Chapter 4
Losmen Owners in Sosrowijayan

Introduction

Sosrowijayan is a small urban kampong that has played a significant role in Yogyakarta’s tourism development since the 1970s. Tourism development has stimulated and generally contributed to the economic development of many people in the area. Sosrowijayan changed from a densely populated area with semi permanent houses, into a concentration of small, low-budget tourist facilities operated by local people and catering to mostly young budget travelers whom the local government would rather ban from the city center. The dominant businesses in the area are the small-scale accommodations – homestays, losmen, inns, and small guesthouses (Peeters et al., 1999:80). There is an abundance of small hotels, or losmen in the local parlance, both on the main road and in the small alleys where only bikes and motorcycles can pass.

Hampton’s earlier study (2003), already revealed that the residents of Sosrowijayan admitted that the tourism development has brought significant changes in their economic conditions. For instance, old walls and roofs made of gedheg (woven bamboo cane) came to be replaced by brick walls and tiled roofs. Because of international tourism, the kampong environment has also improved (Hampton, 2003:92-3).

However, the dependency of the kampong residents on the tourist businesses was not without dangers. When the series of crises struck Indonesia and caused a severe reduction in tourist numbers, it also caused problems to the people in Sosrowijayan who had been dependent on the tourism economy for quite a long time. Within more or less one decade starting with the smoke haze in 1997, the tourism industry was no longer able to provide the residents in Sosrowijayan with a secure income. The prolonged crisis had scared the tourists away. The losmen owners tried, by whatever means possible, to keep their businesses running and to maintain
their livelihood. They ventured into different kinds of businesses in order to survive under these volatile circumstances.

The aim of this chapter is to analyse the dynamics of the business situation of the losmen owners in Sosrowijayan putting emphasis on their experiences with the crises and how they responded to the crises. Before presenting the core part of this chapter, I will start with a short description of my informants as most of the information in this chapter is based on my interviews with them. I will continue with Kampung Sosrowijayan’s history in order to provide the background and will present the entrepreneurs’ experiences in running their losmen businesses prior and during the crises.

The analysis of the crises would be incomplete without looking back at the time of prosperity. Therefore, in this chapter I will start with a description of the characteristics of the losmen businesses in Sosrowijayan. The discussion covers the way the owners started their losmen businesses; how they marketed their losmen; and how they managed their employees. The chapter continues with an analysis of their experiences with and their responses to the crises. Despite the fact that almost every year between 1997 and 2006, incidents both nationally and globally affected the flow of tourists to Yogyakarta, there are three disasters which caused particularly severe problems to the tourists flow - the monetary crisis in 1997 followed by May riots in 1998, the first Bali bombing in 2002, and the Yogyakarta earthquake in 2006.

My Informants

Sosrowijayan was the latest area I explored after Prawirotaman and Kotagede. It was one late evening in December 2005 after I visited Kotagede when I decided to stay overnight in Yogyakarta. I decided to go to Sosrowijayan because I was planning to do research over there. With the recommendation of one of my informants in Kotagede, I checked in at Desa Losmen and Restaurant located on Sosrowijayan’s main road.
The owners of Desa Losmen and Restaurant, Mas Indra and Elsa were the first informants I met in Sosrowijayan. Mas Indra is a Javanese, who is married to Elsa, a German. They started their business in Jalan Sosrowijayan by renting a place where they opened a coffee house in 1989. After a few months, they bought the place and slowly developed it into a *losmen*, which they combined with a restaurant. They managed their cozy *losmen* and restaurant business together. Their *losmen* had gradually developed into a capacity of twenty four rooms at different rates.

Later on, Mas Indra introduced me to Mas Bowo, one of the owners of Ayu Homestay. Ayu Homestay was named after his elder sister – Mbak Ayu because she had initiated the idea of renting rooms in their house in 1986. At the beginning, it was a family house and only children who went to school in Yogyakarta stayed there. They started renting four rooms to foreigners. As time went by, they were able to add more rooms until they had a total of ten rooms with bathrooms adjacent to the rooms. Five children in the family took turns to manage the homestay but passes on its management to a younger sister or brother when he or she got married. When I did my research, the management had been given to Mbak Sita, the youngest in the family. However, as she was going to the US, Mas Bowo had to take over the management for a while since he lived in Yogyakarta.

The next informant I met was Ibu Atik, the manager of Arga Losmen, which was located opposite Desa Losmen and Restaurant. Ibu Atik had been working for the Arga Losmen for fifteen years. During my field research, I did not manage to meet the owner as she spent most of her time in Jakarta where she had other businesses. The Arga Losmen used to be a family house and the owner started renting out rooms to tourists in 1990. Although she changed the function of the building, the owner did not change the exterior so from outside it still looked like a family house. Inside, she rented out fifteen rooms.

On Mas Indra’s suggestion, I visited Surya Losmen and Restaurant located in Jalan Sosrowijayan Wetan. This was one of the oldest *losmen* and used to be a very popular place among international tourists. I interviewed Pak Marto and Ibu Tyas, the owners of Surya Losmen and Restaurant. Surya
Restaurant was set up as a small home-run canteen. Pak Sakri, Ibu Tyas’ elder brother initiated the opening of the canteen after he had stopped working in a restaurant that sold western food after it went bankrupt in 1975. The canteen subsequently carried his name – Sakri Restaurant. It was a family business. Pak Sakri managed the business together with his mother and Ibu Tyas. Sometimes, they also accommodated tourists during the peak season. As the business was flourishing, they could add more rooms to the house. In 1983, they had twelve rooms for rent and had developed the restaurant into offering a capacity of forty seats. Then they started to build another restaurant in the same alley just a few meters from the old location but closer to the main road of Sosrowijayan Street. They called it New Surya Restaurant. The new restaurant started operations in 1987 with a capacity of one hundred seats. In 1990, they bought another restaurant located at the back of their new restaurant and started to run a low budget losmen with a capacity of eight rooms. When Pak Sakri passed away, the management of the restaurants and the losmen passed on to Ibu Tyas and her husband, Pak Marto.

Close to Surya Restaurant and Losmen, on the main road, I also visited Reva Hotel and I interviewed its manager, Ibu Laksmi Kumar, who was responsible for managing the hotel, which belonged to her family. Occasionally, her elder sister and 75 year-old mother were also present during the interviews. They all lived in the same building, which also functioned as the hotel. They are the descendants of the owners of Indian Hotel, the oldest hotel in Jalan Sosrowijayan. Ibu Laksmi’s grandmother, a Javanese who married an Indian trader, owned the hotel. Her parents built Reva Hotel in 1977 just a few meters from the Indian Hotel. When it was built, they started with twenty rooms, but when I conducted my interviews, they rented out only twenty rooms because of renovations to enlarge the rooms and to add inside bathrooms to some rooms. From the beginning of the establishment, they concentrated on domestic tourists and only received a limited number of international tourists who were old customers from the time when their father was still the manager of the hotel.
My last informant during my first field research was Mas Widi, the manager of Ratri Losmen. The owners lived in Jakarta and had a business over there. They bought the *losmen* with the capacity of twenty rooms in 1996 as an investment. Mas Widi, one of their relatives was responsible for running the *losmen*. He had a room for himself in the *losmen* too.

I did not have the same informants when I did my second field research after the earthquake. Most of them refused to be interviewed any further. I only managed to interview four informants from my first research – Mas Indra and Elsa, Mas Widi, and Ibu Laksmi. Additionally, I had six new informants after the earthquake - Mbak Berta, Pak Tresno, Pak Wardoyo, Mas Markus, Pak Didi, and Mas Abi.

Of the *losmen* located on the main road, I approached Pak Didi the owner of Losmen Arya, which was located a few meters from Malioboro Street. Before he started his *losmen* business, he ran an art shop on the same location between 1993 and 1994. He rented the place from one of his relatives. In 1994, he started his *losmen*, which he developed gradually until he had twenty four rooms for rent at two different locations, one on the main road, where he and his wife also lived, and one in the alley.

Farther back in the smaller alleys, I had interviews with a number of *losmen* owners. First, I visited Mas Abi, the owner of Elok Losmen and Restaurant. Mas Abi managed the ten-room *losmen* inherited from his parents with his younger sister because their older sisters and brothers did not live in Yogyakarta.

As suggested by Mas Abi, I went to visit Pak Tresno, who managed Tresno Pension located just a few meters from his own *losmen*. According to Mas Abi, Tresno Pension used to be very popular for international backpackers but due to the prolonged crisis, Tresno Pension lost all of its customers. When I visited it in 2005, it was no longer a *losmen* but a boarding house because it had stopped operations after the first Bali bombing in 2002. He was fully responsible for the management of the place after his sister, Mbak Ginem passed away in 2004. He worked as one of the staff members at the *Istana Negara* (Presidential Palace) in Yogyakarta.
In the same alley, I also interviewed Mbak Berta, the daughter of Ibu Martha, the owner of Berta Losmen. I did not manage to meet Ibu Martha because she asked Mbak Berta to meet me for the interview instead. After she got married, Mbak Berta no longer lived in her parents’ house but she still helped with the management of the losmen. Her parents started their losmen business in 1986 with eight rooms after her father stopped working as a sailor. Three years later, they bought another house opposite the first house and rented out nine rooms in that house.

From Mbak Berta, I came to know Mas Markus, her neighbor who had inherited Losmen Jaka from his foster parents when they passed away in 1999. Mas Markus was an Economic Faculty student at a private university in Yogyakarta. His foster father used to work for a mining company in New Caledonia. When they came back to Indonesia in the 1960s, they lived in Kampong Sosrowijayan and started a boarding house. Then, starting in the 1980s, they welcomed tourists in their house but did not register the losmen to the local government to obtain legal permission until 1989. After his parents passed away, Mas Markus could not continue the losmen business due to the prolonged crisis. Starting in 2002, he turned his losmen into a boarding house.

In a different alley, I also interviewed Pak Wardoyo, the son of Ibu Tuti - the owner of Bumi Losmen. During the interview, Pak Wardoyo told me that the Losmen had been sold and Ibu Tuti was going to move to her house in Sleman. She had been retired and decided to stop with the losmen business because it was no longer profitable. Pak Wardoyo used to work as a tour leader in Sosrowijayan prior to the crises and now worked as a freelance guide at the Prambanan Temple because finding a job as a tour leader was getting more and more difficult.

The History of the Sosrowijayan Area

Sosrowijayan is a typical urban kampong located in the middle of Yogyakarta. Administratively, Sosrowijayan belongs to Kelurahan
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Sosromenduran in *Kecamatan* Gedongtengen¹. Sosromenduran covers 0.5 km² with fourteen RWs and fifty five RTs (Yogyakarta Province in Figures 2009).²

The population of Sosrowijayan is dynamic and responsive to influences from outside. Different community organizations have been established at all times, but they never lasted very long. The people protected themselves as a community by forming different informal organizations. The first was *PPSW (Persatuan Pemuda Sosrowijayan Wetan)* or Sosrowijayan Wetan Youth Association. This civil organization was established in 1950 with the purpose of providing social services in response to the political conditions at the time. The political parties’ elites at the time did not pay attention to the residents in Sosrowijayan Wetan. Then, in 1980, *PARTSSY (Paguyuban Akomodasi, Restoran, Transportasi dan Suvenir Sosrowijayan Yogyakarta)* or Association of Accommodation, Restaurant, Transportation, and Souvenir business owners of Yogyakarta was established. PARTSSY’s objective was to develop tourism products and to promote cooperation among tourism entrepreneurs, but unfortunately, it did not work out. When I was conducting my research in Sosrowijayan, my informants had all forgotten that PARTSSY ever existed. In 2002, in response to the terrorism attack in Bali, a number of residents initiated a group to ensure security and to protect the area from intruders (Arianto, 2007:60). However, my informants expressed that it was only a spontaneous action and the group only functioned for a short time. It seems that the people in Sosrowijayan tended to avoid making commitments such as joining formalized community organizations, a fact that may have affected their businesses as everybody suspects their neighbours as competitors.

