

Benefit Definitions 101

Webinar Wednesday Training Series



Agenda

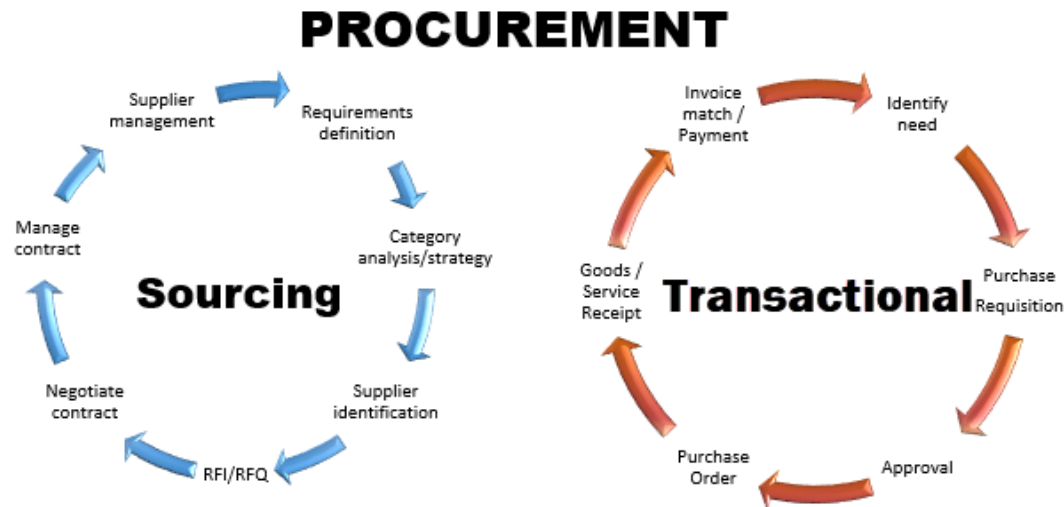
- Learning Objectives
- When to Use Benefit Bank
 - Benefit Timeline
- Accessing Benefit Bank
- Benefit Definitions 101
 - Determine Benefit Components
 - Benefit Type Examples
- Resources
- Q & A

Learning Objectives

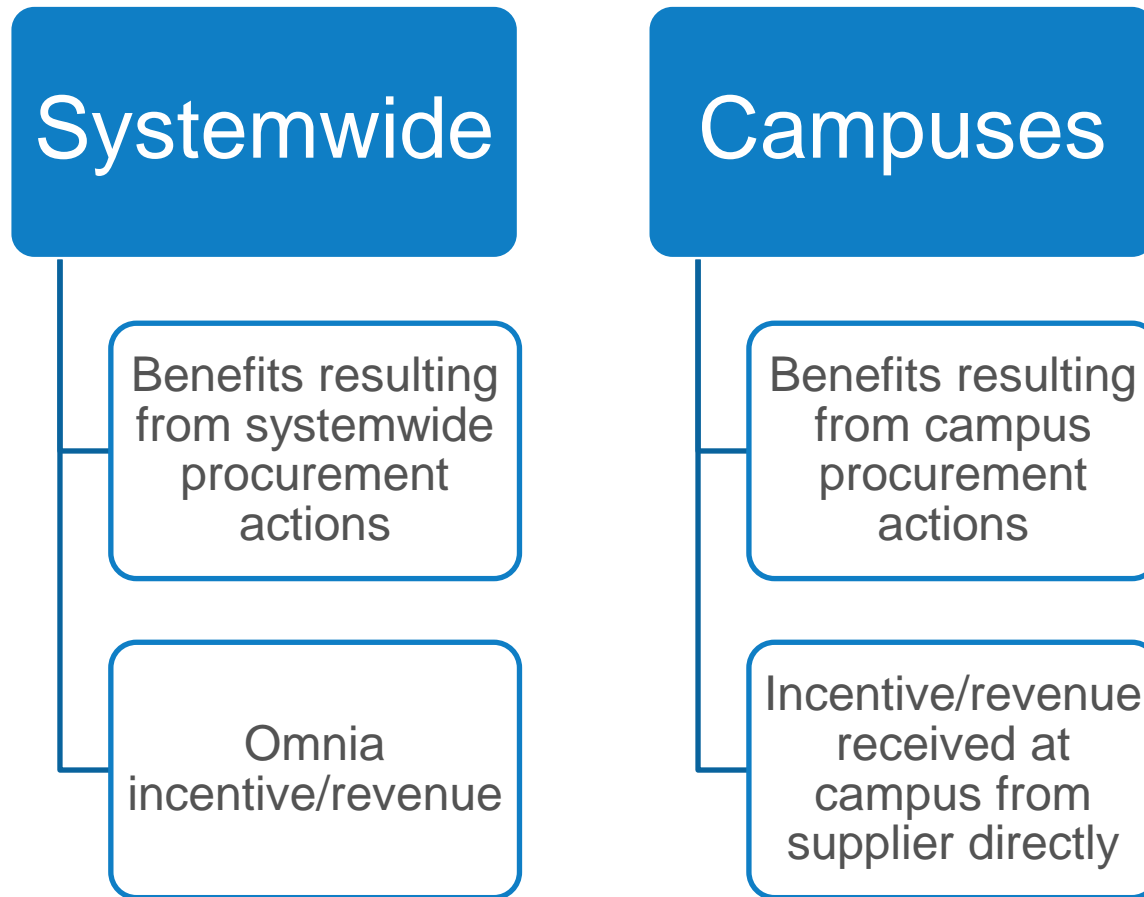
- Understand when to use Benefit Bank and who enters what
- Understand how to select benefit components based on your use case
- Learn best practices around benefit types
- Learn how to access existing resources

