



IMPACT OF BIG BUSINESSES IN CHINATOWN

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The purpose of this research is to examine the impacts of the Walmart Neighborhood Store and Starbucks on Asian small businesses in Los Angeles' Chinatown. The key question is whether these chain-store developments are displacing existing businesses. Moreover, large-scale development is likely to alter Chinatown's cultural significance as a historic place where Chinese immigrated to live and work in Los Angeles. This research examines whether Walmart and Starbucks are attracting more customers for ethnic small businesses or threatening these businesses' sustainability.

This brief explores both the Walmart and Starbucks sites because they are newly developed establishments that share very different characteristics from the rest of Chinatown's ethnic businesses. We will be primarily analyzing the consumers of Walmart and Starbucks in regards to the reasons that they shop there, how often they shop there, and whether they shopped in Chinatown before or after the corporate businesses opened. In addition, we disaggregated some of the data for residents and non-residents of Chinatown to determine if these businesses are attracting new consumers to the area.

BACKGROUND

The purpose of this research is to examine the impacts of the Walmart Neighborhood Store and Starbucks on Asian small businesses in Los Angeles' Chinatown. The key question is whether these chain-store developments are displacing existing businesses. Moreover, large-scale development is likely to alter Chinatown's cultural significance as a historic place where Chinese immigrated to live and work in Los Angeles. This research examines whether Walmart and Starbucks are attracting more customers for ethnic small businesses or threatening these businesses' sustainability.

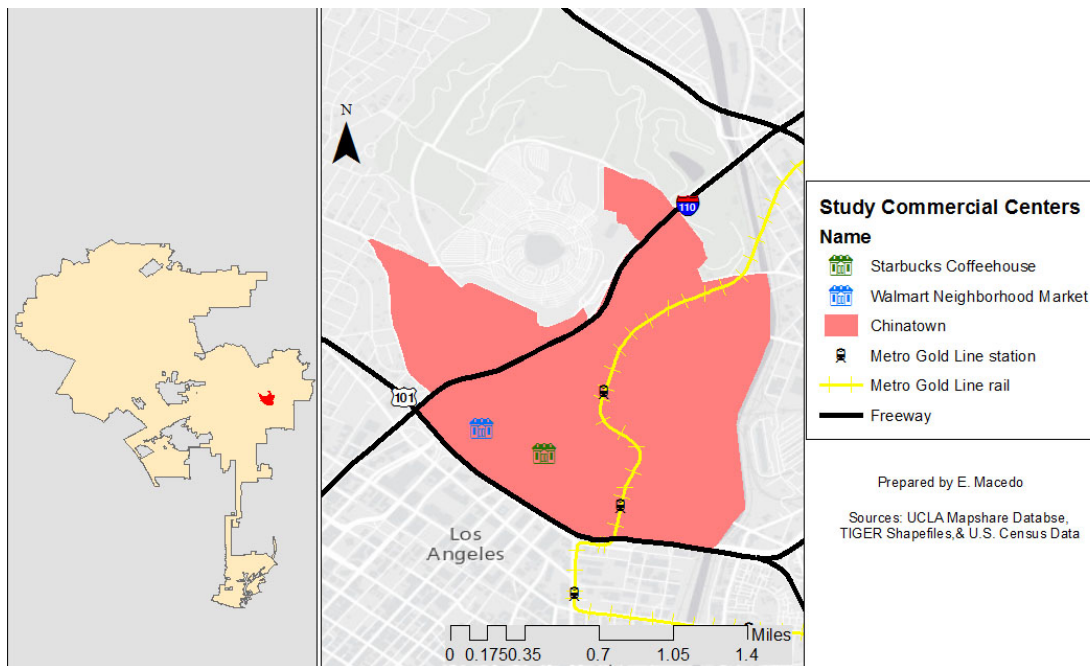
Main Findings

- More than half of all individuals interviewed at Starbucks reported visiting there at least once a week, while a large majority of Chinatown residents interviewed at the Walmart site purchased from there at least once a week.
- Since the arrival of Walmart, there is a slight decrease in the number of residents that shopped in Chinatown and an increase in residents who have ceased to shop locally.
- The number of resident and nonresident consumers at other Chinatown businesses remained relatively consistent before and after the arrival of Starbucks.

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METHODOLOGY

The purpose of this research is to examine the impacts of the Walmart Neighborhood Store and Starbucks on Asian small businesses in Los Angeles' Chinatown. The key question is whether these chain-store developments are displacing existing businesses. Moreover, large-scale development is likely to alter Chinatown's cultural significance as a historic place where Chinese immigrated to live and work in Los Angeles. This research examines whether Walmart and Starbucks are attracting more customers for ethnic small businesses or threatening these businesses' sustainability.



