IMPACT OF BIG BUSINESSES IN CHINATOWN

JULY 2014

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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 people to the area.

Main Findings

- More than half of all individuals interviewed, at both Walmart and Starbucks, reported visiting each respective site at least once a week. A large portion of Walmart shoppers interviewed are residents of Chinatown.
- Since the arrival of Walmart in Chinatown in September 2013, we see a slight decrease in residents shopping at other businesses in Chinatown and a slight increase in residents who have ceased to shopped locally.
- A little more than half of all Walmart visitors shopped for groceries while two of every three visitors of Starbucks reported that coffee was the primary reason they shopped there.

This research case study examines Walmart and Starbucks in Chinatown and their relationship with Asian small businesses. In September 2013, the Walmart Neighborhood Market opened for business amid an extraordinary amount of controversy from labor rights and community-based organizations. One of the incidents included a civil disobedience where over 54 individuals were arrested before the establishment’s grand opening. The corporation’s Neighborhood Market brand offers fewer amenities than most Walmart Supercenters, but nevertheless features a wide array of grocery products, pharmacy services, deli foods, and other items. It is unknown why Walmart chose to specifically open a small neighborhood store. In 2004, the Los Angeles City Council passed an ordinance that requires large retail stores to pay for an independent economic analysis of the immediate vicinity’s businesses. Walmart may have chosen to create a smaller Neighborhood Market to avoid paying for this economic analysis report. The addition of Starbucks to Chinatown was accompanied by the community’s first and currently largest mixed-use complex with market-rate housing, Jia Apartments.


2 Whitcomb, Dan. “More than 50 arrested at Los Angeles protest over Walmart wages.” Reuters 8 Nov. 2013 [Los Angeles].

3 Field Observation and Participant Interview at Chinatown’s Saigon Plaza. 2014.
Food and retail are some of the top business activities within the Chinatown community, and Walmart, as well as Starbucks, may have an immediate impact on these commercial outlets. In a “Jobs by NAICS” (North American Industry Classification System) industry report, Retail Trade encompassed 12.4% of the jobs in the area and Accommodation & Food Services comprises 12.7% of all jobs. Therefore, roughly a quarter of all businesses in Chinatown are likely to compete with these two recent chain store developments of Walmart and Starbucks.

**METHODOLOGY**

This study focuses on a Walmart Neighborhood Store (701 West Cesar E. Chavez Avenue, Los Angeles, CA 90012) and a Starbucks Coffee outlet (639 North Broadway Street #101A, Los Angeles, CA 90012). The fieldwork and data collection included conducting surveys, interviews, and observations with consumers at both study sites in March to May 2014. Since there was no prior research on these developments in Los Angeles’ Chinatown, we were dependent on literature reviews and past studies that dealt with Walmart stores and Starbucks coffeehouses in other locations.

A majority of our data comprised of quantitative research regarding the shoppers’ reasons for visiting each particular site, how often they would shop at the stores, and whether they shopped frequented other businesses in Chinatown prior to and after the opening of the chain stores. We also analyzed data by Chinatown residents and non-residents. Residents are those who live in Chinatown neighborhood. Non-residents are those who live outside of Chinatown neighborhood. Our primary locations for data collection were the sidewalk of North Bunker Hill Avenue in front of the Walmart entrance and the sidewalk of North Broadway Street in front of the Starbucks entrance. At the end of our data collection, we obtained a total of 72 surveys from Walmart shoppers and 52 surveys from Starbucks patrons.

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4 Work Area Profile Analysis – LEHD Data, U.S. Census Bureau. 2014.
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 three months in spring of 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. More research is imperative to determine any conclusive findings as to what effects Walmart stores have specifically on Asian small businesses.

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.5 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 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.6

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.7

A political science newsmagazine in 2011 featured several articles about the varying 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 a paucity of inquiries into what conditions do Starbucks establishments create in ethnic business communities. The only investigation on Starbucks and small businesses are from a popular culture publications that feature informal narratives on the subject. In a 2007 magazine 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.”8

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

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research on how small ethnic businesses are affected. Most of the published research on Walmarts raised issues about unhealthy business practices and indicated unfavorable outcomes for small local businesses. There are only a few magazine 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 passerby tourists.

