



(RESEARCH ARTICLE)



RECLAIMING THE URBAN "THIRD PLACE": HYBRID HOSPITALITY, HERITAGE CULINARY PRACTICES, AND REVENUE OPTIMIZATION IN MID-SCALE ASIAN HOTELS

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ABSTRACT

Urban hospitality landscapes across emerging Southeast Asian economies operate under severe spatial inefficiencies, extended off-peak operational stagnation, and ongoing consumer revenue leakage driven by digital food delivery platform aggregators (Kimes, 2011). Drawing on a structured Action Research methodology (Plan-Act-Observe-Reflect) executed at Swiss-Belinn Manyar Surabaya, East Java, Indonesia, this manuscript examines the theoretical, socio-spatial, and empirical viability of converting standard, underutilized hotel dining venues into heritage-infused hybrid public gathering spaces. By integrating an authentic traditional Nanyang *Kopitiam* concept ("Kopitiam SIMY") directly into a mid-scale business hotel's all-day dining restaurant, the property restructured its spatial dynamics, market positioning, and financial trajectory.

Over an intensive, multi-phase observation period, empirical Point of Sale (POS) transactional records and observational data demonstrated a 26.7% increase in total off-peak food and beverage (F&B) gross revenue (rising from IDR 33,386,519 to IDR 42,308,627) alongside a 61.9% expansion in daily customer covers (increasing from 42 to 68 pax) during non-buffet service hours (10:00 AM – 10:00 PM). Synthesizing Ray Oldenburg's *Third Place* paradigm alongside systemic Hazard Analysis Critical Control Point (HACCP) hygiene frameworks and Revenue Per Available Seat Hour (RevPASH) capacity metrics, this study illustrates how blending localized heritage culinary narratives with institutional food safety standards enables mid-scale urban hotels to mitigate digital revenue leakage, democratize rigid commercial physical spaces, capture local consumer market share, and cultivate long-term asset resiliency.

Keywords: Business Model Innovation, RevPASH Optimization, Heritage Hospitality, Third Place, Urban Sociology, Action Research, Asian Hospitality Dynamics, Spatial Democratization, Capacity Management.

1 INTRODUCTION: THE CRISIS OF SPATIAL INEFFICIENCY AND DIGITAL LEAKAGE

In contemporary Asian metropolises, urban hospitality real estate operates within an increasingly hyper-competitive and margin-compressed equilibrium where conventional room-inventory sales and standardized continental breakfast offerings no longer ensure long-term property viability (Kimes, 2011). Mid-scale corporate business hotels frequently grapple with acute structural inefficiencies—most visibly manifested in the severe temporal underutilization of food and beverage (F&B) venues during non-buffet hours (specifically between 10:00 AM and 6:00 PM). During these

extended off-peak service intervals, expansive dining room footprints sit largely vacant, generating minimal to zero financial return on physical space while fixed overhead expenses, labor costs, and operational energy loads persist uninterrupted.

This operational bottleneck coincides with a broader socio-spatial transformation across urban environments. Modern consumers, remote digital freelancers, corporate remote workers, and local interest groups increasingly demand informal, low-barrier, and culturally comforting social environments—what urban sociologist Ray Oldenburg conceptualized as the "Third Place" (Oldenburg, 1989; Waxman, 2006). Traditional hotel dining venues, heavily bound by formal aesthetic cues, rigid table configurations, fine-dining service etiquette, and elevated pricing expectations, inadvertently project psychological and social barriers. These barriers alienate surrounding local community residents as well as internal hotel guests seeking casual, low-stakes socialization. Consequently, properties suffer from acute "digital revenue leakage," as in-house guests bypass hotel dining facilities to order meals via mobile food delivery platforms or leave the hotel premises entirely to visit standalone street-level establishments.

While existing hospitality literature offers extensive examinations of high-end luxury boutique re-brandings or independent street-level coffee shop dynamics, a distinct theoretical and empirical gap persists regarding how mid-scale corporate hotels can execute physical and operational hybridity without compromising their brand identity, operational standards, or capital expenditure budgets. This study directly addresses this gap by assessing the strategic integration of a heritage-based *Kopitiam* concept into an active business hotel environment. Through an Action Research design conducted at Swiss-Belinn Manyar Surabaya, we examine how re-contextualizing local culinary heritage within an internationally standardized facility functions as a unique value proposition that optimizes Revenue Per Available Seat Hour (RevPASH), recaptures local market share, and establishes durable institutional trust.