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Data Limitations

As for data limitations, we had difficulty surveying and interviewing potential participants due to restricted access at the site locations. We were unable to conduct the surveys inside the stores or block the doorways, so we stood a few feet from the entrance doors. In addition, our research project was for a short period of time (approximately 6 months ending in August 2014) with limited staff and financial resources.

LITERATURE REVIEW

This section summarizes some of the published articles regarding Walmart and Starbucks' neighborhood and economic impacts at other locations. There is a dearth of research on the issue of Starbucks' effect on small businesses, albeit there are a few media articles using some fieldwork and interviews. In contrast to Walmart, it appears that Starbucks have less of a direct, negative impact on local independent coffeehouses and bakery stores. As one article stated, a Starbucks may actually have increased business for nearby stores. Further research should be conducted in order to quantify the direct consequences and any externalities of Walmart stores and Starbucks and to determine if they alter the cultural significance of ethnic communities like Chinatown.

Walmart

The majority of the articles and publications on Walmart tend to focus more on their macro-level impacts as opposed to the influences on a local community's small business environment. Several articles describe how large retail outlets, selling a diversity of

Walmart Shopper Demographics (n=104)

Race/Ethnicity	Frequency	%
Asian	48	46%
Latina/o	26	25%
Non-Hispanic White	19	18%
Non Hispanic Black	10	10%
Other	1	1%

Age	Frequency	%
20 and Younger	21	20%
21-40	55	53%
40 and Older	28	27%

Gender	Frequency	%
Male	46	44%
Female	58	56%
Other	0	0%

Source: Quantitative Survey Result;
Data Analysis by J. Fang

products, may displace some specific small businesses within a distinct industry. A 2014 investigative report discovered that after a Walmart Neighborhood Store opened in Los Angeles County in March of 2013, several businesses within close proximity had either encountered the following: 1) transitioned into a different service to remain uniquely competitive, 2) experienced too much of a loss in customer base and thus, were struggling to remain financially solvent, or 3) closed their business because of the new store.

Through a similar lens, a 2011 report by a New York City stakeholder association conducted an economic study to simulate the effects of a Walmart Neighborhood Store in a community where small firms served the needs of most residents. The author concluded that 30 to 41 small businesses could potentially be displaced should a large corporate outlet open in a neighborhood like Harlem.

A political science newsmagazine in 2011 featured several articles about the varying

Starbucks Shopper Demographics (n=101)

Race/Ethnicity	Frequency	%
Asian	49	48.5%
Latina/o	25	24.8%
Non-Hispanic White	18	17.8%
Non Hispanic Black	8	7.9%
Other	1	1.0%

Age	Frequency	%
20 and Younger	23	23%
21-40	61	60%
40 and Older	17	17%

Gender	Frequency	%
Male	60	59%
Female	41	41%
Other	0	0%

Source: Quantitative Survey Result;
Data Analysis by J. Fang

levels of Walmart's operations. One of the articles emphasized small business closures which may have been caused by Walmart. The article cited a study where from 1983 to 1993, Walmart had opened 45 regular stores in Iowa, and there was an unprecedented amount of department stores, apparel outlets, hardware firms, and grocery markets that closed.

Starbucks

There is also a paucity of inquiries into what conditions do Starbucks establishments create in ethnic business communities. A research publication in 2011 confirmed that retail coffeehouses similar to Starbucks reduce the crime rates in some urban communities of color that in turn entice a more affluent demographic to relocate to the area. Authors explained the complex nature of how chain outlets like Starbucks reduce violent crime in urban neighborhoods. Through an urban design lens, higher end amenities do have the potential to increase foot traffic that accomplishes two ideal planning outcomes:

stimulate economic activity and provide more “eyes on the streets” within that community. Thus, these new conditions could create more favorable living standards and entice a population to move into an area that is experiencing more infrastructure and commercial investment. Starbucks, as documented by the authors, do attract more investors that spur new market-rate housing development as well as the privatization of neighborhood resources in order to increase land values. While it is a given that Chinatown is in a flux of ethnic and socio-economic transition, it remains unclear as to how the increase of new corporate amenities will affect the business as well as the housing standards for current, primarily low-income residents.