Usually, the Sosrowijayan area is crowded and lively. Tourism and the daily lives of the kampong residents mixed. When I visited the area in 2005, I could always see people in groups hanging around. The main street was

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¹ *Kelurahan* is an administrative unit above the Kampong level (RW) while *Kecamatan* is one level higher than *Kelurahan*.

²RT stands for *Rukun Tetangga*. It is the administrative unit of a neighborhood in a village, town or city and consists of a number of households. RW stands for *Rukun Warga*. It is the higher administrative unit after RT and consists of a number of RTs.
busy the whole day with cars, motorcycles, and *becak* passing by. During the holiday season, tourist buses and cars caused traffic jams in the main street. Every morning, I could see one and sometimes two women putting up daily needs such as vegetables, meat, fish, and spices in the street for a few hours waiting for customers. In the smaller alleys, in the afternoon, children were playing in the street and women were chatting, sitting on the benches in front of their houses. During the day, I often saw young people sitting around at the entrance of the alley waiting for strangers or foreigners to pass by. They followed them closely in case they entered a *losmen* and they would claim commissions from the *losmen* owners and would offer tourists tour or transportation tickets.

When I entered Sosrowijayan, I was puzzled with the question of how this small kampong might have evolved. I tried to obtain information from the people who lived there, but they did not know much about it. Their knowledge was limited to the stories of their parents or grandparents who lived over there. There was hardly any information to be gained concerning the historical past of the area. Later I found out that since the last few decades, this kampong accommodated migrants who came from other areas. It may be because of the high mobility of the population that the area’s history is fading away.

Sosrowijayan is close to the Yogyakarta Palace (*keraton*) and it is a strategic location as it is also close to the old Tugu train station, to the centre of trade, the Beringharjo market, and to Malioboro Street, the famous shopping centre. I assumed that this area was important in the past. My curiosity led me to look for literature about the history of Yogyakarta. I did not find any particular information about the history of Sosrowijayan but I tried to reconstruct its past from the pieces of information I obtained from different sources.

Kampong Sosrowijayan’s existence cannot be separated from the presence of the *Keraton* of Yogyakarta. It held an important position within the structure of palace circles. It is to the north of the palace and was the area of entrance for visitors, such as high-ranking Dutch officials during the colonial days on their way to meet the Sultan of Yogyakarta. They always
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had to pass through the area. Sosrowijayan was also included in the area where the nobles and high palace officials lived. Before the Japanese occupation, the nobles used to live in prosperity in big houses with lustrous gardens. A host of servants worked for and took care of them, their houses, and their gardens (Selosoemardjan, 1981:105).

In the past, Kampong Sosrowijayan was under the control of Tumenggung Sosrowijoyo who later became Hamengku Buwono VII, Sultan of Yogyakarta, who ruled from 1877-1920. He and his family lived in his mansion called Dalem Sosrowijayan. Besides the family of Tumenggung Sosrowijoyo, a number of lower ranked nobles lived outside the Dalem Sosrowijayan area (Arianto, 2007:26). The Dalem Sosrowijayan complex may still be found there.

During the Japanese occupation, most of the noble families in Yogyakarta suffered badly (Selosoemardjan, 1981:104). Prolonged inflation destroyed their economic basis. Many of them fell into poverty (Purwanto, 2004). The situation was exacerbated because noble families were not used to being involved in any kind of economic activities as they had always relied on the monthly support the Palace provided for their living. The amount of support stayed the same although the value of the currency decreased. Consequently, they could no longer afford their high-class life style. They were forced to adapt and so they had to reduce the number of their servants. They also did not have enough money for the maintenance of their houses and gardens. As a result, their houses and gardens deteriorated (Selosoemardjan, 1981:104-05).

After Independence in 1945, the situation did not change for the better for the noble families. In the process of decolonization, the Republiken received more respect than the nobles did because they were recognized as the saviors who had liberated the people from cruel colonial oppression.

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3 Interview with Prof. Joko Suryo, a historian from the Gadjah Mada University, 2 February 2008
4 Republiken was to refer to Indonesians who was active in the Independence struggle against the Dutch Colonization.
Being impoverished, the nobles and the royal-tied elites instead came to be socially positioned at the lower levels of society (Purwanto, 2004).

After the Dutch left in 1949, there was an increasing need for housing and buildings in Yogyakarta. Rapid urban development opened up new opportunities for the nobles. Nobles with large compounds but little money decided to grab the opportunity by either selling or renting out their premises to newcomers. Following the example of the Sultan who had given part of the palace yard for free to the first national university set up in Yogyakarta, many noble families rented out their houses for schools or offices in order to gain additional income (Selosoemardjan, 1981:105).

Apart from the reasons mentioned above, the strategic location of Sosrowijayan may have accelerated the transformation of the area from elite to a more heterogeneous residential area. During the revolution (1946-1948), Malioboro Street was a popular place for the Republiken and artists to rendezvous. The Beringharjo market was also developing well during the 1950s as the centre for batik trade. Meanwhile, the Tugu station came to be one of the most important train stations in the whole of Java. All these important spots were only a few minutes’ walk away from Sosrowijayan. Because of its convenient location, Sosrowijayan attracted people to move to this location. The opening of elite areas for common people brought migrants into Yogyakarta as casual workers to Sosrowijayan. The migrants came to work as laborers or they opened small businesses at the Beringharjo Market, in Malioboro Street, or at the Tugu train station and they looked for accommodation in the Sosrowijayan area. In the 1970s, after about two decades, the elite area of Sosrowijayan had changed into a heterogeneous kampong with narrow simple houses.

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5 Interview with Pak Joko Suryo, a historian from Gadjah Mada University on 2 February 2008
6 Interview with Pak Joko Suryo, a historian from Gadjah Mada University on 2 February 2008
7 Interview with Pak Joko Suryo, a historian from Gadjah Mada University on 2 February 2008
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crammed in small alleyways. When I was doing my research in the area, I was unable to identify any of Sosrowijayan’s prosperous past.

As the tourism industry emerged in Yogyakarta in the 1970s, Sosrowijayan also faced new developments. In the last thirty years, most people earned their living from tourism. The last generation had been involved in totally different businesses from their parents. Most entrepreneurs in Sosrowijayan initially came from non-entrepreneurial families. Their parents may have been engaged in agriculture as peasants or had come to Yogyakarta to work as the casual worker in the construction sectors. Others attempted to earn their living from working in batik factories or from producing brick for construction (Dahles, 2001:100). Compared to previous circumstances, those engaged in entrepreneurial activities elevated their social status to a higher level. Entrepreneurial activities are considered a source of money and prosperity. People engaged in tourism entrepreneurial activities earn more money than peasants do, which determines their social status.

The international tourist flow to Sosrowijayan reached its peak in the early 1990s. As the number of tourists increased, businesses began to proliferate in Sosrowijayan. Cafes, restaurants (serving local and foreign dishes), travel agencies, souvenir shops, and tourist information centers spread along the main road and in the alleyways. In the early stages, tourism development was concentrated in Sosrowijayan Wetan I and II. This area was then renowned as the Kampung Internasional (International Village) because of the enormous flow of international tourists from all parts of the world such as Australia, the United States, and Europe. As the number of tourists increased, businesses also spilled over to Sosrowijayan Kulon. This area used to be famous among the local residents as the location of the prostitutes. To make a distinction, the residents built a gate in the middle of the kampong area separating the area of Sosrowijayan Wetan from Sosrowijayan Kulon. However, in the 1990s, when various entrepreneurs

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8 Interview with Pak Joko Suryo, a historian from Gadjah Mada University on 2 February 2008

9 Many low-class prostitutes rent rooms in Sosrowijayan Kulon. At night, they went out to Pasar Kembang, which is located just a few meters from Sosrowijayan.
also opened their tourism businesses in Sosrowijayan Kulon, it made the distinction hazy.

The tourists were welcome and had no difficulty to mingle with the local people. As recalled by these local people, in other places tourists might be worried about the resistance of local people to their presence, but this was not the case in Sosrowijayan. Local people and tourists built good relations. In the small crowded alleys, there was an intensive interaction between the locals and the tourists. They exchanged knowledge and information on all sorts of subjects. The local people were able to improve their English and learnt different new menus and the recipes of western dishes. Because of these encounters, local entrepreneurs could serve different kinds of dishes and had a variety of menus in their restaurants. On the other hand, some tourists took this opportunity to improve their Indonesian or to enhance their knowledge of certain cultural issues.

However, in less than a decade after the peak in tourist visits, tourism experienced a major decline due to a series of crises. This situation had not changed when I did my research in Yogyakarta in 2005. Everybody I met in Sosrowijayan was always complaining about the declining number of international tourist visits.

**Opportunities and Limited Resources – Business Start-Ups**

Originally, Sosrowijayan was not prepared for the sudden massive increase in tourist arrivals in the 1970s. There were a limited number of accommodation facilities to accommodate the tourists. Many tourists were having problems finding lodging in Sosrowijayan. Therefore, many had to wait for one or two days before they could obtain a room. This was the ordinary picture during the peak seasons of the 1970’s and the 1980’s. These circumstances attracted new entrepreneurs to enter the accommodation business. The local residents were the first to see this opportunity and to act upon it. They saw providing accommodation as a new source of income. According to my informants’ stories, in earlier times, many residents in Sosrowijayan used to be involved in occupations like construction laborers, did the laundry for rich families, ran food stalls,
or worked as lower rank officers at the Train Company, etc. These kinds of jobs and businesses earned them only meager incomes. This was the reason why some local residents were confident that they could earn a better income from the provision of lodgings. However, to convert to a new business was not easy; at least one needed business expertise. This may also explain why initially only a few people started their business in lodging. Nevertheless, this did not last long. Eventually, accommodation facilities mushroomed in Sosrowijayan.

The accommodation business in the alleys of Sosrowijayan is dominated by small hotels or losmen in the local language. The twelve informants I interviewed declared that the number of rooms they had on average ranged from seven to twenty-four, but the majority had less than twenty rooms. A losmen is a cheap hotel with minimal facilities. Tourists could find a room in a losmen for between Rp. 50,000 to Rp. 75,000 (Approximately USD 5-8 in 2005\(^{10}\)) per night. The rooms were simple. It was rare to find a losmen that provided air conditioners. Generally, they only provided a bed with a small cupboard and a desk. Some losmen may have provided a bathroom and a toilet inside the room, but the majority offered shared bathroom and toilet facilities. The majority of losmen provided simple breakfasts consisting of bread, tea and an egg, but there were also some losmen that did not offer any breakfast.

