



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT



FRIDAY: 25 May 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Identify FOUR sources of information relating to supply market conditions. (4 marks)
- (b) Explain FOUR administrative activities associated with handling of contracts. (4 marks)
- (c) Describe SIX benefits of using digital dashboards to measure performance in business organisations. (6 marks)
- (d) Outline SIX measures that should be taken to ensure that category plans are effective. (6 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Assess FIVE business and supply market factors considered when applying the sourcing group concept in a portfolio analysis. (10 marks)
- (b) Profiling a category is a key area in the implementation of strategic sourcing. Illustrate FIVE considerations when profiling a category. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Examine FIVE benefits of carrying out stakeholders consultation before implementing category management process. (10 marks)
- (b) Formulate a questionnaire to be used in the supplier pre-qualification exercise highlighting FIVE key areas. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Case Study

Read the case below and answer the questions that follow.

Mamaland Ltd., a food manufacturing company, is contending with competitive pressure to improve service levels while reducing costs. Currently, the company is concentrating on developing effective procurement strategy to remain competitive. Typically, the company procures both commodity and non-commodity goods. The commodity goods include widely traded raw materials and agricultural produce. Non-commodity goods on the other hand include highly differentiated and branded goods.

The company is currently facing the risk of inadequate supply and price risk owing to seasonal and volatile commodity markets. The company's commodity-procurement department is tasked with the responsibility of maintaining commodity supply in order to meet production demands. At the same time, the department is expected to minimise inventory costs. These functions can be accomplished by developing an optimal strategy for each commodity depending on a variety of factors such as volume needs, associated risks and potential costs.

Required:

- (a) Advise the management of Mamaland Ltd. on the use of Kraljic model to effectively manage the different categories of their products. (10 marks)
- (b) Propose FIVE ways through which Mamaland Ltd. can minimise the negative effects of supply volatility in the commodity market. (10 marks)
- (c) Discuss FIVE internal factors that are likely to influence category management at Mamaland Ltd. (10 marks)
- (d) Suggest FIVE ways in which information technology could assist Mamaland Ltd. to achieve category management related objectives. (10 marks)

(Total: 40 marks)



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT



FRIDAY: 24 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Outline FIVE activities associated with strategic sourcing management in an organisation. (5 marks)
 - (b) Highlight FIVE benefits of having a team charter in category management. (5 marks)
 - (c) Identify FIVE common clauses in non-disclosure agreements with suppliers. (5 marks)
 - (d) Explain FIVE circumstances that may necessitate the use of reverse auction as a route to supply market. (5 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Explain FIVE demand situations a firm is likely to encounter when analysing demand patterns for category groups. (10 marks)
 - (b) Describe FIVE circumstances under which it may be necessary to negotiate with suppliers. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) Evaluate FIVE kinds of information required in carrying out financial appraisal on a prospective supplier. (10 marks)
 - (b) Describe FIVE characteristics of high-performing category management approaches. (10 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Case study

BONI LTD.

Boni Ltd. is a privately owned company that deals primarily in manufacturing of various laundry detergents which have gained wide acceptance both locally and internationally. The company has an annual turnover of Sh.15 million and employs 50 staff, including a centralised purchasing function at the head office.

A retail category manager has been appointed at the head office. He is responsible for making savings across the business and will focus on key areas of expenditure, mostly on supplier selection, acquisition of raw materials and contract administration. Already, the manager has recruited a new team comprising of two assistant buyers, Brian who will deal solely with packaging issues and Maasai who will deal with MRO materials.

The CEO has requested that the retail category manager needs to spend time finding out about the business as a whole to be able to effectively contribute to the business plan which is to be re-written next year. This therefore means, the retail category manager and his team will focus on standardisation of purchasing products across the organisation. Currently, there are no recognised forms i.e. purchase orders and requisitions, no clear detailed roles and responsibilities of who can buy what item, little stakeholder involvement, ballooning expenditure, specification development is ad hoc and IT system focus on other functions besides purchasing.

The retail category manager has been advised to secure contract agreements for large expenditure items and services. Boni Ltd. works with 500 suppliers across the business who provide a diverse range of goods and services. There are currently no service level agreements in place and hence performance and quality of goods supplied is compromised significantly.