A 2009 research study also investigated the varying perspectives of gentrification and its effect on neighborhood character in New York’s Harlem and Williamsburg. The study did not specifically document the closure or displacement of small businesses, but did record fieldwork interviews from small business entrepreneurs. These owners explained that several corporate chain establishments, such as Starbucks, were indeed diverting economic activity away from small firms, including ethnic businesses. And while these stores benefit the immediate residents of the neighborhood, the authors recorded qualitative testimonies on how places like even Starbucks conjure up an “unfamiliar” surrounding with long-time residents. That is, community members feel rather insecure about their neighborhood’s cultural capital. Furthermore, the authors found that corporate businesses purposely anticipate a relocating demographic to the neighborhood in question – the issue of gentrification. Of course, all residents did enjoy having access to new stores including the Seattle-based coffeehouse chain, but this research also confirmed that an increase of a population with a larger disposable income



Chinatown's Starbucks on North Broadway Street and Cesar Chavez Avenue



Chinatown's Walmart on Grand Avenue and Cesar Chavez Avenue

were aggravating the housing circumstances for the local population.

On the other hand, a 2007 newsmagazine submission, the author claimed that Starbucks actually improved business activity for other firms due to externalities like increased foot traffic and improved visibility to nearby establishments. It appears that the corporate firm’s trend for improving sales for local stores is “the exception, not the rule.”

This existing body of research illustrates how there are mixed results on the impacts of Walmarts and Starbucks and little

research on how small ethnic businesses are affected. Most of the published research on Walmart raised issues about unhealthy business practices and indicated unfavorable outcomes for small local businesses. There are only a few articles on Starbucks' impact on neighborhoods which may actually have positive effects for other businesses. Perhaps, Los Angeles Chinatown small businesses may be able to see positive results from having chain-store neighbors if they are able fulfill an ethnic niche that will attract customers, particularly local residents and tourists.

MAIN FINDINGS

Products and Services

Walmart

As part of our survey, we asked the 104 consumers what types of items did they purchase at Walmart, such as grocery products, deli/prepared foods, gardening, pharmacy, or other reasons/items. Since more than one answer could be selected, there were a total of 173 responses. Roughly half, 46%, of the responses were for grocery products. Twenty-four percent of the responses were from consumers who shopped at Walmart for "other reasons." Thirteen percent of the

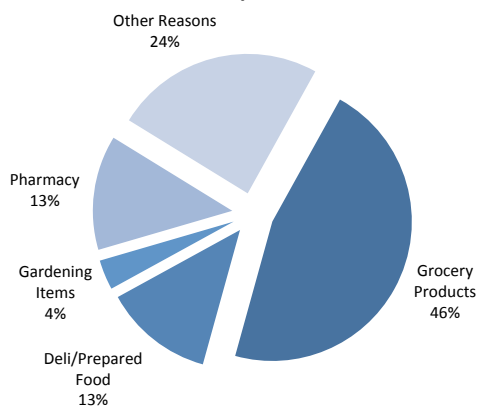
responses were from consumers buying pharmacy items and deli/prepared foods. Four percent of the responses were from people shopping for gardening items. Overall, the trend that we noticed was that consumers liked the convenience of a variety of products at one place with affordable prices. In multiple interviews with Chinatown residents and non-residents, they stated that the diversity of products made this store their top choice for nearly all of their household needs.

Starbucks

We asked the 101 survey respondents why they shopped at Starbucks, e.g. for the free wireless internet, coffee, bakery, or other reasons. More than one answer could be selected, so there was a total of 166 responses. A majority of the responses, 59%, was for consumption of coffee. Twenty-five percent of the responses were for baked goods. Only 16% of the responses were for the free wireless internet access. One participant explained that this Starbucks was one of the few ideal study places in Chinatown. Unlike Walmart, Starbucks has a limited range of products; however, more than one individual stated that they prefer Starbucks for its name-brand recognition.