All the losmen in Sosrowijayan in my research were family owned. They were either owned by a single family (seven out of twelve) or owned by several families (the remaining five) but always one family member had the authority to manage the business. Generally, losmen belonging to single families were established by the owner. However, if the owner was the second generation, she or he might be the only child in the family. In contrast, losmen owned by several families were inherited from their parents. Through agreement among the whole family, they selected one family member to run the business. It was also common that the owner of a losmen would at the same time serve as its manager. This was the case with all the losmen owners I interviewed in Sosrowijayan. They served as

\(^{10}\) 1 USD = Rp. 9704.7 in 2005 (Source: http://investintaiwan.nat.gov.tw/accessed 3/10/09)
owners and managers at the same time. Four losmen, Reva, Arga, Berta, and Bumi, were managed by female owners. The remaining eight were run by male owners. Tresno Pension was initially managed by Mbak Ginem, a female owner but after she passed away the losmen was managed by Pak Tresno, her younger brother.

Losmen owners in Sosrowijayan started their business with little money or capital. Looking at how entrepreneurs started their business, we can classify them into three groups. The first group consisted of residents who had already lived in the area before tourism development began and had set up a business in accommodation with the purpose of creating an extra source of income, although they already had an income from other jobs and/or businesses. In my research, six losmen fell under this category. Providing accommodation for backpackers was the easiest way to start their business in tourism even though they had limited skills and assets. They usually rented out extra rooms in their houses without making any improvement to the rooms. Bumi losmen is a good example. With six rooms, it started receiving international tourists in 1979. The owner, Ibu Tuti, worked as a government official at BATAN. The tourists agreed to stay in the rooms as they were and accepted minimum services and facilities. The tourists were happy to have the experience to live with local residents.

The second group was residents who switched from boarding house to losmen. There were two losmen under this category. Some local residents in Yogyakarta used to provide boarding house accommodation for students. When demands for rooms increased, local entrepreneurs converted their boarding houses into losmen. Without making further investment, the entrepreneurs could earn a much higher income from that business. Tresno Pension is one of the examples. The family started with a boarding house in 1975. They accommodated many students from East Timor as at that time East Timor had just been integrated into Indonesia as the latest province. When the number of international tourists in Sosrowijayan increased, they switched to accommodating tourists in their house.

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11 BATAN stands for Badan Teknologi Nuklir Nasional (National Nuclear Technology Body)
The third category consisted of those who had started with another business before they switched to open a losmen. There were four losmen in this category. People with skills like cooking or making art work would open a café, restaurant, or a gallery and switched to or added a losmen. An example is the family of Ibu Tyas from Surya Losmen and Restaurant. Her brother Pak Sakri opened a canteen at home after the restaurant where he worked as a cook went bankrupt. From the profit of that business, the family managed to expand and diversify by opening a losmen.

The attitude of the losmen owners towards formal credit was generally negative. The majority of the informants stayed clear from borrowing money to set up their business. They thought that loans from banks and other financial institutions might pose problems in the future. Therefore, they tried to avoid banks as much as they could. Instead of borrowing, they preferred to develop their business slowly. When they managed to save some money from their earnings, they would add more rooms or facilities to their losmen. If they had to borrow money, they would prefer to borrow from family or relatives because it was less risky. In my research, only Mas Indra from Desa Losmen and Restaurant received a loan from the bank. However, his losmen was already quite big when he decided to borrow money to build more rooms, and he did not borrow as initial capital.

When owners had established their losmen they usually expanded to other businesses. As their business grew, after a few years in operation, most of the losmen owners eventually had other unregistered, supporting businesses to answer the needs of their guests. They set up various businesses such as tours and travels, computer rentals for internet, batik painting courses, and others to cater for the needs of their customers. To earn additional income, they usually served as agents of travel bureaus by selling airline tickets, and tickets for buses, trains, and ships. Some even had their own tour programs for the tourists. To save costs, they hired freelance drivers, or they led the tours themselves. However, they only registered their main lodging business with the government to avoid taxes. Table 4.1 serves as an overview and general description of the losmen business of the informants I interviewed in the Sosrowijayan area.
Table 4.1 *Losmen* Business Profile at Kampong Sosrowijayan

<table>
<thead>
<tr>
<th>Name of the Losmen</th>
<th>Starting</th>
<th>Number of Losmen</th>
<th>Number of Rooms</th>
<th>Family Ownership</th>
<th>Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losmen Arya</td>
<td>1994</td>
<td>2</td>
<td>22 (10 &amp; 12)</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td>1986</td>
<td>1</td>
<td>7</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Desa Losmen &amp; Restaurant</td>
<td>1994</td>
<td>1</td>
<td>24</td>
<td>x</td>
<td>Tour business</td>
</tr>
<tr>
<td>Elok losmen &amp; Restaurant</td>
<td>1970s</td>
<td>1</td>
<td>10</td>
<td>x</td>
<td>Tour, Tattoo &amp; painting studio, batik course</td>
</tr>
<tr>
<td>Losmen Jaka</td>
<td>1989</td>
<td>1</td>
<td>9</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Tresno Pension</td>
<td>1975</td>
<td>1</td>
<td>10</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Berta Losmen</td>
<td>1986</td>
<td>2</td>
<td>17 (8 &amp; 9)</td>
<td>x</td>
<td>Selling transportation tickets</td>
</tr>
<tr>
<td>Reva Hotel</td>
<td>1977</td>
<td>1</td>
<td>21</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Losmen Arga</td>
<td>1990</td>
<td>1</td>
<td>15</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Surya Losmen &amp; Restaurant</td>
<td>1983</td>
<td>2</td>
<td>23 (15 &amp; 8)</td>
<td>x</td>
<td>Internet &amp; tour businesses</td>
</tr>
<tr>
<td>Losmen Ratri</td>
<td>1996</td>
<td>1</td>
<td>20</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Bumi Losmen</td>
<td>1979</td>
<td>1</td>
<td>18</td>
<td>x</td>
<td>Tour business</td>
</tr>
</tbody>
</table>

Source: Research fieldwork data 2005-2006

Besides reinvesting in the business, *losmen* owners used their income to buy property outside the Sosrowijayan area as savings or to build their private houses. My informants generally treated property investment as savings. They considered buying land and houses as strategic and safe ways to invest. Although it was not very easy to resell their property when they needed money, it was still a relatively secure way of saving because it was free from theft and inflation. Investment in property was a precaution measure to counter times of difficulties. Besides buying property for saving, three informants decided to build their houses outside the Sosrowijayan to improve their living and social environment. However, nine informants still preferred to live close or even in the area where their *losmen* were located. They gave several reasons for their choice. First, it was easier for them to manage the business because there were hardly any strict working hours. Second, it was easier for them to control the situation when they lived close to, or lived in the same compound as, the *losmen*. Third, since they were still very much involved in the day-to-day running of their businesses, it was more practical if they lived close to or in the same building as the *losmen*. Although my informants did not state it, another reason might be that it was too costly to run a household apart from the *losmen*. If they lived in the same place, they could minimize their daily expenses such as for electricity, water, communication, and transportation.
The following case of Desa Losmen and Restaurant serves as an illustration of how *losmen* owners in Sosrowijayan started and gradually managed to expand their business.

**Mas Indra**, the owner of Desa Losmen and Restaurant, was born in a military family but instead of following in his father’s steps, he chose to work in private businesses. He started working as a campus bus driver in Yogyakarta after he graduated from Senior High School in 1980. From 1983 to 1985, he worked as a parking lot attendant at a cinema. Because he wanted to have a better job, he took a cooking course at Hotel Garuda in Yogyakarta. Then, he worked for a restaurant belonging to *PAPMI* (*Perhimpunan Ahli Perancang Mode Indonesia* or Association of Indonesian Fashion Designers) for two years from 1985 to 1987 as a cook but once a month he also worked as a driver on the Java-Sumatera route. In his spare time, he liked to spend time with his friends sitting around, playing music and singing songs in Malioboro. As he often hung around in Malioboro, he frequently met international tourists. From his contacts with them, he learnt English and how to make or prepare western dishes such as spaghetti bolognaise, and a variety of sandwiches.

He met a German woman, Elsa (whom he later married in 1990), and started a coffee house in Sosrowijayan Street. They rented the place for two years from a Yogyanese who worked as the head of a government bank in the outer islands. After two or three months, the owner intended to sell the building. They agreed to purchase it and they borrowed money from Elsa’s parents in Germany. They bought the building (208 m2) for 30 million Rupiah in 1990 (approximately USD 16,000 in that year12).

With all the limitations they had, they started running the coffee house. The building functioned as their home and as the place of their business. During the interview, Mas Indra told me that the room, which now functioned as the kitchen used to be their bedroom. They were also unable to provide the guests with chairs so that everybody had to sit on the floor. The business was developing well so that they could slowly expand it. The flow of tourists was amazing. During the peak season, tourists were often unable to get rooms in the Sosrowijayan area. This inspired them to build more rooms to rent to tourists. In 1992, Mas Indra borrowed Rp. 20,000,000 (approximately USD 9,900 in that year13) from Bank Duta to buy more land and he added twelve rooms to his *losmen* since he was optimistic about the future prospect of his business. Then in 1997, they added another twelve rooms.

Besides being a restaurant and a *losmen*, they also had a tour business to serve guests who stayed at their *losmen*. Mas Indra liked to show tourists around. Long distance driving was not difficult for him because he used to work as a driver on long-distance trips.

The money they earned from their business they invested in property. They bought a house nearby and some plots of land. Later on, they managed to build a house outside the area and they lived over there. As they had built another house, their house in Sosrowijayan was also rented to tourists.

The story of Elsa and Mas Indra is an example of how tourism brought success to their lives. Although they only started with little capital, slowly

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they managed to expand their business and gain success. For many years, tourism had offered stability of income for the family.

**Marketing Strategies**

Marketing is an important aspect in the sustainability of a business, not only for big businesses but also for small-scale ones. Most successful businesses rely on promotion in order to increase the sales of their product. However, this is not the case with small-scale businesses, because for them promotion is very costly. During my research in Sosrowijayan, the owners generally realized the importance of promotion but they could not afford to pay for the costs.

Instead, they applied a number of cheap ways to promote their businesses. The basic idea behind all their promotion efforts was networking. Through networking, they hoped to reduce the costs of promotion. Before exploring this further, table 4.2 summarizes the choices of the marketing strategies among the *losmen* owners in Sosrowijayan.

**Table 4.2 Marketing Strategies of *Losmen* Owners at Sosrowijayan area**

<table>
<thead>
<tr>
<th>losmen Axya</th>
<th>Word of Mouth</th>
<th>Signboards</th>
<th>Business cards</th>
<th>Guide book</th>
<th>Internet</th>
<th>Intermediaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Desa Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Elok Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Losmen Jaka</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Tresno Pension</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Berta Losmen</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Reva hotel</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Losmen Arga</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Surya Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Losmen Ratri</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Bumi Losmen</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Source: Research fieldwork data 2005-2006
Since the *losmen* owners lacked the funds for promotion, all the informants I interviewed revealed that they relied on the word of mouth as the prime medium for promotion. According to their experiences, when tourists were satisfied with their services, they would recommend their *losmen* to fellow tourists. In fact, recommendations from other fellow tourists decided the future tourists’ decisions to stay in their *losmen*. They believed that maintaining a good reputation is more important than making a special promotion. The free-marketing would voluntarily be done by satisfied customers. In other words, word of mouth served as a marketing chain through a customer chain. Small-scale industries with limited funds used this as their promotion strategy.

