11 Embeddedness and business strategies among Santiago, Chile’s street and flea market vendors

Joel Stillerman and Catherine Sundt

Introduction

The informal economy has been a principal focus within studies of Latin America since the 1960s. Growing out of a discussion of urban marginality and building on analyses of street trading in Africa, students of the informal sector have been particularly interested in its relationship with the formal sector, its potential (or lack thereof) to spur economic development, and its role in poor people’s employment and survival strategies. Within this discussion, street vending has been an important focus because of its visibility in Latin American cities and because it challenges state regulation on two fronts: illegal commerce calls into question the state’s ability to collect taxes, raise revenue, and provide services; and street commerce (legal or illegal) potentially blocks street access to vehicles, pedestrians, or residents.

Notwithstanding the substantial body of work dedicated to the informal sector and specifically to street commerce, authors have directed less attention to vendors’ entrepreneurial strategies. These strategies are important to understand because they may provide insight into the sector’s economic potential as well as its relationship to urban redevelopment and employment policies. With this gap in mind, we explore the strategies developed by licensed and illegal vendors in several Santiago, Chile street markets (ferias) and flea markets. While many studies contrast the formal and the informal sectors, following Cross (1998), we utilize the intermediate category of semi-formality to classify these vendors because they pay for licenses and are partially monitored by the state, though they evade some regulations: they are distinct from both formal and informal firms.

We found key concepts from economic sociology useful in understanding vendor strategies as well as key differences between street vendors’ (feriantes) and flea market vendors’ business strategies. While economic sociologists have focused on leading-edge firms in the technology, auto, and garment sectors, we found similar dynamics in the economically and legally precarious setting of street vending. Much like their partners in more established industries, vendors’ strategies rely on their embeddedness in networks of
personal relations (Granovetter 1985) and rely on enforceable trust and bounded solidarity with network partners in order to identify crucial information, reduce risks, and effectively compete in a challenging legal and economic context (Portes 1994; Light 2004).

We found that in both settings vendors utilize long-term personal ties to hire workers, identify supplies, obtain and reciprocate support from peers, and prevent theft. Nonetheless, feriantes maintain a regular clientele, while flea market vendors have competitive, short-term ties with shoppers, reflecting their different customer bases as well as each setting’s distinct retail culture. Additionally, feriantes had hostile and competitive relations with unlicensed vendors (coleros), while some flea market vendors collude with their unlicensed counterparts. These differences reflect the fact that flea market vendors may perceive short-term gains from unlicensed vendors’ sales, while feriantes see coleros as their key competition. Additionally, flea market vendors’ short-term time horizons for relationships with customers make them less concerned about maintaining an honorable relationship with an established clientele; feriantes rely on this reputation to maintain a regular clientele and customers regularly monitor their behavior. Each setting’s distinct network ties, business orientations, and cultures explain these differences and demonstrate the semi-formal retail sector’s heterogeneity. In both settings, vendors’ reliance on embedded ties with suppliers, peers, and customers (for feriantes) may restrict their opportunities for expanding profits because it narrows their circuit of contacts and may reflect a risk averse orientation toward new markets and potential business partnerships.

Our argument proceeds as follows. We first review the literature on the informal economy and key concepts in economic sociology, and continue with context on vending in Chile as well as a discussion of our research design and methods. We proceed to examine the study’s findings and conclude with an analysis of the differences between street and flea markets and relate this discussion to broader issues in economic sociology.

**Business strategies within informal retail settings**

Much of the discussion of the informal economy focuses on delineating the boundary between formal and informal economic activity, legal regulations that regulate or economically inhibit informal actors, and the role of informal activity in micro- and macro-level economic performance. We build on one stream of research (De Soto 1989; Cross 1998) that distinguishes between formal, semi-formal, and informal activities to highlight competition licensed and informal vendors. We extend the discussion of informality via economic sociologists’ analyses of networks, enforceable trust, and bounded solidarity. While economic sociologists have argued that informal network relations within and between formal firms help foster leading economic sectors’ and firms’ success, we found similar dynamics in businesses often considered anachronistic, backward, and unprofitable. These observations strengthen
the argument that most economic behavior is rooted in interpersonal relations (Granovetter 1985) because it encompasses both leading firms and informal actors with a precarious legal status, little capital, and scarce formal education.

For our purposes, the informal economy “comprises economic actions that bypass the costs and are excluded from the protection of laws and administrative rules covering ‘property relationships, commercial licensing, labor contracts, torts, financial credit, and social security systems’” (Feige quoted in Portes 1994: 428). The informal sector is characterized by avoidance, noncompliance, or partial compliance with legal regulations (Portes and Schauffler 1993; Portes 1994; Staudt 1996), and is an undocumented way of doing legitimate business (Light 2004).

Without dwelling on the intricacies of a complex debate, we wish to briefly situate this chapter in relation to the three main perspectives on informality. De Soto (1989) developed the legalist approach, arguing that governments’ denial of property rights to informal economic actors has hamstrung an energetic and potentially profitable sector. State repression and haphazard regulation of informal activities along with the high costs of operating formal firms have prevented this sector from becoming the prime engine of economic development.

Tokman (2001) and his colleagues at the International Labor Organization (ILO) have developed the dualist approach, arguing that the formal and informal sectors are separate and the latter is a safety net that absorbs the surplus labor created as a consequence of stunted economic development or economic crisis. The sector consists of low-productivity enterprises developed by individuals who cannot gain access to limited available formal employment. He advocates a single, consistent, regulatory framework for the informal sector to boost workers’ and entrepreneurs’ human capital and help these enterprises become more productive and profitable (Tokman 2001).

