

Hotel Waterparks Grow Throughout Midwest, Product Ready for National Expansion

By Jeff Coy and Bill Haralson

April 2002 - Just when you thought everything had been invented, somebody mixes blue and yellow and makes some green. For years, hotel owners have been shedding their restaurants because they couldn't make money in the food business. So, we saw a decade of building limited service hotels. But now, some very enterprising hotel owner-developers are building new full service hotels with restaurants, bars, conference centers, fitness centers and, you've got to be kidding, --- indoor waterparks! And they're making money.



The Great Serengeti Indoor Waterpark at Holiday Inn & Suites, Owatonna MN.

Hotel Indoor Waterparks Are a New Lodging Entertainment Concept

Theme parks, especially waterparks, have always been outdoors in warm sunny places. Today, waterparks are coming indoors as part of hotels located in cold weather places. Born in Wisconsin Dells during the 90s, the hotel indoor waterpark concept has grown to 18 waterpark resorts in The Dells today that are out-performing their competitors without indoor waterparks. By bringing the waterpark indoors, these 18 hotel owners have extended their typical 100-day peak season to 365 days. In fact, hotel indoor waterparks are so successful as a weekend room filler, the concept has spilled over into neighboring states. Today, there are more than 50 hotel indoor waterparks in the USA.

Interesting, How This All Got Started!

No one was trying to invent a new product. No manufacturer was trying to sell pool equipment. On the contrary, a hotel owner was trying to figure out a way to sell empty hotel rooms during the low season.

In 1994, Stan Anderson and his partners were looking for ways to boost room occupancy at their 231-room Polynesian Resort in Wisconsin Dells. While attending a trade show, Stan saw some waterpark play equipment that he thought would add entertainment value for his hotel guests. He bought the equipment and made the wise decision to locate these

playthings indoors. It worked very well, guests loved it. Thus a new product was born. Hindsight says you take an outdoor waterpark, bring it indoors and just add rooms. Or you take a hotel and just add water. Result is, these hotel indoor waterparks are successful and provide owners with a huge competitive advantage.

Wisconsin Dells is a small town. Everybody knows one another. The hotels are family-owned and independent. Decisions aren't made in some boardroom in another city; decisions are made by owners right on the spot.

- When Peter Helland Jr, owner of the Wilderness Resort saw what Stan had done, he took action. The Wilderness Resort & Golf built a 9,000 indoor waterpark and then built another 60,000 indoor waterpark.
- When Jack and Turk Waterman saw what was happening at the Polynesian and Wilderness, they built what is now known as the Great Wolf Lodge. First they constructed a hotel with an 18,000 square foot indoor waterpark. Soon after opening, they expanded the rooms to 309 and added another indoor waterpark for a total of 44,000 square feet.
- Not to be outdone, Jim Mattei, co-owner of Familyland outdoor waterpark, decided to build the 302-room Treasure Island Resort and a 65,000 square foot indoor waterpark.
- Kalahari Resort is the newest resort at The Dells with 272 rooms, a 67,500 square foot indoor waterpark and a 29,000 square foot convention center to tap the group market.

And so the growth of indoor waterpark resorts continues. Today, 18 hotels at The Dells have indoor waterparks with a total of 3064 rooms, 472,900 square feet of surface water, 32 pools, 75 waterslides and 27 spas.

WISCONSIN DELLS HOTELS & RESORTS WITH INDOOR WATERPARKS

	<i>Name</i>	<i>#</i>	<i>Rooms</i>	<i>Sq Ft</i>	<i>Waterpark</i>
Wilderness Hotel & Golf		309			69,000
Great Wolf Lodge		309			40,000
Treasure Island		302			65,000
Kalahari Resort		272			67,500

Polynesian Resort	231	38,000
Chula Vista Resort	228	30,000
Hojo Resort Conf Center	228	13,000
Rain Tree Resort	158	12,000
Copa Cabana	147	2,000
Camelot Hotel & Suites	113	15,000
Wintergreen Resort	109	15,000
Carousel Inn & Suites	97	14,000
Grand Marquis	90	20,000
New Concord Inn	90	10,000
Skyline Hotel & Suites	87	5,400
Atlantis Hotel	72	14,000
Meadowbrook Resort	64	8,000

How many more of these hotel waterparks can the market support? Visitors to Wisconsin Dells increased 56% from 1.6 million in 1993 to 2.5 million in 2000. Spectacular growth has occurred in the Thursday through Sunday and September through April periods, which is directly attributable to having an indoor waterpark. A better question is, how long can any hotel at The Dells survive without an indoor waterpark? "We've raised the bar," says Jack Waterman, "and it's not coming down again."

What Makes the Waterpark Resort Work?