When they started their business establishments, the entrepreneurs paid little attention to promotion but later, rampant competition among the *losmen* owners forced them to try everything they could to promote their business. Apart from the word of mouth strategy, another common promotion strategy that every *losmen* owner used was to put up signboards in front of their *losmen*. This was normally found among the entrepreneurs who had established their business on the main road of Sosrowijayan. The *losmen* in the alleys still maintained simple signboards. The entrepreneurs preferred signboards because it was a cheap and effective way to attract tourists. The signboards served as a sign for the tourist to recognize the *losmen* from a distance. By looking at the signboard, tourists might decide to drop in and search for more information about the rooms. This was the reason why signboards were designed as attractive as possible to catch the tourists’ eyes.

In addition to that, the entrepreneurs also printed business cards, which they distributed among the tourists who stayed in their *losmen*. The cards were designed to contain all information necessary for their future guests such as the name of their *losmen*, the contact person, the contact address both postal and email, phone number and/or fax number, facilities provided by the *losmen* and even sometimes the room rates. Generally, the *losmen* owners expected that tourists who were satisfied with their services would voluntarily take their business cards home and distribute them among their families, friends, relatives or other fellow tourists they met. In some cases,
it worked. In one interview, Mas Abi remarked that sometimes tourists who wanted to stay in his losmen brought with them his business card they had obtained from other tourists who previously had stayed in his place.

Moreover, networks played an essential role in the promotion of the losmen in Sosrowijayan. Generally, losmen owners relied on intermediaries, freelance guides, becak drivers, and taxi drivers who hunted for guests and brought them to any losmen. In addition, a smaller number of losmen owners also relied for promotion on restaurants and travel agencies in Sosrowijayan and foreign relations and friends who did not live in Yogyakarta. Most losmen owners maintained good relations with these intermediaries because they were very active and persistent in finding guests. When they managed to bring tourists to a losmen, the owners gave them a commission of approximately 10 per cent of a one-night rate. Losmen owners had to collaborate with certain intermediaries to avoid giving commissions to the wrong persons. This was because sometimes, intermediaries such as freelance guides or becak drivers only followed tourists from a distance and observed to which losmen they went and after the tourists had checked in, they would ask for commission from the losmen even though they had done nothing for the guests. Occasionally, the losmen owners refused to pay money to them. However, consequently, these owners suffered from negative promotion by the guides as they would lead the tourists to other losmen.

Besides direct and personal marketing as discussed previously, two losmen also used the internet for their marketing program. Creating a website on the internet had become another cheap alternative for them to promote their losmen. They realized that every tourist is familiar with this technology. Therefore, they expected that through the internet, they could attract unlimited numbers of customers for free. However, they limited their use of the internet to informing tourists about their losmen but they were not brave enough to do transactions through the internet.

Losmen owners in Sosrowijayan considered it as an important achievement to be recorded in foreign guide books. The first reason was that not all losmen were recorded in those guidebooks. Only half of my informants had
their *losmen* recorded in guidebooks and all of them were very proud of it. Secondly, they believed that being recorded in the guidebooks would also boost their *losmen*’s popularity among the backpackers since many of them used these books as references. Although many times the information about prices, facilities, and services was no longer accurate, at least the backpackers were familiar with the names of the *losmen* and had some idea about them.

So far, I have extensively discussed the common marketing strategies the *losmen* owners applied. Additionally, besides using these strategies, two informants also emphasized the importance of good services in order to keep their business competitive. Besides paying attention to the maintenance of the buildings, they paid attention to their facilities, hospitality, cleanliness, and security for the sake of the comfort of their customers. Furthermore, the length of stay of the tourists was also an issue for them. To encourage tourists to stay longer at their *losmen*, they created interesting activities for them. The following case study about the marketing strategies of Mas Indra and Elsa from Desa Losmen & Restaurant illustrates these points.
Just like any other business ran by locals in the Sosrowijayan area, Mas Indra and Elsa did not use any special marketing program for the promotion of their business. What made them different was their hospitality and their service quality maintenance. On one occasion, Elsa said:

'We tried to maintain good quality of service so that promotion goes by word of mouth. Our guests even promoted our hotel on the internet. We were surprised when we searched the internet and found that tourists had promoted our losmen.'

From the beginning, when they only had their café, their hospitality meant that the guests enjoyed their stay and the guests voluntarily passed on the message to people they met. In 1990, when they first built their coffee house, the number of tourists who came during the peak seasons often exceeded the number of rooms the locals could provide. For their guests who could not find rooms, Elsa and Mas Indra offered them to sleep in their coffee house, after it was closed until they opened again in the morning. They could leave their backpacks in the coffee house and if they still could not find rooms, they could always come back. Because of that, they had good relationships with many tourists. Those people were the first to help with the promotion of their place, also when they build their losmen.

Sometimes, they also received travel writers who surveyed their place. They not only made an observation and wrote about the place in the guidebooks, but also gave them suggestions about how to improve their business. One of them suggested that they should serve croissants and French bread to help increase the sales in their coffee house. They were the first to provide croissants and French bread in the area. They ordered the croissants and French bread from Mas Indra’s friend who had a bakery in Yogyakarta. In the coffee house, they served them with various fillings.

Later, they managed to expand their business by building a losmen and by developing the coffee house into a restaurant with a more extensive menu. To make it more attractive, they also offered package tours to the tourists who stayed in their losmen. Mas Indra liked to sell trips to special destinations. For example, he used to have his Secret Beach Tours. He called it Secret Beach Tours because few people knew about this particular beach. This beach was still very natural, quiet, and special because tourists could swim there. Generally in Yogyakarta, the sea is too dangerous for people to swim in but not at this particular beach, Mas Indra explained.

In order to maintain service quality, they refused guests who planned to have a very short stay or those who were registered as Yogyakarta residences. As part of their marketing strategies, they wanted to create a clean and comfortable place to stay. On one occasion, Mas Indra and Elsa expressed that they really had to be strict because their losmen was located very close to the prostitution area. Mas Indra further explained:

People who used the services of the prostitutes were usually impolite, rude, and made a lot of noise. If we let them book rooms here, many people would avoid staying in our losmen, for example families with children or international tourists who needed their rest. In the long run, I was afraid nobody would come to our losmen.'

Elsa added:

'We refused guests who brought prostitutes or gigolos here because in the past, when there were still a lot of tourists, once there was an incident in which a tourist lost her wallet with her money and her passport after she had slept with a guide. We do not want to have such a problem in our hotel. We just want to accept those who come for holidays. Sometimes, people also bring their boyfriends or girlfriends with them but they do not come from Yogyakarta, so it is not a problem, because she or he cannot run away while they are in Yogyakarta. Whether they are married or not is not our business. Sometimes tourists meet girls or boys in Jakarta or Bandung or Bali and then they came here together. We do not have problems with people like that but we do not like it when people bring prostitutes from Yogyakarta. We do not want our place to be their base of business operation.'

In one interview, Mas Indra also told me that besides safety, his wife was very strict about cleanliness and security. She was the one who always controlled the rooms and who oversaw the preparation of food to maintain good quality standards. To ensure the security of their guests' personal belongings, they regularly changed the locks of the guest rooms to avoid robberies.
With limited amounts of money to spend on promotion, Mas Indra and Elsa found that putting more emphasis on human aspects such as creating a hospitable atmosphere, providing good services, and guaranteeing security and safety was an effective way for promotion.

Managing Employees

Labor among losmen owners in Sosrowijayan followed a common management pattern similar to that found in other types of small or family-owned businesses. In all the cases I studied, waged, unskilled laborers were employed after their businesses had settled. In order to recruit their workers, they relied on the informal recruitment method. When their business had started to develop, family members would concentrate more on the management side of the business although flexibility was still highly maintained. Occasionally, when necessary they would involve in the operational side.

All losmen owners I interviewed said that family labor was an important element in their business. At the beginning of the establishment, they relied on their family to ensure the continuation of their business. This practice was meant especially to reduce costs due to the seasonal tourist market. Only when the business was growing bigger and there were more businesses to handle, would they hire salaried employees. At this stage, the owners would become less responsible for the operational level, but would concentrate on their managing and controlling responsibilities.

Through business development, the involvement of family members at the operational level decreased, but efficiency in labor utilization remained an issue. In general, they hired only a few people who were responsible for a variety of miscellaneous tasks. Some losmen owners had other businesses too such as restaurants and they did not make any distinction between workers who were in charge of the restaurants and those of the losmen. Only in one place where they had both a losmen and a restaurant, did the owner hire twenty workers. In this particular losmen, the arrangement was a bit more professional compared to the others. They made a rough division of labor and different laborers had different tasks. Some were responsible
for the front desk, or for the restaurant as a cook and waitress and others had to handle miscellaneous tasks such as cleaning and washing. To give a more professional impression, the owner also provided his staff with uniforms. However, it was not the kind of strict working division as found at star-rated hotels. Table 4.3 shows the involvement of family members in the business and table 4.4 shows the number of employees hired by each losmen.

Table 4.3 Family Involvement in the Management of the Business

<table>
<thead>
<tr>
<th>Losmen</th>
<th>Spouse</th>
<th>Parents</th>
<th>Children</th>
<th>Brother/sister</th>
<th>Relatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losmen Arya</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratri Losmen</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surya Losmen &amp;</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Restaurant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arga Losmen</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reva Hotel</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berta Losmen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Tresno Pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Jaka Losmen</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elok Losmen &amp;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Restaurant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desa Losmen &amp;</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bumi losmen</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Source: Research fieldwork data 2005-2006

Table 4.4 Number of Employees Hired by Losmen Owners in Sosrowijayan

<table>
<thead>
<tr>
<th>Name of Losmen</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losmen Arya</td>
<td>4</td>
</tr>
<tr>
<td>Ratri Losmen</td>
<td>6</td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td>1</td>
</tr>
<tr>
<td>Surya Losmen &amp;</td>
<td>12</td>
</tr>
<tr>
<td>Restaurant</td>
<td></td>
</tr>
<tr>
<td>Arga Losmen</td>
<td>9</td>
</tr>
<tr>
<td>Reva Hotel</td>
<td>2</td>
</tr>
<tr>
<td>Berta Losmen</td>
<td>1</td>
</tr>
<tr>
<td>Tresno Pension</td>
<td>1</td>
</tr>
<tr>
<td>Jaka Losmen</td>
<td></td>
</tr>
<tr>
<td>Elok Losmen</td>
<td>2</td>
</tr>
<tr>
<td>Desa Losmen &amp;</td>
<td>20</td>
</tr>
<tr>
<td>Restaurant</td>
<td></td>
</tr>
<tr>
<td>Bumi Losmen</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Research fieldwork Data 2005-2006
Losmen owners tended to hire unskilled workers who had to be flexible in dealing with different tasks in the losmen in order to be able to compete and to ensure competitive prices in the marketplace. An educational background in tourism was not required even for those who had many dealings with customers, such as the front office staff. Because of these flexible working tasks, graduates from Tourism School could not easily adjust to the working atmosphere in small losmen like those in the Sosrowijayan area as they were trained to do specific tasks and were used to strict job descriptions. The workers at the losmen typically dealt with different tasks during the day. In a day, they may have had to start with serving breakfast and do the housekeeping, then move on to function in the restaurant or at the front desk, etc. quite like the owner of the losmen himself because he hired only a few employees. When necessary, the owner could also be involved in the day-to-day running of the losmen for example by helping with breakfast preparations.

