

Viva Shopping! The Growing Importance of Ethnic-Oriented Retail Development

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In a world where strangers in San Diego County turn to Internet chat sites to find the best place to buy traditional ethnic foods like romeritos, cebiches and kimchi? The idea of an exclusively ethnic shopping center is becoming less foreign. Both the Hispanic and Asian markets offer California retail developers a potentially strong new avenue of growth. The Hispanic population in California is growing extremely fast. The Asian market offers a high-income population waiting to be tapped. But the shopping center industry has yet to fully reach these consumers — despite the prospect of capturing hefty revenues. Could the multicultural niche be a competitive advantage for retail developers, even in a recession?

Ethnic populations continue to grow in the U.S., and particularly in California. According to the 2007 American Community Survey, Asians make up 12 percent of the state's population, growing from 3.6 million to 4.5 million since 2000, a 22 percent increase. Hispanics make up a whopping 36 percent of the state's population — marking growth from 11.0 million to 13.2 million, or a 21 percent increase since 2000. These figures compare to a 2 percent decline in the state's non-Asian and non-Hispanic population over the same time period.

Growth in sheer numbers as well as in incomes has led to a substantial increase in buying power, or after-tax income, of these ethnic groups. With buying power approaching \$150 billion, Asians in California account for 33 percent

of the total Asian consumer market in the United States. The California Hispanic market, with buying power of nearly \$228 billion, represents 26 percent of the nation's Hispanic consumer market. Even if their share of California's total buying power remains constant, the buying power of these two groups will grow by \$120 billion over the next 5 years — an astonishing figure that is higher than the total buying power of half of the nation's states.

Understanding the profile of different ethnic shoppers is critical for capitalizing on these burgeoning markets and creating appropriate tenant mixes. Research shows, for example, that Hispanic consumers tend to spend more on groceries, clothing, footwear and telephone services than mainstream America. Compared to other ethnic groups such as Asians, Hispanics shop more frequently at the grocery store and spend more on groceries because they prefer fresh produce, meat and bakery items. El Super, a Los Angeles-based Hispanic supermarket chain operated by Bodega Latina Corporation, has been able to take advantage of this trait. El Super uses the exact same footprint as the Albertsons markets that they replaced, but are able to do almost 80 percent more sales volume in Hispanic areas partly by expanding their fresh produce, meat and bakery sections.

The Asian buyer is typically more educated, urban and wealthy than the average consumer, and tends to spend more on food (grocery and dining out), furniture, major appliances and telecom services. Like many other ethnic groups, Asian buyers also crave community in their shopping place. Diamond Jamboree, a large, Asian-oriented

shopping center in Irvine, has taken advantage of understanding its ethnic niche. Designed around a rotunda, Diamond Jamboree is one of only three centers in Irvine catering specifically to Asians, who currently make up 36 percent of Irvine's population. The developer has found that its ethnic minority-owned retail enterprises have thrived in their new home. The center's 85° C Bakery Café, the Starbucks of Taiwan, reportedly is the top producer for the Taiwanese franchise, with more than 300 stores. Tokyo Table reports that its Irvine restaurant is outperforming all other locations, including Beverly Hills.

Hispanics too are attracted to socially oriented shopping centers. Hispanics typically treat shopping as a multigenerational event. Best Buy in West Hollywood recognized the trend of grandma, mom and the kids all shopping together, and brought in popcorn, balloons and actors dressed as SpongeBob SquarePants to entertain the children while their parents shopped. Best Buy has felt the competition from stores like La Curacao Famsa, which is popular among Hispanics for electronics purchases. La Curacao creates a marketing environment that appeals to recent immigrants yearning for home, with Brazilian and Spanish soccer jerseys hanging in the aisles

and Mayan and Aztec symbols on the walls. Most importantly, La Curacao hires Spanish-speaking salespeople, helping to make its Hispanic customers feel more comfortable while shopping.

Language can be a unique challenge for this retail niche. Retailers interested in leasing space sometimes do not speak English, so any multicultural center needs sales agents and customer service representatives fluent in several languages. In addition, advertising, both in store signs and on the Internet, has to appeal to groups in different languages. Authenticity is incredibly important to Hispanics and a shopping center that attracts them will need Spanish signage and Spanish-speaking clerks. Asian multicultural centers will have to strike a delicate balance when trying to incorporate diverse languages and alphabets of different Asian countries.

With ethnic minority groups outgrowing their traditional neighborhoods in major metropolitan areas and migrating to smaller cities, opportunities will abound across the state. The question isn't whether the multicultural shopping center opportunity exists, but rather how to best incorporate the various interests and spending habits of these diverse groups into a value-added retail experience. 🍌

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