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## Next Wave

### Indoor waterparks look beyond wet to woo new guests

On a rainy August Friday at the Great Wolf Lodge in Sandusky, OH, Mom is reveling in her Aveda spa experience, indulging in a luxurious facial and a soothing mani/pedi treatment. Across property in a separate conference facility, Dad checks his schedule for the next morning's sales meeting before joining a couple of clients for an afternoon cocktail at the hotel grille. And the 10-year-old twins? Oh, yeah, they're frolicking at one of the resort's other amenities—a massive, 33,000-square-foot indoor aquatic fun dome.

Welcome to the waterpark resort redefined, circa 2007.

This imaginary scenario is playing out across the country, as the booming waterpark industry (see sidebar) matures and looks beyond its core attractions to source a greater variety of customers, battles competition from new players and expands market presence. Operators are constantly on the lookout for new diversions and lures to boost occupancies when their prime audience—young families with school-age kids—toils off-season in the office and classroom. So while water fun is still the major draw, operators are pulling out all the stops to pull in new markets—grandparents with the toddler set, home schoolers, groups and meeting-goers. Not to be overlooked is that tough teen market: the soon-to-open Great Wolf Lodge, Grapevine, TX hopes to catch the fickle demographic with a dedicated tech center. The sleek hideaway will offer a Tech Jockey who will act as a concierge for Internet stations, karaoke staging, movies and musical entertainment.

"Literally every hour we have events outside of the waterpark—educational programs, crafts, etc. It's very much a full-bore entertainment package, not just a waterpark," emphasizes Great Wolf CEO John Emery. "Sure, the waterpark is the main draw but the average use is only three to four hours. It's not like a theme park where you walk around all day. People want other things to do and we give them dozens of options."

#### MEETINGS MAGNETS

Meetings are emerging as a major off-peak money maker for indoor waterpark resorts. Case in point: the 100,000-square-foot NIA Center at the massive Kalahari Resort in Sandusky, which opened in 2005. The sprawling conference and event venue with its African theme features built-in African huts for brainstorming sessions, a 17,200-square-foot ballroom, two junior ballrooms, four hospitality meeting suites and 25 function rooms. There's also on-site AV with a digitized sound system, T-1 lines and a wireless network. The resort even offers to spice up standard meetings with team-building activities like group surfing lessons, group mini-golf and volleyball games.

And no, you won't find water-soaked rug rats roaming the conference halls in search of the arcade. The waterpark and conference center are separated by the hotel, and wayfinding signage "strongly discourages our waterpark guests from venturing through the conference facility," says Josef Haas, COO, Kalahari Resorts.

Summer peak season finds the Kalahari with a 20/80 corporate/leisure mix and 60/40 off-peak ratio. The nearby Cedar Point amusement park, which attracts three million visitors a year, was the driving force for development of the year-round resorts here, which now rival the Wisconsin Dells in size and sizzle, according to a report in the *Toledo Blade*.

Still, selling meetings at the waterpark resorts can be a challenge. Perceptions of noisy, kid-centric chaos still exist and the resorts must work extra hard to change them, although "once we get a meeting planner to walk through, the sell is quite easy," notes Great Wolf's Emery. "There's a negative connotation with indoor waterparks. Kind of dirty and low-scale. We're upscale and unless you walk through, you don't understand what's going on here."

"Our marketing is distinctive for both meetings and leisure business," adds Haas. "It's similar to a hotel with a signature restaurant that happens to be located in a hotel but is run separately. Our NIA center is treated similarly."

Kalahari is currently expanding its Sandusky locale to become the largest indoor waterpark in the U.S., at 173,000 square feet. The expansion will open in December. In addition to its indoor and outdoor waterparks, Kalahari features 596 guestrooms and suites (890 total by year-end), the full-service Spa Kalahari, retail shops, an indoor mini golf course, game arcade, a fitness center and eight dining options.

To educate travelers about the wealth of entertainment options available, the company's new "Beyond" advertising campaign highlights its "under-one-roof" amenities, convention offerings and authentic African art and decor, in addition to its waterparks.

Kalahari also has a dedicated sales staff of nine, including four focused on corporate business, one on SMERF meetings and a wedding planner.

Smaller hotel waterparks, both independents and those affiliated with a hotel brand, obviously can't compete with destination-type



"Let your next meeting go down the tubes!" is the rallying message in a promotional campaign at Cherry Valley Lodge, Newark, OH. This image graces a postcard sent to meeting planners. Business attire is optional, of course.



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resorts such as Great Wolf and Kalahari. They depend on other area attractions, or transient business, to fill their rooms.

And slapping a waterpark addition on one's property is no guarantee of success. The Holiday Inn Hotel & Suites Columbus (OH), opened its Fort Rapids Waterpark to great fanfare just a year ago only to face, within months, slumping occupancies in the mid-30s, reports David Sangree, president, Hotel & Leisure Advisors, and an expert on the waterpark industry. "The property is currently for sale. It's a beautiful facility but it's not in the best part of town and summer in Columbus is not a tourist magnet," says Sangree. "Location is crucial."

There are waterpark hotels in Wisconsin and one in Minnesota that also are struggling, reports Sangree. "Both are in areas where tourists tend not to go and they don't have the corporate business. I think developers sometimes think, 'Hey, let's build a waterpark and people will come.' And it hasn't happened. A waterpark needs something else to make it successful, such as surrounding attractions, and it has to either develop a strong group business or it needs a local corporate base to bring in that business."

