Benefit Bank
Submitter Training
Agenda

• Benefit Bank Mission, Vision and Purpose
• When to Use Benefit Bank
  – Benefit Timeline
• Accessing Benefit Bank
• How do we:
  – Determine Benefit Components
  – Calculate a Benefit
  – Enter a Benefit
  – Demo
• Multi-Layer/Activity Benefits
  – Description
  – Use Case
  – Tips for Entry
Benefit Bank

**Vision**
To be acknowledged as a high performing, strategic partner essential to the financial health of the UC

**Mission**
To expand University opportunities by delivering savings and efficient procurement services

**Purpose**
To highlight and communicate the work achieved by UC procurement professionals consistently, accurately and verifiably
When to use Benefit Bank

- Enter a benefit when:
  - you have completed a **sourcing/transactional action** that has generated a savings or payment to the university
  - a **sourcing/transactional action** resulted in an efficiency gain for the university

- Total UC Benefit is defined as the total annual benefit generated by procurement actions
Systemwide vs. Campus Benefit Entries

**Systemwide**
- Benefits resulting from systemwide procurement actions
- Omnia incentive/revenue

**Campuses**
- Benefits resulting from campus procurement actions
- Incentive/revenue received at campus from supplier directly

If you are unsure whether to enter your benefit, please reach out for assistance
Benefit Entry Timeline

• Benefits must be submitted and approved by the 10th business day of the following month
  – March benefits must be submitted/approved by the 10th business day of April
• Enter your benefit as close to the applicable agreement date as possible, or earlier if known
• Enter your benefit in the fiscal year achieved or prorate appropriately
• Benefit data is reported monthly to PLC via Procurement Dashboard

Sample Timeline:
Accessing Benefit Bank

- Access can be requested for first-time users by emailing support@ucprocure.zendesk.com

- URL: UC Procurement Services Benefit Bank

- You will log in using your campus’s SSO
Determining Benefit Components

Benefit Type: 5 ways that a benefit can be earned
Baseline Type: the cost prior to the benefit being earned
Activity Type: how the benefit was earned
Reporting Type: whether the benefit is known or estimated

Prior to entering your benefit, ensure you have accurately determined each of these components
Cost Reduction – Benefit & Baseline Types

Cost Reduction

Previously Contracted
- The new total cost is lower than the baseline cost for goods and services

Historical Costs
- The cost is specified in a pre-existing agreement

Imputed Historical Costs
- There is a record of purchase, but no active agreement

Use only when no previous spend exists
- Supplier quote, average non-awarded RFP bids, budget, index, other benchmark
Cost Reduction Examples

• 10% discount off previous purchase price
• RFP awarded for new spend to supplier with lowest bid
• $3 off per SKU
Cost Avoidance— Benefit & Baseline Type

The proposed additional or incremental cost is minimized or eliminated

Established by, listed in order of preference:
1. the supplier’s request for a price increase
2. other contributing factors to an increased cost

Examples:
• Supplier asks for 10% price increase, negotiate down to 5%
• Negotiated free shipping or reduced training fee
• Tax exemption
Incentive – Benefit & Baseline Type

Incentive

A payment is received based on a purchase

Total Spend - the total applicable spend over the incentive payment period

Incentive benefits can only be booked at the time of receipt

Examples:
• Supplier pays us $10K for every $1M spent
• Contract signing bonus
Revenue – Benefit & Baseline Type

**Revenue**

- Income is received or generated based on external sales

- Net Sale - if UC sells the good or services externally, use $0

Revenue benefits can only be booked at the time of receipt

**Examples:**

- Brand licensing
- Surplus sale to external customer
Efficiency – Benefit & Baseline Type

A new or enhanced technology and/or process(es) that results in increased productivity and/or additional value

Net Cost Pre-Change - the cost of activity before applicable change(s)

Examples:

- Implemented technology or new process that reduced FTE hours
- Prompt payment discount
- Negotiated value add
Activity Types

**Sourcing**
- Generated from a multi-year agreement
- Established framework for recurring transactions

**Transactional**
- One-time purchase of goods/services (PO)
- Known, not estimated, at agreement signing

*Incentive and Revenue benefits can ONLY be Transactional benefits*
Reporting Types

