

Small motels struggle to stay afloat in Dells

Rising tide of water parks leaves traditional places treading water

By TOM DAYKIN, Milwaukee Journal Sentinel

May 28, 2005, Wisconsin Dells --- It seemed like a smart investment when Peter and Maria Frankov bought a motel 13 years ago in Wisconsin's biggest tourism area.

A struggle to compete

With around 1.5 million people traveling to the Dells every year, the Frankovs figured their 12-room Starlite Motel would grab its share. So they added two dozen rooms.

The Dells area today draws nearly 3 million visitors annually, who last year spent \$871 million. But most of that growth is flowing to the big, newer hotels with indoor water parks. Meanwhile, the Starlite and other small, older motels are seeing empty beds and declining room rates.

"Our bottom line is shrinking," said Katherine Frankov, who operates the hotel with her parents. The Starlite's daily room rates through mid-June are as low as \$32, down from \$38 when the family bought the hotel in 1992.

Those rates will rise along with the temperature as more people flock to the Dells in July and August, filling the roller coasters, go-cart tracks, miniature golf courses, Wisconsin River boat rides and other attractions. But the small motels will continue to struggle against the rising tide of indoor water parks, where summer rates of \$200 a night and up are typical. The gulf between the two groups is widening, calling into question the long-term viability of the small motels, many owned by Polish immigrants who came to the Dells by way of Chicago.

"It's hard. It's very hard," said Helen Piotrowski, who operates the Twi-Lite Motel, on the Wisconsin Dells Parkway in Lake Delton. "It's getting worse and worse every year." The Twi-Lite's rates for this Memorial Day weekend are \$40 to \$60, down from \$60 to \$70 a few years ago, Piotrowski said.

Water parks flood area

Business began declining for Piotrowski and other small operators in the late '90s, after the opening of water park resorts. The Dells area today claims 18 indoor water park hotels. Dells visitors who arrive from the Chicago and Milwaukee areas via I-90/94 are greeted by the massive Kalahari Waterpark Resort and Convention Center, with its brightly colored water slides twisting like giant, DayGlo pretzels. Drivers who last week exited the interstate at Highway 12, the main commercial strip through the Dells, saw workers finishing up a three-story water park play area, SplashDown Safari, at the 740-room Kalahari. The \$1 million addition, featuring nine water slides, opened this weekend.

At the 23-room Twi-Lite, Piotrowski offers an outdoor pool, playground and picnic area. Her long-time, older customers come back every year. But the families with younger children, the lifeblood of the Dells, are going elsewhere, she said.

Other operators share similar stories. At the 29-room Lake Aire Motel, the Fela family hasn't raised rates during its 16 years of ownership. "There's no pricing power," said Joe Fela, who helps parents Ann and Richard run the motel.

What's the point?

Ann Fela and other small operators note that the water park resorts have their own restaurants, along with amenities such as spas and elaborate game rooms. Families can come to the Dells, Fela said, and spend virtually all of their time - and money - within the resorts. She doesn't understand their appeal, particularly since the Dells is known for a lot of other attractions, including the Wisconsin River scenery that first began drawing visitors over 100 years ago.

"What's the point?" Fela said about visitors who spend most of their time at the water park resorts. "You want to sit in a house? Stay home."

But the lure of the water parks is so strong that some operators, such as Kalahari owner Todd Nelson as well as Madison-based Great Wolf Resorts Inc., have expanded outside Wisconsin.

Within the Dells, the water park resorts are drawing a large share of the overall hotel and motel market, according to a report by **industry consultants Jeff Coy and Bill Haralson**. In 2001, the 18 Dells hotels with indoor water parks, totaling 3,064 rooms, posted total room revenue of \$85.1 million, the report says. The 44 hotels without indoor water parks, totaling 2,402 rooms, posted total room revenue of \$28.7 million.

By 2003, the 18 water park hotels had 3,454 rooms and posted total room revenue of \$100.3 million. Meanwhile, the other hotels, which didn't add any rooms, saw their total room revenue slip to \$23.1 million.

During that same period, the average daily room rate for the water park hotels increased from \$114.30 to \$120.24. The average rate for the other hotels dropped from \$65.76 to \$61.20. Occupancy rates for the water park hotels remained roughly constant, at around 66%, while the occupancy rates for the other hotels dropped from about 50% to 43%.

Those numbers, which didn't include motels with fewer than 20 rooms, led **Coy and Haralson** to refer to the Dells as "the land of haves and have-nots."

"The biggest properties are getting bigger while the smaller properties continue to lose market share," they wrote. **Coy and Haralson** said the trends raise the question of how a hotel in the Dells can survive without an indoor water park.

Some offer packages

Some operators think they have the answer: If you can't beat 'em, join 'em.

The 60-room Shamrock Motel has started offering package deals with the Mt. Olympus Water & Theme Park. That appeals to people who want water park access but are looking for a less expensive hotel, said Bernadette Starzky, Shamrock manager. By purchasing their water park tickets through the Shamrock, motel customers are paying \$20 apiece for an all-day pass, Starzky said, compared with the normal Mt. Olympus charge of \$32.

Other motels are doing the same by forming similar packages with water parks. The Shamrock and the 90-room Star Resort are among the motels that have added indoor pools, a tactic that has helped them hang on to customers, said Starzky and Pavlina Kubu, Star front desk supervisor.

And some small operators, such as Margaret Gewont, of the 40-room Fitzgerald's Motel, and Anne Skudris, of the 18-room Dell Creek Motel, said they draw a steady business from families looking for inexpensive rooms in a peaceful setting. Skudris said a lot of her customers will buy one-day passes for a water park, but then hit other attractions during their stay.

"You just create your own little niche," said Skudris, who also operates The Cheese Factory restaurant, which is next door to the Dell Creek Motel.

Loyalty of customers

Finally, the loyalty of long-time, repeat customers helps operators such as Christine Nowak, whose family owns the 30-room Lakeside Motel. The Lakeside also benefits from its location, which provides waterfront access to Lake Delton.

Still, Nowak, 56, would like to sell the Lakeside, which she operates with her 59-year-old husband, Jesse, and return to the medical records field, where she formerly worked. The motel business, Nowak said, is getting more difficult each year.

At the Starlite, Katherine Frankov finds that the master's of business administration degree she earned at the University of Wisconsin-Madison isn't much help in competing with the marketing muscle of the water park hotels.

Frankov has considered offering package deals. But she doesn't think customers would be willing to pay higher room rates the motel would have to charge in order to cover its water park ticket costs.

The Starlite also has been hurt by the changing landscape of the Dells.

The motel is on Broadway, the main drag through downtown Wisconsin Dells, known for its crowded lineup of stores selling fudge, T-shirts and souvenirs. But most of the area's commercial activity has moved further out toward I-90/94 along Highway 12. As a result, many Dells visitors no longer come downtown, Frankov said. She and other business owners have lately been discussing ways to improve downtown's image, perhaps by encouraging a better mix of retail.

"I think we need more shops that are arts and crafts instead of just T-shirts," Frankov said.