The employees were normally recruited through informal contacts. In general, they did not require many conditions but the most important one was the personality of the would-be workers. Therefore, losmen owners preferred to recruit people they knew personally or those who were recommended by their close contacts so that at least they could first gain some information about the personality of their future employees. The workers could be the owners’ neighbors, or friends and relatives of their workers. They believed that skills could be gained through the learning process but personal characteristics such as honesty, diligence, and hard-working could hardly be changed through time.

As working experiences are important, losmen owners employed various strategies regarding the personnel welfare of their workers to encourage them to stay. Losmen owners avoided giving high regular salaries to the workers due to the unstable income they themselves earned but they provided the workers with unstructured personal support, for instance in the form of a donation for special events such as birth, wedding, or when one of their family members passed away or was ill. It could also be in a form of interest free loans, for example when employees had to pay the school fees for their children. Two losmen owners even mentioned that
they gave bonuses on special occasions when the business had made a good profit. The amount, and who would get what kind of support depended on the record of accomplishment of the employees. It was expected, that when the employees liked their job, the working environment and the relationship with the employers was good, the turnover of the workers would be low and the employers could maintain the stability of the business operation.

The following presents how Mas Indra and Elsa managed their labor in their enterprise:

In the beginning of the business establishment, everything had to be carefully calculated. Mas Indra expressed in one interview. Therefore, both husband and wife were involved in all aspects of the operation of the coffee house such as preparing and serving the meals and drinks, and also doing the cleaning. Mas Indra used to ride his old bicycle to shop at the night market after they had closed the coffee house.

As they managed to develop their business, they started to hire laborers. The bigger the business, the more workers were recruited. When I was conducting my interview in 2005, they hired twenty workers who were responsible for handling both the losmen and the restaurant.

Mas Indra expressed that he did not make his recruitment policy too complicated. He would especially check his future employees’ ability to speak English. He also did not consider a tourism educational background important. Apart from that, they required workers who were willing to work flexible hours. In one interview, Mas Indra expressed that once he hired a Tourism Academy graduate who used to work in a star-rated hotel. The employee could not stay long because he was not used to flexible tasks.

He said that he always tried to make the workers stay long with them and in order to keep the workers he offered good welfare and other personal unstructured support. He paid the minimum wage and paid for their and their families’ health insurance. He also gave bonuses when the losmen was full. When a worker was getting married, he would give them Rp. 1,000,000.=- (Approximately USD 103.- in 2005). Sometimes when they borrowed money to pay the school fees for the children, he would only ask them to pay back half or three quarters of the amount they borrowed. He never forgot to give them support when members of their family passed away or became ill. When he planned to replace the facilities of the losmen such as mattresses, air conditioners, fans, televisions, or refrigerators, he first offered the replaced items to his employees. If any of them were interested, they could buy the goods very cheap. With this kind of treatment, he could keep the turnover of the workers low and with that he could maintain the stability of his business operation.

Mas Indra further expressed that he treated his workers well but he also expected them to be responsible, honest, and disciplined. He would not tolerate dishonest workers. Furthermore, he also expected them to come to work on time. In case they could not come to work on time for reasonable reasons, they would have to call. Those on the previous shift needed to wait until the workers of the next shift had arrived. When a new worker was recruited, he would also ask his senior workers’ opinion about the personal quality of the new one. He would take their judgement into consideration besides making his own observations.

As they managed to hire many workers, Mas Indra and Elsa did not spend too much time at the operational level of the business. They were more in the position of controlling. However, when necessary, they still sometimes helped with the chores especially when they were short of laborers and there were many guests.
Mas Indra and Elsa’s practices are one illustration of how laborers were managed in small hotels. The relationship between employers and employees sometimes went beyond the business relationship due to intensive contacts. This could be helpful to ensure the stability of the business.

The Effect of the Crises on the Losmen Business

Since 1970, losmen owners in Sosrowijayan had enjoyed a good income from tourism but things changed after the mid-1990s. Problems with tourist visits to Sosrowijayan had started with the forests’ fires in Sumatra and Kalimantan in 1997. Many international tourists cancelled their bookings because making trips by plane to Indonesia was considered dangerous. Along the years to follow, different incidents also had their impacts on the tourism business at Sosrowijayan. According to informants, there were two incidents that had the most significant impacts on their business, the monetary crisis that started in 1997 and was followed by the social and political crises in 1998, and the First Bali bombing in 2002. Although the impact of the earthquake in Yogyakarta in May 2006 on the whole province was immense, physically Sosrowijayan was safe. For the next couple of months, a number of losmen managed to gain benefits from the incoming foreign volunteers while others temporarily lost their business.

The monetary crises started in 1997 and, combined with the social and political crises in 1998 caused the number of international tourists to drop drastically. They were just the beginning of the prolonged crisis that the losmen owners in Sosrowijayan were going to have to endure. The next incident, which also brought significant changes to tourism condition in Sosrowijayan, was the first Bali bombing in 2002. During one interview, Mas Indra and Elsa explained that right after the bomb attack a number of losmen owners in Sosrowijayan only enjoyed full bookings for three to four more days but that after that their losmen were completely empty. The first days were good because after the incident, many international tourists decided to leave Bali at once and Yogyakarta was an alternative for transit
before they flew back to their countries. However, soon many smaller businesses such as restaurants, tours and travels, and art shops collapsed because they had lost their customers.

Until 2005 when I did my field research, a series of bombings and other incidents both globally and nationally kept the tourist visits low. When I was doing my research in 2005, the occupancy rate of the hotels in Sosrowijayan had still not returned to the conditions prior to the crisis of 1997. One day in mid-December 2005, I was visiting various losmen in Sosrowijayan and found out that the occupancy rate was very low indeed. With ten rooms for rent at Ayu Homestay, there was only one guest. Mas Bowo, one of the owners, expressed that, since 1997, they did not always have guests. On average, there were only two rooms occupied every month. Having five guests was considered good. Generally, the guests also did not stay long enough but on average, stayed only for two days and then went on to other cities. Desa Losmen & Restaurant was doing a bit better. Mas Indra, expressed that during week days, normally out of twenty-four rooms, three to four rooms were occupied but during the weekend or during public holidays, normally more than eight rooms were filled.

In fact, all losmen owners in Sosrowijayan were hit by the crises, but it had different impacts on the entrepreneurs. Each losmen owner had his own specific experience with the crises. However, they could be categorized into two groups: survivors and losers. None were winners because they all relied on the incoming international tourists and when the number of international tourists dropped, all losmen owners suffered without exception.

Survivors are the losmen owners who still maintained their business despite of all the difficulties. They continued their losmen business and kept on waiting for the situation to improve. Within this category, there were two types of losmen owners. The first were those who managed to survive and whose reputation as having good losmen was widely known. Even though they experienced the crises, they managed to maintain the quality of their losmen. In times of scarce international tourists, they were still able to welcome customers, both middle class domestic and
international tourists. The next group can be categorized as those who were unable to attract international tourists anymore since the losmen were not clean and only offered basic facilities — traditional bathrooms without showers and no hot and cold water facilities. They also provided merely squat toilets. These losmen could only accommodate domestic low budget tourists. Although they could hardly gain a profit from their business, at least their income from their losmen could still cover the operational cost such as paying for electricity, water, taxes, laborers and such. For the last type of losmen, maintenance was the main problem.

The losers were the losmen owners who decided to quit their business by either selling it or changing it into other types of business such as boarding houses. None of them had earned an income from their losmen in the last couple of years. As a result, the conditions of their losmen were deteriorating since they did not have enough money for repairs. When the maintenance cost of losmen became too expensive, the owners might decide to sell them.

Those who still maintained their business, or the survivors, had to face two problems as the consequence of the decreasing number of tourists. Internally, the economic burden of the losmen owners was very heavy. Income from tourists dropped drastically but they still had to pay for the increasing operational costs such as maintenance, the salaries of the workers, taxes, and other expenses. The losmen owners also had to face stiff competition from other losmen owners and they also had a problem with the aggressive conduct of the tourist guides. In the period of difficult conditions, each actor, including the freelance tourist guides, would grab any chances to protect their own interests in order to secure their livelihood.

Competition among the losmen owners was becoming fierce due to the crises. Even though the number of domestic tourists was increasing in the last couple of years, the number of newly built hotels was increasing too. I saw that during the national holiday seasons, many losmen in Sosrowijayan were full of guests, especially those located on the main roads. The occupancy rates of the ones located far from the main road were still bad
because the many newly-built, nice hotels on the main road offered the guests more attractive facilities such as parking areas and entertainment, and better rooms, at competitive prices. My informants told me that those hotels belonged to new investors. They bought old losmen, which could not survive the crises and renovated them to make them more competitive. With just a slight difference in price, people were more inclined to choose staying at the newer hotels instead of choosing the old losmen with difficult access. Pricing competition had become a common phenomenon among the losmen owners but it was intensified due to the crises. I heard from different informants that many losmen owners tried to attract customers by lowering their room rates.

Freelance tourist guides were also becoming more aggressive and caused tourists to feel insecure. For example, Mas Abi from Elok Losmen complained that freelance guides often followed tourists even when the tourists had already entered the rooms because the guides wanted them to buy the trips they offered. The effect could be negative on the losmen business as the tourists might decide to leave sooner either because they were irritated or were interested in the tours offered. On a different occasion, Mas Bowo from Ayu Homestay also had similar comments about freelance tourist guides. Then, I myself once experienced a group of young people following me until I stopped at a losmen. While I was talking to the losmen worker, they waited for me while sitting on a sofa. From that experience, I could understand why losmen owners were becoming annoyed with them.

Coping Strategies of Losmen Owners in Sosrowijayan

Losmen owners in Sosrowijayan responded differently to different phases of the crises discussed earlier. In order to cope with the crises, generally losmen owners did not only employ one strategy but used different strategies in different sequences or applied more than one strategy at once.

Coping with the Monetary and Socio-political Crises

After the May riots in 1998, the entrepreneurs did not take vigorous actions. It seemed that they had expectations of a better future for the
Losmen Owners in Sosrowijayan

tourism business. They concentrated on restructuring their current *losmen* businesses while many of them temporarily had to use their savings to pay for their living expenses. All of my informants decided to switch to domestic tourists except for one who had always been serving only domestic tourists. In addition to that, five *losmen* owners tried to compensate their loss of income by looking for side jobs or other businesses. Furthermore, two *losmen* owners decided to apply business efficiency by closing down tour and internet facilities for tourists and at the same time temporarily reducing the working hours of the employees. Table 4.5 shows the coping strategies employed by the *losmen* owners in Sosrowijayan as the consequences of the monetary and socio-political crises.

