Benefit Definitions 101

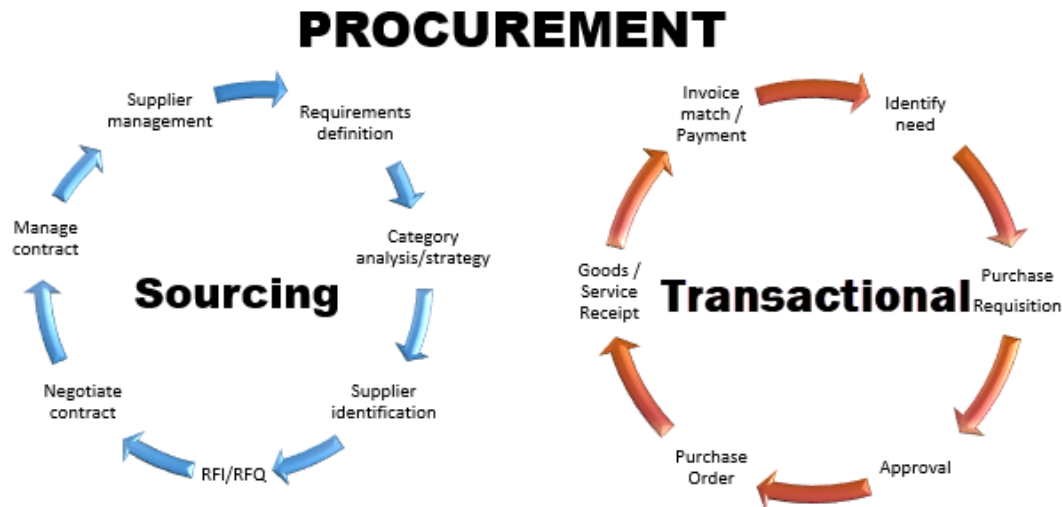Webinar Wednesday Training Series

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

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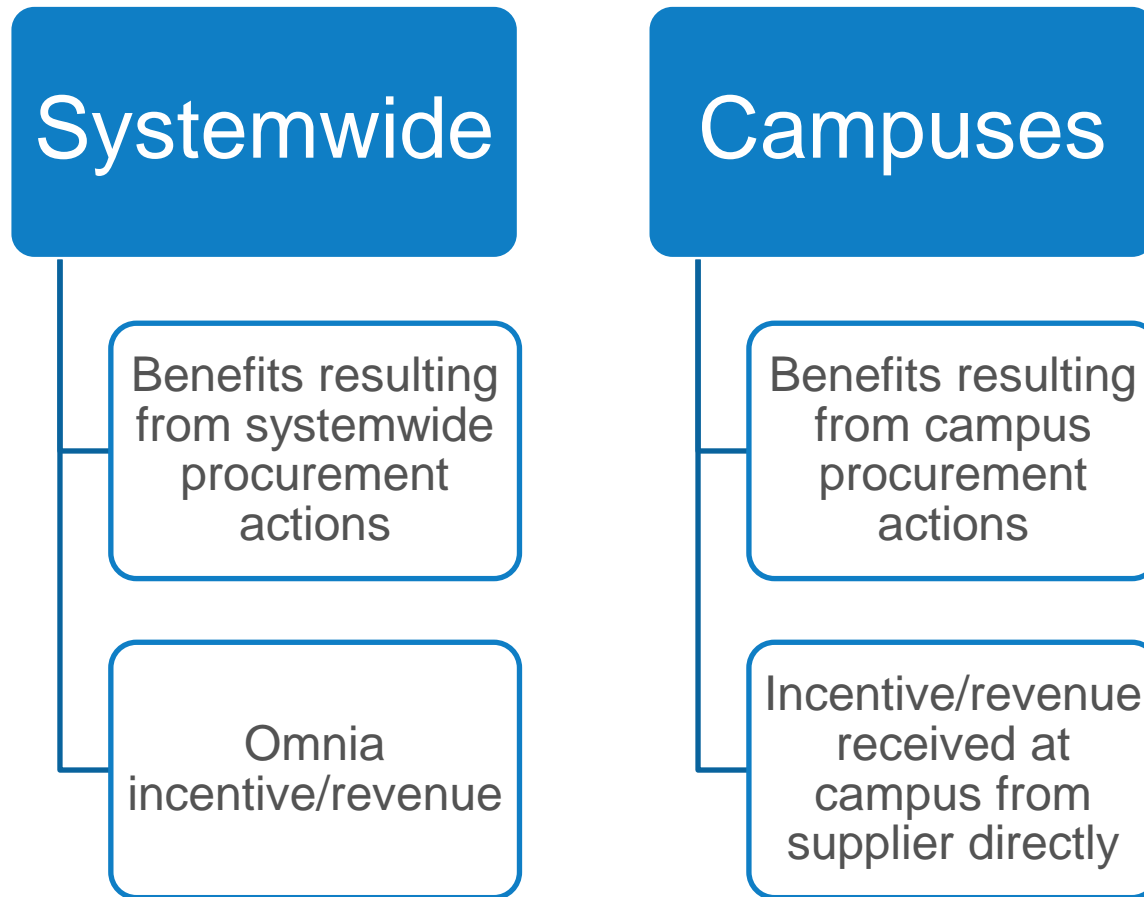
Learning Objectives