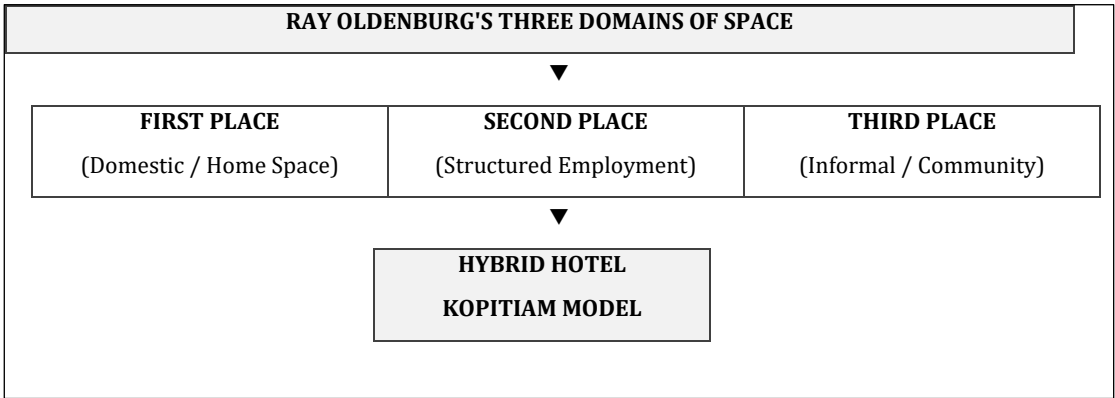
This manuscript is structured around four primary research questions:

- *RQ1*: How does converting a formal hotel dining space into a hybrid heritage venue affect off-peak RevPASH performance and total customer cover volume?
- *RQ2*: What operational and aesthetic mechanisms enable a mid-scale hotel to capture local community foot traffic while retaining internal guest F&B spend?
- *RQ3*: How does combining institutional food safety protocols (HACCP) with informal street-food heritage influence consumer trust and perceived value?
- *RQ4*: What framework can be established for scaling hybrid spatial models across mid-scale corporate hospitality chains?

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 The Evolution of the "Third Place" in Urban Asia

Oldenburg’s (1989) Third Place theory posits that healthy civil societies and vibrant urban communities depend on accessible, informal gathering environments distinct from the primary domain of domestic life (the first place) and the secondary domain of structured employment (the second place). Essential characteristics of a Third Place include a neutral ground, low entry barriers, conversation as the primary activity, accessibility, regular patrons, a modest profile, a playful mood, and a home away from home (Oldenburg, 1989). In post-pandemic urban Asia, the traditional boundaries separating labor, domestic living, and leisure have blurred considerably, giving rise to hybrid work models and heightened demand for flexible social hubs ((Waxman, 2006).



Standalone modern cafes have traditionally dominated this niche (Waxman, 2006). However, when mid-scale business hotels attempt to enter this space using standardized, formal international room-service or hotel dining menus, they frequently fail to provide the psychological comfort, emotional nostalgia, and visual informality required of authentic Third Places. The introduction of a *Kopitiam*—a traditional Nanyang coffee shop format deeply rooted in maritime Southeast Asian heritage—offers an optimal socio-cultural bridge. The Kopitiam framework pairs casual nostalgia and familiar regional identity with physical accessibility, enabling commercial properties to transform underutilized real estate into welcoming community spaces.

