deadlock as more possibilities are facilitated regarding more creative solutions.

Below are examples of negotiation tradeables in buying professional services:

Table Description automatically generated

Negotiation tradeables example - buying professional services	
Base price: day rate per staff grade	Seniority/experience level of staff
Volume discounts against base day rates	Treatment of expenses incurred

Table Description automatically generated

Negotiation tradeables example - buying professional services	
Length of contract/termination notice	Willingness to act as reference site
Lead time to start project	Knowledge transfer to client
Dedicated named staff	Contract management and reporting
Flexibility of hours and response time	Legal contract Ts and Cs
Exclusivity of supply	Working location and hours

LO 2, AC 2.3

NEW QUESTION: 51

Commercial negotiation ends at the award of a contract. Is this statement true?

- A. Yes, because there are no rooms for negotiation after the contract is awarded
- B. Yes, because the supplier will comply with legally binding obligations
- C. No, because improvements can be achieved through post-award negotiation
- D. No, because real commercial negotiation begins after the contract is awarded

Answer: C (LEAVE A REPLY)

Explanation

Negotiation doesn't end after the contract is awarded. The needs for negotiation can arise in any post-award stages. For example, at supplier development and relationship management stage, improvement in supplier capability, capacity, and product/service range can be negotiated. Negotiations with long-term strategic critical suppliers should be carried out in a partnering style, with a win-win starting point assumed.

In some sectors such as transport, utilities and infrastructure, tenderers may 'bid low' or even make a loss to win major contracts with a view to negotiating lucrative changes, variations and 'add-ons' over the life of the contract when the supplier is bedded in and the buyer is in the

weaker position to push back or challenge. Even in less complex contract, it is very likely that there will be a need to negotiate with that supplier again after the awarding of the contract.

LO 1, AC 1.1

NEW QUESTION: 52

Which of the following best describes Leverage quadrant in Kraljicmatrix?

- A. Low risk, high importance
- B. High value, high complex
- C. Low risk, low importance
- D. High complex, low importance

Answer: A (LEAVE A REPLY)

Explanation

In 1983, Peter Kraljic devised a means to segment the supplier base in the article in HBR. In this, he argued that supply items should be mapped against two key dimensions: risk and profitability. Risk relates to the likelihood for an unexpected event in the supply chains to disrupt operations. For instance, in important areas of spend, such as tire suppliers for an automotive are business critical, and should a disruption occur, the auto company is likely itself to face substantial problems.

Profitability describes the impact of a supply item upon the bottom line. For certain areas of spend, such as stationery, supplies have only a negligible effect on profits. In other categories, a single source of supply can make or break a business.

Putting these two dimensions together yields a classic two-by-two matrix.

Diagram Description automatically generated



Source: Peter Kraljic, HBR

NEW QUESTION: 53

To buying organisation, savings can be achieved from different saving levers or tactics. Which of the following are means that deliver savings through optimising specifications?

- A. Value engineering
- B. Part substitution
- C. Budgetlinkages
- D. Compare total cost of ownership
- E. Volume pooling

Answer: (SHOW ANSWER)

If driving greater value and efficiency from your supply base is your end, you should remember that there are many ways to do this without seeking to negotiate lower prices. Below are 7 types of saving levers:

Table Description automatically generated

Saving levers & tactics						
Volume concentration	Demand management	Best price evaluation	Global sourcing	Specification improvement	Joint process improvement	Relationships restructuring
<ul style="list-style-type: none"> Supplier reduction Volume pooling Volume redistribution Volume consolidation across categories Standardisation Buying consortia 	<ul style="list-style-type: none"> Lower price product/service Approvals Visibility Budget linkages 	<ul style="list-style-type: none"> Benchmark internal prices Model 'should costs' Compare total cost of ownership Competitive bidding Index/cap prices Commodity hedging 	<ul style="list-style-type: none"> International suppliers Unbundling Exchange rate hedging Exchange rate price indexing Price indexing 	<ul style="list-style-type: none"> Rationalise/standardise parts Part substitution Off the shelf versus custom System versus component Value engineering Life-cycle costs 	<ul style="list-style-type: none"> Process re-engineering Integrated logistics Joint product development Long-term contracts Call-off ordering Online trading Vendor managed inventory On-site support 	<ul style="list-style-type: none"> Make versus buy/outsourcing Alliances/partnerships Joint ventures Supplier development Use manufacturers instead of distributors

NEW QUESTION: 54

From the principled point of view about negotiation environment, which of the following is a true statement?