Keep in mind that a resort is just a hotel that adds recreation for its guests, such as tennis or golf. Resorts are a blend of lodging and entertainment. A waterpark resort simply adds

entertainment value for the guest by bringing the outdoor waterpark indoors.

Bringing the waterpark indoors eliminates weather as a variable and extends a short peak season to year round. Nearly every hotel-waterpark owner in The Dells describes the same patterns. Families with children age 14 & under fill the hotel during the summer from mid-June through Labor Day, and they fill the hotel every weekend of the year, Thursday through Sunday. Consequently, many hotels with indoor waterparks in the Dells reported annual occupancy rates above 70%, which considerably higher than the average 40% occupancy for hotels without indoor waterparks.

Indoor Waterparks Boost Hotel Occupancy and Average Room Rates

Hotels WITH indoor waterparks performed at 26.9 points of occupancy higher than hotels WITHOUT indoor waterparks at Wisconsin Dells in 2001. In addition, Hotels WITH indoor waterparks captured a \$69 higher average room rate than hotels without indoor waterparks, according to a recent study conducted by JLC Hospitality Consulting Inc of Rochester MN and William L. Haralson & Associates Inc of Richardson TX.

In 2001, Wisconsin Dells hotels achieved 54.8% occupancy at \$92.14 average room rate, down from 55.0% and \$95.52 in 2000. The slight drop of 0.2 points and 38 cents indicates that the Wisconsin Dells continues to perform well despite the soft national economy and terrorist attacks in 2001. Hotels with indoor waterparks ran high occupancies Thursday through Sunday all winter long with families driving over 200 miles from Chicago, Milwaukee and Minneapolis-St Paul.

And herein lies the problem. Hotels WITH indoor waterparks are doing well; hotel WITHOUT indoor waterparks are not doing well at the Dells.

WISCONSIN DELLS HOTELS PERFORMANCE 2001

*WISCONSIN DELLS
HOTELS*

*#
Rooms
Supply
Occupancy
%
Average
Room
Rate
Rev
PAR
Room
Revenue*

ALL

62
5466
54.8%
\$92.14

	\$50.49	\$100,737,521
WITHOUT indoor waterparks	44 2402 39.7% \$44.82 \$17.79	\$15,600,130
WITH indoor waterparks	18 3064 66.6% \$114.24 \$76.13	\$85,137,390

Source: JLC Hospitality Consulting Inc.

That 54.8% annual occupancy in the Dells breaks down to 66.6% occupancy for hotels with indoor waterparks and only 39.7% occupancy for hotels without indoor waterparks.

In the old days before indoor waterparks, the Dells hotels would capture their annual revenues during a 100-day summer season and then close for the winter. Nowadays, the big waterpark resorts are booked solid in the summer, spring break and every weekend during the year.

Hotels with indoor waterparks captured an average room rate of \$114.24 at Wisconsin Dells in 2001. Hotels without indoor waterparks earned an average room rate of only \$44.82 in 2001. Big difference!

Wisconsin Dells is Quickly Becoming a Land of Haves & Have-Nots

The *haves* are 18 hotels with indoor waterparks averaging 170 rooms. They tend to be newer, bigger and higher-priced. Waterpark resorts, such as Kalahari Resort, Great Wolf Lodge, Treasure Island, Wilderness, Kalahari Resort and Polynesian all have more than 250 rooms each and tend to have the biggest waterparks, too. These hotels penetrate 122% of the lodging demand and generate 84.5% of the total room revenue in the market.

The *have-nots* are 44 hotels without indoor waterparks averaging 55 rooms. They tend to be older, smaller and lower-priced. These hotels penetrate only 72% of their fair share of the lodging demand and generate only 15.5% of the total room revenue at the Dells.

Question is, how much longer can hotels survive without indoor waterparks at the Dells? Some hotels are already for sale. Others will soon face the decision to renovate and expand or become obsolete. Meanwhile, there are more than fifty hotels in the Upper Midwest with indoor waterparks that are becoming both the occupancy and price leader in their markets. And hotel developers are inquiring about this new concept everyday!

Can You Transfer the Success of Wisconsin Dells to Other Markets?

A small group of developers have built hotel indoor waterparks in other markets without the benefit of good market and economic feasibility studies. No hotel-waterpark industry standards have been consolidated or published as yet. The hotel industry had no construction or operating data about hotel indoor waterparks. The waterpark association had no data or standards regarding indoor waterparks that were part of hotels. Few consultants know both the hotel and waterpark business.