Actualized
- Defined quantity
- Absolute/firmly known value

Projected
- Estimated value
- Based on past behavior & future conditions

Transactional benefits can ONLY be Actualized reporting types
Examples

- You negotiate a new contract with an existing supplier that includes a 10% price discount from previous costs over the next 5 years
  
  **Cost Reduction, Previously Contracted, Sourcing, Projected**

- You negotiate free shipping on a one-time PO
  
  **Cost Avoidance, Cost Inclusive of Increase, Transactional, Actualized**

- A check was received for a $5K incentive payment based off our $500K spend with a supplier
  
  **Incentive, Incentive, Transactional, Actualized**

- We signed a 3-year brand licensing deal that generates $30K each year for the campus and have just received the first payment
  
  **Revenue, Revenue, Transactional, Actualized**

- We negotiate a prompt payment discount with a supplier of 10% and project to spend $1M with them over the contract term
  
  **Efficiency, Efficiency, Sourcing, Projected**
Examples of Non-Benefits

• You award an RFP to the supplier with the lowest bid of $1M ($250K lower than the average of other bids). You have a previous agreement for the same services with a different supplier for $950K.
  – There may be another type of benefit that can be claimed (Cost Avoidance if inflation is a significant factor, etc.), but Cost Reduction cannot be used as a benefit type.

• We order 200 washers, but only receive 150. The supplier refunds us for 50 washers.

• The supplier includes a generally/publicly available add-on (access to a knowledge base, etc.)
Questions?
# How to Calculate Your Baseline Amount

| Cost Reduction        | • **Previously Contracted**: Previously contracted cost  
                         | • **Historical Costs**: Historical cost (spend)  
                         | • **Imputed Historical Costs**: Quote, avg. response non-awardees, index, budget, benchmark, etc. |
|-----------------------|--------------------------------------------------|
| Cost Avoidance        | • **Cost Inclusive of Increase**: Previous cost plus fee/proposed increase |
| Incentive             | • **Incentive**: Applicable spend to earn incentive |
| Revenue               | • **Revenue**: $0 |
| Efficiency            | • **Efficiency**: Quoted value of the value add or Cost prior to implementation of efficiency |
Baseline Amount – Things to Consider

• When calculating, ensure apples to apples with benefit calculation
  – Duration – enter **TOTAL**, not annual
  – Quantity
  – Quote vs. final order
• Baseline amount must align with baseline type selected
How to Calculate Your Benefit

Cost Reduction, Cost Avoidance, Efficiency

Baseline Amount = Negotiated/New Cost = Change In Cost Or Benefit

If there is a volume component:

Change in Cost × Volume = Benefit

Benefit calculations cannot include tax, unless the benefit is for tax reduction.
How to Calculate Your Benefit

Cost Reduction, Cost Avoidance

• You negotiate a new 5-year contract with an existing supplier that includes a $20/hour discount on consulting services. Your previously contracted rate was $95/hour. You expect to contract 100 hours/year.
  – Previously Contracted Total Baseline: $95 x 100hrs x 5yrs = $47,500
  – New Cost: ($95-$20) x 100hrs x 5yrs = $37,500
  – Cost Reduction Total Benefit Amount: $47,500 - $37,500 = $10,000

• You negotiate the inclusion of free training on a new software that you’ve procured, a savings of $15,000. The total contract value is $250,000
  – Cost Inclusive of Increase Baseline: $250,000 + $15,000 = $265,000
  – New Cost: $250,000
  – Cost Avoidance Total Benefit Amount: $265,000 - $250,000 = $15,000
How to Calculate Your Benefit

Efficiency

• You sign a contract with a gas supplier that includes free delivery of gas cylinders to a campus department, which reduces the need for campus to deliver the cylinders. The deliveries currently take 10 hours/week and the FTE rate is $35/hour.
  – **Efficiency Baseline:** $35 x 10hrs x 52 weeks = $18,200
  – **New Cost:** $0
  – **Efficiency Benefit Amount:** $18,200 - $0 = **$18,200**