Walmart Products and Services

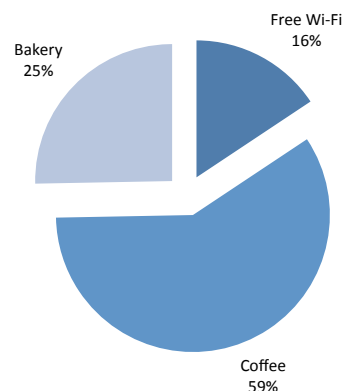
Total Responses=173



Source: Quantitative Survey Result
Data Analysis by T. Le

Starbucks Products and Services

Total Responses=166

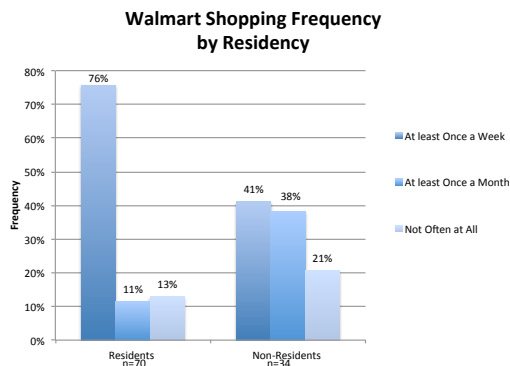


Source: Quantitative Survey Result
Data Analysis by T. Le

Shopping Frequency

Walmart

Our data analysis compared the frequency that Chinatown residents and non-residents shopped at the Walmart Neighborhood Market site. A total of 70 out of 104 (67%) surveys were from Chinatown residents. Out of the 70 Chinatown residents, an overwhelming majority, 53 (76%), reported that they shop at Walmart at least once a week. Eight out of 70 (11%) residents interviewed purchased from the store on a monthly basis. Nine out of 70 (13%) shopped there not often at all.



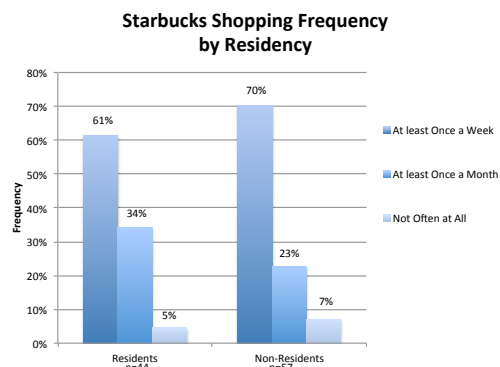
Source: Quantitative Survey Result
Data Analysis by T. Le

A total of 34 out of the 104 total (33%) individuals interviewed at Walmart did not live in Chinatown. A large majority, 14 out of 34 (41%) of non-residents shopped at this Walmart weekly. Thirteen out of 34 (38%) non-residents interviewed purchased from Walmart at least once a month. Seven out of 34 (21%) non-residents said that they shopped not often at all. Although there were more residents shopping at Walmart, both residents and non-residents shopped there frequently, at least once a week.

Starbucks

This data illustrates how often Chinatown residents shopped at Starbucks in comparison to non-residents. From the 101 survey participants, 44 (44%) are Chinatown

residents. Twenty-seven out of 44 residents (61%) purchased from Starbucks at least once a week, and 15 residents (34%) shopped at least once a month. Only 2 out of 44 (5%) of Chinatown residents reported shopping not often at all.



Source: Quantitative Survey Result
Data Analysis by T. Le

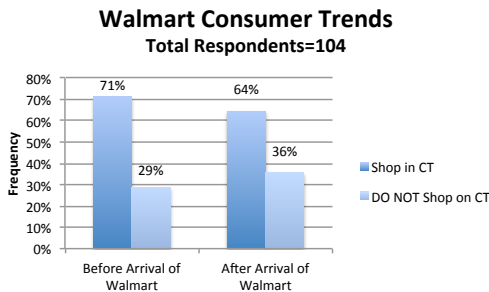
A total of 57 out of 101 surveys (56%) were from consumers who do not live in Chinatown. Forty out of the 57 (70%) reported shopping at this Starbucks at least once a week. Thirteen of the non-residents interviewed (23%) shopped at this establishment at least once a month. Four of 57 (7%) reported shopping not often at all. Residents and non-residents both had a large majority that shopped at Starbucks “at least once a week,” and also had a similar proportion of those who shopped at Starbucks “at least once a month.” A small portion indicated having shopped there “not often at all.”

Consumer Trends

Walmart

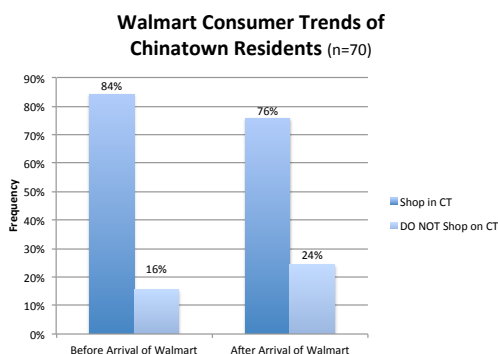
We analyzed data regarding the shopping tendencies before and after the arrival of the Walmart in Chinatown. A large majority of total respondents, 74 out of 104 (71%), shopped in Chinatown before Walmart arrived in the neighborhood. The percentage difference was about 7% lower after Walmart opened. Thirty out of 104 (29%) respondents did not shop in Chinatown before Walmart’s

arrival. The percentage points increased by 7% after Walmart located in the area. There seems to be a trend of fewer people shopping in Chinatown, after the arrival of Walmart. One possible explanation is an increase in foot or car traffic. However, we did not inquire why consumers were shopping or not shopping in Chinatown.



