

SLIDE 1 - WELCOME

Aloha. Welcome HlePRO training on Using NAICS Codes in HlePRO. In this session you'll learn about the NAICS codes used in HlePRO, and how to find the right one for your solicitation.

We'll also briefly cover issues with transition from NIGP to NAICS and what to expect

SLIDE 2 - AGENDA

Here is what we will cover today in pretty much the order we will cover them.

We'll start with why we even use codes and then cover NAICS and its principles to give you an idea of what to expect. We'll look at the structure of NAICS so you are better able to search, cover the transition in HlePRO and end the slide portion with the resources you have at your fingertips to find the right codes. Next, we'll go to the HlePRO site and demonstrate finding codes in a number of ways.

We will also show you how to conduct part of your market research that is, seeing if vendors who can deliver your goods & services are in HlePRO.

SLIDE 3 - ABOUT CODES

So why do we even use codes?

For HlePRO, it is the way vendors get the notices of solicitations that apply to them. When vendors register in HlePRO they develop a code profile by selecting the codes appropriate for what they sell. Each buyer must select a code when creating a solicitation in HlePRO. When the solicitation is published, that is, released to the internet, email notices of the solicitation are sent to those vendors registered in HlePRO who included the code in their profile.

Note that vendors may include more than one code in their profile and are encouraged to include all appropriate codes to ensure they get the notices of solicitation. If applicable, buyers may also include more than one NAICS code when issuing a solicitation. If a buyer includes 2 or more codes, the notice is sent to vendors who have any of the codes in their profile.

Prior to soliciting, we as buyers must do our market research. Part of that research is ensuring there are vendors who can respond to the solicitation. You **always** want to conduct a vendor search by the code you have selected before releasing your solicitation. It is a best practice.

SLIDE 4 - NAICS CODES

The North American Industry Classification system or NAICS is a system for classifying businesses by the type of economic activity. The classification code system is specifically for Canada, Mexico and the US.

The Purpose of NAICS is to have a uniform system so statistical data can be collected and analyzed with regard to the economy of North America.

Note that this set of Codes is **Industry-based**, not commodity-based. When choosing codes you will be thinking of the activities of the business that you would typically target, rather than just **what** you want to buy. You will see the words commodity codes on HlePRO even though these are industry codes. That is because everyone knows the codes as commodity codes. Eventually you will see the words **commodity codes** replaced by the word **codes**.

SLIDE 5 - NAICS PRINCIPLES

It helps to know the principles behind a classifications system in order to understand how to use it.

NAICS is production-oriented, that is, it looks for same or similar production processes . Again, activity-focused.

NAICS also pays special attention to new classifications for

- new and emerging industries
- Service industries in general and
- Industries engaged in advanced technologies

NAICS is reviewed every 5 years - the next revision is 2017.

SLIDE 6 - ADVANTAGES

Here are the advantages of using NAICS. Using NAICS does not cost anything. That is a cost savings to the State of about \$12,000/year.

The NAICS website has a number of resources. We'll show those to you later.

Lastly, the SBA, Small Business Administration, criteria for small businesses is defined using NAICS codes.

SLIDE 7 - HOW NAICS WORKS

You will see 6 digit codes in HlePRO. It works in a similar way NIGP code did in that the more digits, the more specificity.

The first two digits are the economic sector,

The third digit is the subsector

the 4th digit in the industry group

the 5th digit is the NAICS industry.

the 6th digit is the national industry.

When the 6th digit is 0 you will see the title is the same as the 5 digit code.

SLIDE 8 - ANATOMY OF THE CODE

The first two digits are the economic sector, in this case Agriculture, Forestry, Fishing and Hunting. Under the economic sector is the Subsector, in this case Crop Production, which is the third digit.

The fourth digit is the Industry Group, Oilseed and Grain Farming.

The 5th digit is the NAICS Industry and the 6th digit is the country industry, Soybean Farming.

Sometimes the 6th digit (the Country industry) will be 0. When this happens it is the same as the title above it (the NAICS industry).

Other times it will have a digit and there will be more than one in the Country industry.

SLIDE 9 - EXAMPLES

Let's take a look at economic Sector 23, Construction.

One of the subsectors is Construction of Buildings. Under that, the **industry groups** include Residential and Non-residential. The NAICS Industry codes under Non-residential include **Industrial Building Construction (23621)** and **Commercial & Institutional (23712)**

Notice that those are 5 digit codes. HlePRO only uses 6 digit codes. If you enter the 5 digit code all the 6 digit codes with those 5 digits in it will appear.

If you search in HlePRO or the NAICS site you will see the 6 digit codes for the NAICS industries above ends in 0 and has the same title.

SLIDE 10 - ABOUT THE TRANSITION

Once NAICS codes are in place, (September 3, 2015) there will be no option to use NIGP codes. Only NAICS codes can be used. Vendors who register will not even see NIGP codes.

So what about solicitations caught in the middle?

The NIGP codes, while not visible, will work for those solicitations already released in that addenda will go to those vendors who had those NIGP codes prior to the change.

SLIDE 11 - WHAT HAPPENS TO SOLICITATIONS WITH NIGP CODES NOT RELEASED TO THE INTERNET

If you have a solicitation that has not made it to the internet by the date of the change you will need to convert to NAICS codes. For instance if it is in draft with an NIGP code, you will need to enter the NAICS code.

Sorry. It doesn't convert it for you.

Likewise if it is in approval on the date of the change, the approver will have to reject it so you can enter the proper NAICS code.

SLIDE 12 - PROCEDURES NOT AFFECTED

Awards are not really affected by NAICS codes since the notice goes out to those who submitted an offer. Or, in the case of an amendment to an award, it goes to the awardee.