In 2001, JLC Hospitality Consulting Inc (Jeff Coy), William L. Haralson & Associates (Bill Haralson), and Planning Associates (Ken Pientka) started working together with the World Waterpark Association, facility owners, suppliers and other technical consultants to gather a hotel-resort-waterpark database of construction costs, industry operating expense ratios as well as before and after impact of indoor waterparks on hotel occupancy, average room rates and room revenues. Their research is the first organized effort to assist developers with answers to these important questions:

- What other markets match the demographics of Wisconsin Dells?
- What market support is required for a resort destination, such as Wisconsin Dells?
- Do you have to build the whole resort destination to be successful?
- Can the first hotel-waterpark entering the new market make a go of it?
- What demographics and market support must be present in the new market to succeed?

To answer these questions, Coy and Haralson first studied the demographics, values & lifestyles and economic trends in Wisconsin Dells. Second, they identified the same things in several other markets where developer clients wanted to build hotels with indoor waterparks. They analyzed the demographics in rings of 50 miles, 100 miles, 150 miles and 200 miles from the proposed site. Third, they compared the two markets for similarities and differences. Market by market, generally the answer has been, yes, you can duplicate the success of The Dells in other markets. But, get a feasibility study for each market!

The fact that families are willing to travel up to 200 miles for a hotel weekend during the cold of winter speaks volumes about the drawing power of the waterpark resort concept. The hotel indoor waterpark concept has proven so successful at increasing the bottomline that a whole new industry has emerged and new developments projects are popping up in neighboring states.

Hotel & Resort Waterparks Are Spilling Over into Neighboring States

HOTEL INDOOR WATERPARKS IN THE UPPER MIDWEST

	<i>Open</i>	<i>UD</i>
Wisconsin Dells	18	0
Other Wisconsin	8	2
Minnesota	8	2
Iowa	0	1
North Dakota	2	0
South Dakota	2	1
Nebraska	1	1
Kansas	0	1
Missouri	1	0
Illinois	0	1
Michigan	2	1

UD=under development

Besides the 18 waterpark resorts in Wisconsin Dells, there are up to 10 more throughout Wisconsin and 8 in Minnesota with several under development in the upper Midwest. In addition, hotel indoor waterparks are open or being planned in Ontario, Vermont, New Hampshire, New York, Pennsylvania, Ohio, Colorado and California.

Recent additions include:

Holiday Inn & Suites, Owatonna MN. Located on I-35, 1-hour south of Minneapolis, this 120-room hotel is connected to a 15,000 sf indoor waterpark with two 40-foot high waterslides that splash into pools connected by a lazy river. Opened in late 1999, this hotel indoor waterpark surpasses its competitive set in terms of both occupancy and room rate. Developed, owned and operated by Central Group Management Company of St Cloud MN. Contact Bob Pace at 320-654-6307.

TownePlace Suites by Marriott, Minneapolis MN. Located downtown in a renovation of the old Milwaukee Road Depot, this hotel, waterpark, ice rink and train museum is a one of a kind hotel attraction. Developed, owned and operated by CSM Corporation of St Paul MN. Contact Steve Dubbs at 651-646-1717.

Paradise Landing at Hilton Milwaukee City Center. Connected to the Midwest Express Convention Center, this 14-story, 729-room, 1920s hotel reopened recently with a 20,000 sf indoor waterpark and 30,000 sf of meeting space --- appealing to groups, business and leisure markets. Owned, renovated and operated by Marcus Hotels & Resorts of Milwaukee WI. Contact Bill Otto at 414-905-1200.

Holiday Inn & Suites, Madison WI. Located in an office park in west Madison, this 158-room hotel opened in mid 2000 with a 4-story indoor waterpark, two pools and a 55 ft waterslide. Owned and managed by WISCO Hotel Group. Contact Todd Winkler at 608-826-0500 or Jean Winkler at 920-923-1440.

Other hotels with indoor aquatics open or under development include:

- Black Bear Lodge, Utica IL
- Bavarian Inn & Lodge, Frankenmuth MI
- Great Buffalo Lodge, Traverse City MI
- BW Sterling Inn & Conference Center, Sterling Heights MI
- 7 Clans Casino Hotel, Thief River MN
- Comfort Suites Rapid River, Baxter MN
- Grand Country Inn, Branson MO
- Holiday Inn Express, Norfolk NE
- Country Inn & Suites, Bismarck ND
- Great Bear Lodge, Sandusky OH
- Holiday Inn, Aberdeen SD
- Timber Ridge Lodge, Lake Geneva WI
- Microtel Inn & Suites, Green Bay WI

- Ramada Plaza, Green Bay WI
- Fox River Resort, Green Bay WI

A New Kind of Hotel Company Emerging

Great Lakes Companies, Inc of Madison, Wisconsin is one company that is taking the waterpark resort concept seriously. Their first venture was the purchase of Great Wolf Lodge in Wisconsin Dells from the Waterman Family. As part of that deal, they also acquired Great Bear Lodge in Sandusky, Ohio, which opened in 2000.