**Table 4.5 Coping Strategies after the Monetary and Socio-political Crises**

<table>
<thead>
<tr>
<th>Losmen Owners</th>
<th>Saving</th>
<th>Switch to Domestic Tourists</th>
<th>Discount and Overuse Policy</th>
<th>Marketing and Promotion</th>
<th>Alternative Revenue</th>
<th>Business Efficiency</th>
<th>Employment Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losmen Arya</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>website</td>
<td>Start a restaurant 2001-2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratri Losmen</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>Renovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Renovation Souvenir Trading 1998-2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surya Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Renovation</td>
<td>Closing down tour and internet businesses</td>
<td>Reschedule labors’ working days</td>
<td></td>
</tr>
<tr>
<td>Arga Losmen</td>
<td>x</td>
<td></td>
<td></td>
<td>National Newspaper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reva Hotel</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Renovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berta Losmen</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Back to old job as a sailor since 1999</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tresno Pension</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaka Losmen</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>Construction labor &amp; Handicraft labor 2001-2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elok Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desa Losmen &amp; Restaurant</td>
<td>x</td>
<td>x</td>
<td></td>
<td>Land transaction intermediary</td>
<td>Closing down tour business</td>
<td>Compensate welfare of the labors</td>
<td>Reschedule labors’ working days</td>
</tr>
<tr>
<td>Bumi Losmen</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research fieldwork Data 2005-2006
Living on Savings

Using savings turned out to be the most significant coping strategy among losmen owners who purely relied on their losmen business for income. They had not expected that the situation would turn out so bad when the occupancy rate of their losmen suddenly dropped drastically. In this case, I found that seven losmen owners mentioned that they temporarily had to use their savings. On average, they had to rely on their savings for a period between six months to one year. Meanwhile they also relied on a scanty income from catering to domestic tourists who started flowing into Yogyakarta in the following year. In addition, some were later able to find alternative jobs to compensate their loss of income.

Domestic Market Orientation & Marketing Strategies

Before the crises struck the tourism business, all of my informants but one targeted international tourists as their market. However, since 1997 after the smoke haze from the forest fires in Sumatra and Kalimantan, and the subsequent economic crisis followed by the socio-political crisis, generally the owners had to change to the domestic market. Different losmen targeted different types of domestic tourists depending on the condition of their losmen. Three good quality losmen in my research refused to accept budget domestic tourists such as student groups but targeted better-off customers. Despite the scarce number of international tourist visits, they still managed to attract international tourists who came to the Sosrowijayan area. Looking at the condition of their losmen, they could do so because their losmen were of a better quality than those of others. They had clean and well-maintained rooms with comfortable mattresses and good facilities such as inside bathrooms with showers, and some had air conditioners or fans, and refrigerators.

Meanwhile, the second category consisted of nine losmen owners who only offered basic facilities and failed to specify their market target. After the crisis of 1997/1998, the majority of the customers were young domestic budget travelers. In order to attract customers, the prices were set low. Even though the general price crept up slowly, sometimes losmen owners
gave customers discounts. For example, Pak Didi from Losmen Arya explained to me that he normally charged Rp. 50,000 (approximately USD 5.2 in 2005) for a room, but during the low season, he would charge only Rp. 35,000 (approximately USD 3.6 in 2005). Another strategy was to allow the customers to use the rooms for more than the normal capacity at the same price and they only charged the customers more if they asked for extra beds. For example, Berta Losmen rented out its rooms for Rp. 25,000 (approximately USD 2.6 in 2005) (This was the same price they charged tourists who came to their losmen prior to the crises) and if customers needed an extra bed, they charged them another Rp. 5,000 (approximately USD 0.5 in 2005). Generally, the losmen owners I talked to express that they could not leave the rooms empty all the time. If they could have the rooms occupied, at least they could use the income to cover the everyday operational costs of the losmen.

To overcome the effect of the crises and of the competition, three losmen owners from the two categories discussed above renovated their losmen to attract more guests. One decided to renovate her losmen in 1999 by setting aside part of her income from the losmen's guests. Although it took some time, she managed to remodelling the rooms. Two losmen owners renovated in 2000 using income earned from other businesses, which was unrelated to their main businesses in Sosrowijayan. Two owners repainted the rooms to make them more attractive. One redesigned the rooms in Javanese style with antique furniture. Since he was an antique trader, he used the losmen rooms to display his antiques, but at the same time making the rooms more appealing to the tourists. All the owners improved the bathrooms by installing new ones inside each room, and equipped those bathrooms with hot and cold water showers. They added an air conditioner, a fan, and a refrigerator in each room. Then, they also replaced the old mattresses with new comfortable ones. The owners admitted that the rooms were upgraded gradually because they only had limited funds. Furthermore, having only the meager income from the losmen guests, the owners had no desire to borrow money from the bank. By renovating the rooms, the owners hoped that more customers would be willing to stay at their losmen.
The losmen owners’ attitude towards promotion generally remained the same as before the crises. Basically, they still believed that word of mouth was the most effective way to promote their losmen. However, two losmen owners tried to use the media to promote their losmen in 2000. Mbak Atik from Arga Losmen explained that her boss had advertised her losmen in the national newspapers since 2000. She explained that the owner hoped that by doing so, she could attract more customers. Furthermore, Pak Didi from Losmen Arya also advertised his losmen through the internet in 2000, after he decided to change his market orientation to young domestic travelers. According to him, the website was popular among this particular market segment.

Furthermore, the losmen owners still had the option to cooperate with intermediaries when customers were getting scarce but they became more selective due to the crises. As discussed in the previous section, informants complained about the fact that freelance guides in the Sosrowijayan area were becoming more aggressive in their demands for commissions as the number of tourists was getting fewer and fewer. For example, Mas Bowo from Ayu Homestay expressed that he had agreed with his sister who handled the losmen business, not to cooperate with the freelance guides anymore because of that reason. He explained that they would only give commissions to becak drivers because they were generally politer and less aggressive.

**Alternative Revenue**

As a result of the crises, losmen owners had to suffer from income loss and they tried to find additional income from different sources. To handle the problem, five losmen owners out of twelve started to look for alternative sources of income in order to solve it. While keeping their current business, they also ran other businesses or looked for jobs. Generally, the owners admitted that they still considered the earnings from the side jobs or other businesses as additional income to their losmen business.

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14 Cf. www.gudegnet.com
The *losmen* owners made other choices in businesses and jobs mostly because of their networks, and the availability of opportunities and financial capital. One started a souvenir trading business after the May riots of 1998. She lost her job in Jakarta because the company where she worked went bankrupt. She returned to Yogyakarta and took care of the *losmen* that belonged to her extended family. When the number of tourists dropped totally, she needed to find an alternative source of income. For three years, she sent souvenirs from Yogyakarta to Batam. Another informant went back to his previous work as a sailor with the same company he used to work for. Yet another informant worked as a construction worker, following his parents’ neighbors who had worked in this field. Furthermore, I also found one informant who worked as an intermediary for land transactions. Meanwhile, only one *losmen* owner decided to start a restaurant business in Sosrowijayan, in 2001, when he discovered that many similar businesses in the area had collapsed.

**Business Efficiency & Employment Policy Adjustment**

Although it was not a very significant phenomenon in Sosrowijayan, a few cases show that efficiency had to be adopted in order to save the business. Two *losmen* owners were forced to cease the supporting businesses and had to reduce the number of working hours of their employees temporarily to scale down the operational cost. When the number of international tourists kept on decreasing, the owners preferred to close their additional tourist businesses such as tours and internet facilities. One decided to close his tour business while the other decided to close his tour and internet businesses but neither of them closed down their restaurants.

Within months after the May riots in 1998, the two *losmen* owners sold the cars they used for tour services. The decision was reasonable in order to maintain their livelihood after the riots. Both gave me three reasons for their choice. In the first place, they were uncertain about the recovery of the tourism sector after the riots; second, without additional income they were in trouble paying the car maintenance; and finally, compared to other businesses, a tour business was the easiest to be closed in time of crises.
Because the owners themselves were drivers or sometimes hired free lance drivers based on demand, they had no obligation towards others.

Besides closing down supporting businesses, the owners also had to reconsider their employment policy. Generally, losmen owners in Sosrowijayan hired only a small number of people to run the losmen. However, two losmen owners in my research had more than ten employees, and it was difficult to keep them after the sudden drop in tourist visits due to the socio-political crisis in 1998. The Desa and Surya restaurants and losmen needed to take immediate action to avoid their businesses from collapsing when the number of tourists dropped drastically. They decided temporarily to reschedule the working days of their employees. Ibu Tyas from Surya Restaurant and Losmen asked her employees to come to work every other week for six months after the May riots. As the situation did not improve, Ibu Tyas, who employed many workers, had difficult time to pay the operational costs of her business and the wages of her employees. Accordingly, many workers decided to quit their jobs because the wages were incompatible with their expenses. She allowed the employees to decide by themselves whether to stay or to leave the current job. She felt that she and her husband had the moral obligation since most workers have been working with them for more than five years, and some of whom were too old to find other jobs. The majority of the workers depended on the losmen for their livelihood.

Mas Indra and Elsa, the owners of Desa Losmen and Restaurant adopted a different policy towards their employees. They also went through hard times with their business but compared with others, their business was still doing better. After the May riots, they rescheduled the working days of their workers. In general, the occupancy rate of the hotel was, in fact low but not as low as the other hotels in the same area. Therefore, they did not find it necessary to reduce the number of their workers. Elsa said: ‘Our business was not so good, but it was still better than others.’ Mas Indra further said, ‘I was proud that when a lot of business people had to fire their workers, I did not have to do so.’ They had a policy to help increase the welfare of their workers but this policy did not burden them as
employers. This practice is discussed in more detailed in the case study presented for this section.

**Coping Strategies after the First Bali Bombing**

The first Bali bombing in 2002 was described as another severe blow to the tourism conditions in Sosrowijayan. The incident forced losmen owners to consider business reorientations and not only to focus on their current losmen business in order to sustain their livelihoods, as shown in Table 4.6. Generally, they devised more robust strategies than the ones they employed in reaction to the earlier crises. The first category of strategies six losmen owners adopted was to take alternative jobs and businesses other than tourism. The second category of strategies taken by three losmen owners was to concentrate more on domestic budget tourists. The third category of strategies only one losmen owner took was to target international tourists. However, not all losmen owners managed to maintain their losmen, two of my informants decided to sell their losmen.