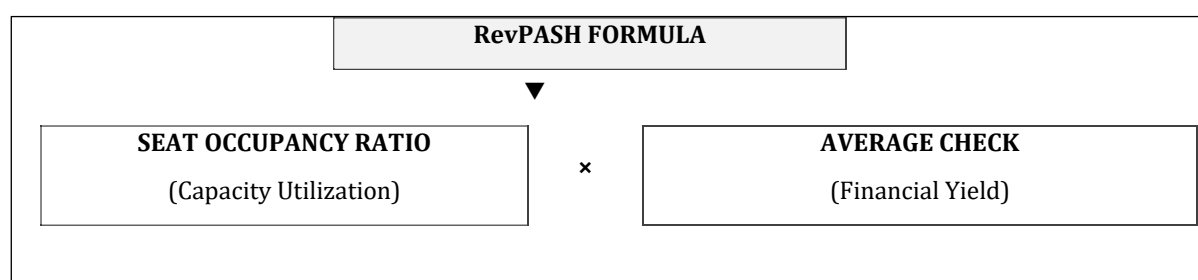
2.2 Revenue Per Available Seat Hour (RevPASH) and Capacity Optimization

In hospitality management, evaluating F&B success solely through average check metrics or aggregate monthly revenue is fundamentally flawed because it omits the critical variable of temporal duration and capacity constraints (Kimes, 1999). Revenue Per Available Seat Hour (RevPASH) resolves this analytical limitation by integrating spatial capacity utilization directly with time efficiency (Kimes, 1999). The core mathematical formulation is defined as:

$$\text{RevPASH} = \frac{\text{Total Outlet Revenue}}{\text{Available Seats} \times \text{Operating Hours}}$$

Alternatively expressed as the product of capacity utilization and financial yield:

$$\text{RevPASH} = \text{Seat Occupancy Ratio} \times \text{Average Check}$$

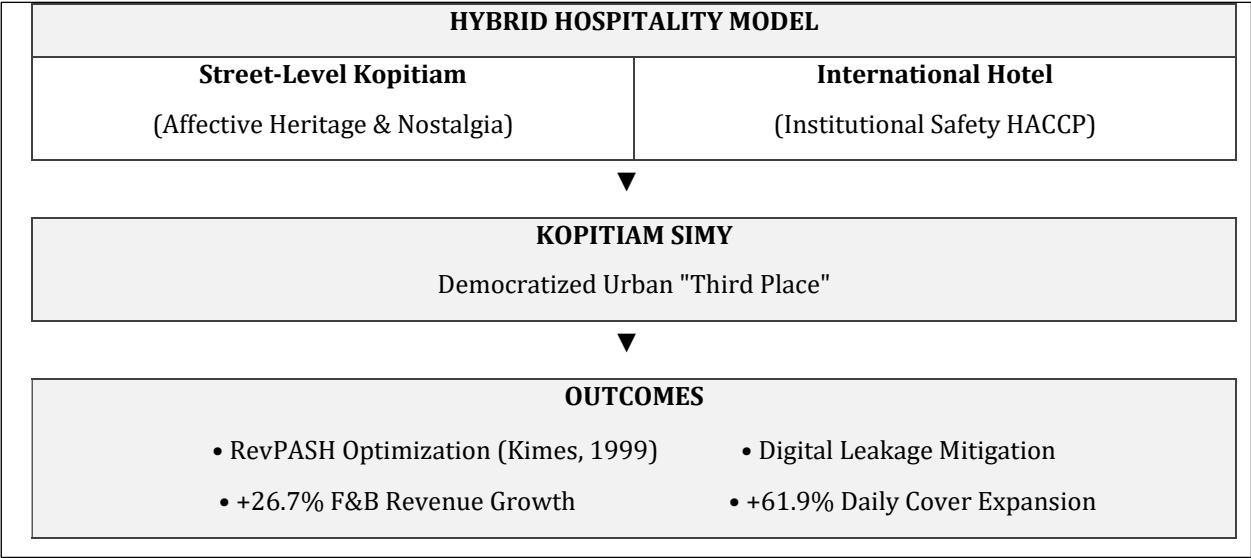


To maximize RevPASH during off-peak windows without alienating price-sensitive local consumers, hotel operators must lower financial entry thresholds while simultaneously driving transaction volume, table turnover velocity, and off-peak seating occupancy (Kimes, 1999; Kimes & McGuire, 2001). Applying business model canvas frameworks and structured innovation taxonomies allows hotel properties to transition from high-margin, low-volume formal dining models toward accessible, volume-driven hybrid dining ecosystems.

