

RRJ Pilot Research Report

# Karet Karet Karet

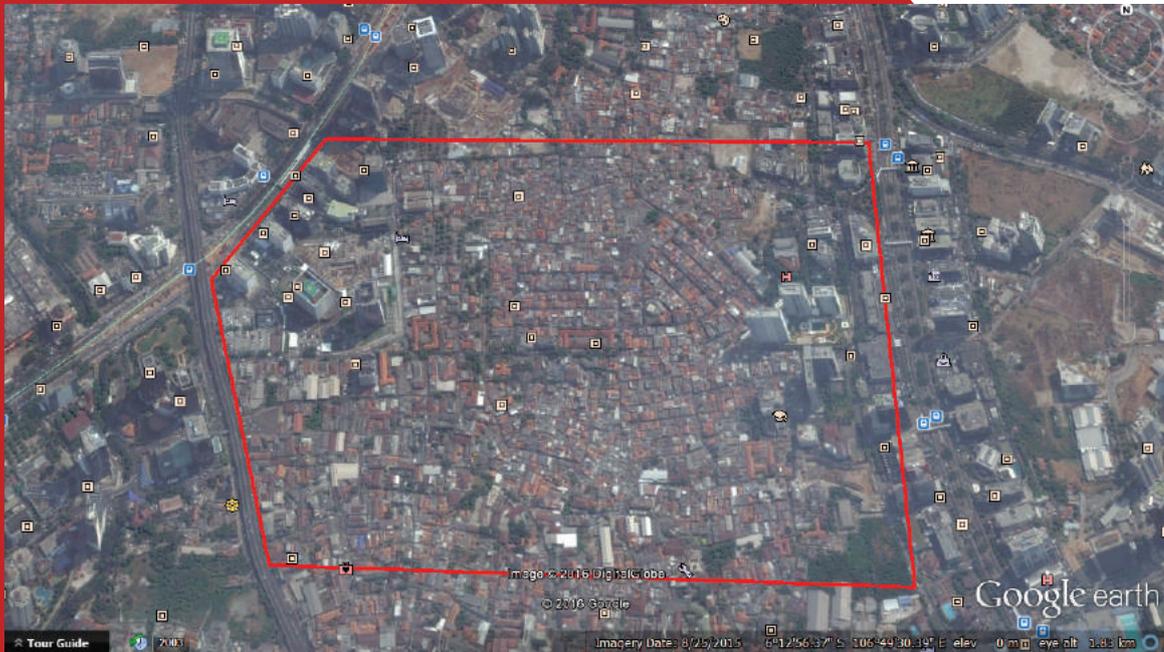
Eating  
& Drinking  
in The City

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# RRJ Pilot Research Report - Karet: Eating and Drinking in the City

Food and drink; they are the most basic components of life, and for our research on the living city it makes sense to begin with a focus here. Urban citizens, for the most part, do not have independent access to fresh food because land space is valued primarily for residential development, so the question of where to buy food and drink is a central component of our lives in the city.

Jakarta is well known for its street food, and vendors can be seen crowding streets wherever people gather to sell all kinds of meals, drinks and snacks. Our research pilot study will examine this informal economy in the Karet neighbourhood and its relationship to the lives of people who live and work there.



*Karet study site from google maps*

Karet is a central district with many large office buildings, and while some may choose to prepare food at home and bring it with them to work, it seems that most of the workers purchase lunch from the area around their workplace.

Our field research in Karet over several weeks in 2016 and 2017 examined the pricing and services of informal traders, and compared these with the options offered by formal, regulated businesses in the same area.

The first point of comparison was the price for an average meal across a selection of different traders, and the results have a clear significance for an average city-worker:

**The average price of a single meal from an informal vendor in Karet was IDR13.000, compared with the average formal eatery price of IDR90.000. When calculated for a typical 5-day working week the average monthly total was IDR 260.000 vs IDR 1.800.000 respectively. A typical city-worker purchasing one meal a day close to their office is therefore able to benefit from annual average savings of**

**Rp. 18.500.000,-**

# Informal Business Strategies

In addition to price advantages, which may be more familiar to all of us, the informal economy supports city living in a variety of ways. These innovative business strategies will be explored in depth in our Profile series No.1 (Pedagang Kaki Lima), but several key features will be briefly outlined below.

