Total UC Benefit: **Mission**

**University of California Mission:**

- To expand opportunities for teaching, research and public service
- **Delivering savings and efficient procurement services** across the UC system is a strategy to support the mission.
Total UC Benefit: Definition

Definition:

– Total UC Benefit is defined as the total **annual** benefit generated by procurement actions
Overall Program Guidelines & Best Practices

Program Guidelines

– Measure and report your contributions
– Be conservative in your measures
– One procurement activity can result in more than one kind of Benefit
– We’re here to help
Overall Program Guidelines & Best Practices

Best Practices

– Report your Benefits as you achieve them
– Provide sufficient documentation to support your contributions
  • Leverage the project/transaction documentation
  • Benefits are audited; provide enough documentation for the auditors to understand what happened
Scope of Eligible Activities

• Active involvement by Procurement/Sourcing
  – Benefit is a measurement of Procurement/Sourcing activity
  – Other departments/functions may generate benefit to the campus or UC, but Benefit Bank only measures activity by Procurement/Sourcing

• Transactional Events
  – Meant to capture one-time Benefits

• Advanced/Sourcing Events
  – Meant to capture on-going Benefits
Benefit Bank Refresher Training

CALCULATING THE BENEFIT
Determining Benefit: Overview

Change in Cost \times Volume = Benefit

Change in Cost:
(Baseline Amount – Negotiated Cost) = Change in Cost
Types of Total UC Benefit

[Diagram showing categories: Cost Avoidance, Cost Reduction, Incentives, Revenue, Efficiency]
Cost Avoidance Benefit

**Definition:**
Benefit achieved when procurement action results in avoidance of additional cost (i.e., maintenance fees, requested price increases, or other ancillary costs).

**Examples:**
- Software supplier quotes 10% per year for maintenance that you negotiate to 5%; the value of the 5% reduction is a Cost Avoidance Benefit.
- A supplier typically charges $10 per order for shipping that you negotiate down to $5 per order; the $5 per order savings is a Cost Avoidance Benefit.
**Cost Reduction Benefit**

**Definition:**
Benefit achieved when procurement action results in **a total cost that is lower than baseline cost**, and the baseline cost calculation is supported by documented historical price (i.e., previous contract, historical costs, or imputed historical cost).

**Examples:**
- We have been paying $150 per tire for replacement bus tires, you negotiate a reduction to $125 per tire; the $25 savings is a Cost Reduction Benefit.
- You negotiate a $20 per hour reduction for consulting services with a supplier; the $20 reduction is a Cost Reduction Benefit.
**Incentive Benefit**

**Definition:**
Benefit achieved when procurement action results in a **new gross incentive** (based on volume, compliance/utilization, transaction size, electronic payment, e-commerce, signing bonus, GPO, management fees, etc.).

**Examples:**
- Procurement negotiates a volume-tier discount when purchases from the supplier exceed $100,000; the value of the discount is an Incentive Benefit.
- Procurement negotiates a 3% discount when the average transaction with the specific supplier exceeds $100 per order; the value of the 3% discount is an Incentive Benefit.
Revenue Benefit

Definition:
Benefit achieved when procurement action results in new revenue generating projects.

Examples:
- A new pouring rights agreement negotiated by procurement results in increased revenue for the campus.
- A new car share agreement provides revenue to the campus in exchange for reserved parking for the cars.
**Efficiency Benefit**

**Definition:**
Benefit achieved when procurement actions result in **increased technology, process, and/or organizational efficiency.**

**Examples:**
- A streamlined process initiated by Procurement reduces the time required to complete and approve a Purchase Order.
- A vendor agreement includes managing UC inventory at no additional cost, freeing up procurement staff time to focus on other activities.