Source: Quantitative Survey Result
Data Analysis by T. Le

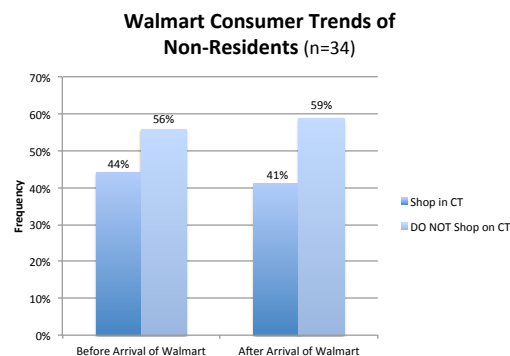
We disaggregated the data for Chinatown residents and non-residents. An overwhelming 59 out of 70 (84%) stated that they had shopped in the community before the arrival of Walmart. This consumer trend decreased by 8 percentage points to 76% after Walmart opened. One participant remarked that they shopped at, “Papa John Pizza and then there’s the liquor store across the street from here.” Only 11 of these 70 (16%) residents have not shopped in Chinatown before September of 2013. After the opening of the Walmart, this number increased by 8 percentage points to 24% of residents who did not shop in Chinatown. It is uncertain



Source: Quantitative Survey Result
Data Analysis by T. Le

if Walmart is taking away customers from other businesses in Chinatown with its product options and competitive pricing. From personal narratives and qualitative notes, there is a slight decrease in residents shopping at other businesses in Chinatown and an increase in residents who have ceased to shop locally due to Walmart’s presence.

Of the 34 non-residents of Chinatown surveyed, 15 shopped in Chinatown (44%) before Walmart opened. This consumer trend decreased by 3 percentage points to 41% after Walmart arrived in the neighborhood. At the same time, our data demonstrated an increase in non-residents who no longer shop in Chinatown community. Nineteen out of 34 (56%) non-residents did not shop in Chinatown before Walmart opened. This number increased by 3 percentage points to 59%. We suspect that these non-residents may exclusively shop at Walmart and no longer patron other Chinatown firms.

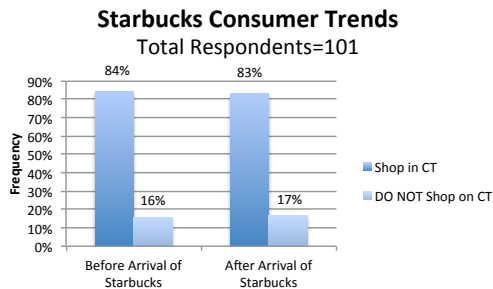


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Starbucks

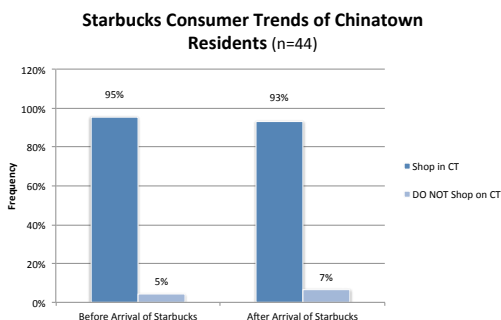
We analyzed data regarding the shopping tendencies before and after the arrival of the Starbucks in Chinatown in April of 2014. A large majority of total respondents, 85 out of 101 (84%) shopped in Chinatown before Starbucks arrived. The percentage was about the same after Starbucks opened - roughly 84%. Sixteen out of 101 (16%) did not shop in Chinatown before Starbucks. This was

about the same percentage after Starbucks located in the area - about 17%. Our research indicates that Starbucks may not have an impact on increasing or decreasing consumers shopping in Chinatown.



Source: Quantitative Survey Result
Data Analysis by T. Le

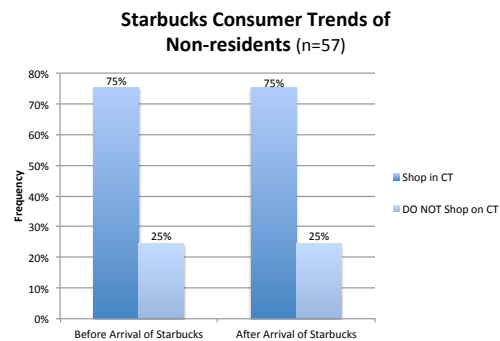
We also examined the consumer tendencies of Chinatown residents and non-residents. An overwhelming number of residents, 42 out of 44 (95%), shopped in Chinatown before the arrival of Starbucks. Two of these 44 (5%) did not shop within this neighborhood before the arrival of this Starbucks. These numbers remain roughly the same after the arrival of Starbucks. Resident consumer trend decreased only by 2 percentage points to 93% after the store's opening. At the same time, the consumer trend difference of non residents increased by 2 percentage points to 7% after the establishment's opening.