• The supplier offers a prompt payment discount of 5% if payment is received in 10 days of the agreement being signed. The agreement amount is $40,000
  – **Efficiency Baseline:** $40,000
  – **New Cost:** $40,000 x 95% = $38,000
  – **Efficiency Total Benefit Amount:** $40,000 - $38,000 = **$2,000**
How to Calculate Your Benefit

Incentive, Revenue

- You sign a 5 year contract that includes a $10K payment each year that you spend $1M. In year 1, you spent $1.2M on the contract and just received your first payment.
  - Incentive Baseline: $1.2M
  - Incentive Benefit Amount: $10,000

- You sign a 1-year brand licensing contract that includes a payment of $50,000. The first payment has been received
  - Revenue Baseline: $0
  - Revenue Benefit Amount: $50,000
Questions?
Break – 5 min
How to Enter a Benefit
Live Demo
How to Enter a Benefit

**Use Case:** You negotiate a new 5-year contract with an existing supplier that includes a $20/hour discount on consulting services. Your previously contracted rate was $95/hour. You expect to contract 100 hours/year.

- **Previously Contracted Total Baseline:** $95 \times 100\text{hrs} \times 5\text{yrs} = $47,500
- **New Cost:** ($95-$20) \times 100\text{hrs} \times 5\text{yrs} = $37,500
- **Cost Reduction Total Benefit Amount:** $47,500 - $37,500 = $10,000

- **Benefit Type:** Cost Reduction
- **Baseline Type:** Previously Contracted
- **Activity Type:** Sourcing
- **Reporting Type:** Projected
Step 1 – Add a Benefit

1. Enter a Project Name, which should include the name of the good/service procured
2. Select a UC Category
3. Enter a Supplier Name and select from the dropdown
   1. If your supplier's name isn’t listed or you need to use a generic supplier, type ***.
4. Select your Impacted Location(s) from the list on the right
Step 1 – Add a Benefit

1. Select Previously Contracted from the Baseline Type list
2. Enter $47,500 as the Total Baseline Cost Amount
3. Select Sourcing Benefit Identified from the Activity list
   1. This must be selected correctly prior to leaving this screen. If the wrong Activity type is selected, the benefit will have to be rejected and reentered.
4. Check Projected as the Reporting Type
Step 1 – Add a Benefit

1. Select the Agreement Date
2. Enter 60 as the Duration in Months (the contract is 5 years)
3. Enter the Agreement ID

Select Save and Next to move to the next screen
Step 2 – Add Organizational Units

1. Enter $10,000 in the Projected Benefit Amount field
2. Enter the lowest known Organizational Unit and select Go
## Step 2 – Add Organizational Units

1. Check the box next to the appropriate result
2. Enter the $10,000 benefit into the Cost Reduction box
3. Select Apply and then Save and Next
Step 3 – Add Attachments

1. Select the Attachment Type from the dropdown and then Choose File to add your attachment

2. Select Add Another Document to add subsequent attachments

3. This benefit should include, at a minimum, the previous contract and the current contract to demonstrate previous vs. current pricing
Step 3 – Add Attachments

1. Your Approver will auto-populate, but you can select from the dropdown list if you need to choose another.

2. Enter the full Benefit Description in the field.
   1. This should include the entire background and justification for the benefit. A 3rd party should be able to read this description and fully understand how the benefit was negotiated and how the calculations were achieved.

3. Select Save and Next.
Step 4 – Preview

1. Review your benefit for accuracy
2. Select either Save as Draft to edit later or Submit for Approval
Questions?
Research Tax Exemption – Best Practice

• If you have the capability, we recommend submitting tax exemptions en masse on a quarterly basis

• Supplier name = **** Tax

• Attach spreadsheet of applicable PO’s with full tax vs. partial tax

• Benefit Components:
  – **Benefit Type**: Cost Avoidance
  – **Baseline Type**: Cost Inclusive of Increase
  – **Activity Type**: Transactional
  – **Reporting Type**: Actualized
New Supplier – Best Practice

If you do not find the supplier you need in our supplier list:

1. Select *** New Supplier Request from the dropdown
2. Enter the supplier name at the top of the benefit description
3. A ticket will be created and we will add the supplier into the system/onto the benefit
Multi-Activity or Layered Benefits
What is a Multi-Activity or Layered Benefit?