Finally, the structuralist perspective, identified with Portes and others, states that the informal sector is interrelated with the formal sector, and the two will often expand and contract together in developing nations. Although informal actors are independent, they belong to a dense network of relationships. Informal enterprises may exploit opportunities left by legal relations; larger formal firms may subcontract via informal companies. This perspective emphasizes the interdependence of formal and informal enterprises, and the benefits formal enterprises receive from subcontracting relationships. Because we highlight the web of relations between suppliers and vendors, we find this perspective most appropriate to the case of Santiago, Chile (Portes 1989, 1994; Portes and Schauffler 1993).

While identifying with the structuralist approach, one of our principal foci is on competition between semiformal and informal businesses. As Cross argues,

informal firms may begin to formalize in some respects while remaining informal in others. For example, a business owner may obtain a permit
Embeddedness and business strategies

for her business, but remain outside the tax system, fail to follow labor regulations, and otherwise operate informally . . . But, as De Soto notes, semiformality can also mean that the government actively negotiates the implementation of regulatory norms without, however, changing actual regulations.

(1998: 35; see also De Soto 1989: chapter 3)

These two elements characterize the situation of the street and flea markets we studied in Santiago. As we outline below (see also Salazar 2003; Contreras and Weihert 1988 on Chile), local and national governments have partially regulated these markets, thus creating a distinction between formal, semiformal, and informal markets. However, the formalization of these markets is incomplete in that vendors use family labor and verbal contracts, and often do not pay sales or social security taxes. They are legally and economically located in between formal and informal actors.

While this scholarship has taken us a long way toward understanding informal firms’ position within national economic and legal contexts, with few exceptions (see Portes 1994; Polakoff 1985; Aliaga 2002; Morales 1993) students of the informal economy have not examined entrepreneurs’ business strategies. Here, we can learn a great deal from economic sociologists, who have argued that interpersonal networks undergird much (if not all) economic activity, serving as means to enforce agreements, reduce uncertainty and risk, and spur innovation.

Granovetter (1985) provides a starting point for this discussion. He criticizes Williamson’s assumption that all transactions occur between atomized economic actors and the argument that the large multi-divisional firm emerged to reduce “transaction costs” that market actors bear because they have difficulty avoiding others’ malfeasance in market interactions. In contrast to Williamson, Granovetter emphasizes “the role of concrete personal relations and structures (or ‘networks’) of such relations in generating trust and discouraging malfeasance” (1985: 490). He goes on to show that personal relations that generate trust and permit the enforcement of agreements facilitate inter-firm relationships via interlocking corporate boards and shared information on employees, smooth the flow of information and completion of tasks within firms, increase the flow of information in decentralized sectors like construction, and permit fraud and graft via the collusion of trust-based groups. Thus, interpersonal relations that many economists believed characterized pre-industrial economies are central to modern economic life.

Others argue that network-based relationships between firms in diverse sectors and activities (manufacturing, information- and bio-technology, publishing, construction, joint ventures) facilitate learning and innovation and hence profitability (Sabel 1994; Powell 1990; Powell and Smith-Doerr 1994). This is so because decentralized firms do not restrict individual initiative and creativity as bureaucratic firms often do, long-term network ties facilitate trust and information exchange, and small firm networks can
quickly adapt to changing markets and build skills. Additionally, repeated interactions between individuals and the expectation of future exchanges facilitate the growth of trust and cooperation (Uzzi 2001: 214–16; Powell and Smith-Doerr 1994: 370, 388; Polakoff 1985: 176–77; Sabel 1994: 155–57). In a complementary vein, Clarke (1999) shows how direct sales organizations are highly effective because of their integration of sociability, personal networks, and trust in the service of profit (see also Zelizer 2005).

These phenomena present in cutting-edge firms are more pronounced with informal economic activities:

The dynamics of economic action that Granovetter (1985) labeled ‘the problem of embeddedness’ are nowhere clearer than in transactions where the only recourse against malfeasance is mutual trust by virtue of common membership in a group. Trust in informal exchanges is generated both by shared identities and feelings and by the expectation that fraudulent actions will be penalized by the exclusion of the violator from key social networks.

(Portes 1994: 430)

The absence of state supervision or other formal means to guarantee agreements between informal economic actors necessitates the embedded social relations that are so central to formal firms and can only be carried out via “enforceable trust” that relies on the bounded solidarity shared by community members (Portes 1994: 431).

Consequently, street vendors, as a subset of informal economic actors, rely on social networks in order to guarantee agreements and take advantage of economic opportunities. Morales (1993) shows that Chicago street vendors enter the trade with knowledge from childhood observations or parental socialization, and rely on family and friends as workers, sources of licit and illicit merchandise, customers, and to secure a stable space within the market. Similarly, Polakoff (1985) notes that butchers in Bolivia rely on long-term ties with customers, competitors, and vendor associations to manage risk and engage in profitable, but illicit business practices. While we can find similar mechanisms at work in informal and high performance firms, Aliaga’s (2002) study in Lima, Perú cautions that ambulant vendors utilize “bonding” social capital with family and friends as business resources rather than “bridging” social capital with persons only known indirectly. These localized and closed networks facilitate vendors’ survival strategies but preclude great capital accumulation because they express vendors’ generalized distrust of actors outside their small circle with whom they might make profitable connections and reflect a defensive and risk-averse business orientation (compare Uzzi 2001).