- A. Advantage gained from uncomfortable negotiation environment is likely to last long after the negotiation
- B. The room layout can be seen as a source of tactical advantage
- C. Home advantage should not be exploited to win a temporary advantage
- D. There is no ideal negotiation environment in real life

Answer: C (LEAVE A REPLY)

Explanation

From a principled point of view, the focus of negotiation is on resolving the issue and not on winning temporary advantage over TOP through exploiting home advantage. From the principled point of view, the location and room layout should not be viewed as a source of tactical advantage and should not be used to try to gain advantage over TOP or unfairly influence them in the meeting room.

From a pragmatic point of view, not all of these elements in the ideal negotiation environment may be feasible, so the host may have to make compromises and explain these to TOP.

From a distributive point of view, the host will seek to create an advantage for themselves either explicitly or more subtly. It is arguable that any advantage gained through intentionally creating an uncomfortable environment to put short-term pressure on TOP is likely to be short-lived as TOP will likely reflect on this later and seek means to get even.

LO 2, AC 2.4

NEW QUESTION: 55

There are no commitments in hypothetical questions. Is this statement true?

- A. No, because the party who makes hypothetical questions cannot withdraw their proposals
- B. No, because hypothetical questions are made explicitly to the other party
- C. Yes, because hypothetical questions generate a specific response
- D. Yes, because hypothetical questions only mention possible situations

Answer: D (LEAVE A REPLY)

Explanation

There are four types of questions that can be used in a commercial negotiation:

Hypothetical questions, where you ask about a possible situation or abstract concept, are very useful at the testing and proposal phases. Hypothetical question does not state any commitment as it is only about 'if something happens, then ...'. This type of question can be useful at giving suggestion.

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Questioning style	When to use
Open questions What do you think about?	<ul style="list-style-type: none">• To start a conversation• To build rapport• To get the negotiation started and get TOP to start first
Closed questions Can you offer 24hr?	<ul style="list-style-type: none">• To generate a specific response• To receive affirmation on statement – often single word, yes or no• To seek specific information• To bring discussion to an end
Probing questions Tell me more about feature X on product Y.	<ul style="list-style-type: none">• To seek further information when the first answer to the question is insufficient• To seek answers when TOP is being evasive• To gain more information and get to the bottom of the issue
Hypothetical questions If we wanted to buy globally could you supply?	<ul style="list-style-type: none">• To try to get TOP to see things in a different way• To condition TOP into expecting something• To encourage creative thinking/facilitate identification of alternatives

LO 3, AC 3.3

NEW QUESTION: 56

In a commercial negotiation, a procurement professional believe that the larger the order quantity from buyer, the lower the supplier's average costs. Is this assumption true?

- A. No, because supplier's average costs will rise as the buyer's demand increases
- B. No, because the supplier may need to invest in new facility to meet buyer's demand
- C. Yes, because larger order quantity will bring a considerable profit to supplier

D. Yes, because larger order quantity will always enable the supplier to reach its economy of scale

Answer: (SHOW ANSWER)

In some markets, suppliers experience peaks and troughs in demand and so buyers can increase their leverage through developing an understanding of how busy their vendor are at particular time during the year or business cycle and targetting at quieter period. Similarly, if a buyer can develop an understanding of supplier capacity and to what extent have they covered their fixed cost, they may be able to target suppliers when their average costs are likely to be lowest. Vendor's average costs will be higher at low and high capacity utilisation.

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Insight into supplier capacity

- Knowing suppliers' capacity and to what extent they have covered their fixed cost supports negotiation strategy



NEW QUESTION: 57

Buying organisation may increase its leverage with suppliers by concentrating spend. Which of the following are most likely to be forms of supplier spend consolidation? Select THREE that apply.

- A. Forming purchasing consortia
- B. Volume consolidation across categories
- C. Volume separation
- D. Paying supplier on time
- E. Volume redistribution
- F. Simplify procurement process

Answer: A,B,E (LEAVE A REPLY)

Buying organisation may increase its leverage with suppliers by concentrating spend. Supplier spend consolidation can take many forms as outlined below:

Vendor base reduction: straightforward reduction of number of suppliers in any category
Volume pooling: pooling cross organisational requirement until your order volume is high enough to attract new bidders/additional discounts
Volume redistribution: making recommendations following spend analysis to move from one supplier to another
Volume consolidation across categories: certain purchase requirements may be common across a number of categories
Standardisation and harmonisation of specifications: analysis of specifications and standards for a high spend purchased input, may show that there is a little difference between them and that the specification can be standardised or at least harmonised across the group or across national, regional or global operations.

Forming purchasing consortia: buyers may decide to come together and combine their purchase volumes to attract better deals.

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