Table 4.6 Coping Strategies Employed by Losmen Owners in Sosrowijayan after the First Bali Bombing in 2002

<table>
<thead>
<tr>
<th>Alternative Revenue</th>
<th>Market Focus</th>
<th>Selling Losmen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losmen Arya</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Ratri Losmen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ayu Homestay</td>
<td>Go abroad (2005)</td>
<td></td>
</tr>
<tr>
<td>Surya Losmen &amp; Restaurant</td>
<td>Open a café (2002-2004) Open a student canteen (2003)</td>
<td>x</td>
</tr>
<tr>
<td>Arga Losmen</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Reva Hotel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Berta Losmen</td>
<td>Open a food stall &amp; Phone Shop (2004)</td>
<td></td>
</tr>
<tr>
<td>Tresno Pension</td>
<td>Back to boarding house business after First Bali Bomb 2002</td>
<td></td>
</tr>
<tr>
<td>Jaka Losmen</td>
<td>Back to boarding house business after First Bali Bomb 2002</td>
<td></td>
</tr>
<tr>
<td>Elok Losmen &amp; Restaurant</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Desa Losmen &amp; Restaurant</td>
<td>Open a luxurious restaurant (2004)</td>
<td></td>
</tr>
<tr>
<td>Bumi Losmen</td>
<td></td>
<td>x (end of business)</td>
</tr>
</tbody>
</table>

Source: Research fieldwork Data 2005-2006
Alternative Revenue

Different from the strategies they took after the monetary and socio-political crises, during this phase, the losmen owners no longer considered their losmen business as the main source of income. Instead, six informants considered looking for alternative livelihoods other than losmen businesses. The availability of financial capital, opportunities, skills, and networks remained the reasons behind the variety of choices when losmen owners looked for alternative livelihoods. Three of them opened new businesses targeting locals. First, one informant opened a luxurious steak house targeting the high class domestic market, built on a 3000 square meter plot of land in 2004. In order to start the restaurant, they had to sell several pieces of their land and some of their cars. The second one opened a café on his own land, about five hundred meters from their house in Kaliurang in 2002. However, the new business did not thrive so that they had to close it in 2004. Then they opened a student canteen at Universitas Islam Indonesia (Indonesian Islamic University) in 2003, which their son attended. They provided daily meals and snacks to the students. For them, opening the canteen could also solve the problem of the surplus workers and earned more income for the family. Instead of firing them, he transferred redundant workers to the new business. With a less numbers of workers in his employment and more businesses to handle, they sometimes had to turn back to the old practice of 2003 in which the family members were more involved in the operational aspects of the business. One of their workers expressed that occasionally when the losmen was full such as during Idul Fitri\(^{15}\), the family members would also help to attend to the customers. Further, he said that his boss also did the shopping for the restaurant herself. Meanwhile the third informant started a small food stall and Wartel (phone shop) at her house in 2004. She targeted the prostitutes living close to her losmen as her principal customers.

Furthermore, two losmen owners changed their losmen into boarding houses. They decided not to extend their legal permission for the losmen business after the first Bali bombing in 2002. Both expressed that they used to operate boarding houses before switching to losmen during the 1980s.

\(^{15}\) *Idul Fitri* is the day when the Muslims celebrate the end of the fasting month.
One of my informants, Mas Abi, explained that the losmen used to be very popular among backpackers in the past. The occupancy rate was always high. However, when I went to visit their places, there were no more signboards in front of the buildings. They had taken the signboards away a few months after the first Bali bombing. For their living, they accommodated students, who came for job trainings in Yogyakarta, shopkeepers, and bank and hotel staff who mostly worked along Malioboro Street. The tenants paid from Rp. 75,000 to Rp. 100,000 (approximately USD 8-10 in 2005) per month depending on the electronic equipment they brought with them. However, one of the owners decided to accept prostitutes as tenants since 2004 because he could charge them more, from Rp. 250,000 to Rp. 350,000 (approximately USD 26-36 in 2005) per month. He admitted to me that it had not been an easy decision to take, but he had to do so for his living since his foster parents had passed away in 1999. He was on his own and still wanted to continue his study at the university.

During my research, I also found one informant who even tried to find a job abroad. According to her brother who took care of the losmen while she was away, she went to the US in the beginning of 2005 and stayed with a friend from the Sosrowijayan area who had married an American. She hoped to find a job in the US through her friend because she did not have much to do in Yogyakarta. Before she took care of the losmen that belonged to her extended family, she used to work for a company in Jakarta but lost her job due to the financial crisis in 1997.

**Catering for Budget Domestic Tourists**

A number of informants tended to be more serious in their efforts to target budget tourists in response to the market trend for losmen with low and basic quality rooms and services. Two converted their restaurant buildings into basic losmen rooms with simple mattresses and squat toilets to cater for domestic budget tourists. One converted the restaurant into a snack and souvenir shop selling only dried specialties from Yogyakarta and souvenirs to domestic tourists. These strategies were meant first to reduce the risks of losing more in the business. To run a restaurant one needed fresh ingredients that were easily spoiled. Since few tourists were around, the
restaurants owners always had to throw away rotten vegetables or other ingredients. Meanwhile they also saw the opportunity to accommodate young domestic travelers such as school children who usually travel in large groups. They came to Yogyakarta as part of a study tour program and needed to stay together. Therefore, the losmen owners decided to concentrate on the current domestic market while they waited for the situation to improve and international tourists would be back again.

Targeting Foreign Backpackers

This was an uncommon strategy among losmen owners in Sosrowijayan when international tourists were so rare. However, one of my informants – Mas Abi successfully did this because of his extended networks both in Indonesia and abroad. When many losmen were without guests, the occupancy rate of his ten-room losmen was most of the time good although it was not located on the main road of Sosrowijayan.\textsuperscript{16} A number of informants I met admitted that he was successful and that international tourists liked to stay there. When I was doing my research in Sosrowijayan, I also tried several times to book rooms at his losmen but it was always fully booked with backpackers.

Mas Abi took over the management of his parents’ losmen after they had passed away in 2002. He was not a new person in the Sosrowijayan tourism world. He used to have an art shop and a tattoo studio in Sosrowijayan in the early 1990s before he went to Germany to work as a tattoo artist from 1999 to 2002. Since all his sisters and brothers had their own jobs and businesses, he decided not to return to Germany but to take care of his parents’ losmen after his parents passed away. With his savings, he opened a restaurant a few meters from the losmen, which was also his house. Meanwhile he also renovated the losmen called Elok Losmen.

When he restarted his business in Sosrowijayan, he realized that doing business in the tourism sector was very tough and competitive. During the

\textsuperscript{16} The losmen was located in the middle of the Kampong Sosrowijayan Wetan 2. To guide the tourists to his place, he put a signboard with an arrow at the entrance of the alley from the main road and also one on the wall, just a few meters walk to reach the losmen.
interview, he recalled that at that time the capacity of the *losmen* exceeded the number of tourists who needed accommodation. The situation was particularly difficult for him because when the *losmen* was still under his parents’ management, the facilities, services, and cleanliness were awful. His father who was an officer at the Train Company meant the *losmen* to accommodate locomotive engineers but later tourists sometimes stayed at the *losmen*. In the last years before his parents passed away, the *losmen* was usually without guests. Further, he expressed that the *losmen* actually needed renovation long before he took over the management. However, his parents did not have enough money to do the renovation as they spent most of their income to support their family with nine children.

Mas Abi further told me that he had to work hard to improve the image of his *losmen*. First, he changed the interior and added more facilities. As an artist, he painted different pictures on the walls of each room. He added air conditioners, fans, and refrigerators to the rooms and replaced the old mattresses with new more comfortable ones. He provided bathrooms inside each of the rooms, and equipped them with showers and hot and cold water. He arranged the rooms in such a way that tourists had privacy. For them to socialize, a living room was located right in the middle of the building. On the second floor was a small open air space where tourists could also sit and chat.

Besides renovations, he also paid special attention to marketing. He traveled to various tourist destinations such as Bali, Lombok, Pangandaran, Bandung, Bogor, and Jakarta to set up marketing networks with tourist information officers, hotel owners, and guides. With the hotel owners, he set up a reciprocal relationship by recommending their hotels to his customers. He would give 10 per cent commission to the tourist information officers and guides for every customer they sent to his *losmen*. When tourists agreed with the offer, intermediaries would give the tourists a map of his *losmen* so that they would not get lost, or the intermediaries contacted Mas Abi and he picked up the tourists at different points of arrivals such as the airport, bus terminals, or train stations. He also advertised his *losmen* on the internet and Lonely Planet also recorded his *losmen*. 

Losmen Owners in Sosrowijayan
He also developed more supporting businesses to keep tourists stay longer. He opened a tattoo studio, special interest tours, a batik painting course, and a mountain bike rental, which he started later. When necessary, he offered to guide the tourists for free on the mountain bike tours through the villages. According to him, this was very effective because after traveling around, sometimes tourists changed their mind and decided to stay longer because they wanted to see more.

Mas Abi is in fact a special case, as he not only had special skills but also a network and willingness to work hard to reach his success. In the interview, he also expressed that his experience working in a different country was very valuable. He learnt to appreciate the time and as a foreigner living on his own, he had to work hard to survive. For him, it had been a good exercise that had made him tough.

**Selling Losmen**

Not all losmen owners could maintain their losmen due to the crises. Two losmen owners decided to sell their properties to support their living. For different reasons, they could not put up with the impact of the crises and the competition. Ibu Tuti, the owner of Bumi losmen had been retired from her job as a civil servant and decided to sell her losmen in 2006 because she was desperately frustrated with the tourism situation. She doubted that the situation would get better after five years. Since the crises started, the number of tourists staying at her place was becoming fewer and fewer. In the last one and a half years, she had no customers coming to her losmen at all. Since she was no longer young, she considered selling the losmen a more realistic choice rather than keeping the unproductive business. With hardly any income from the losmen, the daily maintenance became too expensive. Besides high maintenance costs, losmen owners were also burdened by various taxes and more expensive tariffs for electricity, telephone, and water. In the second case, the losmen owner had two losmen at two different locations but in the same street. He decided to sell one in 2005 to an investor from Surabaya. During the interview, the owner said that he had to sell his losmen to support his family and the investor was willing to pay a good price so he decided to sell.
To give a more complete illustration on how a *losmen* owner coped with the prolonged crisis, the following case study will further illustrate the way Mas Indra and Elsa handled their problem.

According to Elsa, 1997 was perceived as the beginning of the crises. In one interview she expressed:

‘I remembered that in 1997, many people who had booked hotel rooms cancelled their trips because they were afraid of coming to Indonesia. They said that they saw on television that forests in Kalimantan and Sumatra were being burned and they also saw people in Malaysia and Singapore had to put on masks. My sister did not change her travel plan because she made direct contact with me here. In June 1997, the number of tourist visits started to decline and then, in October 1997 we had the monetary crisis.’

‘The number of tourists dropped even more after the incidents in 1998. In 2000, it started to get better, but tourist numbers dropped again in 2002 when there was a Bali bombing. I remembered that after the Bali bombing, we were full of tourists for only 3 to 4 days because the tourists who were in Bali ran away to Yogyakarta. After that it was very quiet – no more tourists.’

Since then, Mas Indra and Elsa had to think of ways to handle the problems regarding the decrease in the tourist flow to the area.

After the 1998 May riots, the first action they took was to deal with workers’ redundancy. Mas Indra talked to his employees about the action he was going to take to avoid business collapse. He paid their salaries in full but he asked them not to come to work every day, but every other day. This policy was applied for more or less six months. By doing this, the company could at least reduce the expenses for their meals.

It the beginning, he decided to reallocate the money set aside for maintenance to pay the workers. However, as the situation did not get any better he asked for their understanding, as he could not pay their salaries regularly. Sometimes he paid part of their salaries at the beginning of the month and the rest he paid a week later. They agreed because they fully understood the difficult situation the company faced.

He admitted that he could not raise the salaries of the workers, but he compensated them by giving them more jobs so that they could earn more money. Since the start of the crises, he offered his employees the job of handling the business of selling tickets and brown rice, which he used to handle himself. Each of the employees would handle his business for one year. When there was more than one person willing to handle the business in a particular year, he would ask them to make a lucky draw. The rule was 50% of the profit went to the individual employee who handled the business and 50% is for the rest of the employees and they put it in the collective piggy bank, which was opened regularly.