Our data on Santiago street and flea market vendors builds on discussions of both semi-formality and embeddedness. Additionally, the presence or absence of enforceable trust and bounded solidarity in vending relationships
helps explain the differences between these two retail forms. Street vendors develop long-term ties with customers and suppliers because of their ability to elicit shoppers’ trust and to monitor debtors in their own community. Moreover, because local governments are reluctant to repress illegal vendors, semi-formal merchants must rely on their own political organizing to compete with both large formal firms and informal actors. Finally, street vendors’ location in neighborhoods and customers’ ability to monitor their behavior leads vendors to perceive a long time horizon in their relations with specific clients: it would be self-defeating to cheat regular customers.

Flea market vendors also rely on enforceable trust with colleagues and suppliers, but cannot depend on this mechanism with customers. This is so because, rather than relying on a regular clientele they can easily monitor, vendors have intermittent contacts with customers from the metro area and throughout the country. They cannot offer them credit or develop long-term ties with them. In contrast to street vendors, they have perceived a short time horizon for customer relations, and are thus more likely to view them instrumentally. This is one reason why some flea market vendors collude with unlicensed vendors: they can profit from illicit sales with one-time customers. Unlicensed vendors also benefit from logistical restrictions on guards and police that shield them from prosecution. We outline these findings below.

Chilean context

Like many Latin American countries, Chile experienced substantial industrialization and public sector growth from the 1940s to 1970s, but the demand for employment outpaced its supply. In the absence of adequate unemployment insurance, many poor people worked in the informal sector (Portes 1989: 8). Portes and Hoffman (2003: 53) found that still in 1998, between one-third and half of the urban economically active population in Latin America worked in informal employment, representing the largest segment of the workforce.

The Santiago metro area, whose population in 2003 was 5,040,001 (INE 2004), consists of 32 semi-autonomous municipal governments. In 1985, Santiago represented 33.8 percent of the country’s total population and 40.6 percent of its urban population, though its rate of growth declined from 1952 to 1982 (Portes 1989: 14–15). While Chile’s government has traditionally been highly centralized, the Pinochet dictatorship (1973–90) subdivided the municipalities to double their number from 16 to 32, increasing local municipalities’ political importance as service providers (Portes 1989: 21–23; Greaves 2005: 199; Salcedo 2004: 173).

The liberalization of land markets and external trade under the dictatorship facilitated the rise in consumer goods imports and the growth of big-box supermarkets and malls. In 1999, large supermarkets sold 53 percent of food and personal items (D’Andrea et al. 2004: 5). In 1997, the ten most important
malls in Chile had two billion dollars in sales, and in 2002, there were eleven regional malls in the Santiago metropolitan region (Salcedo 2003: 1093–94).

Nevertheless, in 2002, small supermarkets (four checkouts or less), corner stores, open-air markets, and outdoor kiosks sold 47 percent of food and personal items (D’Andrea et al. 2004: 4–5). Santiago’s neighborhood street markets have more than $2 billion in annual sales (El Mostrador 2005) and the metropolitan region hosts 401 neighborhood street markets (Punto Final 2005). Vendors purchase licenses from city governments (though may not pay taxes, pension, or health benefits), but many unlicensed vendors squat at market entrances.

The markets, while legally recognized, can thus be considered part of Chile’s informal sector, which Portes and Hoffman (2003: 56) calculate at 30.8 percent of the urban economically active population (including micro-entrepreneurs – employers of four workers or less, own account workers, and nannies). Furthermore, according to a 1997 survey, micro-enterprises (defined in the survey as firms with nine employees or less) constituted 80 percent of Chilean firms and 40 percent of the employed (Valenzuela and Venegas 2001: 19, 22–23). With the exception of government efforts to ban street commerce downtown (Contreras and Weihert 1988), government authorities are reluctant to repress unlicensed street vendors because they generate so much employment at little or no government expense, and shutting down markets could produce a political backlash (see Seligmann 1997 on this issue in Cuzco, Perú). Street vendors thus face significant competition from other legal vendors, illegal vendors, and the growing supermarket sector. They have built on their social networks to strengthen their economic and legal position in relation to competitors.

Research design

Research for this chapter was conducted during June and July 2001, July 2003, and December 2005 to January 2006. The data comes from 120 hours of participant and non-participant observation by Stillerman (along with two research assistants) in several street markets and in meetings of the national street market vendors’ association (ASOF). The street markets observed on the first visit are located in low- and mixed-income areas. Research on the second visit focused on two street markets in the Cerro Navia municipality in western Santiago and the Bío Bío flea market on the southern edge of the Santiago municipality. Stillerman and his assistants jotted down schematic notes immediately following field visits, wrote longhand notes as soon as possible afterward, and typed completed notes onto a portable computer.

Additionally, Stillerman conducted 24 formal interviews with street market merchants; scholars with expertise in the area; government researchers; and marketing professionals in banks, department stores, supermarkets, and shopping malls. He took longhand notes during interviews and computerized
the notes afterward. In addition to ethnographic and interview-based research, he collected relevant published documents, including newspaper articles, marketing studies, government data and studies, and NGO reports.

