

The Economics of Comfort™

Case Study by Target Logistics and Client

Situation

When the oil boom started in North Dakota, one of the leading oil services companies in the world was one of the first to arrive on the scene. While the opportunities were great there were many challenges to overcome. One particular hurdle was the lack of a permanent workforce as well as housing for a temporary workforce. Initially, the company was able to make due with the hotels, motels, trailer parks and apartments it could find throughout Williston and the other small towns in North Dakota. However, the housing market quickly tightened which drove up prices to over \$300/night. Also, the uncertain housing situation made it difficult to sign on some of the best workers. Lastly, the absence of a consistent and positive off-the-clock environment created a less productive workforce with high attrition and a sub-par safety record.

Solution

Leading up to 2010, this company set out to solve its productivity problems. In addition to retention bonuses and more thorough safety education, proper housing was a big part of the solution. For this, it contracted with Target Logistics to build and service dedicated workforce lodges located in two key areas of North Dakota close to its drilling projects. Today these lodges are still effectively housing the bulk of its workforce in North Dakota while providing the following improvements which have increased productivity through security, nutrition, rest, relaxation and a positive workforce environment:

- Professional security with zero tolerance for drugs, alcohol, firearms, guests and cohabitation.
- Four-star food providing high nutrition and 4000 calories per day, available 24/7.
- Comfortable private rooms with individual temperature controls, flat-screen TV/DVD player, oversized towels and The Hibernator Sleep System™ with a pillow-top mattress, high thread count sheets and overstuffed pillows.
- State-of-the-art recreation and fitness centers and visiting personal trainers.
- Internet café.
- Convenience store with free DVD rentals for use in their rooms.
- Conference rooms for group safety and organizational meetings.
- Lodges close to worksites, helping to reduce drive time .
- Optional bus transportation to the well site.
- A positive all-inclusive environment designed to prepare its workforce for peak performance the next day.

Results: Positive ROI in 2011

- Employee retention: Originally losing 500 men vs. 170 men in 2011.
- Retention increased by 66% (or 330 men for a 1000-man workforce)
- 330 men x \$35,000 (cost to hire and train an employee) = **\$11,550,000**
- Safety record improvement by 50%

All-inclusive room rate: (\$110 X 1000 men X 365 days) =	\$40,150,000
Less retention savings =	\$11,550,000
Effective cost =	\$28,600,000
Effective room rate (28.6M/1000/365) =	\$78.35 per man



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Disclaimer: All figures above are estimates based on information supplied by third parties. Your figures will vary based on a number of factors. Please contact a Target Sales Representative for further information.