2.3 Institutional Trust vs. Interpersonal Trust: The HACCP Safety Advantage

A persistent factor influencing consumer behavior in emerging Asian urban markets revolves around perceived hygiene, sanitation, and health risk. While independent, street-level traditional Kopitiams excel at delivering emotional nostalgia, social informality, and low price points, they frequently struggle to provide verifiable hygiene, cold-chain safety, and clean physical infrastructure. Conversely, international corporate business hotels operate under rigorous, audited food safety management frameworks, such as Hazard Analysis Critical Control Points (HACCP).

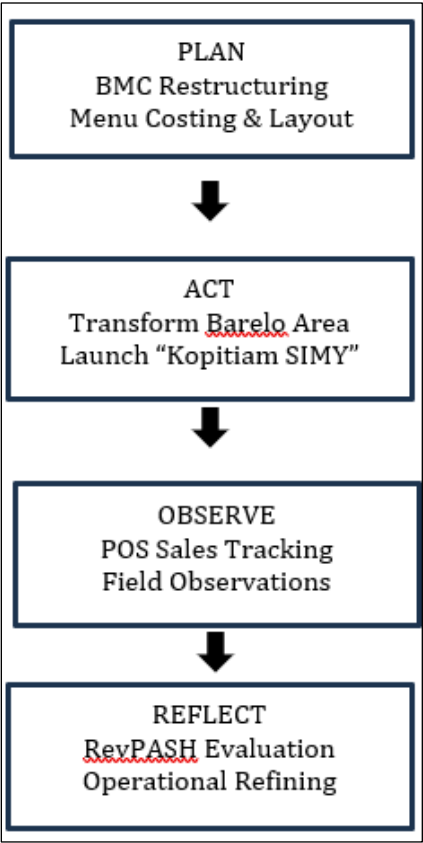
By integrating traditional heritage menus into an internationally certified hotel operating environment, the hybrid hotel-Kopitiam converts basic food safety into a compelling strategic differentiator. Merging street-food nostalgia with institutional hazard controls—such as monitored ingredient sourcing, digitized temperature logs, sanitized prep surfaces, and professionally trained staff—establishes "institutional trust." This trust appeals directly to middle-class urban consumers, remote workers, family groups, and corporate business travelers.



3 RESEARCH METHODOLOGY

3.1 Research Context and Action Research Framework

This study utilized an Action Research framework structured across four repeating cycles: Plan, Act, Observe, and Reflect. Action Research was selected because it enables real-time structural and operational interventions within a live commercial enterprise while maintaining rigorous qualitative and quantitative data collection standards.



The empirical field site for this intervention was Barelo Restaurant, the primary all-day dining facility located within Swiss-Belinn Manyar Surabaya—a 3-star mid-scale business hotel property in East Java, Indonesia. The venue features a total seating capacity of 120 seats.

3.2 Intervention Phases and Operational Deployment

The Action Research intervention was carried out in four sequential operational phases:

- **Phase 1: Planning (October 2024):** Restructuring the restaurant's operational model using the Business Model Canvas (BMC). The value proposition was reoriented toward affordable, nostalgic Peranakan heritage offerings (such as *Kopi Butter*, *Teh Tarik*, *Kaya Toast*, and artisanal *Dimsum*) integrated within an informal servicescape. Menu engineering focused on securing high-margin, low-complexity recipes.
- **Phase 2: Action (Late October 2024):** Physical conversion of the central Barelo buffet service counter into an interactive *Kopitiam* front. Design modifications included vintage signage, retro ceramic tableware, ambient Peranakan background music, and upskilling hotel waitstaff in traditional beverage preparation, including live *Teh Tarik* (pulled tea) demonstrations. The capital expenditure budget was strictly capped at IDR 15,000,000.
- **Phase 3: Observation (November 1–17, 2024):** Systematic quantitative and qualitative data logging comparing a 17-day pre-intervention window (October 1–17, 2024) against an identical 17-day post-intervention window (November 1–17, 2024). Data collection focused on non-buffet service hours (10:00 AM to 10:00 PM).
- **Phase 4: Reflection (Late November 2024):** Synthesizing financial variances, RevPASH shifts, customer cover volume, social media engagement patterns, and qualitative survey feedback to optimize service workflows, reduce ticket turnaround times, and refine labor scheduling

