

Great Wolf Redefines Itself

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April 5, 2011 --- Great Wolf Resorts is making changes.

They are not the sort that visitors will notice as they swoosh down waterslides or chase virtual dragons through the halls. They are twists to the Madison company's business model — and along with an improving economy, they could precipitate rapid growth for the business, experts say.

As Great Wolf pursues plans for two to six new indoor waterpark resorts over the next few years — including one in northern California that's not official yet — the company is expanding its grasp in other ways, looking to add separate sites for at least two of its specialty attractions.

After enduring a recession that virtually halted major building projects and sharply curtailed leisure spending by consumers, Great Wolf is shedding the concept of building the big resorts on its own, letting others handle construction and ownership while Great Wolf consults on design, licenses its name and products, and manages the locations.



“When we started this venture, Wisconsin Dells and indoor waterparks were just a very foreign concept,” said Kim Schaefer, chief executive officer since Jan. 1, 2009. “What we are now is something completely different. At the heart of it, it's all about families.”

Schaefer said finding the right markets has become the key — not necessarily building a Great Wolf resort from the ground up. “So it may mean buying the right hotel and converting it,” she said. There is also a high priority now on adding freestanding locations for amenities such as MagiQuest and Scoops. “We've spent the last eight years really building amenities that are different,” Schaefer said. They include the MagiQuest fantasy game, Scoops kids spa, Cub Club craft and activity center, and a teen video game center.

They want it to be an experience

Deborah Mitchell, executive director of the Center for Brand and Product Management at the UW-Madison School of Business, said Great Wolf has done well in getting its message across. “I think they have a good idea of what they're all about. They want to be more than a resort; they want it to be an experience, and a branded experience,” Mitchell said. “When people start talking about Great Wolf, they just light up.”

Great Wolf bought a majority stake last June in the company that developed MagiQuest, Creative Kingdoms of Tillamook, Ore. The adventure game, whose play depends on a “magic” wand, already was featured at nine of the 11 Great Wolf resorts. With the purchase, Great Wolf acquired five freestanding MagiQuest sites in the U.S. —including one at Six Flags Great America in Gurnee, Ill. — and two in Japan. Last August, Great Wolf opened a Scoops spa at Mall of America in Bloomington, Minn. Schaefer envisions more of both. “We really believe (they) should be in a lot more markets in the country and around the world,” she said. The first few would be owned by Great Wolf and later ones would be franchised.

Jeff Coy, of JLC Hospitality Consulting in Cave Creek, Ariz., said licensing the Great Wolf name and image makes sense. “It's a smart strategy. It's going to allow them to expand more rapidly,” he said.

Plans held up over financing

Over the past two years, Great Wolf has announced plans for new indoor waterpark resorts in these cities:

- Garden Grove, Calif., near Disneyland.
- Bloomington, Minn., at Mall of America.
- Lake Lanier, Ga., near Atlanta.
- Pittsburgh, Pa.
- Mashantucket, Conn., between Boston and New York City, in a joint venture with the Pequot Tribal Nation.

They all stalled during the recession, but financing options are starting to emerge for the Garden Grove and Pittsburgh sites, where land was already purchased. "I think the time is getting to be right. We may be just a little ahead of the curve," Schaefer said. Letters of intent for the other three locations have expired but the company is still interested, Great Wolf spokesman Steve Shattuck said. Meanwhile, Great Wolf and McWhinney, the Colorado firm developing the Garden Grove resort, are in talks with city officials in Manteca, Calif. about 75 miles east of San Francisco. There is "forward motion but no letter of intent yet," Shattuck said.

Company owns 7 of 11 resorts

In March, the company sold its only non-Great Wolf property, the more upscale Blue Harbor Resort in Sheboygan. The struggling property, developed with the city of Sheboygan, was sold recently to a hotel partnership for \$4.2 million, far below its initial value, and \$2.5 million of that was paid to the city. But it wiped out \$11.6 million in debt from future tax payments.

Great Wolf could lose ownership of its Traverse City, Mich. and Kansas City, Kan. resorts because their combined value is now considerably less than the loan's principal of \$67.6 million.

The company already had sold its stake in its first lodge, in Wisconsin Dells, and now owns seven of 11 resorts, and 49 percent of the Grand Mound, Wash. location. More, or all, of its properties could be sold. "It's definitely a possibility but not something we are actively pursuing," Schaefer said.

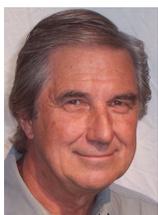
The resort in the Poconos was put up for sale about three years ago but later taken off the market. The most profitable of Great Wolf's resorts, it is close to New York City. "The right situation and the right buyer just didn't present itself," Shattuck said.

New resorts not like the older ones

Great Wolf has adjusted its specifications for the resorts over time; those built since 2005 have about 50 percent more rooms and twice the entertainment area. They also have more conference space, helping to draw business customers and correcting a mistake in earlier resorts of catering mainly to families on weekends but getting few customers during the week, industry consultant Coy said.

The newer resorts now generate up to 85 percent of Great Wolf's quarterly revenues, Shattuck said. Even with the bad economy, Great Wolf resorts attracted nearly 4 million visitors in 2010, with an occupancy rate and room revenues higher than the overall U.S. hotel industry.

"My vision for Great Wolf Resorts is: We want to bring the Great Wolf experience to as many families as we can around the country," Schaefer said. "What we saw over the last two years is that we're competing against any discretionary spending. Our value proposition resonates very well, even during tough times."



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