Meanwhile, Mas Indra also worked as an intermediary to get additional income. At that time, many people, especially Chinese from other areas such as Jakarta and Solo, were looking for land in Yogyakarta because the city was considered one of the safest. He remembered that at that time the price of the land in Yogyakarta was increasing rapidly because many people were interested in investing their money in Yogyakarta. His Chinese friends in Yogyakarta asked him to look for land for their relatives. From each transaction, he would earn a commission. Since they often bought large plots of land, he could earn commissions up to Rp. 15,000,000 (approximately USD 1,500 in 1998\(^{17}\)) each. With this income, he could compensate his income loss from his tourism business. He also put some of the commission he earned in the piggy bank of his employees to help improve their welfare.

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The Tourism Industry Under Crisis

After waiting for a couple of years and the condition did not improve, Mas Indra and Elsa decided to diversify their business by opening a luxurious steak house outside the Sosrowijayan area. They started building the restaurant in 2002 in an area of 3000 m² and the opening was in September 2004.

In order to build the restaurant, they sold all the land they had bought before the monetary crisis and they bought a big piece of land in the Soragan area. They were targeting high-class customers. After the opening, they sometimes received the family of the Sultan and the family of the Minister of Education, Mr. Bambang Sudibyo at that time, who originally came from Yogyakarta. The management of the restaurant was also different from the one in Sosrowijayan. They applied modern management and hired a professional service manager, a promotion manager and a chef kitchen manager. They all had a tourism educational background.

As expressed by Elsa: ‘We wanted to make something different because the number of International tourists was getting fewer and fewer. We built the restaurant for local people and there should be something interesting for Indonesian people. However, we have been going on for almost 5 months now but the business is still not very good.

The impact of the crises on many people in Sosrowijayan was severe, including for Mas Indra and Elsa. However, with all the difficulties, Mas Indra and Elsa managed to handle the crises by utilizing their capital both in the form of social relationships and of their property.

The Impact of the Earthquake

Of all my research sites, Sosrowijayan was the only place that was not physically affected by the earthquake of 27 May 2006. No buildings were ruined, no roads were damaged, and nobody was hurt. I only saw slight cracks on the walls in a number of losmen or sliding or broken roofs but no serious damage. However, the earthquake badly affected the businesses for the majority of losmen owners in Sosrowijayan. Only few losmen owners benefited from the incoming foreign volunteers.

The earthquake took place just when all the losmen owners were expecting to earn some income from tourists. It was just about the time for the holiday season for both domestic and international tourists. Although they could not expect too much from international tourists, there were signs that a number of foreigners would come and stay in the area. Domestic tourists usually consisted of schoolchildren who were traveling in groups at the end of the academic year.
According to my informants, the situation was very chaotic on the day the earthquake struck Yogyakarta. Tourists left without even paying their bills. They ran to the closest train station to catch trains or buses or they went to the airport although later, they found out that the airport was closed. The road was full of people running back and forth. To find transportation to any destination was also very difficult. Rumors about a tsunami went round the city making the situation even more stressful especially when people on the street were screaming that the water had reached the area behind Malioboro Mall, which was located just a few meters from Sosrowijayan Street.

In the beginning, no activities took place since local residents were still too confused with the situation. After three days, foreign volunteers began arriving to help the earthquake victims. In the beginning, they were foreign volunteers who were in Aceh followed by volunteers from different nationalities. They all crowded in Sosrowijayan because this was the area which was practically unaffected by the earthquake.

The arrival of foreign volunteers in the area brought the international atmosphere back. The flow of these people improved the business situation in Sosrowijayan for some time. As expressed by Mas Abi, for a couple of months, everywhere, they could see foreigners working on their laptops. They were having dinner, having meetings, or even farewell parties in the restaurants. Sometimes, the volunteers also invited their friends who worked in Aceh to come over, and they had their coordination meetings or just spent the weekend in Yogyakarta. It also gave a feeling of excitement to the owners of a number of losmen where volunteers chose to stay.

Foreign volunteers who stayed in the Sosrowijayan area were only concentrated in a few losmen. Of all my informants, only three mentioned that they accepted volunteers after the earthquake. Only well-maintained losmen with good service could benefit from the earthquake disaster. The volunteers used recommendation from friends and relations and foreign guidebooks as references. The losmen owners in Sosrowijayan did not make any special promotion for their losmen, but with good services, networks of customers were formed as a result. Desa Losmen and Restaurant was one of
the *losmen* that did good business due to the earthquake as shown in the following case.

As I visited them after the earthquake and asked their business experience after the earthquake, they said that it was really good. Many volunteers were flowing into Sosrowijayan. Desa Losmen and Restaurant was one of the places they chose. The flow of volunteers started three days after the earthquake.

They received a group of German volunteers who used ten rooms in their *losmen* for three whole months. Then they moved to a house they rented. The rest of the rooms were occupied by NGO fellows from different Asian and European countries. They stayed for a couple of days and then they moved together with their groups to make the coordination easier as they often had to conduct meetings.

It was a coincidence they said that there were many volunteers from Germany who stayed with them. Once they received a guest who was a head of an NGO and he had a project in Aceh. He was happy staying at Desa and probably he also learnt that the owner was a German, Mas Indra said. He was the one who recommended his staff to book rooms at Desa when Yogyakarta was struck by the earthquake.

Because of the earthquake, guests who stayed in Prawirotaman also moved to Mas Indra’s place temporarily before they could continue their trip because transportation was also difficult at that time.

Mas Indra and Elsa made a good profit from their *losmen* business and their restaurant. Many people liked to spend time for a meeting or just to sit around in their restaurant. The guests of the restaurant were not always the same guests who stayed in Mas Indra’s *losmen* but also guests from other *losmen*.

Mas Indra and Elsa with their Desa Losmen & Restaurant was a rare case even in the Sosrowijayan area. Some *losmen* gained from the earthquake but the majority of *losmen* were having a hard time after the incidence. Three informants including Mas Indra said that the earthquake had a positive impact on their businesses. For them, the arrival of the volunteers compensated the loss of their income due to trip cancellations. The income they earned was even more than they expected. The owners of *losmen* with restaurant facilities could earn a double income for at least three months. In contrast, there were five *losmen* suffered from the earthquake since domestic tourists cancelled their trips to Yogyakarta. Many travelers cancelled their bookings, although they had already paid the down payment. This condition sustained until the Muslim New Year celebration in October 2006.

The earthquake forced several *losmen* owners to find alternative ways to make money to substitute the loss of income. The case of the Kumar family, the owner of Reva *Losmen* illustrates how they had to struggle with
unfavorable business conditions and how they tried to increase their meager earnings. The Kumar family thought the earthquake incident as yet another heavy blow on their losmen business. The prolonged crisis made the Kumar family more insecure economically. They had been working very hard to overcome this awful condition. Since the last two years before the earthquake, the family attempted to renovate their losmen in order to attract middle class domestic tourists. The earthquake struck when they were in the process of renovating their losmen. They expected to earn money from student groups who had booked rooms prior to the earthquake to pay for the renovation. However, because of the earthquake, the schools cancelled their trips to Yogyakarta and asked for a refund of the down payment they had made earlier. To support the daily needs Kumar family had to dip into their capital as the losmen had been empty for about five months. The cash flow of the household became troublesome. They complained that since they were a business enterprise, charges for telephone, and electricity and taxes were more expensive than those for normal households. In order to keep going, they had to prioritize their expenses. They also had to postpone the payment of the salaries of their four workers. For two months before the Muslim New Year celebration in October 2006, they could not pay their telephone bill and the telephone was disconnected. With the income they earned from a number of guests who stayed at their hotel during the Muslim New Year, they paid the bill and the fine. However, they decided not to have a long distance call connection anymore in order to reduce the cost.

They decided to open an Indian restaurant in front of their losmen. Cooking Indian food was a skill, which they could utilize to earn additional income. They expected that the income they would earn from the restaurant would compensate their loss of income due to crises. They were optimistic with the new business for a few reasons. Their location was strategic because the restaurant they built was located on the main road of Sosrowijayan. They also served very special food. By coincidence, their location was right in front of the new kelurahan office (the office of the chief of the district). They hoped that they could also serve the staff working there with snacks and meals.
After the volunteers left Sosrowijayan, the news of the effect of the earthquake was more widely spread so that losmen owners decided that it was necessary to convince their customers about the condition in Yogyakarta after the earthquake. Both foreign and domestic travelers still did not come until a few months later. To hasten the recovery, they launched an intensive promotion campaign. For example, Mas Abi from Elok Losmen & Restaurant expressed that until November 2006, the number of reservations was still very low and the earliest reservation was made in September 2006 for the arrival in December 2006. Although he was one of the few losmen owners who benefited from the arrival of foreign volunteers, facing the uncertain tourism condition, he actively answered questions and inquiries his customers sent him through email.

**Conclusion**

This chapter has portrayed the changes that occurred in the livelihoods of losmen owners at Kampong Sosrowijayan. Within a few decades, the lives of the losmen owners had swung from prosperity to despair. Before the series of crises started in 1997, many residents in Sosrowijayan relied on tourism for their living. Because of their strategic location, the Sosrowijayan residents were able to reap benefits from the tourist boom between the 1970s and the 1980s.

Over the years, the responses of the entrepreneurs evolved from one major crisis to the next. In all, there were two major crises, which strongly influenced the livelihoods of the losmen owners – the monetary crisis followed by the socio-political one, and the first Bali bombing. The earthquake, which struck Yogyakarta did not physically affect Sosrowijayan although it did cause the local economy temporarily to come to a standstill. Structurally, the losmen were not badly affected so that they could easily get back to business after the situation was under control. Consequently, a few losmen benefited from the flow of foreign volunteers, which kept their losmen full for a couple of months. However, without having any income for a couple of months, the majority of the losmen owners in Sosrowijayan were forced to prioritize their household economy. The flow of business capital to the household was therefore unavoidable.
In order to cope with the two major crises prior to the earthquake, the *losmen* owners employed different strategies. Due to the monetary and socio-political crises, they chose to switch to the domestic market. They used discount and over-use policies as the consequence of catering to domestic tourists. To make their *losmen* more marketable in the more competitive market, they resolved to renovation and advertising to attract more customers. Those with additional facilities for tourists and employing many workers applied cost reduction by closing down side businesses and cutting down the working hours of their workers.

Finding alternative revenues was unavoidable. They generally looked for jobs or set up alternative businesses. Furthermore, when the first bombing happened in Bali, the *losmen* owners adopted two main strategies. First, they focused more on catering for low budget domestic tourists. Secondly, they were more serious about their side businesses. Selling the *losmen* was also one of the strategies although only a few people resorted to this.

One major conclusion, which can be drawn from the process, is that tourism gradually ceased to be the most important source of income for the majority of *losmen* owners in Sosrowijayan. However, the study indicates that the intention to abandon their *losmen* businesses completely was still far from their minds. The prolonged crisis has forced them to diversify their economy and not only to concentrate on tourism in order to sustain their livelihood. They generally passively maintained their *losmen* businesses while waiting for the international tourists to return. In short, the entrepreneurial character and the flexibility generally found among the *losmen* owners in Sosrowijayan helped them to cope with the crises.