**MAIN FINDINGS**

Products and Services

**Walmart**

As part of our survey, we asked the 72 persons 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 115 responses. More than half (59 out of 115 or 51%) of the responses were for grocery products. This is consistent with our observations, as we noticed many people from the neighboring complexes walked to this store to buy one or two items that they needed for their meal that day.

Twenty-two percent of the responses were from shoppers who were shopping at Walmart for “other reasons.” Eleven percent of the responses were from shoppers buying pharmacy items and 11% were from shoppers buying deli/prepared foods. Five percent of the responses were from people shopping for gardening items. Overall, the trend that we noticed was shoppers liked the convenience of a variety of products at one place with affordable prices. In multiple interviews with both residents and non-residents of Chinatown, they stated that the diversity of products made this store their top choice for nearly all of their household needs.

**Walmart Products and Services**

*Source: Quantitative Survey Result Data Analysis by T. Le*

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**Starbucks**

We asked the 52 survey respondents why they shopped at Starbucks, e.g. for the free wi-fi (wireless internet), coffee, bakery, or other reasons. More than one answer could be selected, so there was a total of 78 responses. A large majority of the responses were to buy coffee at Starbucks (52 out of 78 or 67%). This is consistent with what we witnessed and experienced in the field. A quarter of the responses were for baked goods. Only 8% of the responses were for the free wi-fi access.

One young Caucasian woman explained
that this Starbucks was one of the few good 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.

**Shopping Frequency**

**Walmart**

Our data analyses compare the frequency that Chinatown residents and non-residents shopped at the Walmart Neighborhood Market site. A total of 49 out of 72 (68%) surveys were completed by participants who stated that they reside within Chinatown’s boundaries. Out of the 49 Chinatown residents, an overwhelming majority, 38 or 78%, reported that they shop at Walmart at least once a week. None of the residents interviewed visited the store on a monthly basis. Eleven out of 49 (22%) did not shop there often at all.

A total of 23 out of the 72 total (32%) individuals interviewed at Walmart did not live in Chinatown. A large majority, 16 out of 23 (70%) of non-residents shopped at this Walmart weekly. Seven out of 23 (30%) non-residents interviewed frequented this Walmart at least once a month. None of the non-residents said that they did not shop there 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 Starbucks in comparison to non-residents. From the 52 survey participants, 24 (or 46%) are Chinatown residents. Fifteen out of 24 residents (or 63%) shopped the Starbucks at least once a week, and 7 residents (29%) shop at least once a month. Only 8% (2 out of 24) of Chinatown residents did not shop at Starbucks often at all.

A total of 28 out of 52 surveys (54%) were from consumers who do not live in Chinatown. Nineteen out of the 28 non-residents (68%) reported shopping at this Starbucks at least once a week. Six out of 28 of the non-residents interviewed (21%) shopped this establishment at least once a month. Eleven percent of non-residents (3 of 29) did not shop Starbucks often at all. Residents and non-residents both had a large majority that shopped at Starbucks “at least once a week,” had a similar proportion of those who shopped at Starbucks “at least once a month,”
and had a small portion that 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 around September of 2013. A large majority of total respondents (57 out of 72 or 79%) shopped in Chinatown before Walmart located in the neighborhood. The percentage points was about 11% lower after Walmart opened. About 21% (15 out of 72) respondents did not shop in Chinatown before Walmart’s arrival. The percentage points increased by 11% after Walmart located in the area. There seems to be a trend of fewer people shopping in the area, after the arrival of Walmart. One possible explanation is an increase in foot or car traffic. However, we did not ask why people may be shopping more or less in Chinatown.

We disaggregated the data for Chinatown residents and non-residents. An overwhelming 92% (45 out of 49) stated that they had shopped before the arrival of Walmart. This demographic decreased by 10 percentage points to 82% 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 4 of these 49 (8%) residents have not shopped in Chinatown before September of 2013. After the opening of the Walmart, this number increased by 10 percentage points to 18% of residents who did not shop in Chinatown. It is uncertain 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 potential slight decrease in residents shopping at other businesses in Chinatown and a slight increase in residents who have ceased to shop locally.