Source: Quantitative Survey Result
Data Analysis by T. Le

The shopping tendencies of non-resident Starbucks consumers are nearly the same as those of Chinatown residents. Before Starbucks arrived in the neighborhood, 43

of 57 (75%) non-resident consumers came to shop in Chinatown. This number remained the same after Starbucks opened. Fourteen out of 57 non-residents (25%) reported that they did not shop at other businesses in Chinatown both prior to and after Starbucks' arrival. Due to the similarity of our results before and after Starbucks opened, this establishment may have had little impact on Chinatown residents' and non-residents' shopping habits. It is important to note that this surveying was taken over 4 months immediately following the opening of this site which may be too soon for any economic impact to be profoundly noticeable.



Source: Quantitative Survey Result
Data Analysis by T. Le

COMMUNITY CONCERNS

It is unclear as to what long-term repercussions the introduction of Starbucks and Walmart may have on Asian small businesses in the Los Angeles' ethnic neighborhood of Chinatown. The community's distinct proximity to Downtown Los Angeles and other revitalizing areas may accelerate the overdevelopment in the area. Walmart's overwhelming selections of different products have made Asian small vendors concerned about Walmart's negative externalities. The Starbucks' location on an intersection near the "Chinatown Gateway" has also worried some community stakeholders about the store affecting the neighborhood character and Chinese small cafes. The nearby large-scale market rate housing project, Jia Apartments, will most likely attract outside residents from a higher

socioeconomic background. Community members have legitimate questions about how culturally significant businesses, either owned or catering to Asian Americans, will survive with corporate establishments and luxury housing rapidly transforming Chinatown.

From personal narratives to field observations, our research illustrates that, at the minimum, the neighborhood is transforming in terms of socioeconomic and racial demographics. Yet, more remains to be seen as whether or not current Chinatown residents and business owners may directly benefit from these large-scale developments.

Chinatown's future holds numerous opportunities for developers and financial institutions to adopt community benefit agreements that leave a sustainable impact within the community. Chinatown residents, workers, and community stakeholders may have more to gain if developers agree to both short-term and long-term community benefits. The neighborhood's development is similar to that of its surrounding district, Central City, which just witnessed an extravagant growth of large housing and retail projects. During development negotiations, stakeholder should advocate for job training programs, living wage mandates, affordable and/or senior housing, and local hiring initiatives. This is what stakeholders did for the various Central City projects in the late 1990s and early 2000s. Furthermore, in a 2013 research study on Chinatown employment and housing, a majority of local residents highlighted increasing rent prices and access to quality-jobs in the area, revealing the urgency for community benefits. For a population where nearly 50% of residents earn less than \$24,999 and over 30% are less than 34 years old, these benefit packages can forge a stronger community and economic impact for the immediate neighborhood than just additional locations to spend their