4 DATA COLLECTION PROTOCOLS AND QUANTITATIVE/QUALITATIVE SAMPLING

Data collection integrated automated transactional logging, structured field observations, and customer surveys:

- **Point of Sale (POS) Metrics:** Daily transactional data extracted from the property’s MICROS POS system tracked total off-peak gross revenue, daily customer covers (pax), average spend per cover, seat occupancy rates, and itemized sales volume.
- **Observational Time-Motion Tracking:** On-site researchers conducted daily 2-hour observational blocks during off-peak hours (10:00 AM – 12:00 PM, 2:00 PM – 5:00 PM, and 7:00 PM – 9:00 PM) to track table occupancy duration, group sizes, guest demographics, and spatial usage patterns.
- **Patron Surveys:** Primary qualitative and quantitative feedback was collected from a sample of $N = 100$ patrons (52 local urban community members, 48 in-house hotel residents). The survey assessed perceived value, spatial comfort, food safety confidence, and likelihood of return using 5-point Likert scales.

5 EMPIRICAL RESULTS AND DISCUSSION

5.1 Financial Performance and RevPASH Optimization

The introduction of "Kopitiam SIMY" into the Barelo Restaurant space produced immediate quantitative improvements across key financial and revenue metrics. A comparative analysis of POS transactional records over identical 17-day observation periods demonstrates clear performance growth:

Table 1: Financial Performance and RevPASH Optimization

Performance Metric	Pre-Innovation Phase (Oct 1–17)	Post-Innovation Phase (Nov 1–17)	Absolute Variance	Percentage Growth (%)
Total Off-Peak Gross Revenue	IDR 33,386,519	IDR 42,308,627	+ IDR 8,922,108	+ 26.7%
Average Daily Covers (Pax)	42 Pax	68 Pax	+ 26 Pax	+ 61.9%
Average Spend per Cover	IDR 46,758	IDR 36,599	- IDR 10,159	- 21.7%
Daily Peak RevPASH (14:00–17:00)	IDR 1,324 / seat-hr	IDR 2,198 / seat-hr	+ IDR 874 / seat-hr	+ 66.0%
Estimated Break-Even Horizon	N/A	3.5 Months	N/A	N/A

The data illustrates a classic volume-driven, lower-barrier expansion pattern (Kimes, 1999). Although average spend per cover decreased by 21.7% due to the accessible pricing strategy (beverages starting at IDR 20,000), the 61.9% surge in guest covers more than compensated for reduced unit transaction values.

Overall off-peak gross F&B revenue rose by 26.7%, while peak afternoon RevPASH (14:00–17:00) expanded by 66.0%. This result confirms the core operational principle of RevPASH management: driving high seating occupancy during off-peak periods through accessible menu design increases total asset profitability (Kimes, 1999). Based on the setup outlay of IDR 15,000,000, the property reached full capital pay-back within 3.5 months.

