



Air Methods transforms procurement and achieves \$20 million in savings during first year with Coupa

Industry: Healthcare and Aviation

Employees: 5,000

Geographies: North America

Challenges

- Manual processes
- Lack of spend visibility
- No standard procurement policies

Solutions:

- Coupa Procure
- Coupa Invoice
- Coupa Source

Results:

- 43% decrease in supplier base after consolidation
- \$20 million saved in year one – against a projected rate of \$11 million
- Decreased overdue payments from 5% to 1.8%
- 4x reduction in invoice cycle time
- Lowered requisition cycle time from more than 1 week to less than 1 day

Air Methods is an air medical transport provider. It operates over 400 aircraft throughout the US, transporting 65,000 patients a year. Most of its 5,000 teammates are pilots, clinicians and mechanics. While the business started small in 1980, it grew rapidly through acquisitions.

That meant the company was able to serve more patients, but the back office was suffering from manual processes, no standardized procurement function, and poor spend visibility. The lack of consistency led to late payments incurring fees and affected the company’s relationship with suppliers.

Air Methods needed a complete transformation in spend management – a way to see end-to-end spending and identify savings opportunities. Soon after joining Air Methods, Mike Kingzett, Senior Director of Business Transformation, was introduced to Coupa by the CFO, who had used Coupa before and thought Air Methods might benefit from a similar system. “The CFO and other executive leaders were frustrated we couldn’t get things paid on time,” Mike said.

Mike determined the transformation should involve three major areas: build out a fully staffed procurement team (including a strategic sourcing arm); lead the first wave of sourcing to quickly achieve cost savings; and implement new procurement technology to automate and capture those savings. “To really understand how we can create value for the corporation, we had to transform our end-to-end processes from sourcing through paying suppliers.”

Air Methods’ private equity firm had an existing agreement with SAP Ariba, and while that made SAP the initial frontrunner, Mike and the project team did their own due diligence. “We met with several vendors and included various internal stakeholders in those meetings to get their feedback,” Mike said. In the end, it came down to SAP Ariba and Coupa. But in the end, Coupa had the exact capability to help Air Methods achieve its three-pronged strategy. So Mike architected a solution with input from Coupa and other implementation partners to achieve a complete transformation of sourcing all the way through paying suppliers – saving \$20 million in sourcing during the first year with Coupa. The team now has consistent procurement processes, improved spend visibility, and much better relationships and contracts with suppliers.

Air Methods moves from paper to digital, creating consistent processes

Before Coupa, Air Methods lacked standardized procure-to-pay processes. 95% of its growth came from acquisitions, which led to a patchwork of backend systems – including multiple enterprise resource planning (ERP) systems such as Microsoft Dynamics Solomon and an aviation-specific tool called Ramco.

“Invoices were 100 percent paper based,” Mike said. “Even if a company emailed a PDF of their invoice, we had to print it out to be able to process it.” The team struggled to stay on top of all the paper, resulting in credit holds and hurting the company’s reputation in the process. “They were spending most of their time chasing invoice and payment issues,” Mike added. “Now they’ve recouped those countless hours to invest in more strategic tasks.”

Using Coupa gives the newly formed procurement team a single platform, serving as a foundation for consistent processes. As a result, past due payments dropped from five percent to less than two percent, and they continue to fall. It is much easier to track approvals, which has led to a four times reduction in invoice cycle time. Even requisition cycle time has plummeted by more than a week to less than a day.



Air Methods achieves greater spend visibility with Coupa, saving \$20 million

With 5,000 staff scattered across 300 air bases it was crucial for Air Methods to automate its procurement processes and get visibility and control around it.

“Coupa gives us visibility at every level, and makes it so easy,” Mike added. “At any time, we can look at the reports and see what spend is committed and if a process is getting held up anywhere. We can send automatic reminders, see who requesters are, and follow up directly with them.”

Coupa has also facilitated greater accountability for the procurement team when buying products and affirmed ownership of its role in saving the company money.

“Our results speak for themselves. Coupa was a key enabler of our business spend management transformation.”

— Mike Kingzett, Senior Director of Business Transformation, Air Methods

Access to more data enables Air Methods to build better, trusted supplier relationships

The move to Coupa also gave Air Methods the chance to evaluate and consolidate vendors. At the time of implementation, Air Methods had more than 8,400 vendors, and a large number of those were one-time vendors. Leveraging Coupa, the company was able to consolidate vendors to 4,700, a 43% decrease.

Also, the team now has access to a hugely powerful tool – data. “Previously, in the few key supplier meetings we would have, they would present to us what we spent, all using their own data,” Mike said. Coming to those meetings with Air Methods’ own data facilitated a positive change in supplier relationships. “Having the data helped improve our relationships from transactional to strategic and put us into the driver’s seat,” Mike added. “That changed relationship enabled us to negotiate significant savings in our contracts – \$20M in year one and \$15M in year two – and even access better products.”

What’s next?

Air Methods has come a long way from having 100% paper-based invoices. But Mike and the team aren’t finished yet. “Just because the initial project is over doesn’t mean we’re done,” Mike said. That means revisiting sourcing and tackling different categories of spend to drive improvements. “Ultimately, I think there’s a lot of functionality in Coupa that we haven’t yet tapped into, but it’s a journey – definitely a journey.” Let Coupa be part of your transformation journey.