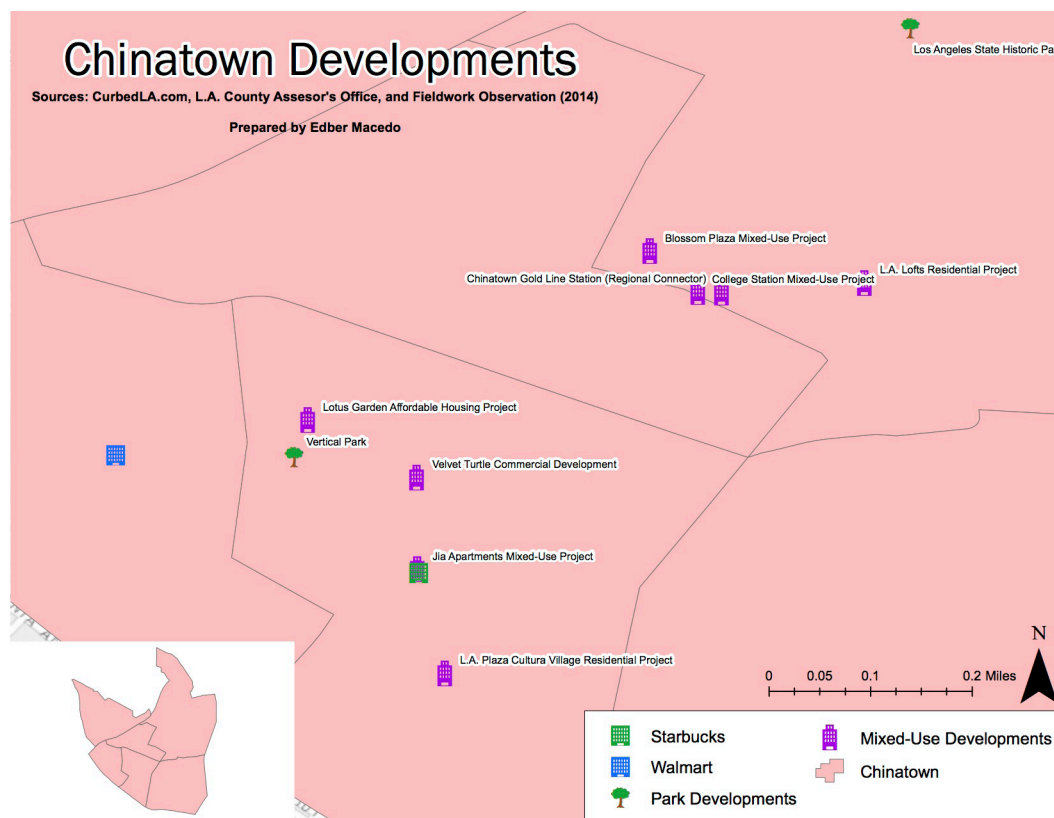
Photo by B. Wei, 2014

income. Thus, the deep-seated repercussions of widening socioeconomic inequality in Chinatown should be a serious concern for community residents as well as developers anticipating more commercial development. Low wages in low priced markets and higher end retail outlets may exacerbate the living conditions of current low-income Chinatown residents.