Required:

- (a) Advise the management of Boni Ltd. how stakeholder analysis and mapping may help in strategic sourcing. (10 marks)
- (b) Discuss FIVE strategic themes that the category manager should adopt to effectively transform sourcing. (10 marks)
- (c) Suggest FIVE corporate social responsibility initiatives that Boni Ltd. may pursue. (10 marks)
- (d) Discuss FIVE sources of supply volatility that Boni Ltd. is likely to grapple with. (10 marks)

(Total: 40 marks)

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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT



FRIDAY: 30 November 2018.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain FIVE responsibilities of a category management steering group within an organisations governance structure. (5 marks)
 - (b) Identify FIVE interpersonal skills required to effectively handle category management tasks. (5 marks)
 - (c) Describe FIVE ways in which learning reduces the cost of operations in an organisation. (5 marks)
 - (d) Discuss FIVE benefits of category management to a fast moving consumer goods store. (5 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Illustrate FIVE benefits that are likely to result from establishing a cross-functional team to handle purchasing activities of a firm. (10 marks)
 - (b) Evaluate FIVE reasons for considering long-term contracts with suppliers. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) Explain FIVE sections that should be contained in a category strategic sourcing plan. (10 marks)
 - (b) Examine FIVE category management metrics that could be used in benchmarking. (10 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Read the case study below and answer the questions that follow.

TANGIBLE EAST ENTERPRISES (TEE)

Tangible East Enterprises (TEE) manufactures and distributes electrical gadgets. The products are sold to both domestic and industrial consumers. The company buys its raw materials from both local and overseas markets.

The domestic consumers market segment used to perform well in sales volume until last year when it was overtaken by industrial consumers market. Despite being the better performing market segment, industrial buyers are full of complaints arising from delayed deliveries and the inability of the company to fulfill their demand adequately. The domestic consumers are also complaining of being neglected by TEE which seems to be giving more attention to industrial buyers. The suppliers of the raw materials are partly to blame for the problems facing TEE currently.

To address issues raised by the customers, TEE is considering the option of making the inputs instead of buying them from external suppliers. The company has also enlisted the services of an external consultant to critically look into issues raised by the customers and suggest possible ways of improving performance. Before making the final report, the consultant will be expected to collect the views of all stakeholders. The consultant is also expected to complete the assignment and submit the recommendations in three months time to the management of TEE.

Required:

- (a) Suggest FIVE measures that TEE may put in place to achieve effective stakeholders engagement in category management activities. (10 marks)
 - (b) Advise the management of TEE on FIVE benefits that may accrue to the company from making the electronic gadget inputs. (10 marks)
 - (c) Recommend to the management of TEE FIVE methods they can use to collect data regarding suppliers. (10 marks)
 - (d) Discuss FIVE factors TEE may consider when developing exit plan from the existing relationships. (10 marks)
- (Total: 40 marks)**



CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT



THURSDAY: 28 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Highlight FOUR characteristics of transactional purchasing. (4 marks)
 - (b) Outline FIVE technical skills required for the implementation of category management. (5 marks)
 - (c) Highlight FIVE roles of an executive sponsor in category management. (5 marks)
 - (d) Describe SIX steps involved in the pre-contract strategic acquisition process. (6 marks)
- (Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Illustrate FOUR ways of categorising expenditure using Kraljic Matrix. (10 marks)
 - (b) Explain FIVE benefits that an organization may accrue from direct negotiation with suppliers. (10 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) Analyse FIVE barriers that may hinder an organisation from effectively implementing its category plans. (10 marks)
 - (b) Describe FIVE metrics that may be used to benchmark category management performance. (10 marks)
- (Total: 20 marks)

SECTION C

QUESTION FOUR

Case study

MODERN TIMES CHEMICALS (MTC)

Modern Times Chemicals (MTC) is a large manufacturer and supplier of agricultural and industrial chemicals with over 700 brands. 80% of the inputs are sourced from foreign markets. Local suppliers constitute only 20% of the total suppliers. The company distributes its products to customers through appointed distributors in the eight regions.

Following the resignation of the category manager, the company appointed Mr Dee as the new category manager, who is determined to improve the overall performance of MTC and make it the market leader in the region. To achieve these objectives, he has advised the management to appoint a category management team which has now recommended urgent attention to the following issues:

1. Review of the current cost structure.
2. Review of the entire category management process.
3. Identify risk involved in category management and mitigating factors.
4. Review current supplier base that require urgent rationalisation.
5. Develop and optimise local markets.