Of the 23 non-residents of Chinatown surveyed, 12 shopped in Chinatown (52%) before Walmart opened. This demographic decreased by 13 percentage points to 39% after Walmart arrived in the neighborhood. At the same time, our data demonstrates an increase in non-residents who no longer shop in the Chinatown community. A total of 11 out of 23 (48%) non-residents did not shopped

Source: Quantitative Survey Result
Data Analysis by T. Le

Walmart Consumer Trends
Total Respondents=72

Source: Quantitative Survey Result
Data Analysis by T. Le

Walmart Consumer Trends of Chinatown Residents (n=49)

Source: Quantitative Survey Result
Data Analysis by T. Le

Walmart Consumer Trends of Non-Residents (n=23)
in Chinatown before Walmart opened. This number increased by 13 percentage points to 61%. We suspect that these non-residents may exclusively shop at Walmart and no longer patron other Chinatown residents.

**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 (42 out of 52 or 81%) shopped in Chinatown before Starbucks arrived. The percentage was the same after Starbucks opened. Nineteen percent of respondents (10 out of 52) did not shop in Chinatown before Starbucks. This was the same percentage after Starbucks located in the area. Our research indicates that Starbucks may not have an impact on increasing or decreasing people shopping in Chinatown.

We also examined the consumer tendencies of Chinatown residents and non-residents. Before the arrival of Starbucks, 20 out of 28 (71%) Chinatown residents shopped in Chinatown. Only 8 of these 28 Chinatown residents interviewed (29%) did not shop within this neighborhood before the arrival of this Starbucks. These numbers remained the same after the arrival of Starbucks in Chinatown.

The shopping tendencies of non-resident Starbucks consumers are nearly the same as those of Chinatown residents. Before the Starbucks arrived in the neighborhood, 22 of these 24 non-residents (92%) came to Chinatown to shop from the surrounding area. This number remained the same after the Starbucks opened. Two out of 24 non-residents (8%) reported that they did not shop at other businesses in Chinatown both prior to and after the Starbucks’ arrival. Due to the similarity of our results before and after the 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 less than one month after the opening of this site which may be too soon for any economic impact to be profoundly noticeable.
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. Chinatown’s distinct proximity to Downtown Los Angeles and other attractive amenities may accelerate the overdevelopment in the area. The diverse selections of products have many Asian small vendors concerned about Walmart’s economic externalities.\(^9\) The Starbucks’ location on an intersection near the “Chinatown Gateway” has also worried some community stakeholders about the store affecting the neighborhood character. 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.

Future research is needed to conclude whether these chain commercial outlets will also compromise the existing neighborhood character. 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

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\(^9\) Field observation and participant interviews at Chinatown’s Saigon Plaza. 2014.

Timeline of Recent & Future Developments

- **Mar. '14:** Jia Apartments (formerly the Chinatown Gateway) opens with Starbucks.
- **Feb. '15:** LA State Historic Park (Cornfield) will complete renovations.
- **Nov. '15:** La Cultura Plaza Village begins construction.
- **Aug. '15:** Blossom Plaza will open.
- **Nov. '16:** Vertical Park will open.
- **Jan. '28:** Gold Line Metro expansion project opens.
- **TBD:** Velvet Turtle to become mixed used complex.

**Source:** Curbed LA
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 income.

**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 some competition from these large chain store developments.

This research has started to document numerous narratives regarding the Walmart and Starbucks and to present various perspectives on Chinatown’s economic future. Recording local residents’ and outside visitors’ perceptions of the new chain establishments may anticipate repercussions from these retail 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 reflect a microcosm of consumer behavior that will inevitably shape financial trends in the area. At the bare minimum, our data informs us that Walmart, in particular, is having a definite impact on consumer trends.

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 benefits from these new developments 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.

Sources
2012 5-Year American Community Survey Estimate, U.S. Census Bureau
Field Observation and Participant Interview at Chinatown’s Saigon Plaza. 2014.
Work Area Profile Analysis – LEHD Data, U.S. Census Bureau. 2014.

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.

DISCLAIMER: The contents, claims, and findings of this report are the sole responsibility of the authors.