Market vendors as embedded actors

In the street and flea markets we observed, vendors face many challenges toward their goal of maintaining and expanding profitable businesses. These include identifying and maintaining a regular clientele, securing labor and supplies, maintaining cooperative relations with other vendors, guaranteeing their own and their customers’ safety, and gaining adequate government services. Vendors’ strategies rely heavily on practices of reciprocity via kin and non-kin networks, while they address government via collective political action to improve markets’ legal and economic status. These strategies point to vendors’ flexibility in identifying business opportunities, gaining needed information and obtaining resources, as well as their embeddedness in trust-based long-term relationships. Street and flea market vendors are differentiated by their long and short time horizons for sales that affect their relations with customers and unlicensed vendors. Before reviewing our findings, we provide background on the two types of markets.

Street markets

Santiago’s street markets (ferias) have existed since before the colonial era. While the city’s plaza was the site of seasonal markets and festivals during the colonial era, city and church officials forced these activities into the urban periphery in the nineteenth century and later prohibited neighborhood carnivals and fiestas they considered immoral. Periodically, unlicensed food vendors attempted to sell goods near downtown public markets, but city government pushed them back into urban neighborhoods. From the late 1930s until the mid-1950s, the national government legalized these neighborhood markets to reduce food prices by allowing producers’ direct sales. In reality, vendors who purchased from farmers at wholesale markets came to dominate street markets (Salazar 2003; compare De Soto 1989 on Lima and Cross 1998 on Mexico City). In 1976, the dictatorship revoked the 1939 law regulating street markets, leaving vendors at the mercy of local government officials.3

Today, virtually every Santiago neighborhood has a feria that rotates between different streets on different days. Municipal governments grant a market access to a given street on a particular day of the week and close off the street. Though markets originally only sold fresh produce, they now include other foods, household goods, clothing, and entertainment items. Legal vendors (feriantes), organized as small family businesses of two to four members (often multi-generational), purchase permits (costing on average $120 every six months) from the relevant municipality and pay smaller fees
for waste disposal and portable toilet rental. Vendors park their cars or pickup trucks that hold their merchandise, and set up tables in front with a tarp or awning over their table. Vendors of canned foods and household goods have more elaborate, store-like carts, as do fish and meat salespeople.

Unlicensed vendors (coleros) spread their goods on blankets on the ground, tend to work alone, squat at the entrance of the market or along perpendicular streets (where they risk ejection by police), and specialize in new and used clothing sales with a minority selling pirated CDs and DVDs and small electronic items. Thus, coleros could potentially attract shoppers’ attention and thus draw them toward the ferias, or they could compete with feriantes either by selling the same goods for lower prices or by capturing a large portion of shoppers’ disposable income. They are divided among the unemployed who cannot afford license fees; those who purchase cheaper provisional licenses ($10 or $20 US) and sell new goods; and more prosperous entrepreneurs (their car ownership and large stock indicate they could afford license fees) who flout the law (Salazar 2003: 87–89; Leemira Consultores 2004: 6–7, 126–27, 132; Stillerman 2006a).

Feriantes purchase goods in wholesale markets. Most ferias are located in the low- and moderate-income sectors of northern, southern, and Western Santiago, and satisfy a market niche among residents with modest incomes and often-sporadic employment. These residents may lack transit access to supermarkets and formal credit, have limited incomes that require them to buy products in small sizes, and prefer the quality fresh produce and personal relationships they maintain with local vendors. (Some middle- and upper-class citizens also attend markets to buy fresh foods.) (Salazar 2003: 87–93; Leemira Consultores 2004: 6–7, 126–27; Stillerman 2006a; ASOF 2005.)

Flea markets

While flea markets originated as antique stores near downtown Santiago (they are today known as ferias persas or mercados persas – literally “Persian markets” evoking images of the Middle Eastern bazaar), these markets now offer more diverse products. Today, Santiago hosts several indoor flea markets that attract large crowds, especially on weekends. The Bío Bío market is the best known and is located in an older neighborhood near downtown Santiago. The market hosts individual vendors crowded in several defunct factory buildings and covers approximately one square mile. Originally a street market, city authorities forced vendors indoors during the 1970s and again in 1995 (Salcedo 2004: 95), though a smaller number of street vendors today still work on the sidewalks, especially on weekends.

Products sold include clothing, furniture, computer goods, antiques, tools, and bric-a-brac. Individual vendors or families rent stalls, and specific types of products are grouped in specific sections of a building or in different buildings. For example, used goods and hardware share space with antiques, while there are separate buildings for computers, furniture, and bicycles.
The market sits alongside the city’s defunct stockyards, which the government moved to an outlying district during the 1960s, though many small restaurants, butchers, and fresh fish stores still operate there. Much of the clothing and software is clearly pirated merchandise, and citizens widely believe that many of the used goods sold there are stolen. In addition to its reputation among some as a thieves’ market, the neighborhood is known for high assaults rates, though crime does not seem to deter the large crowds the market attracts.

