



# Calculating & Entering a Benefit

Webinar Wednesday Training Series

# Agenda

- Learning Objectives
- Accessing Benefit Bank
- Calculating a Benefit
- Entering a Benefit
- Multi-Layer Benefit
- Resources
- Q & A

# Learning Objectives

- Understand how to calculate your benefit based on our definitions
- Learn how to navigate the Benefit Bank UI to enter a benefit
- Learn how to access existing resources

# Accessing Benefit Bank

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

# How To's

# 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

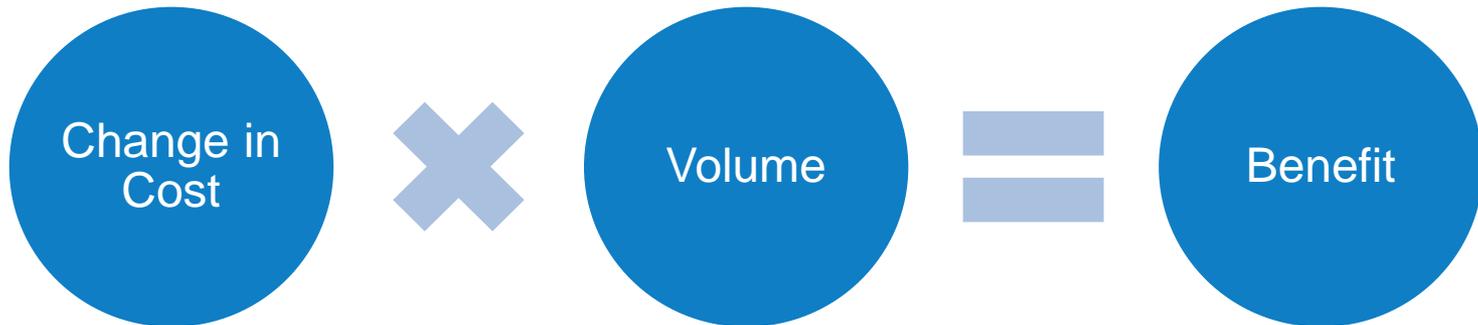
- When calculating, ensure apples to apples with benefit calculation
  - Duration – enter **TOTAL**, not annual
  - Quantity
  - Quote vs. final order
- Baseline amount must align with baseline type selected

# How to Calculate Your Benefit

Cost Reduction, Cost Avoidance, Efficiency



If there is a volume component:



**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:**  $\$95 \times 100\text{hrs} \times 5\text{yrs} = \$47,500$
  - **New Cost:**  $(\$95 - \$20) \times 100\text{hrs} \times 5\text{yrs} = \$37,500$
  - **Cost Reduction Total Benefit Amount:**  $\$47,500 - \$37,500 = \mathbf{\$10,000}$
- 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:**  $\$265,000 - \$250,000 = \mathbf{\$15,000}$

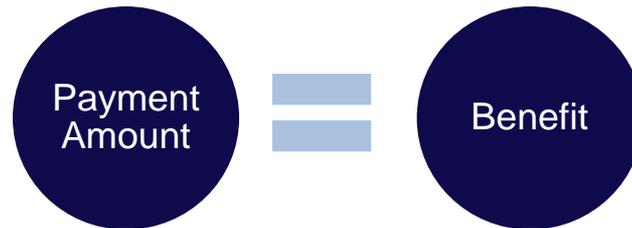
# How to Calculate Your Benefit

## Efficiency

- You sign a one-year 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:**  $\$35 \times 10\text{hrs} \times 52 \text{ weeks} = \$18,200$
  - **New Cost:** \$0
  - **Efficiency Benefit Amount:**  $\$18,200 - \$0 = \mathbf{\$18,200}$
- 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:**  $\$40,000 \times 95\% = \$38,000$
  - **Efficiency Total Benefit Amount:**  $\$40,000 - \$38,000 = \mathbf{\$2,000}$

# 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**

# 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:**  $\$47,500 - \$37,500 = \mathbf{\$10,000}$

- **Benefit Type:** Cost Reduction
- **Baseline Type:** Previously Contracted
- **Activity Type:** Sourcing
- **Reporting Type:** Projected

# Step 1 – Add a Benefit

## Step 1 - Add a Benefit

Fields with \* are required.

