

A Wisconsin export gets on swimmingly

Wisconsin Dells born and bred, Kalahari and Great Wolf resorts have caught a wave and are leading a nationwide expansion into indoor water parks

By TOM DAYKIN, Milwaukee Journal Sentinel

May 22, 2005 --- Move over, beer and cheese. Another well-known Badger State product is making waves, as the water park business grows beyond its roots in Wisconsin Dells to locations throughout the United States.

The latest Wisconsin export is the Kalahari Waterpark Resort that opened this weekend near Sandusky, Ohio. The \$110 million development, with around 600 employees, is owned by Todd Nelson, who opened the Kalahari resort in the Dells in 2000.

Also, Madison's Great Wolf Resorts Inc. announced in May it will develop a \$100 million water park resort at a Cincinnati-area theme park. Great Wolf, which entered the water park business in 1999 with its purchase of a Dells resort, now operates six water park resorts, with two more scheduled to open within a year. All but two of Great Wolf's properties are outside Wisconsin.

Both Nelson and Great Wolf Chief Executive Officer John Emery say their companies will continue to build hotels with indoor water parks, satisfying the growing demand from cash-conscious families looking for vacation destinations within a three- to four-hour drive.

"We definitely see a couple dozen markets, easily, where this could work," said Emery, whose company raised \$238 million through its initial public stock sale in December.

Wisconsin companies that develop water park resorts in other states are creating jobs at home to help serve their expanding operations, and are spurring growth at Wisconsin firms that help build the resorts.

Great Wolf's Madison corporate offices and reservation call center have 150 employees, up from around 50 employees in 2003, and Nelson has added to his Dells-based management staff.

Water Technology Inc., a Beaver Dam provider of planning, design and engineering services for water parks, was founded with three employees in 1983, and now has over 40 people on its staff.

Ramaker & Associates Inc., a Sauk City engineering firm with a growing water park division, has doubled its work force to 60 employees over the last five years. And Madison-based Planning Design Build Inc., which provides design and construction services, draws

about half its revenue from resort projects. That firm's work force has grown from 21 employees in 1994 to 130 employees today.

Born in the Dells

The rising tide started in the Dells, where indoor water parks transformed the community from a summer vacation spot to a year- round leisure destination.

The nation's first indoor water park, the Polynesian Resort Hotel & Suites, opened there in 1989. The Dells today has the largest concentration of water parks in one area: 18 indoor water parks and three outdoor water parks within 18 square miles.

The water parks have been a magnet for tourism dollars. In 1994, the Dells drew 1.6 million visitors spending an estimated \$275 million, according to the Wisconsin Dells Visitor & Convention Bureau. In 2004, some 2.9 million visitors spent \$871 million, the bureau says. Indoor water parks are now being built throughout the country. The appeal is simple, Nelson said. "They're fun," he said, "and relatively affordable."

Great Wolf, in its prospectus filed with the Securities and Exchange Commission, says its average daily room rate in 2004 was \$211, a price that includes admission to the water park. The average stay at one of the company's resorts is three days and two nights, Emery said. The target customers are families with children ages 2 to 14 who live within a convenient driving distance from Great Wolf's resorts.

Along with the water slides and other park features, the resorts include spas, game rooms and exercise rooms.

"If it was just a water park and a hotel, I think you'd get bored at times," Emery said. Also, most of Great Wolf's resorts are in established vacation areas with other attractions. Those locations include Sandusky, Traverse City, Mich., Williamsburg, Va., the Pocono Mountains region of northeastern Pennsylvania, and Niagara Falls. The newest resort will be built at Paramount King's Island, a theme park just outside Cincinnati.

Great Wolf also operates resorts in Sheboygan and Kansas City, Kan., two areas that aren't typical vacation destinations. The company's business plan calls for the development of two new resorts each year over the next five years.

"There are a lot of markets out there with a heck of a lot of families," Emery said. Nelson hopes to open two to three more Kalahari resorts over the next five years. "We think we can build a brand," he said.

Nelson chose the Sandusky area as his first expansion site because it's already a popular summer vacation area, and is making the transition to a year-round destination through indoor water parks a la the Dells.

Sandusky, which is along Lake Erie, draws people from Cleveland, which is just 60 miles eastward, and from Detroit, Columbus and other cities, Nelson said. The Sandusky area draws around 7 million visitors annually, he said, more than twice the number of Dells visitors.

Meeting the challenges

That's not to say expansion doesn't come without challenges. Great Wolf has found it more difficult to recruit good employees as it moves beyond Wisconsin, Emery said. The company has been forced to do more training to immerse employees in its service-oriented culture, he said.

Another question is whether the water park market will become saturated. Great Wolf's prospectus outlines several risk factors, including competition from other family-oriented resort operators. The prospectus alludes to the recent opening of the Kalahari in Sandusky, where Great Wolf became the first indoor water park operator in 2001. Another water park, Castaway Bay, opened in Sandusky last fall.

Industry consultant Jeff Coy said there's room for growth in Sandusky and other locations if water parks have a "high entertainment value."

Larger water parks that regularly add new attractions should continue to prosper, Coy said. Smaller, older properties, including a few in the Dells, are among those that will need new investments to stay competitive, said **Coy, who operates JLC Hospitality Consulting Inc., of Rochester, Minn.**

Coy also said Great Wolf should be considering speeding up its expansion plans. He said some major hotel operators, whom Coy declined to identify, are quietly planning their own water park resorts. The first and biggest water park resort to enter a new market typically creates a high entry barrier for competitors to overcome, Coy said.

Emery, however, said Great Wolf doesn't want to make the mistake of expanding too quickly and hurting its ability to provide good service. And Nelson said the experience he and other operators have honed in the Dells is a big advantage in planning, financing, developing and running a large water park resort.

"Don't let anyone ever fool you into thinking that these things are easy," Nelson said.