Required:

- (a) Describe FIVE categories of cost that Mr Dee may consider in the proposed review. (10 marks)
- (b) Appraise FIVE activities the management team may have to undertake to enhance the success of category management process. (10 marks)
- (c) Recommend FIVE methods MTC may use to gather data for measuring supplier performance. (10 marks)
- (d) Assess FIVE measures that MTC should have in place to ensure smooth termination of relationships with its suppliers. (10 marks)

(Total: 40 marks)

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KISM AND KASNEB

CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT

FRIDAY: 26 May 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain the term “sourcing group” using its FIVE features. (5 marks)
 - (b) Highlight FIVE supply chain activities in a firm operating “closed loop” supply chain system. (5 marks)
 - (c) Identify FIVE objectives of strategic sourcing. (5 marks)
 - (d) Explain how the objectives identified in (c) above can be beneficial to a supplies organisation. (5 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Evaluate FIVE factors that may prompt a “buy decision” rather than a “make decision” in a category management process for projects. (10 marks)
 - (b) Assess FIVE categories of supply chain risks indicating the measures that may be employed to mitigate them. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Sourcing professionals ask four questions when analysing the supply market.
Discuss the FOUR main questions. (10 marks)
 - (b) Discuss the benefits of benchmarking in managing suppliers and contractors. (10 marks)
- (Total: 20 marks)**

SECTION C

QUESTION FOUR

Read the case below and answer the questions that follow:

United Steel Limited (USL) is a multinational firm manufacturing customised automated assembly equipment. The manufacturing operations are divided into two separate divisions; fabrication and assembly. The fabrication division consists of 10 departments and the assembly division is a paced assembly line of 95 workstations.

Last year while reviewing the purchasing processes for actuator components parts, the director of procurement discovered that each department in fabrication division was purchasing some actuator components but from nine different local suppliers. Last year total purchases for the 10 departments were Sh.967,000.

The procurement director expressed his concerns to the electronic component buyer. He requested the matter to be investigated and a report submitted with recommendations on the matter. The report identified that each department manager had reasons for using specific component supplier; reasons ranged from delivery performance to informal engineering advice. It cost the company approximately Sh.185,000 to place individually triggered orders. The average component unit values range from a low of Sh.0.75 to a high of Sh.133. The value of combined inventory holding cost across the department is Sh.306,000 with an average obsolescence rate of 30%.

The cost of holding one component in inventory for one year is 25%. The obsolescence rate was too high because customers sometimes changed engineering design before the equipment was shipped. The procurement director was advised to explore system of contracting one supplier; as from experience, system contracting would reduce ordering cost by more than 70%, and they may also consider reverse auctions.

Required:

(a) Evaluate strengths and weaknesses of reverse auctions as suggested. (10 marks)

(b) Write short notes on how category management can improve the performance of USL. (10 marks)

(c) Globalisation presents opportunities as well as challenges to an organisation.

Assess the opportunities availed by globalisation to USL. (10 marks)

(d) USL has hired you as a consultant to collect data on suppliers, terms and market trends. This information will inform decisions that USL will take.

Design a questionnaire that will enable you to gather the information required. (10 marks)

(Total: 40 marks)

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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT

FRIDAY: 27 May 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

Explain using relevant examples, the role played by category management within the following activities in a food processing company:

- (a) Mapping of procurement requirements. (5 marks)
- (b) Development of confidential agreements with some of the staff. (5 marks)
- (c) Managing supply and market risks. (5 marks)
- (d) Measuring supplier performance. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Discuss the use of RAQSCI category management tool in assessing alignment of a category strategy to an organisation's business strategy. (10 marks)
- (b) Evaluate FIVE emerging issues and trends in category management. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Discuss FIVE ways in which a category manager in a motor vehicle assembly plant procurement can categorise suppliers. (10 marks)
- (b) Explain FIVE key requirements in the use of E-Reverse auctions for supplier selection. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Kikomi was originally launched in 1997 by Kuku Ltd., as a confectionary aimed at the adult market. However, the following year the market focus was altered to target children. This led to the confectionary being packed in tubes.

Over the years demand has increased and Kikomi has become a strong brand in the Kenyan confectionary market.

Kikomi are brightly colour sugar-coated sweets with a milk chocolate centre. The mix comprises of colours; red, yellow, orange, green, mauve, pink, brown and blue. They are available in four distinctive standard packages. A tube with coloured tops; cartons; a three tube multi-pack and since 2001, a mini-carton for the 'smaller size' market.

Malebo Ltd. is another major confectionary manufacturing group in Kenya that produces a range of well-known confectionary brands including Malebo Bars, Twins and Maltessos.

