



AAR Corp Balances Aerospace-Grade Quality with Cost Savings

Through a streamlined process of centralizing data, automating negotiations, and simplifying the bidding process for suppliers, AAR Corp achieved a 50% cycle reduction time and 12% savings over 4 years.

Industry: Industrial Manufacturing

Company Size: Enterprise

Employees: 6,000+

Headquarters: Wood Dale, IL

Challenges:

- Lengthy and complex RFPs took months to execute
- Difficulty balancing cost and resilience in sourcing decisions
- Lack of flexible bidding in sourcing events

Solution:

- Coupa Sourcing Optimization

Results:

- 12% annual savings across four years
- 50% reduction in sourcing cycle time
- Faster time to market with sourcing events, moving from weeks to days
- More informed decision-making balancing cost, resilience, and other qualitative factors

History with Coupa

AAR Corp, a global aerospace and defense services company, first adopted Coupa Sourcing Optimization in 2012. From there, especially in the last four years, the organization has invested in both talent and training to advance its maturity in sourcing direct materials, mostly around aerospace maintenance parts.

When the team ran their tenders outside of Coupa, they used the 'kitchen sink' approach. The team would send out RFPs with 15,000 or more parts for suppliers to bid on. The mechanism was simple: AAR Corp got quotes for parts that were not on contract and that had customer demand greater than ~20 units per year. The RFP would take four months or more, which ended up limiting the team to a maximum of one or two events per year.

With Coupa, the AAR Corp team wanted to:

- Run more events by streamlining and automating all elements of an RFP process
- Identify savings opportunities
- Reduce stockouts and supply disruptions

Running More Events

Event Creation and Launch

The key to running more sourcing events was to save time building, executing, and awarding each event. Through event templates, Coupa's native AI-based Smart Import, and the ability to automate large portions of the event design, AAR Corp can now get out to market in days instead of weeks.

Data, Data, and More Data

The AAR Corp team now has a balanced approach to sourcing and goes well beyond price per unit. To expand their market insight, the team imports heaps of data into Coupa's unique Fact Sheet section. From proprietary baseline calculations that consider PO history and forecasts, to prior purchase history for each incumbent, to target pricing, to quality requirements per part, to specific stakeholder input on award scenarios — Coupa can easily house it all. All the data in the system is available for bid cost calculation, comparison, reporting, and scenario analysis.

Supplier Response Time

The team evaluated different approaches to the number of items sent to suppliers and utilized a key functionality within Coupa: Item Access. Through an automated process, the team included an RFI round with each sourcing event allowing suppliers to pick which items or families of items they wished to bid on. Once the RFP opened, the suppliers only saw what they wanted to bid for — all without AAR lifting a finger.

Awarding

AAR Corp used Coupa's native data validation elements to improve their award scenarios — ensuring “clean data in” and “clean data out.” The team validated bid cost ranges, format, and even length of open-text field responses to make sure the supplier understood the ask. With clean data, the team utilized Coupa's advanced scenario analysis to award the business as described below.

Find Savings and Reduce Stockouts / Disruptions

Beyond streamlining and running more events, AAR Corp has two potentially competing goals that they strive to achieve:

1. Reduce costs
2. Reduce stockouts or disruptions

By incorporating these goals into event design, bid evaluation, negotiations, and award strategy, the team sees consistently great results.

Unlimited Formulas and Costing

AAR Corp quickly added their own cost formulas beyond “price times volume.” With Coupa's guided, open, and unlimited formulas, the team designed an objective function that considers price, minimum order quantities, lead times, and bid validity all at once. Coupa's simple formula builder allows them to tweak the formula as they see fit, or to run scenarios to test sensitivities utilizing alternative costs.

Driving Bidder Behavior

To balance cost and stockout reduction, AAR Corp must ensure bidders understand how to win their business. To do so, the team designs a robust bid feedback strategy for templates and individual events. Combining the aforementioned data from Fact Sheets, the team creates the following event data:

1. Incumbent pricing and volumes based on previous contract or PO data
2. Critical aerospace part quality feedback
3. Lead time maximums
4. A dynamic target price based on market conditions, PO history, and more

Bidders receive timely, simple feedback from AAR and allow bidders to get more creative with their offers to win the business.

Finding the Best Offers with Optimization

Coupa's world-leading scenario optimization gives AAR Corp the power to balance cost and quality. The team can execute as many scenarios as they would like, giving them the necessary data to work with business stakeholders and make critical decisions of awarding business. For instance, in one scenario, AAR Corp considers supplier rebates, past performance, and OEM or broker designation. The decision on whether to utilize a broker for a specific part can be quantified and shared with team members. Those team members compare the cost savings vs. the qualitative risk of chronically low-inventory brokerages for that specific part.

AAR has been incredibly successful with Coupa. Year after year, they continue to find savings and, on average, have saved 12% against baseline across four years.

About Coupa

Coupa makes margins multiply through its community-generated AI and industry leading total spend management platform for businesses large and small. Coupa AI is informed by trillions of dollars of direct and indirect spend data across a global network of 10M+ buyers and suppliers. We empower you with the ability to predict, prescribe, and automate smarter, more profitable business decisions to improve operating margins. Coupa is the margin multiplier company™.

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