**Identifying and maintaining clientele**

*Feriantes make use of the markets’ neighborhood context to develop variegated networks with their peers, suppliers, and customers. Since many markets have remained on the same neighborhood for decades, customers can find, within a few blocks of their homes, the same merchants operating once or twice per week on a regular basis. Because of the ferias’ permanence in residential areas, vendors are able to rely on long-term relationships with their regular customers, or *caseros*. Vendors may set aside quality merchandise, place special orders, or provide trust-based credit to their *caseros*.*

Many customers who do not have access to formal credit shop at street markets, and utilize the *abono* or *fiado* system in which customers pay off items by installments. This system offers regular customers flexible payment options based on trust developed over the long term, while it permits vendors to expand their sales base in low-income areas. Vendors also use several techniques to reduce the risk of customer default, including extending credit to family members of current customers, surveying potential debtors’ homes to assess their income and responsibility, and visiting customers’ homes on a weekly basis to collect payment. Laura, a clothing and furniture vendor, explains: “I’ve changed the way I provide credit. I’m more careful now. I go out and evaluate their homes before I offer credit. They can be poor, but I want to make sure their homes are clean. That tells me they’re more responsible.”4 The neighborhood location of ferias and regular accessibility of clients allows vendors to obtain effective information regarding clients’ reputations, monitor their behavior, and build the trust and loyalty that keeps customers returning and up-to-date with their bills. Vendors’ direct monitoring of debtors’ homes and use of family members as entry points for expanding their customer base exemplify of the phenomena of enforceable trust.

*Feriantes use a variety of tactics to attract customers. Produce vendors repeat sales pitches, while others play music or banter and joke with customers. Once customers are interested, vendors talk to their customers about their products’ health benefits. Laura gives her *caseros* Christmas presents, a strategy she learned from her father, a lifelong merchant. Other vendors make a point of listening intently to customers’ personal problems, taking on a quasi-therapeutic role.*

Flea market vendors are less able to rely on enforceable trust with
customers. Because of their metropolitan-wide clientele, vendors do not develop the close ties with regular customers evident in the street markets. Vendors do not extend credit to shoppers, as their short-term interactions create higher default risks: “Almost no one accepts credit cards here … We accept some checks, but it’s problematic because we don’t have the verification service that mall stores do.” In contrast to feriantes, flea market vendors maintain a short time horizon for sales – they are less likely to have regular customers.

A less tangible factor affecting arm’s-length ties between vendors and customers is the market’s retail culture. The Bío Bío market is widely known as a source of great deals, but vendors may cheat customers or sell them defective, pirated, or stolen goods. Thus, buyers and sellers are modestly distrustful of one another and seek to outsmart their counterparts.

For example, furniture vendors start prices high because they know customers will try to haggle, and some salespersons change the asking price depending on how much they guess a person can afford. They use scripted lines such as saying an article is the last item they have in stock, and repeating the quality, options, prices, and guarantees that come with each product. According to Leon, a vendor, each salesperson may lower the price enough to keep a customer. While vendors are less likely to have a regular clientele (except restauranteurs who buy large lots of furniture on a regular basis), they mimic feria vendors’ personalized style in the effort to attract customers who frequent the ferias. In an atypical example, a salesman hoped regular customers of Asian heritage might refer compatriots because of his low prices. He also mentioned he had received a $5,000 loan based on a handshake from a Taiwanese immigrant friend.

The gamesmanship noted above is evident in the following staged performance reminiscent of Erving Goffman’s observations of confidence artists’ “front stage” routines:

Maria [business owner] and Leon [employee] collaborate on a sale:

Maria – “It costs $15. Leon, how much is it?”
Leon – “For the lady, $12.”

I asked about the practice.

M – we reverse the roles as well. Leon will ask me how much it costs even though he already knows the price range he can use.

Another customer comes.

L – “Maria, how much do the presidential chairs cost?”
Leon takes out calculator: “It’s $175.”

In another humorous example of trickery, itinerant vendors sold what appeared to be substantially discounted copies of the Walt Disney film
Pocohontas, but in fact the tapes were blank. Thus, unlike street market vendors who are embedded in long-term ties with shoppers, flea market salespeople cannot rely on enforceable trust in relation to customers and both vendors and customers in this latter setting may compete to outsmart one another.

**Labor and supplies**

While *ferias* and flea market vendors differ in the nature and duration of their network ties with customers, they mobilize labor and secure supplies in similar ways. In both settings, vendors operate multigenerational family businesses using unpaid family labor or verbal contracts without paying health or pension benefits. One can find several family members working at different stalls in the same or separate businesses in both settings. After dismissing an employee who was not a family member for theft, a Bío Bío furniture retailer emphasized that only family members are trustworthy employees.

Kin and non-kin network ties become important sources of supplies. While produce vendors maintain arm’s-length ties with wholesale vendors, furniture and clothing vendors in both settings rely on long-term ties with suppliers. Laura, quoted above, uses a wide range of suppliers for clothing, including her sister and Korean vendors (with whom she haggles and at times buys without a receipt in an act of collusion so the wholesaler can avoid tax payment). She also follows up on "cold call" suppliers who arrive at her stall, seeking new sources if she learns the goods offered are not stolen. Finally, she purchases clothing from a local seamstress, thereby maintaining particularistic ties with neighborhood producers: "I buy from her all the time. She supports herself with clothing sales, so I have to buy from her" (compare Uzzi 2001). A shoe vendor in the same market also prefers purchasing high-quality leather shoes from small workshops (most of which failed in the face of low-cost foreign competitors).