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

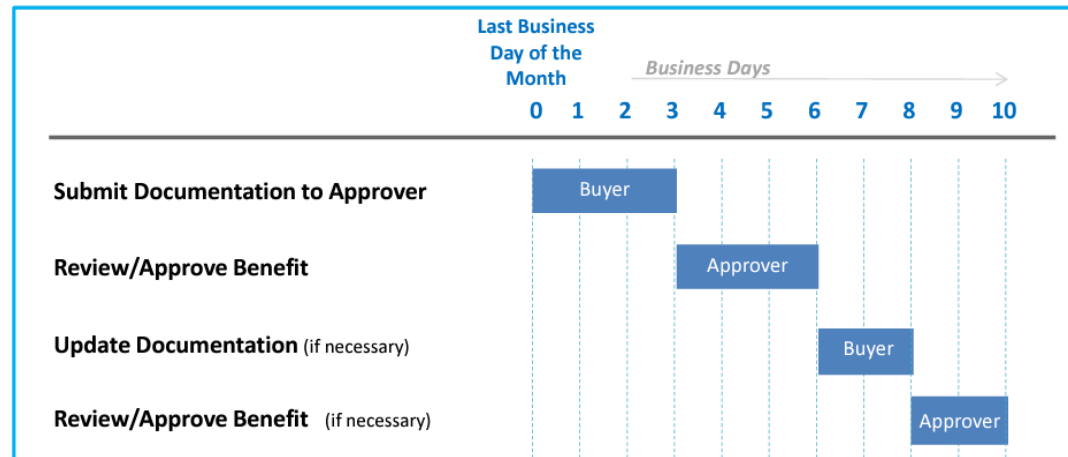


If you are unsure whether to enter your benefit, please reach out for assistance

Benefit Entry Timeline

- Benefits must be submitted and approved by the 10th business day of the following month
 - April benefits must be submitted/approved by the 10th business day of May
- 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

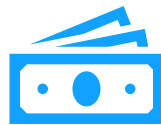
- Access can be requested for first-time users by emailing support@ucprocure.zendesk.com
- URL: **UC Procurement Services Benefit Bank**
- You will log in using your campus's SSO

Benefit Definitions:

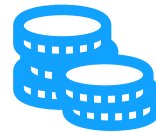
Determining Benefit Components



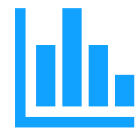
Benefit Type:
5 ways that a
benefit can be
earned



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

Cost Avoidance

Cost Inclusive of Increase

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

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

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

NEW!

Efficiency

Efficiency

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



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 – Cost Reduction

- Leverage a cooperative agreement to reduce price of piece of equipment by \$11,234.60

Cost Reduction, Imputed Historical Costs (Supplier Quote), Transactional, Actualized

- RFP for new software purchase resulting in a 3-year agreement, with option to extend for 2 additional years. Final pricing is set at \$517K per year.

Cost Reduction, Imputed Historical Costs (Avg Non-Awarded Bids), Sourcing, Actualized

- Procurement Dept negotiated deeper discount on equipment purchase based on volume with supplier. Previous purchase was made at \$50K/unit but was able to negotiate \$45K/unit for 12 units.

Cost Reduction, Historical Costs (Previous purchase price), Sourcing, Actualized

Examples – Cost Avoidance

- Tax reduction for research equipment purchases – **Recommend entering quarterly in batches**

Cost Avoidance, Cost Inclusive of Increase, Transactional, Actualized

- Campus negotiated free training credits with Salesforce for campus end users – total of 45,000 credits valued at \$1 each

Cost Avoidance, Cost Inclusive of Increase, Sourcing, Actualized

- Campus negotiated a 5% price increase on a contract extension, but inflation for the category over the contract term was 15% - **Inflation Calculation Example**

Cost Avoidance, Cost Inclusive of Increase, Sourcing, Projected

Examples – Incentive

- Campus procurement dept receives 2-2.5% patronage from 10 different suppliers at various intervals throughout the year – **Option to enter in quarterly batch upon check receipt**

Incentive, Incentive, Transactional, Actualized

- Campus receives volume-based incentive of \$10K for spending \$1M over the calendar year

Incentive, Incentive, Transactional, Actualized

- Campus procurement applied for, and received, reimbursement for spend related to COVID testing/response

Incentive, Incentive, Transactional, Actualized

Examples – Revenue

- Campus negotiated a 12.5% commission of all sales from campus coffee cart (or vending machine, or food truck)

Revenue, Revenue, Transactional, Actualized

- Campus received sponsorships for conference held on-site, totaling \$250K

Revenue, Revenue, Transactional, Actualized

- Supplier pays \$25K/year to hang signage in recreation center

Revenue, Revenue, Transactional, Actualized

Examples – Efficiency

- Campus procurement assisted in pushing large transaction through payment process quickly to achieve prompt payment discount of 10%

Efficiency, Efficiency, Transactional, Actualized

- Campus procurement negotiated \$1M annual contribution to a scholarship fund to be paid by supplier

Efficiency, Efficiency, Sourcing, Actualized

- E-pro system was updated to eliminate manual step procurement completed outside of the system, saving approx. 10 FTE hours per week

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?



Resources

Benefit Bank Resource Guides

Benefit Bank Resources

Benefit Definitions

Benefit Use Cases and Examples

Need Additional Assistance?

- Attend our bi-weekly office hours, every other Wednesday
- Email us! support@ucprocure.zendesk.com

Questions?

