



Class act: K12 and UPS team up to transform education



A textbook case in online education

K12 is changing a few old-school rules.

Situation:

K12 Inc. leads the nation in online pre-kindergarten-through-high-school education. The company provides course materials to each of its students and, in many cases, a computer as well, all of it shipped to hundreds of thousands of individual students attending a K12-partnered school ... at hundreds of thousands of unique locations and addresses. Getting materials and computers to K12's student base mandates a constant, unsparing focus on fast, reliable shipping and cost-savings.

Logistics Solutions:

Strategic partner UPS's turnkey supply chain management allows K12 to focus its expertise on what it knows best – providing each child with a world-class education regardless of economic status or geographic location.

UPS and K12 have jointly developed an evolving relationship that has brought continuous value to K12, phase-by-phase, since 2004.

First, UPS served the school as a traditional transportation provider, shipping educational freight fast and efficiently.

In 2009, the relationship evolved. In a second stage, UPS stepped in to manage the bulk of K12's supply chain, including warehousing, kitting, distribution, returns and redeployment of all K12 shipping except computers, laptops and printers. Joint development of continuous improvements led to redesigned order-consolidation processes, plus the addition of a West Coast distribution operation. These solutions gave K12 accurate inventory control and improved its operational credibility with colleagues and customers.

By 2013, UPS connected the dots between K12's forward and reverse logistics operations. UPS assumed K12's computer returns process, efficiently handling data security and technical services and, at the same time, placing a higher priority on the redeployment of recovered school assets – a critical component of the K12 business model. The UPS reverse logistics solution also supports sustainability, an enduring value for both partners.

An end-to-end connected UPS solution gave K12 more time to focus on schooling ... as it substantially reduced back-office complexity and costs.



The Washington, D.C.-area company sells online educational products and services to schools and other educational institutions. The company serves students from pre-kindergarten to 12th grade.

With double-digit growth each year since its launch in 2000, K12 continues to make strong gains. The company currently tops \$800 million in annual revenue, and anticipated growth in enrollments from pre-K to high school promises a tremendous future.

K12 works this way: The organization develops curriculum and technology-based learning programs, then partners with primarily public charter schools or traditional school districts to provide students everything they need for a high-quality online learning experience – instructional materials, textbooks, online curriculum, physical course materials. (Professional resources, such as teachers and counselors, can also be provided depending on the arrangement.)

Also depending on the arrangement with a school, K12 provides a student with a new or refurbished computer. In most cases, K12 sends the device to a student's home – that's where most K12 students take classes.

"The computer is key," says Scott Balwinski, Senior Vice President of Operations at K12. "That's how our students go to school."

600,000 kits

Along with computers, K12 ships out a massive volume of educational materials to start each new school year. The peak shipping season – summer – requires exacting plans and precision.

In summer 2013, K12 shipped 600,000 material course kits, along with 400,000 textbooks and stand-alone items (microscopes, lab materials and the like). Each kit contained, on average, six items such as math materials, maps and workbooks. In all, K12 shipped 6 million items in 2013 to eager students, parents and teachers.

“We send everything you can think of that would be in a classroom except a fire extinguisher,” says Balwinski. “We even send a whiteboard.”

Use that whiteboard to do a little math, and you see the cost challenge in sending multiple materials to hundreds of thousands of unique students at hundreds of thousands of unique addresses.

“We need to work hard to control costs,” says Balwinski. “With such high transactional volume, anywhere we can shave minutes off our processes really helps keep our costs low ... and these savings allow us to invest even more in curriculum and instruction, which is the highest use of the education dollar.”

A schooling in logistics

K12’s roots lie in education. Its business model, quick growth and rising volumes seriously tested the fulfillment and logistics expertise of a lean staff of operators.

“K12 actually outgrew its own infrastructure,” says Brittany Caskey, Director of Business Development for UPS Global Logistics and Distribution. “The company suddenly realized that to provide students with a world-class education, it also needed a world-class logistics and returns solution.”

In its early years, 2000-2008, K12 managed mushrooming logistics and returns challenges through a combination of in-house resources

and a series of partners – all of which it rapidly outgrew. After a particularly rough 2008, K12 started a search for a partner with the right operational excellence, flexibility and capacity. To pass the admission test, the right K12 partner needed the expertise and infrastructure to fully manage distribution and delivery ... and to flexibly scale operations up or down, as needed.

UPS moved to the head of the class.

“No one could compete on a logistics basis with UPS,” says Balwinski. “It was as simple as that.”

Making the grade for K12

Managing costs and keeping overhead low doesn’t mean cutting corners – a K12 education stands shoulder-to-shoulder with traditional classroom education methods. Cost management simply means finding inventive new ways to work more efficiently, to keep the cost of education low.