- **Activity**: a component of a benefit, which clearly defines a unique aspect of the benefit’s value
  - Multiple activities can be generated by a single procurement action
  - Example: You negotiate a 3-year contract with a 10% price break, free shipping and a $20K signing bonus. This action results in cost reduction, cost avoidance **AND** incentive activities.

- **ONE** procurement action generates **ONE** Benefit, but potentially multiple activities

- If your benefit has multiple activities, you should enter each activity separately, but under a single benefit to ensure they are linked within the system -> this is called **Layering**

- Activities can **ONLY** be added on to Sourcing benefits
When to use a Multi-Activity or Layered Benefit?

- Sourcing event resulted in multiple benefit types
  - **Add each type as an individual activity**
- Sourcing event resulted in awards to multiple suppliers
  - **Add each supplier as an individual activity**
- Sourcing event resulted in a different benefit amount per year of the agreement
  - **Add each year as an individual activity**
Tips for Entry

• Enter subsequent activities once the first benefit/activity has been approved
• Once two activities have been connected under a benefit, either activity can have new activities added to it
• Only the original submitter can add new activities
  – If the original submitter is no longer with the team, create a new benefit and reference the original benefit in the benefit description

To enter a new Activity:
• Locate your approved benefit in your queue and select the magnifying glass
• Scroll to the bottom of the benefit and select Add Activity
Use Cases

- You negotiate a one-year contract with a price break of a SKU from $35/item to $30/item. The supplier will also provide free shipping on each shipment, an estimated value of $10,000 total, and give a prompt pay discount of 10% when payment is received within 10 days. You expect to buy 1,000 units each month

  - **1st Activity**: Cost Reduction, Previously Contracted, Sourcing, Projected
    - Baseline Amount: $420,000
    - Benefit Amount: $60,000 ($420,000 – (30 x 1000 x 12))

  - **2nd Activity**: Cost Avoidance, Cost Inclusive of Increase, Sourcing, Projected
    - Baseline Amount: $370,000 (($30 x 1000 x 12) +$10,000)
    - Benefit Amount: $10,000

  - **3rd Activity**: Efficiency, Efficiency, Sourcing, Projected
    - Baseline Amount: $360,000
    - Benefit Amount: $36,000 (10% of $360,000)
Use Cases

• You negotiate a three-year contract for a brand new service with increasing discounts each year. In the first year, your discount will be $10K, then $20K in the second year and $30K in the third. The contract assumes spend is at least $500,000 each year.

  – 1\textsuperscript{st} Activity: Cost Reduction, Imputed Historical Costs, Sourcing, Projected
  • Baseline Amount: $500,000
  • Benefit Amount: $10,000

  – 2\textsuperscript{nd} Activity: Cost Reduction, Imputed Historical Costs, Sourcing, Projected
  • Baseline Amount: $500,000
  • Benefit Amount: $20,000

  – 3\textsuperscript{rd} Activity: Cost Reduction, Imputed Historical Costs, Sourcing, Projected
  • Baseline Amount: $500,000
  • Benefit Amount: $30,000
Use Cases

• You negotiate a contract with a supplier to include free replenishment services – the supplier will manage your inventory on your behalf. This replenishment service costs $25,000/year and the total contract value is expected to be $300,000/year for 4 years. Because the supplier is handling replenishment, approximately 5 FTE hours per week will be saved, at a cost of $28/hour. The process usually takes 8 FTE hours per week.

  – **1st Activity**: Cost Avoidance, Cost Inclusive of Increase, Sourcing, Actualized
    • Baseline Amount: $975,000 ($300K + $25K x 3 years)
    • Benefit Amount: $75,000 ($25K x 3 years)

  – **2nd Activity**: Efficiency, Efficiency, Sourcing, Projected
    • Baseline Amount: $34,944 (8 hours x $28 x 52 weeks x 3 years)
    • Benefit Amount: $21,840 ($34,944 – (3 hours x $28 x 52 x 3))
Live Demo
Demo of Multi-Activity Entry

Helpful KBA’s:

- What is an activity and when should it be used?
- How to Add Additional Activities to a Benefit (Layering)
Questions?
Need Further Assistance?

• Submit a ticket: support@ucprocure.zendesk.com
• Benefit Bank KBA resources