Bío Bío vendors also rely on personal networks for regular purchases as well as in emergencies. The furniture business we studied relies on a regular set of small furniture workshops located in Southern Santiago. They extend credit to these suppliers until they arrive with shipments. On one occasion, the male co-owner’s brother had requested a “loan” of 24 chairs, generating tension with his wife who argued the brother was too cheap to purchase chairs himself. In contrast, she might buy more expensive chairs from a personal contact when in need, arguing that it was necessary to invest in relationships. In both these settings, vendors rely on long-term, trust-based relationships in hiring personnel and acquiring supplies.

Used-goods salespeople also rely on friendship networks for information regarding supplies, and here, the vendor’s ability to identify under priced items that could receive a substantial resale markup is essential to an effective business. One vendor with family ties in both *ferias* and flea markets
comments, “I have a lot of friends who are coleros working in the feria, and sometimes they say, ‘hey negrito,’ I have something to sell you, are you interested?” and I say, “Let’s take a look.” If it’s worth it, I buy it to resell. In this case, personal contacts are critical sources of information on undervalued merchandise that can be resold at a hefty profit in a different venue.

Cooperation with other vendors

In both settings, personal networks and acts of reciprocity are significant in relationships among vendors and between vendors and customers. In the feria, long-term relationships foster bounded solidarity among vendors or between vendors and customers. In Cerro Navia, a vendor procured a wheelchair from shoppers to take a fellow vendor suffering from terminal cancer on trips outside Santiago. A northern Santiago vendor who was mugged at the wholesale market and lost money destined for goods purchases received spare clothing from wholesale vendors and loans from other feriantes. Finally, a southern Santiago patron of a local market with long-term relations with vendors received food donations from vendors when her granddaughter suffered severe burns in a fire.

Bio Bío vendors lend supplies to peers as needed, agree not to sell the same products as vendors in neighboring stalls, jointly care for dogs located in the market, take collections for medical treatment and funerals of fellow vendors, and also collaborate in sales of complementary items when a customer seeks an item an individual vendor does not stock. In both settings, bounded solidarity among vendors facilitates resource sharing for mundane tasks and extraordinary events like the death of a workmate.

Security

Since ferias and flea markets do not have the resources to install surveillance cameras or hire a full security staff, they must rely on other means to create a safe environment for themselves and their customers. In some ferias, vendors are aggressive in their own protection, given the lack of security guards and the portability of their merchandise. In some poor areas, feriantes will mete out vigilante justice against thieves. However, vendors are more likely to collectively monitor the streets to identify thieves as well as collaborate with community-based police.

In Bio Bío, private security guards survey the premises in an effort to prevent theft, control unlicensed merchants, maintain security, and keep order. Vendors attempt to apprehend thieves immediately because security is short staffed. Police are most visible on the weekends, when customer volume is highest, but are less reliable during the week. In each of these settings, vendors often rely on their own informal networks to maintain a secure environment.
Relations with unlicensed vendors

The feria and flea market vendors studied are licensed merchants, though municipal governments, police, and building administrators (in the flea market case) do not exclude unlicensed vendors from operating nearby. As a consequence, feriantes have organized collectively at the local, city-wide, and national level to improve their legal and economic status, while some flea market vendors have pressured their building administrator to expel unlicensed vendors.

As noted above, coleros who do not pay the approximately $240 per year in license fees plus smaller fees for garbage disposal and toilet facilities set up their blankets on the streets next to ferias (where shoppers enter) or on streets perpendicular to the ferias. While there is no easy way to measure coleros’ economic impact on feriantes, vendors and a recent survey indicate three ways coleros’ sales might directly compete with feriantes while operating at a lower cost. First, for those feriantes who sell comparable items to coleros, the latter can charge lower prices for these products because they do not pay license fees. Second, vendors complain that customers see the coleros first as they enter the feria, spend money on the cheap items, and thus have less money to spend in the feria. Third, in many neighborhoods, particularly on weekends, there are two to three times as many coleros as feriantes. For example, Puente Alto, a fast-growing Santiago suburb, has 3,500 licensed vendors and 10,000 coleros. Thus, feriantes fear that none of the vendors will profit because sales are spread too thinly. While the presence of a small group of coleros might attract customers to the feria and thus benefit all vendors, the massive number of coleros undercuts these possible benefits to feriantes.22

Neighborhood-level feriantes’ organizations have pressured city government to remove coleros or feriantes operating with falsified licenses, but authorities either ignore these demands, only compel coleros to move down the block, or offer unlicensed vendors inexpensive provisional or used goods licenses. A city official commented that the mayor was reluctant to crack down on coleros because of high unemployment rates.23

As we argue elsewhere (Stillerman 2006b), vendors’ inability to gain local government enforcement of vending laws results from political and economic changes under Chile’s 1973–90 dictatorship. In brief, the military government suspended the feria law in 1976, placing vendors under the rule of general retail laws that did not take into account the specific circumstances of street vending and at the mercy of mayors appointed by the generals. Moreover, the dictatorship refused to recognize or negotiate with existing vendors’ organizations, and a subdivision of municipalities left some ferias straddling municipal boundaries. Free-market economic and social policies made jobs less stable and economic downturns in 1982–83 and 2001–3 created massive unemployment, filling the ranks of taxi drivers and salespeople. Ferias were thus subject to an ineffectual regulatory system, mayors’ arbitrary rule, and competition from unlicensed vendors.
In the 1990s, vendors in the La Florida suburb built a citywide organization, thanks in part to their political ties to a sympathetic congressman, an agronomist in Santiago’s largest wholesale market that supplies the ferias, and advocates in the non-profit sector. Through these connections and their own experiences as political activists prior to the military coup, vendors created the National Association of Feria Organizations (ASOF). This organization has had modest success gaining government grants to train vendors in accounting and retail service, bank loans for vendors, and other services. They helped draft a pending bill that would stabilize vendors’ positions in existing markets, and are currently conducting a pilot program with the United Nations Food and Agricultural Organization to use the ferias as conduits for public health and food security campaigns that would link them with small farmers. These modest successes reflect vendors’ political experiences, network ties with powerful figures, and the fact that some feriantes’ demands resonate with government anti-poverty initiatives. These projects have not effectively addressed the fundamental un- and under-employment problem that produces thousands of coleros.