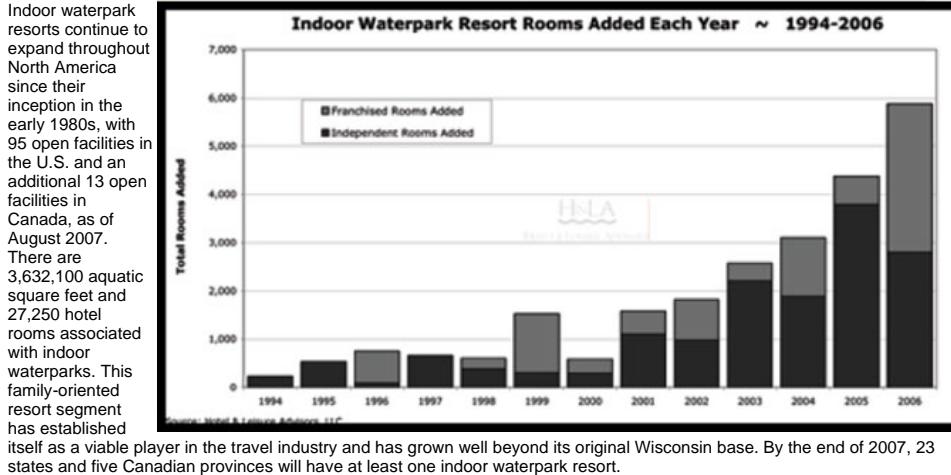
By contrast, just 25 miles from Columbus, the Cherry Valley Lodge in small-town Newark, OH, reports robust RevPar with its CoCo Key Water Resort. Pete Kandra, director of sales there, says it's important to keep the business and leisure markets separate, both operationally and physically, and when marketing the property. "Primarily we position ourselves as a great place to host a business meeting," says Kandra. "We created a clever promotional campaign to build awareness that we still are a business hotel but if you want to have fun when you come, bring the family along and extend your visit a day with the waterpark. We also promote our other great amenities, like the recently opened full-service Banyan Leaf Spa."

#### SOUTHERN EXPOSURE

As waterpark resorts reach saturation point in areas like the Wisconsin Dells, birthplace of the concept, and other Midwestern locales, developers are moving east and south in search of fresh opportunities for expansion.

Among the major players, Kalahari, with two resorts, is looking to expand east within the next 24 months, reports COO Haas. CoCo Key Water Resorts, with five properties open, is fanning out to Omaha, NE; Cincinnati, OH; Kansas City, MO; and Mt. Laurel, NJ. In addition to planned developments in Washington State and Charlotte, NC, Great Wolf Lodge is making its first foray into the Southwest this year, with its ninth location in Grapevine, TX. The \$100-million, 450,000-square-foot complex, in the heart of the Dallas-Fort Worth Metroplex, and a stone's throw from the Gaylord Texan Resort and Convention Center, is slated to open in December. Anticipating 400,000 yearly guests at the northwoodsthemmed resort, CEO John Emery says 400 rooms are under construction, with a 200-room addition already planned.

#### Indoor Waterparks Supply and Demand Growth in '07 by David Sangree



Hotel & Leisure Advisors (H&LA) defines an indoor waterpark resort as a lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space with amenities such as slides, tubes and a variety of indoor water play features. Between 1994 and 2006 in the U.S. and Canada, 97 indoor waterpark resorts opened as new construction properties or as additions to existing hotels.

Currently, 16 hotels located in Wisconsin Dells, which is known as the "Waterpark Capital of the World," have indoor waterparks with a total of 4,641 rooms and 748,500 square feet of space. The six largest indoor waterpark resorts in Wisconsin Dells outperformed the franchise Wisconsin Dells non-resort hotels' overall average occupancy by 17 occupancy points and the average daily rate of the non-resort hotels by \$112 in 2006. The average daily rate for these properties includes usage of the waterpark.

According to its recent SEC filings, Great Wolf Lodge properties open in 2006 averaged an occupancy level of 63.5 percent with an average daily rate of \$240.04. However, certain properties in Midwestern markets have shown a decline in performance due to expanded competition from additional indoor waterpark resorts.

Our research indicates that 25 new indoor waterpark resorts or expansions to resorts are projected to open in 2007 in the U.S. and Canada.

Of the U.S. 25, 18 are new waterpark additions to existing hotels or room additions to existing indoor waterpark resorts. Based on the number of projects that have recently been financed or begun construction, we project that the number of new construction indoor waterpark resorts will grow in 2008.

Because of the strong performance of indoor waterpark resorts in Wisconsin Dells and other locations, many properties are considering development of an indoor waterpark resort.

The number has increased from 190 properties as of June 2006 to 275 properties in August 2007, indicating substantial interest in developing an indoor waterpark project in North America.

The increased availability of indoor waterpark resorts has benefited both the investor and the consumer by providing additional opportunities for families to enjoy time together and by providing additional revenue opportunities for developers. In many U.S.

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markets there are few or no indoor waterpark resorts, and opportunities exist for new product. However, in some Midwestern markets the supply of product is beginning to outpace demand levels.

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