"Great Lakes has projects pending in Traverse City, Michigan, Niagara Falls, Kansas City, Kansas and the Pocono Mountains," states spokesman Eric Lund. He said his company is committed to "creating memories worth repeating". To that end, Great Lakes is introducing new features designed to please their guests. One innovation at their Great Wolf Lodge is their Aveda Spa and Hair Salon, which has six treatment rooms where patrons can choose from more than a dozen massage selections, facial therapy, body raps, manicures and pedicures. Great Lakes also has introduced their animated clock tower, which comes alive twice a day with the sounds of the forest and a cast of forest dwellers. Aveda Spa and the clock tower are just a couple of the ideas that Great Lakes have for making memories at their resorts.

Marcus Hotels & Resorts is a second firm that has made a commitment to the waterpark resort industry. Marcus has two waterpark resorts in Wisconsin: Hilton Milwaukee City Center and Timber Ridge Lodge near Lake Geneva. These properties are quite different from one another. Hilton Milwaukee Center City is located in downtown Milwaukee, while Timber Ridge Lodge is a 225-room facility located near the Lake Geneva resort area. "The attendance patterns at the two resorts are quite similar", says Bill Otto, president & COO of Marcus. "We are delighted that the magic of The Dells seems to transfer to Milwaukee and Lake Geneva."

Central Group Companies of St. Cloud, Minnesota is a third company that is deeply involved in the waterpark resort concept. The company has a number of hotels but only recently opened its first waterpark hotel in Owatonna, Minnesota. This property combines three major components: (1) Holiday Inn & Suites; (2) Green Mill Restaurant and (3) Serengeti Indoor Waterpark. When we visited this property on a Thursday afternoon in January, we witnessed a steady stream of families checking in for a long weekend.

Bob Pace, president and CEO of Central Group Companies, said he was quite pleased with the performance of their Owatonna property. He also said that hotel waterparks present certain challenges that are unique in the lodging industry. For example, he cited the need to gear up to handle large numbers of people in short periods of time. "When those families come through that front door, those kids have only one thing on their mind – getting to the waterpark," according to Pace. Safety and security are upper most in his mind. He also said there were some unexpected marketing opportunities. "I've never seen so many grand parents bringing their grand children to stay in our hotel," he said.

The waterpark resort represents a variation on the concept of one-stop shopping. You go there, you stay there. Once you unpack your suitcase, you are free to enjoy all the

recreation and entertainment. The key to success is to have everything under one roof. Parents and grand parents can take comfort in knowing that, when their kids leave the room, they will be safe and secure. They do not have to leave the building to use the waterpark.

Hotels with indoor waterparks generate greater levels of spending in other areas, such as the restaurant, snack bar, deli, arcade game room and gift shop. In the typical hotel, guests go outside to find entertainment. But in the hotel indoor waterpark, the guests stay on-site for longer periods of time and they tend to spend more money.

National Hospitality Services is a fourth company that has emerged into the hotel waterpark business. NHS presently has two properties that include indoor waterparks: (1) Ramada Plaza Suites & Conference Center, Fargo, North Dakota and (2) Ramada Plaza Hotel, Green Bay, Wisconsin. The Fargo property has 168 rooms and a 5,000 square foot waterpark --- soon to be expanded to 10,000 square feet, according to president of NHS, Mr. Robert Leslie. The second property in Green Bay has 148-rooms and a 4,000 square foot swimming pool. In May 2002, the pool area will be expanded to 10,000 square feet and include two waterslides. "These properties draw family business from a 200-mile radius. I will never build another hotel without a waterpark or some form of entertainment," he said, indicating his strong support for this new product concept.

On the flip side, Todd Nelson, owner of the Kalahari Resort in Wisconsin Dells, says there are a lot of pitfalls to be avoided in the development of an indoor waterpark. "Anyone contemplating such a development would be well advised to seek the help of consultants and technical experts," he said.

Stan Anderson, owner of the Polynesian Resort, emphasized the operating costs associated with an indoor waterpark and suggested that one should consider just how big a "box" (indoor waterpark) is needed to accommodate the guests of a property --- due to the fixed costs of heating and cooling the space.

Bob Pace pointed out that engineering is a challenge, particularly with respect to HVAC. He cautioned against the temptation to develop guest rooms that open out to the waterpark, citing the problem of excess humidity.

While these owners offered caveats, our discussions with waterpark resort owners revealed the unanimous agreement that indoor waterparks have a dramatic, positive impact on the occupancy and room rates of a hotel. In short, the pioneers in the indoor waterpark business said, "You can transfer the success of the Dells to other markets, but get the help of experts and do it right."

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