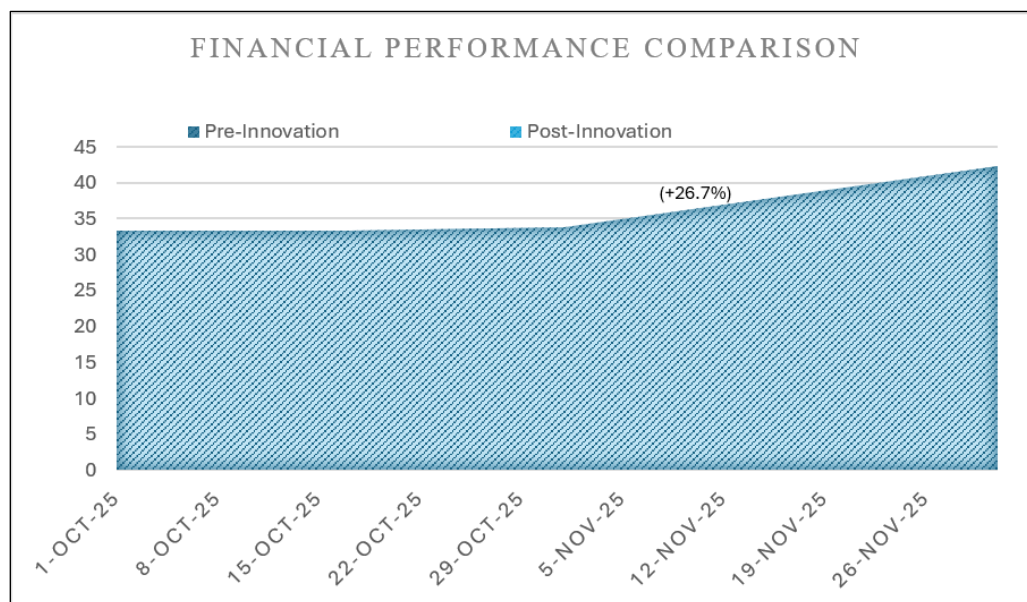


Figure 1: Financial Performance comparison

5.2 Detailed Week-by-Week Sales Trajectory

To verify that revenue growth was driven by the structural intervention rather than temporary demand spikes, data was tracked across four distinct weekly cycles:

Table 2: Detailed Week-by-Week Sales Trajectory

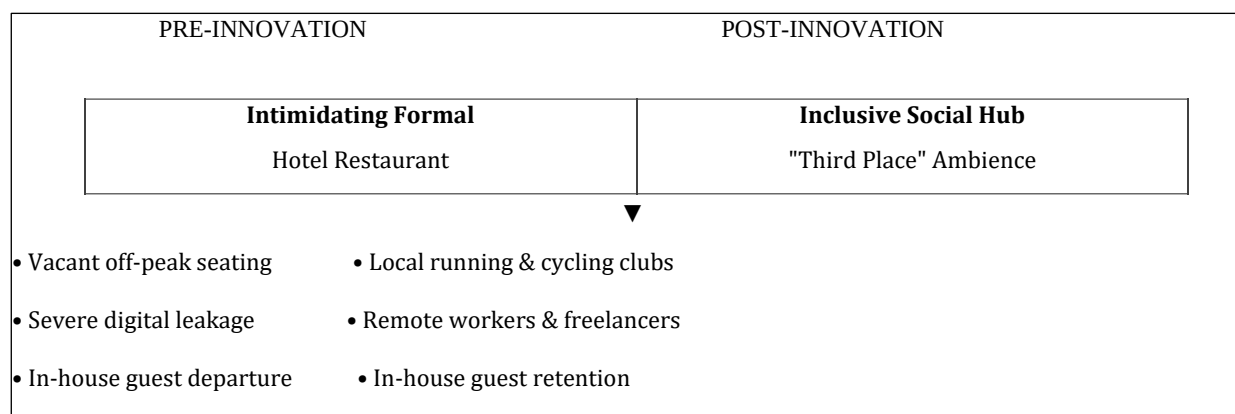
Observation Cycle	Weekly Revenue	Off-Peak	Total Weekly Covers	Average Daily RevPASH	Primary Customer Demographic
Baseline Week 1 (Pre)	IDR 13,420,100		171 Pax	IDR 1,065 / seat-hr	In-house business travelers
Baseline Week 2 (Pre)	IDR 13,912,400		179 Pax	IDR 1,104 / seat-hr	In-house business travelers
Launch Week 3 (Post)	IDR 17,110,500		275 Pax	IDR 1,357 / seat-hr	Mixed: Local workers & guests
Launch Week 4 (Post)	IDR 19,204,100		303 Pax	IDR 1,524 / seat-hr	Local community & social groups

The weekly breakdown shows steady, compounding growth in both revenue and covers. By Week 4, daily RevPASH reached IDR 1,524 per seat-hour, reflecting expanding local market adoption.

5.3 Spatial Re-democratization and Digital Leakage Mitigation

Field observations confirmed a notable shift in spatial dynamics and patron behavior. Prior to intervention, Barelo Restaurant remained largely unpopulated between 10:00 AM and 6:00 PM. The formal table setups created a rigid atmosphere that discouraged casual, low-spend seating.

Post-intervention design adjustments—retro decor, traditional tableware, and vintage audio—softened the environment and lowered psychological entry barriers (Waxman, 2006). The space attracted diverse community groups, including morning sports clubs, remote digital freelancers, and local business teams.