UPS immediately began to add value to its traditional transportation services, introducing new efficiencies that helped K12 simultaneously grow business and control costs.

First, UPS took over the bulk of K12’s materials supply chain – no more logistics headaches and lost time for educators. UPS provided a centrally located warehouse with 200,000 square feet of space in Elizabethtown, Kentucky. UPS employees there store, kit and fulfill school materials, tasks that go well beyond traditional transportation services.

UPSers fill online orders from large conveyor belts, picking and packing education kits with the right books, workbooks and lab accessories for any student, practically anywhere. In year one, UPS teams moved 12,000 kits a day for K12 ... and today UPS teams can pack and send 19,000 kits a day.

“A lot of people still think UPS is just a delivery company,” says Caskey. “Connecting services across our portfolio into a single integrated solution drives waste and cost out of networks for our customers.”

To further economize on operations, UPS worked with K12 to identify a West Coast warehouse site. The new Mira Loma, California, distribution center receives and warehouses assembled course kits from Elizabethtown. Those materials can then quickly be delivered to students who place orders in the West, especially in California, Arizona and Nevada, sites of three of K12’s biggest online public schools.

The move from multiple suppliers to one capable carrier changed the back office too. Before UPS came in, K12 spent 40 hours a week monitoring chain of custody and solving problems that arose. UPS inventory control made that fretful task ... and its cost ... go away.

“UPS brought efficiency to the transportation network, leaned down our distribution system and relieved us of inventory control,” says Balwinski. “This allowed us to focus on ways to grow.”

“With UPS, we get the look and feel and internal efficiency of a single provider, but with the customization and specialization of a multi-provider network.”

From K12 to tomorrow

Is K12 the education model of tomorrow?

It’s at least an option, if continued excellence in education can be balanced with expansion and a strong bottom line.

“The business model is getting more complex ... and will just get more so with greater size and complexity,” says Balwinski.

“We recognize that the flexibility of UPS absolutely gives us our best chance to simultaneously serve our growth and serve our students.”

“No one could compete on a logistics basis with UPS.”

– Scott Balwinski, Senior Vice President of Operations

Going for green

UPS also brought to light new sustainability options and improved on previous vendors' returns operations. The innovations surprised and deeply pleased K12.

UPS showed K12 a high-tech side of sustainability — a busy Louisville operation that receives returned computers from customers and repairs/refurbishes them for new use.

"When we found out this solution provider could handle the refurbishing of computers in addition to the recycling we wanted, using UPS as our carrier was a no-brainer," says K12's Balwinski.

The sustainability program not only burnishes the K12 brand and simplifies the school's fulfillment ... it also saves tons of money.

How do you recycle online education?

Think about it. Students could simply throw their course kits away at the end of a term. Instead, K12 asks them to return all materials to Elizabethtown.

"UPS suggested this, that we expand the rework process," says Balwinski. "Now we can rebind books and fix damaged microscopes and give another student much of the material that would have been discarded ... and it's in first-class shape. It saves significantly on repurchasing costs.

"The value of the redeployment of these assets can't be overstated — redeployment is fundamental to our business."

UPS showed its creativity too, suggesting that K12 put a special security tape on all outbound boxes. If the box is returned, intact tape means the contents are uncompromised, eliminating the need — and costs — of that box and contents going through the full returns processing steps.

"Just that one subtle change alone — special tape — has generated significant costs avoidance," says Balwinski.

But the best and biggest returns initiative gets to the real mainframe of the education model — the hard-drive of K12, so to speak.

That computer.

Most students get one. When that student leaves K12, he or she receives an immediate e-mail request for a return ... with a prepaid return label part of the email. (K12 also follows the e-request with a shipment of physical labels, preferred by two of every three families.) Students can then take their computers to any of 4,700 locations of The UPS Store® or any UPS drop location for a speedy return.

The computers ship directly to the big UPS hub at Louisville, Kentucky, where specially trained teams of UPS associates wipe the memories, make cosmetic repairs and load a custom software configuration. Computers then wait, ready for — here's that word again — *deployment* to a new generation of scholars.

"We have a chain of custody that monitors the full lifecycle of these computers," says Caskey. "We don't want computers to wind up in landfills."

What happens if a computer comes back too damaged for repair?

It *still* doesn't go to a landfill. UPS salvages parts for use elsewhere, or passes along the units to a vendor, who salvages even more parts, then repurposes what's left.

"Most businesses think of returns as defects," says Balwinski. "That's not true at all at K12. We redeploy computers and get value from them over and over again. We're in the rapid redeployment business. It's a process we use at every school."

"Reclaiming that product and using it time and time again," says Caskey, "prompts good sustainability awareness among students ... and saves K12 a lot of money."