- 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

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

  - 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:
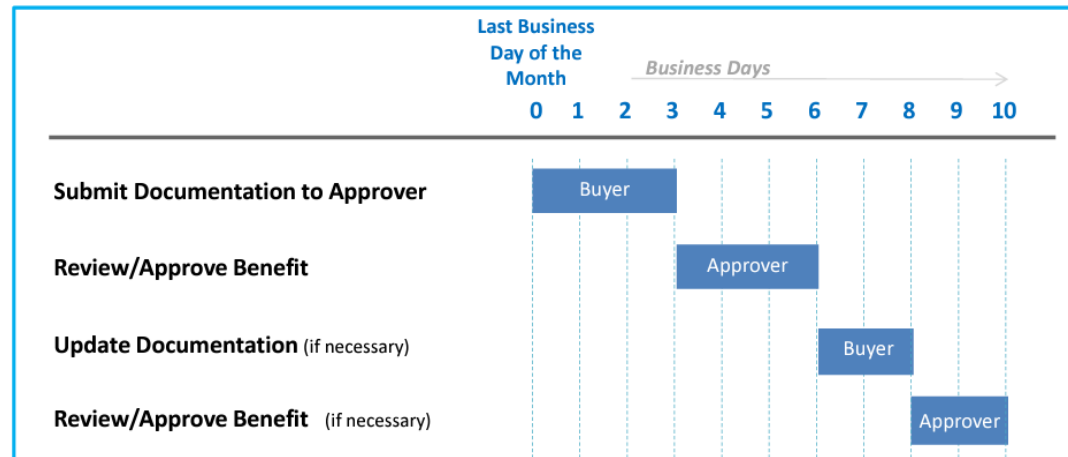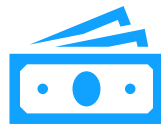
Accessing Benefit Bank

- 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
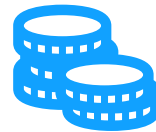
Benefit Definitions:
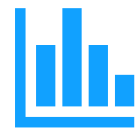
Determining Benefit Components

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

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

Previously Contracted

The cost is specified in a pre-existing agreement

Historical Costs

There is a record of purchase, but no active agreement

Imputed Historical Costs

Use only when no previous spend exists

Supplier quote, average non-awarded RFP bids, budget, index, other benchmark

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Cost Reduction Examples

- 10% discount off previous purchase price

- RFP awarded for new spend to supplier with lowest bid

- $3 off per SKU

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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

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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

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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 Types

NEW!

Efficiency	A new or enhanced technology and/or process(es) that results in increased productivity and/or additional value
Efficiency	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	Projected
Defined quantity	Estimated value
Absolute/firmly known value	Based on past behavior & future conditions

Transactional benefits can ONLY be Actualized reporting types

Examples – Cost Reduction

- Campus procurement negotiated a 28% discount on laboratory equipment from a supplier's initial quote.

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

- RFP for ship repair services awarded to lowest bidder for a total benefit of $113K.

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

- Campus procurement negotiated a 1.6% discount on list pricing for a large life sci agreement. Benefit also accounted for average 4% year over year growth

  Cost Reduction, Historical Costs (Previous spend**), Sourcing, Actualized**

Examples – Cost Avoidance

- Tax reduction for research equipment purchases – **<u>Recommend entering quarterly in batches</u>**

  Cost Avoidance, Cost Inclusive of Increase, Transactional, Actualized

- Campus negotiated a 6% price increase down to 4% over the life of the contract for a pouring rights agreement

  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% - **<u>Inflation Calculation Example</u>**

  Cost Avoidance, Cost Inclusive of Increase, Sourcing, Projected

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Examples – Incentive

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

   Incentive, Incentive, Transactional, Actualized

- Systemwide procurement negotiated an incentive bonus in conjunction with a contract signing

   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 variable commission of all sales from campus food truck, annual total of $88K

  Revenue, Revenue, Transactional, Actualized

- Campus negotiated annual revenue payment as part of new agreement with dining supplier, annual revenue check of $5.5M

  Revenue, Revenue, Transactional, Actualized

- Supplier pays $228K/year in sponsorship to campus athletics

  Revenue, Revenue, Transactional, Actualized

Examples – Efficiency

- Systemwide procurement negotiated student internships across the system as part of a systemwide agreement with a supplier for a total of $1.37M

  Efficiency, Efficiency, Sourcing, Actualized

- Campus procurement negotiated $600K contribution from a supplier to their campus's basic needs fund

  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?