The concept also helped address digital food delivery leakage. Survey findings indicated that in-house business travelers who previously used mobile delivery apps chose to stay on-site for Kopitiam SIMY, citing competitive pricing, rapid service, and audited food safety.

5.4 Qualitative Evidence and Patron Feedback

Qualitative feedback from customer survey open-ended responses ($N = 100$) provided insights into changing patron perceptions:

- In-House Business Guest (P-014):** "Usually I order food delivery to my room in the afternoon because hotel room service is expensive and formal. Having a real Kopitiam in the lobby makes it easy to grab a fast Kopi Butter and Kaya Toast while working."
- Local Community Member / Freelancer (P-067):** "I live nearby, but I never came into this hotel restaurant because it felt like a private dining room for guests. The Kopitiam setup feels open and accessible. The coffee is cheap, and I know the kitchen is clean."
- Hotel Operations Staff (S-008):** "During off-peak hours, staff were mostly idling or resetting tables. Now the Kopitiam keeps the team engaged, and pulled-tea preparation creates a fun atmosphere in the room."

5.5 Business Model Canvas (BMC) Strategic Analysis

The operational transformation is mapped across the nine building blocks of the Business Model Canvas (BMC):

Table 3: Business Model Canvas (BMC) Strategic Analysis

BUSINESS MODEL CANVAS				
KEY PARTNERS <ul style="list-style-type: none"> Local Coffee Roasters Fresh Tea Suppliers Sports & Community Clubs 	KEY ACTIVITIES <ul style="list-style-type: none"> Standardized HACCP Cooking & Brewing Social Media Storytelling Inventory Control 	VALUE PROPOSITIONS <ul style="list-style-type: none"> Heritage Flavors + Safety Accessible Pricing Structure Third Place Ambience 	CUSTOMER RELATIONSHIPS <ul style="list-style-type: none"> Hybrid Staff Interactions Loyalty Program Perks Interactive Teh Tarik Attraction 	CUSTOMER SEGMENTS <ul style="list-style-type: none"> In-House Hotel Guests Local Urban Workers & Freelancers Sports/Exercise Groups
KEY RESOURCES <ul style="list-style-type: none"> Retro-fitted Barelo Space HACCP-Trained Hotel Staff Brand Equity 			CHANNELS <ul style="list-style-type: none"> Direct Dine-In Service Social Media (IG/TikTok) Delivery Apps 	
COST STRUCTURE <ul style="list-style-type: none"> Material Raw COGS (Ingredients/Packaging) Light Decorative Renovations & Equipment Targeted Localized Social Media Ads 			REVENUE STREAMS <ul style="list-style-type: none"> F&B Direct Sales (High Margin) Packaged Retail (Jam/Beans) Private Community Event Rental 	

5.6 Analysis via Doblin's Ten Types of Innovation

Evaluating the intervention through Doblin's Innovation Framework demonstrates that performance gains resulted from multi-dimensional innovation across configuration, offering, and experience:

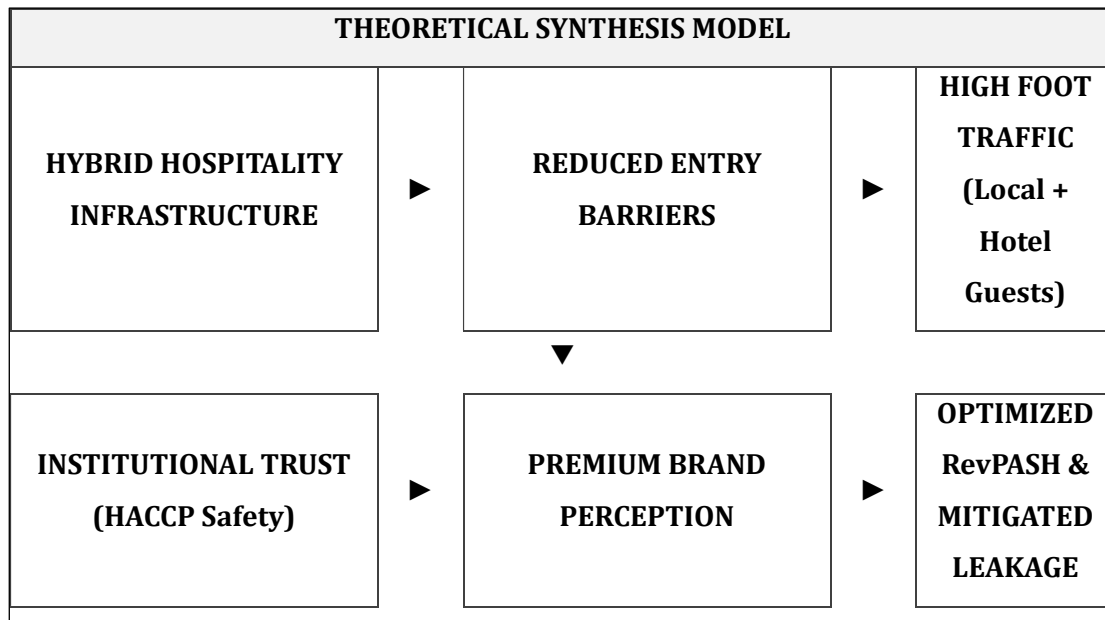
Table 4: Analysis via Doblin's Ten Types of Innovation