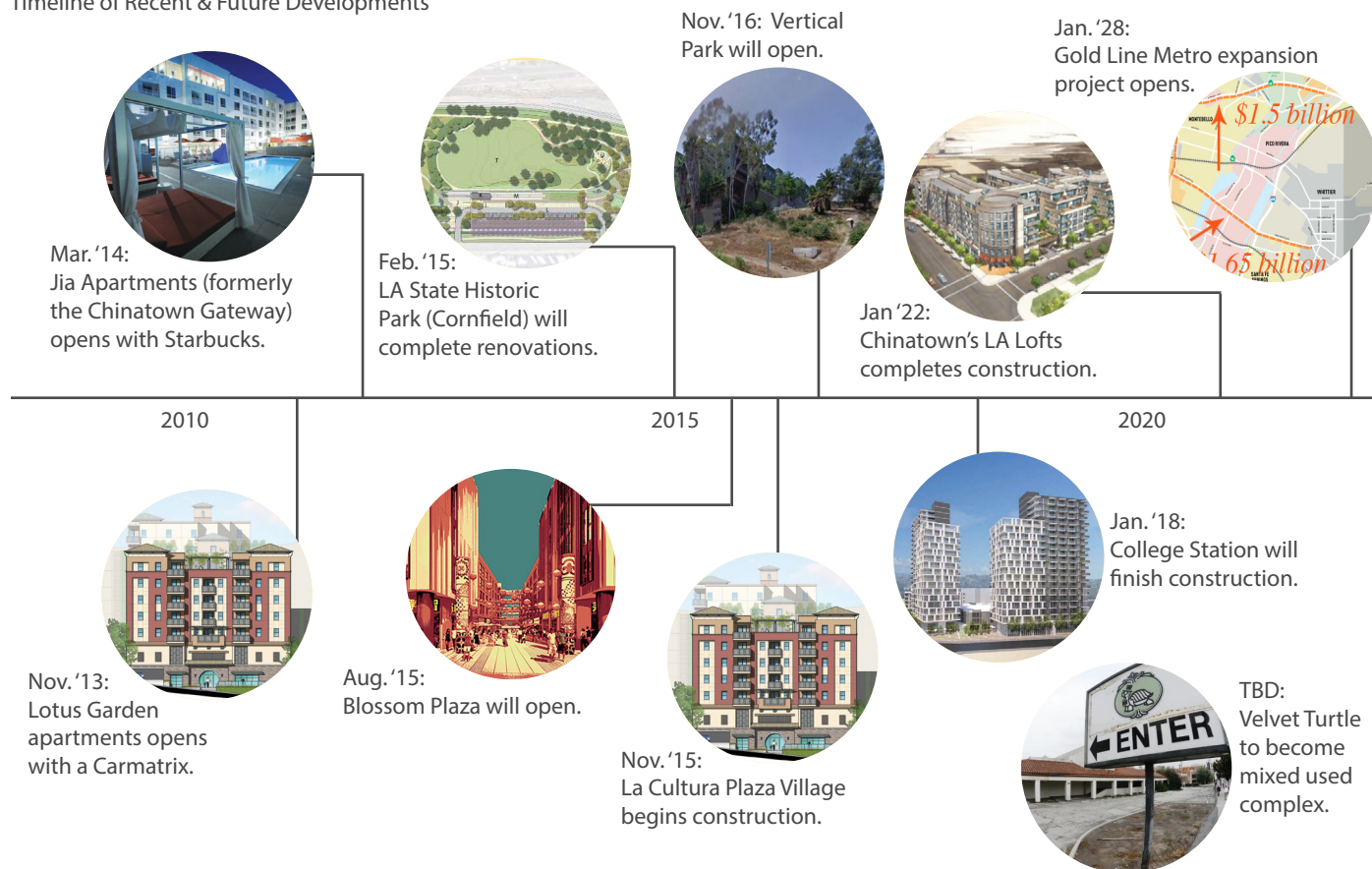
CONCLUSION

Historic Chinatown's future as a thriving cultural neighborhood heavily depends upon community involvement regarding new development projects. Residents and small business owners could potentially benefit from large-scale projects, such as increasing jobs for local residents, housing opportunities, shopping options, and consumer foot traffic. Although market-rate housing and new retail outlets may provide increased tax revenue for the area, there are numerous challenges that the ethnic enclave may face. Many Asian small businesses in Chinatown are likely to confront economic challenges and stifling competition from these large chain store developments.

This research has started to document numerous narratives regarding the Walmart and Starbucks. Recording local residents' and outside visitors' perceptions of the new chain establishments may anticipate



Timeline of Recent & Future Developments



Source: Curbed LA

possible consequences from these retail-chain developments. A variety of community members, including older residents and youth provided their voice as to where they will be investing their money in Chinatown. Of course, our survey's sample size is not representative of Walmart's or Starbucks' actual customer base, but our data does extrapolate from a microcosm of consumer behavior that will inevitably shape financial trends in the area. Finally, our data informs us that Walmart, in particular, is having a definite impact on consumer trends in regards to Asian small businesses.

Further research is necessary to discern whether or not the new corporate developments are having any sort of long-term negative effects for Chinatown's small businesses. The community stands much to gain or lose from large-scale investments. Thus, the issue of who disproportionately benefits more from these new projects is an imperative question to consider when evaluating Chinatown's future. A lack of focus on Chinatown's residents' long-term needs might only exacerbate rising inequality trends within the city of Los Angeles. Developers and business associations therefore should be as transparent as possible when planning development projects and involve community stakeholders in every step of the process.

Recommendations

- Business assistance programs should consult with local, small grocery markets, pharmacies, and other stores on how to adjust to any negative externalities caused by chain-stores, such as Walmart.
- Community-based organizations should strategize how to increase foot traffic and urban design aesthetics around Starbucks and the Jia Apartment Complex which is the central area where Asian small businesses are concentrated north of the Broadway thoroughfare.
- In anticipation of the growing amount of commercial and market-rate housing projects, community stakeholders should explore mechanisms and avenues to leverage community benefit agreements when at all possible.

ACKNOWLEDGMENTS

This study is the final product of a comprehensive project with Professor Paul Ong in the UCLA Luskin School of Public Affairs. The research was conducted in collaboration with the UCLA Center for the Study of Inequality, the UCLA Asian American Studies Department, and the UCLA Department of Urban Planning. The Chinatown Service Center and Chinatown Community for Equitable Development served as our local community-based organizations for the study on the state of Chinatown businesses. The authors would like to thank the members of these groups for their support and insight. We would particularly like to thank Professor Ong in addition to UCLA Master's in Urban Planning candidates, Chhandara Pech, Alycia Cheng, and Sheila Nem, who were generous with their guidance throughout this research. And thanks to Christina Trieu and Karna Wong for additional support in finalizing the project.

The Chinatown Service Center is a private, non-profit organization, incorporated under the Internal Revenue Code, section 501(c)(3), for the purpose of serving immigrants, refugees, and others in need of assistance in their adjustment to American life. The growth of staff and services at CSC since its modest beginnings in 1971 reflects an expansion of the Center's goals and the needs of the community. Furthermore, CSC promotes greater community collaboration and partnerships to assist underserved populations in achieving their American dream

Chinatown Community for Equitable Development (CCED), founded in May 2012, is an organization of community activists, residents, business owners, workers, and youth in Chinatown. The organization formed in the wake of the new Wal-Mart but seeks to revitalize a thriving Chinatown with residents for good jobs, environment and recreational spaces, affordable housing, and education

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