



UC Procurement Services: Recognizing Our Benefit

VISION

To be recognized by University of California as a high performing strategic partner essential to the financial health of the University.

MISSION

To expand opportunities for teaching, research and public service by delivering savings and efficient procurement services across the University of California.

UC BENEFIT

Reporting total UC Benefit is important to highlight and communicate our work as procurement professionals in a consistent, accurate, and verifiable way.

Total UC Benefit is the amount of annual benefit generated by procurement action.
These actions are categorized into five types:

Benefit Type	Definition
Cost Reduction	Benefit achieved when procurement action results in a total cost lower than base-line cost, and baseline cost calculation is supported by documented historical price (i.e., previous contract, historical costs, or imputed historical cost).
Cost Avoidance	Benefit achieved when procurement action results in avoidance of additional cost (i.e., maintenance fees, requested price increases, or other ancillary costs).
Incentives	Benefit achieved when procurement action results in new gross incentive (based on volume, compliance/utilization, transaction size, electronic payment, e-commerce, signing bonus, GPO, management fees, etc.).
Revenue	Benefit achieved when procurement action results in revenue generation.
Efficiency	Benefit achieved when procurement actions result in increased technology, process, and/or organizational efficiency.

A baseline type and amount must be specified to calculate a benefit.
The first three baseline types are listed below in order of preference:

Baseline Type		Definition
Cost Reduction	Previously Contracted	Pricing, terms and peripheral costs in baseline are specified in pre-existing vendor agreements. Current procurement project scope is for like set of products/services.
	Historical Costs	Pricing, terms and peripheral costs in baseline are actual costs for specific category or sub-category of spend over the immediately preceding 12-month period.
	Imputed Historical Costs	The pricing, terms and peripheral costs in the baseline are established either by: <ul style="list-style-type: none"> initial quoted price from vendor for basket of goods, processes or services. average of all responsive, non-awarded bids from multi-vendor RFP process budget, index or other benchmark.
Cost Avoidance	Cost Inclusive of Increase	The pricing, terms and peripheral costs in the baseline are to established either by: <ul style="list-style-type: none"> the supplier's request for a price increase a documented trend in market price increase other contributing factors to an increased cost

Training materials: <https://www.ucop.edu/procurement-services/procurement-systems/uc-benefit-training.html>

ACTIVITY	DESCRIPTION	EXAMPLE	BENEFIT TYPE
Purchase Price Reduction	Reducing the cost of goods or services from previous pricing through professional actions such as negotiations, bidding, etc.	The hourly cost for marketing services is reduced through negotiations from the previously agreed-to rate.	Cost Reduction
Specification Changes	Initiating a change to specifications for goods or services, resulting in cost reduction.	The thickness specifications for trash can liners exceeded actual needs and a new specification was developed for future purchases resulting in a cost reduction to the campus.	Cost Reduction
Contract Compliance	Redirecting spend and/or implementing processes to achieve maximum benefit from established strategic contracts.	Requisition submitted with the requested source being McMaster-Carr, which does not have a contract with UC. Purchase is redirected to Grainger, which is under contract at a lower price.	Cost Reduction
SLA/ Maintenance Contract Changes	Initiating a specification change to a Service Level Agreement (SLA) or maintenance contract that reduces costs and maintains required service levels.	Reducing a 24 hour x 7 day hardware maintenance contract to 9 hour x 5 day, when round-the clock support is not necessary.	Cost Reduction
Demand Management	Managing demand through alternate solutions to achieve lower overall costs.	A purchase of several projectors reduces the demand for printer materials, supplies, and maintenance.	Cost Reduction
Cost of Quality	Improving the quality of a specification to reduce overall costs.	Requiring higher standards in bolt specifications reduces the number of bolts per order that must be rejected due to defects.	Cost Reduction
Market Adjustment	Negotiating price caps or price changes tied to specific indices.	Negotiated with software supplier to replace annual 10% price increases with increases tied to changes in CPI or 3%, whichever is less.	Cost Avoidance
Purchasing Process Improvement	A purchasing process is implemented or revised resulting in lower costs.	An eProcurement system is implemented so that end users can place orders electronically.	Cost Reduction
Operational Process Improvement	Redirection of FTE time due to a change in operations.	An agreement is established for Grainger to manage UC inventory at no additional cost, freeing up procurement resources to focus on other value-add procurement activities.	Efficiency
Revenue Generation	Generating value through the sale of surplus or obsolete goods to an <i>internal</i> UC customer, in lieu of a new purchase from a 3rd party supplier.	Procurement/materials management arranges the sale of a surplus microscope to another campus department, avoiding a purchase from an outside supplier.	Cost Avoidance
Revenue Generation	Generating value through the sale of surplus or obsolete goods to an <i>external</i> customer	Procurement/materials management arranges the sale of obsolete furniture to a public customer, generating revenue.	Revenue
Process Redesign	Redesigning the Purchase Order approval process	Reduces the time required to approve a Purchase Order freeing FTE time for other activities	Efficiency
Signing Bonus	Negotiating an incentive for signing a contract	UCM negotiates a contract with Adidas that includes an upfront signing bonus	Incentive