- Informal traders, and particularly mobile vendors, typically demonstrate a deep understanding of the areas in which they operate. They are able to move with the daily rhythm of city life to reach the most customers, maximising profits while keeping costs low by always servicing the areas they are most in demand. Several vendors we interviewed informed us that after the lunch 'shift' they would relocate to a different area in order to serve the evening commute.
- Vendors must also be very aware of customer preferences if they are to compete in a supply-dominated marketplace, and in Karet many informal businesses offer an SMS ordering service, improving the speed at which freshly prepared food can be collected by customers. This helps maintain smooth working hours in nearby offices, and allows a single indi-
- Informal traders must closely monitor price fluctuations and administer their businesses accordingly. In order to ensure sustainable repeat custom, many will make minute changes to the composition of their dishes, allowing them to absorb any increased costs instead of passing them onto the customer.



- In addition to a long-term strategy of sustainable custom, informal traders are also adept at implementing efficiency in their businesses. A single trader will usually be able to predict with astonishing accuracy the volume of custom they will receive in a single day. As such, they are able to minimise wasted materials and pass these efficiency savings on to customers in the form of lower prices.
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- Many of the traders we interviewed demonstrated a high willingness to cooperate with others in the area for customer interests. During our field research we observed potential rivals cooperating to provide correct change for customers (sometimes even borrowing money to do so), asking for help from a less busy vendor or the local community and supplying one another with clean dishes when required. All of these contribute to a better, faster customer experience during lunch time.

- Unlike formal businesses, informal traders typically do not establish spatial monopolies. This means they are willing to share space with other traders for mutual benefit and customer satisfaction. One trader may serve an individual sitting with a group at another cart or warung, just as they may tolerate a non-customer occupying their space. As well as improving the customer experience this also provides a wide range of choice for individuals, who can choose between a variety of dishes in the same area depending on price, preference or preparation time, while retaining the social dining experience.



We are all probably aware of the low-cost food provided by the informal economy, but may be less aware of the complex networks which have developed around these activities.

Kampung proximity is a fundamental component of the informal business model. These urban spaces provide cheap accommodation, raw materials and supporting services to food vendors, who are then able to pass these benefits on to their customers as outlined above. Proximity to central, busy areas is particularly vital since a majority of informal traders can or will not travel long distances to reach customers, perhaps because their cart is difficult to move, or because it will compromise the freshness and quality of their products. Similarly, supply and demand tells us that low-cost alternatives exert a downwards pressure on prices from formal sector competitors, so even if you never use informal vendors yourself, you may still benefit from their presence nearby! Without mixed-income spaces, in which the informal and formal economies meet, communities operating on both sides will suffer. While the kampung economy clearly benefits from a busy trade in informal food and drink, the formal economy does too. A potential average saving of IDR18.500.000 can be the difference between financial security and poverty for an individual, often amounting to several months' income. Without informal food vendors, larger formal

# What does this mean for Jakarta ?

businesses, some of which may employ several thousand people, must account for this loss of income by increasing wages or risk losing employees. When accounting for the large numbers of professionals working in Karet, the informal

economy can be seen as working in symbiosis with formal enterprises in keeping costs low, providing necessary services for employees at a low cost in ways which the formal economy would struggle to replicate. When one considers the number of urban professionals across Jakarta, stability in the informal economy may well be significant for the national economy.

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**In conclusion, there are significant structural differences between the formal and informal sector economies. One must always seek to maximise profits, generating economic growth and investment by passing many costs on to potential customers. The other, no less significant, employs an alternative business model in which a supply-side surplus ensures maximum benefits for customers in exchange for reduced competition and more sustainable long-term business. The symbiotic relationship between these two different economic sectors is critical to daily life for millions of people in Jakarta, although we may not yet fully understand the depth and importance of this interaction. RRJs ongoing research agenda will attempt to identify, map and examine this complex relationship to build a more complete understanding of the city in which we live.**

We are always looking for contributions to our research agenda and data sets, so if you would like to get involved by examining the formal and informal food networks in your area of work or residence please contact us.