Project Name \*

UC Category \*

Supplier \*

To submit a new supplier request or search for generic supplier options, type \*\*\* above.

Select Impacted Locations\*

UC Berkeley

UC Davis

UC Irvine

UC Los Angeles

UC Merced

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 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

Baseline Type \*

Total Baseline Cost Amount \*

Activity \*

Reporting Type \*  Actualized  Projected

Each reporting type represents one benefit activity.

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

Sourcing Benefit Identified

Agreement Date *	<input type="text" value="09/01/2023"/> 
Duration in Months *	<input type="text" value="60"/>
Agreement ID *	<input type="text" value="12345"/>

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

Activity: Sourcing Benefit Identified  
Reporting Type: Projected  
Project: Test  
Supplier: AB & A TEST CO  
Projected Benefit Amount

## Search for Organizational Units

(Enter at least three letters into the search field)

# Step 2 – Add Organizational Units

Procurement

Select	Organizational Unit	Cost Reduction \$	Cost Avoidance \$	Revenue \$	Incentive \$	Efficiency \$
<input checked="" type="checkbox"/>	UC Office Of The President / Chief Financial Officer / Procurement Services	<input type="text" value="10000"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	UC Office Of The President / Chief Financial Officer / Procurement Services / Procurement Services	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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

## Step 3 - Add Attachments

DRAFT

- A maximum of 10 files may be attached.
- Maximum file size is 10 MB.

Activity: Sourcing Benefit Identified  
Reporting Type: Projected  
Project: Test  
Supplier: AB & A TEST CO

Attachment Type	Document
<input type="text" value="Contract"/>	<input type="button" value="Choose File"/> No file chosen <input type="button" value="Remove"/>
<input type="button" value="Add Another Document"/>	

### Current Attachments

Type	Document	Actions
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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

## Additional Details

Approver \* Williams, Paul

Benefit Description \*  
*Explain what the benefit is about, the actions taken to generate the benefit, and how it was calculated.*

Cancel Save and Next

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 3<sup>rd</sup> party should be able to read this description and fully understand the benefit was negotiated and how the calculations were achieved.
3. Select Save and Next

# Step 4 – Preview

Step 4 - Preview

DRAFT

[ Edit ]

Status:	Draft
Benefit ID:	34454-34780
Date Created:	09/07/2023
Submitter:	Ivy Weirather
Approver:	Paul Williams

Save as Draft

Submit for Approval

1. Review your benefit for accuracy
2. Select either Save as Draft to edit later or Submit for Approval

# 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**

# 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
  - **1<sup>st</sup> Activity:** Cost Reduction, Previously Contracted, Sourcing, Projected
    - Baseline Amount: \$420,000
    - Benefit Amount: \$60,000 ( $\$420,000 - (30 \times 1000 \times 12)$ )
  - **2<sup>nd</sup> Activity:** Cost Avoidance, Cost Inclusive of Increase, Sourcing, Projected
    - Baseline Amount: \$370,000 ( $(\$30 \times 1000 \times 12) + \$10,000$ )
    - Benefit Amount: \$10,000
  - **3<sup>rd</sup> 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<sup>st</sup> Activity:** Cost Reduction, Imputed Historical Costs, Sourcing, Projected
    - Baseline Amount: \$500,000
    - Benefit Amount: \$10,000
  - **2<sup>nd</sup> Activity:** Cost Reduction, Imputed Historical Costs, Sourcing, Projected
    - Baseline Amount: \$500,000
    - Benefit Amount: \$20,000
  - **3<sup>rd</sup> 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.
  - **1<sup>st</sup> Activity:** Cost Avoidance, Cost Inclusive of Increase, Sourcing, Actualized
    - Baseline Amount: \$975,000 ( $\$300K + \$25K \times 3 \text{ years}$ )
    - Benefit Amount: \$75,000 ( $\$25K \times 3 \text{ years}$ )
  - **2<sup>nd</sup> Activity:** Efficiency, Efficiency, Sourcing, Projected
    - Baseline Amount: \$34,944 ( $8 \text{ hours} \times \$28 \times 52 \text{ weeks} \times 3 \text{ years}$ )
    - Benefit Amount: \$21,840 ( $\$34,944 - (3 \text{ hours} \times \$28 \times 52 \times 3)$ )



# 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](mailto:support@ucprocure.zendesk.com)

# Questions?