In the Bio Bio market, some individuals work completely outside regulations and without registration or fees. Unlicensed vendors (piratas), make money by approaching customers, assisting them in finding an item, charging more than its sales price, and pocketing the difference. Many vendors dislike the pirates and refer to them as parasites, but cannot do much to stop them. Pedro, a pirata, is the son of a furniture manufacturer and worked as a licensed vendor for two years before becoming an unlicensed vendor. As a consequence, he understands the business as well as sales practices in the market and claims to have had much success in his business, earning enough to pay a car loan and a mortgage.

Understanding the piratas’ ability to ply their trade requires an examination of administrators’ and guards’ limited ability to prove their guilt, licensed vendors’ own illegal behaviors, police indifference, and piratas’ own forms of self-governance and cooperation. The building’s administrator and security guards express frustration at their inability to remove the piratas:

The administrator stopped by Maria and Isaac’s stall. “I’ve got 125 delinquents inside here and I’m not talking about someone that steals a little thing from you. They defraud people. The licensed vendors sell at $60 and the pirate sells it elsewhere at $200.”

Guard – “And as a guard, if I call it to the person’s attention, I’m the bad guy.”

A – “The police can’t do anything about it if they don’t see it – it’s the vendor’s word vs. the pirate’s. If the cop sees it, he brings the complaint to a judge and the judge decides. They came here once to interview us without letting us know ahead of time and they shut this place down for a whole day. We work every day of the year except Christmas and New
Years so it hurt the vendors a lot. 70 percent of the people here work illegally without papers. So they closed this place down. SERCOTEC [government agency promoting small business development] did the study. The police and detectives don’t come inside here. Some people carry knives here. There are only seven of us [administrators] here, and it’s dangerous here, but the owners support us. This place is like a closed world where no one [from outside] gets involved.”  

On a separate occasion, the administrator commented, “I have to deal with twelve lawsuits against the market, the majority of which result from vendors’ non-payment of social security and health benefits to employees.” Here, the administrator points to several difficulties in apprehending the pirates. It is difficult for short-staffed guards to catch pirates “in the act.” Since police are in the building infrequently, are unlikely to see crimes as they occur, and they file crime reports, a court judgment is unlikely to favor licensed vendors and/or the market’s administration. The manager also insinuates that she does not wish to draw government attention to the markets because vendors do not pay their employees legally required benefits. Additionally, by describing the markets as a “closed world,” she suggests that, with few exceptions, government authorities may fear entering an apparently dangerous setting or may have an agreement with the owners not to interfere with market activities.

In addition, two guards and one pirate note the collusion between some vendors and pirates. A guard comments, “The pirates get along well with the licensed vendors because if they have the choice between selling nothing and selling something, they prefer to sell. The problem is that often the pirates lie and try to defraud customers. They keep their surcharge without giving customers the merchandise they purchased.” Pedro continues, “For businesses, it’s cheaper to use a pirate than to pay salary and commission to an employee.” Thus, while some vendors resent the pirates because they think their unscrupulous practices (charging large surcharges or refusing to deliver purchased merchandise) scare away customers, others cooperate with them to gain short-term profits at shoppers’ expense, and may shield piratas from apprehension.

The piratas limit their own behaviors in order to prevent major conflicts with licensed vendors:

The most important thing of all (so as not to fight with the owners) is not to take a client away from a store. That is to say, if a client was interested in something before a pirata arrived, he must respect the rights of the store, and he can’t take him away. The other rule is that the piratas must not interfere when another pirata is helping a customer.

Thus, unlike the relationship between feriantes and coleros, which are largely antagonistic, some flea market businesses tacitly collaborate with piratas.
Additionally, apathetic policing in the markets, licensed vendors’ own routine violations of labor law, and the difficulty of proving piratas’ fraudulent acts provide these unlicensed vendors ample room for maneuver. The collusion between vendors and piratas reinforces the point that embedded relations may promote illegal actions because effective criminals act in concert (Granovetter 1985; Polakoff 1985). Additionally, vendors’ short-term ties with customers may help them justify participating in unscrupulous sales practices.

Conclusion

While much scholarship on the informal sector has attempted to determine its role in a nation’s economy and its relationship with the formal sector, we have focused on semiformal street and flea market vendors’ business strategies. This analysis has demonstrated the complex ways vendors utilize kin- and non-kin network ties with peers, suppliers, customers, and political authorities to prosper, manage risks, and effectively compete. Their emphasis on flexible networks, enforceable trust, and bounded solidarity, we argue, serves them well in a legally precarious and inhospitable context.