SLIDE 13 - RESOURCES FOR UNDERSTANDING NAICS AND FINDING CODES ACCESSIBLE FROM THE HIEPRO WEBSITE

All resources are accessible from the HiePRO site.

Probably the best resource is the NAICS site itself. It has the ability to search the code but it also has several documents.

One document explains the codes and provides definitions.

There are also excel files containing the NAICS codes that you can download and study if you have problems sleeping.

Lastly on the NAICS site is **ASK Dr. NAICS**. If you conduct a search on the NAICS website and get no results you will see a message about asking Dr. NAICS via email or calling a particular number.

I tried it and in the next slide is a sample of the results I received the following day.

Another resource, accessible from the login page of HiePRO is a crosswalk of the most commonly used NIGP codes in HiePRO and the corresponding NAICS codes.

Lastly, you can also conduct a search from the **line items tab** when you are creating your solicitation.

We'll be showing these sites to you in a few minutes.

SLIDE 14 - RESULTS OF ASK DR. NAICS

This is the response from Dr. NAICS.

Awards are not really affected by codes since the award notice goes out to those who submitted an offer. Or, in the case of an amendment to the award, it goes to the awardee.

Now, on to the demonstration.

DEMONSTRATION ON WEBSITE

So here we are at the HlePRO training Site at the login page. It has not changed much.

If you select commodity codes from the banner or menu bar you will see this paragraph with a link to the NAICS website to search. This also appears when you log in. We'll go to the NAICS site in a minute. So this is one place in HlePRO from which you can access the NAICS site.

Further down the page above the log in button is a link "learn more about HlePRO. Selecting this and then selecting Common NIGP to NAICS codes brings up the crosswalk to NAICS created by the SPO from the most commonly used NIGP codes on HlePRO.

Note that it is not always a one to one reference. That is, it may be that several NIGP codes are equivalent to only one NAICS code or that one NIGP code is equivalent to several NAICS codes. For instance, in NAICS vehicles have wholesalers and dealers. You the question you ask is, do we usually buy from wholesalers or dealers? There may be times you want to use both codes.

Let's go back to the HlePRO website and log in.

You will see the commodity codes link is there with the same link to the NAICS site. The same link is also available when you select **create new solicitation** and select the **line items** tab. So let's take a look at the NAICS website. (*Go to <http://www.census.gov/eos/www/naics/>*) You'll notice the NAICS website is part of the US Census Bureau.

At the top on the left you will see several code search boxes. Use the **2012 search** to find your codes. That is the version used in HlePRO.

Further down the side of the page under Downloads/ Reference Files/ Tools are several links. Select 2012 NAICS – the page that comes up has 2 sections. The topmost section is a listing of all the **economic sectors**, the highest category in NAICS that is, the first 2 digits in the code. Notice there aren't very many. Each of the economic sector numbers are links that show all the subsectors, industry groups, NAICS industries and country industries within them.

Go back to the 2012 NAICS page. On the bottom half of the page are links to documents. The first document, **2012 Definitions** is just that, it describes each sector, subsector, etc. The remaining documents contain various versions of the code in MS Excel format. The **index file** lists all 6 digit codes. There are over 19,000. Some have the same number and although related are not exactly the same. This is what is in the HlePRO site. If you look at the file entitled **6-digit 2012 code** file you will also see only 6-digit codes. However, the number is listed only once with a more general title. There are over 1000 of these unduplicated numbers.

Now that we have this information, let's do a search. We'll search for tree trimming.

Notice the results. 3 codes, all with the same number and all with the words tree and trimming.

Copy the number and enter it when you are creating your solicitation. You will see all the choices and can select as many as are appropriate. It is as simple as that. You can also search in HlePRO itself.

One last thing. You should always check to verify that vendors with the commodity codes you choose are in HlePRO.

Of course this is the training site and there are very few vendors in here aside from the few test vendors we have created. But you can see when I entered the code what came up. A best practice for your research is to select the link to the vendor and select the commodity codes tab to see if there might be other codes you should include in your solicitation.

Now you know all that you need to begin using NAICS codes. Let's take 1 minute to review your resources.

SLIDE 16 – IN SUMMARY

You have a lot of resources to help you find the correct code or codes and all of them are accessible from HlePRO. You can link to the NAICS website search from the Codes link in the banner. Use the 2012 search.

On the bottom of that page are a number of resources that are helpful. You can look at the expandable list of industry sectors, that top level category. You can download MS Excel lists of all the codes.

A narrative explaining and giving definitions of each sector, subsector, etc. is also in that section. Lastly you can Ask Dr. NAICS if you still cannot find the correct code.

Back on the HlePRO site, if you select **Learn More about HlePRO** you can access a crosswalk of the most commonly used NIGP codes on HlePRO by selecting Common NIGP to NAICS codes. If you are a buyer, once you log in, you can search for NAICS codes on the **line items** tab of the **Create a New Solicitation** function.

Lastly, you can use the Search function in the banner and select the **Vendor** tab. You can use it to find a NAICS code by searching for a vendor you know delivers the goods or services you want to buy and selecting their codes tab. You can also verify that you have the right code by searching for vendors by commodity code and reviewing the vendors who have included that code. This also helps you do your research to ensure there are vendors in HlePRO who can respond and deliver the goods and services you are procuring.

SLIDE 17 – Questions?

Now you know all that you need to begin using NAICS codes. If you would like to review the NAICS codes, there is a link to the NAICS website under **Commodity Codes** in the HlePRO production site.

Transition from NIGP to NAICS

Transcript

Should you have any questions, contact your department or CPO Jurisdiction eAdministrator. If you are not sure who that is, here is how to access a list of all eAdministrators on the SPO website.

The email for Ask Dr. NAICS is available on the NAICS website and on one of the slides for this presentation.

Thanks for listening and good luck with your solicitations.