DOBLIN'S TEN TYPES OF INNOVATION		
CONFIGURATION	OFFERING	EXPERIENCE
1. Profit Model : Shifted from high-margin / low-volume to volume-driven revenue. 2. Network : Partnered with local coffee bean roasters. 3. Structure : Cross-trained existing hotel waitstaff. 4. Process : Combined HACCP safety with street recipes.	5. Product Performance: Introduced signature items with high visual appeal. 6. Product System: Bundled beverages with traditional toast options.	7. Brand: Combined corporate reliability with street heritage. 8. Customer Engagement: Live Teh Tarik pulled tea demonstrations.

6 CONCLUSION AND RECOMMENDATIONS

6.1 Scholarly Insights

This research demonstrates that mid-scale urban business hotels can address off-peak spatial underutilization by integrating localized heritage food concepts into existing dining facilities (Kimes, 2011; Oldenburg, 1989). The transformation of Barelo Restaurant into "Kopitiam SIMY" confirms that socio-spatial accessibility and corporate food safety standards can operate as mutually reinforcing strengths. By lowering psychological and financial entry thresholds, hotel properties can convert underutilized commercial real estate into active urban "Third Places," driving RevPASH growth, curbing digital delivery revenue leakage, and building long-term operational resilience.



6.2 Strategic Roadmap for Hotel Operators

To help hospitality managers implement hybrid spatial models successfully, this study outlines a four-stage execution roadmap:

STRATEGIC ROADMAP
NEAR-TERM OPERATIONAL FOCUS (0–6 Months) 1. Menu Engineering Audits <ul style="list-style-type: none"> • Perform ongoing matrix audits (Smith & Kasavana model) to expand high-margin items and prune low-margin offerings. 2. Service SOP Enforcement <ul style="list-style-type: none"> • Restrict specialty heritage menu items to dine-in service to protect venue atmosphere and drive foot traffic.
LONG-TERM EXPANSION STRATEGY (6–18 Months) 3. Seasonal Cultural Programming <ul style="list-style-type: none"> • Launch limited-time promotional menus aligned with major local holidays and cultural celebrations. 4. Packaged Retail Distribution <ul style="list-style-type: none"> • Commercialize signature items (e.g., packaged kaya jam jars, custom coffee blends) for takeaway purchase.

6.3 Limitations and Directions for Future Research

While this study offers valuable empirical evidence, its scope is subject to specific research limitations:

- **Single-Site Boundary:** The study was conducted at a single 3-star mid-scale business hotel in Surabaya, East Java, Indonesia. Future research should examine multi-property deployments across different hotel tiers (e.g., 4-star, luxury, extended-stay assets) and diverse geographic markets.
- **Observation Horizon:** The quantitative data collection period spanned two 17-day observation cycles. Longitudinal research across 12 to 24 months is recommended to assess long-term customer retention, brand equity evolution, and seasonality effects.
- **Economic Variables:** Future studies could model precise elasticities between pricing structures, menu selection width, and off-peak seating duration across varying urban demographics.

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