In both cases, vendors use embedded networks with peers and suppliers in order to intensify sales and manage risks. Additionally, vendors’ instrumental use of these ties also spills over into acts of reciprocity in which no immediate return is expected. In both settings, vendors exchange favors and engage in solidary acts with their peers. In this regard, networks are multifaceted: business relations blur into friendships and the two are mutually reinforcing (compare Uzzi 2001: 214; Padgett and Ansell 1993).

The different forms of network ties feriantes and flea market vendors maintain with customers and unlicensed vendors explain, in part, their distinct relationships with these two groups. Because they operate over the long-term in residential neighborhoods, vendors are able to develop embedded ties with customers that benefit both parties and shape the character of doing business. In contrast, because flea market customers make one-time purchases and come to the market irregularly, vendors have arm’s-length network ties with them and operate based on short time horizons.

The differences in vendor–customer ties between these two settings also result from their distinct retail cultures. Ferias are understood as safe, family spaces where one participates in their community by neighboring and visiting with regular vendors (see Salazar 2003; Stillerman 2006a). In contrast, Bío Bío market vendors and customers adopt a competitive stance toward one another and understand that the likelihood of malfeasance and deviance are ever present. These cultural differences underscore the point that economic behavior should not be understood simply as instrumental action constrained by network ties. Rather, cultural beliefs and practices are inextricably linked to and shape economic behavior (Zelizer 1989, 2005; Clarke 1999).

Variations in relations between licensed and unlicensed vendors in ferias...
and flea markets also reflect their distinct network ties and relations with government officials. Because they are physically separated and see their activities in direct competition, feriantes remain aloof from coleros. Indeed, they see coleros as the main source of their economic problems, and as free riders in a setting where they comply with the law. As a consequence, they attempt (mostly unsuccessfully) to persuade local officials to remove them.

Some flea market vendors, in contrast, collude with piratas because they gain an immediate economic benefit from increased sales (even though piratas may scare off customers over the long run). Moreover, vendors who collude with guards can shield them from apprehension by guards, and market administrators fear excessive government oversight of licensed vendors' often-illegal activities.

These findings point to the usefulness of concepts from economic sociology for understanding informal vendors’ entrepreneurial strategies as well as variations across different types of markets. The fact that ideas used to understand the auto, garment, high-technology, and other industries would also apply to undercapitalized sectors with a precarious legal status speaks to the general relevance of the concepts of embeddedness, enforceable trust, and bounded solidarity for understanding economic behavior. Nonetheless, it is important to underscore the differences between these vendors and leading-edge businesses. While the businesses we studied are more economically stable than ambulant vendors in Lima, Perú (Aliaga 2002), these vendors have very different opportunities for profit growth than, for example, high-technology entrepreneurs in Silicon Valley or Japanese auto company subcontractors. Much like the Lima vendors, feriantes and flea market vendors have limited formal education and utilize their network ties as a means of survival and in the hopes of funding their children’s education, but cannot be described as “innovators” who will transform Chile’s retail sector. Their preference for “bonding” rather than “bridging” social networks means that they operate within a small social circle and may harbor a risk-averse business orientation, thereby inhibiting potential profit opportunities. However, the usefulness of these concepts suggests that the study of street vending can move on from developing overarching definitions of the informal sector as a whole to exploring the complex and diverse strategies street vendors use to survive and thrive.

**Bibliography**


Joel Stillerman and Catherine Sundt


Embeddedness and business strategies


—— (forthcoming 2006b) ‘The Politics of Space and Culture in Santiago, Chile’s Street Markets,’ Qualitative Sociology, 29(4).


Notes

1 The authors gratefully acknowledge funding support for portions of this research from the International Studies Program, Office of Research and Development, and Student Summer Scholars (S3) program, Grand Valley State University. We also very much appreciate the valuable comments we received on an earlier version of the chapter by two anonymous reviewers and volume editors John Cross and Alfonso Morales.

2 The metropolitan region, which includes a number of rural counties, has a population of six million. However, Santiago county (provincia) is normally understood as the metropolitan area. It includes 32 municipalities, though Puente Alto and San Bernardo, located in separate counties, are now considered part of the metro area.

3 Punto Final (2005)

4 Field notes, Feria El Montijo, Cerro Navia, western Santiago, 13 July 2003. Interviews conducted by Stillerman and Tomás Ariztía in Santiago, Chile and
translated by Stillerman. Observations conducted by Stillerman, Ariztía, and Patricio García. Individuals who wished to be identified by a pseudonym appear as first name only; all others appear with first and last names.

5 Field notes, Feria El Montijo, Cerro Navia, western Santiago, 13 July 2003.
6 Close ties with customers may exist in the food sales area, though we did not gain entrée with these vendors.
7 Field notes, Las Gangas building, Bio Bio market, 13 July 2001. This vendor’s wife, a partner in the business, commented that they had received a check with insufficient funds from an upper-class patron: field notes, Las Gangas building, Bio Bio market, 1 July 2001.
10 Interview with Arturo, 24 July 2003.
15 Interview with Arturo, 24 July 2003.
16 Field notes, Feria Las Viñitas, 22 July 2003.
17 Field notes, Chilean Street Market Vendors’ Association (ASOF) meeting, 22 July 2003.
18 Field notes, San Ramon feria, 5 August 2001.
20 Interview with Arturo, 24 July 2003; interview with Raúl, La Granja municipality, 29 July 2003.
24 Interview with Pedro, 7 August 2003.
28 Interview with Pedro, 7 August 2003.
29 Interview with Pedro, 7 August 2003.