In July 2005, Malebo Ltd. launched Malex in Kenya. The product was already a major seller in other EAC and COMESA countries. Malex are brightly coloured chocolate-centred sweets and the closest thing to Kikomi.

Required:

- (a) Advise the management of both companies how they could use the BCG matrix to improve performance in the dynamic market. (10 marks)
- (b) Discuss FIVE communication tools available to both companies to keep their stakeholders informed. (10 marks)
- (c) Assess how strategic sourcing would contribute to the competitive advantage of either company. (10 marks)
- (d) Discuss the importance of analysing the demand pattern for confectionary products. (10 marks)

(Total: 40 marks)

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CERTIFIED PROCUREMENT AND SUPPLY PROFESSIONAL (CPSP)

PART II

CATEGORY MANAGEMENT

FRIDAY: 25 November 2016.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain the term "category management". (2 marks)
- (b) Define the following terms as used in category management:
 - (i) Purchasing objectives. (2 marks)
 - (ii) Strategic sourcing. (2 marks)
 - (iii) Stakeholders. (2 marks)
 - (iv) Reverse auctions. (2 marks)
- (c) Explain FOUR factors that influence category management. (4 marks)
- (d) Highlight two types of cost categories related to an organisation's activities. (1 mark)
- (e) (i) Define "Corporate Social Responsibility" (CSR). (2 marks)
- (ii) Give THREE reasons why organisations pursue CSR. (3 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Discuss FIVE ways in which different stakeholders in a project may be categorised according to their reaction to change in project delivery content. (10 marks)
- (b) Discuss FIVE key issues which must be considered before undertaking a negotiation session in category management. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Organisations categorising their products and services need to put in place a sourcing statement.
Describe FIVE elements included in the sourcing statement. (10 marks)
- (b) Describe the types of data which can be used to assess the introduction of category management process under the following conditions:
 - (i) Current suppliers' commercial issues. (5 marks)
 - (ii) Market conditions of a supply market. (5 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

Read the case below and answer the questions that follow:

Spare Parts Limited has been in the business of manufacturing, buying, assembling and selling of various spare parts. The company has been in business for the last fifteen years. Its customers have been very demanding. There has been complaints about the quality and service levels offered by Spare Parts Limited.

Mr. Maximum has been appointed to drive the process of category management. He has been in the position for the last one year. He is still analysing the culture of Spare Parts Limited. Mr. Maximum feels that the senior managers are not focused as the business of manufacturing and selling their spare parts has been on the decline. He says that the managers are reactive and do not appreciate the problems being experienced within Spare Parts Limited. For example, there is lack of proper strategic planning. Spare Parts Limited has not planned any investment in employee or training. He insists that people are the best asset that Spare Parts Limited has. Some of the suppliers have sued Spare Parts Limited over overdue accounts. The reason for not paying suppliers is that the contracts have been misplaced and original copies cannot be traced.

The ICT department uses a legacy system. Data processing is centralised at the head office. Data collection and data processing is poor. The legacy system cost Kenya Shillings ten million (Sh.10,000,000). Documents are scattered all over Spare Parts Limited branches. Spare Parts Limited suppliers are not happy as majority of them are not given enough business. They are given one off business and the contracts are ambiguous. Spare Parts Limited does not have a system for managing supplier performance.

The company has over fifty (50) commodity items. These comprise raw materials for manufacturing spare parts and other spares bought by Spare Parts Limited from other suppliers. The stores are mixed up since manufactured stock items and those bought are put together. Sorting out or tracing the spares is a tedious job. Spare Parts Limited Board of Directors has received several board papers from senior management staff. The senior management blame procurement department for their poor performance. Mr. Maximum suggested, in his paper to the Board, that Spare Parts Limited introduce new systems of managing its procurement and other closely related departments for example the user departments and the stores.

Required:

- (a) Explain how Spare Parts Limited could improve its contract management and preparation processes. (10 marks)
- (b) Clearly, Spare Parts Limited is facing problems with its sourcing strategy.
- Advise Mr. Maximum on drivers of strategic sourcing in category management citing how the drivers could be applied at Spare Parts Limited. (10 marks)
- (c) Spare Parts Limited's Board of Directors want category management implemented at their organisation.
- Write a memo to the Board of Directors on the category management implementation process. (10 marks)
- (d) Discuss the performance measures that Spare Parts Limited should put in place to monitor its category management performance. (10 marks)
- (Total: 40 marks)
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