THE CHINESE RESTAURANT SEGMENT IN DELAWARE:
OPERATING CHARACTERISTICS

by

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# TABLE OF CONTENTS

LIST OF TABLES ........................................................................................................... vii
ABSTRACT ................................................................................................................... viii

Chapter

1 INTRODUCTION ....................................................................................................... 1

   Background/Importance of Research .................................................................... 1
   Purpose of Study .................................................................................................. 5
   Research Questions .............................................................................................. 6
   Organization of the Paper .................................................................................... 7

2 LITERATURE REVIEW ............................................................................................ 8

   Introduction ......................................................................................................... 8
   Evolution of Ethnic Restaurants in the United States ......................................... 11
   Korean Small Business Entrepreneurs ................................................................. 12
   Chinese Small Business Entrepreneurs ............................................................... 16
   Japanese Small Business Entrepreneurs ............................................................. 21
   Indian Small Business Entrepreneurs .................................................................. 23

3 RESEARCH METHODS AND DESIGN ................................................................. 26

   Introduction ......................................................................................................... 26
   The Sample .......................................................................................................... 27
   The Research Instrument .................................................................................... 28
   The Participating Restaurants ............................................................................ 29

4 THE RESULTS ......................................................................................................... 31

   Introduction ......................................................................................................... 31
   Traditional and Authentic Chinese Restaurants’ Decoration in the U.S. ............. 32
   Descriptive Statistics .......................................................................................... 33
   Operating Characteristics of Selected Chinese Restaurants in New Castle County .......................................................................................................................... 38
Details of Selected Chinese Restaurants ................................................................. 42
Challenges .................................................................................................................. 42
Cost Control and Employee Recruitment ................................................................. 42
Marketing .................................................................................................................. 45
Consistency of Food Quality ...................................................................................... 46
Barriers ..................................................................................................................... 46

5 DISCUSSION AND CONCLUSION ...................................................................... 50

Conclusions .............................................................................................................. 50
Discussion .................................................................................................................. 51
The DRA Membership Benefits Package ................................................................. 51
Findings Associated With the Mindset of Chinese People ............................................. 54
Suggestions for the DRA ............................................................................................. 57
Limitations and Future Study ..................................................................................... 58

REFERENCES .......................................................................................................... 59
LIST OF TABLES

Table 4.1. Participant relationship with the owner.................................................. 33
Table 4.2. Employees. ............................................................................................. 34
Table 4.3. Working Hours. ...................................................................................... 34
Table 4.4. Maximum Occupancy. ........................................................................... 34
Table 4.5. Hourly Wage. ......................................................................................... 35
Table 4.6. Years in the Business.............................................................................. 36
Table 4.7. Education Level...................................................................................... 36
Table 4.8. Challenges. .......................................................................................... 42
Table 4.9. Barriers. ............................................................................................... 46
ABSTRACT

With a rich tradition of entrepreneurship, hard work, and family values, many young Chinese immigrated to the United States in the second wave of immigrants, which started after 1965, to pursue educational opportunities and the "American Dream." They opened their own businesses while applying their cultural traditions of working hard and sacrificing for the next generation. This tradition heavily influenced the growth of small family business in United States.

Family businesses have characteristics that differentiate them from non-family firms. Family businesses are value-driven, pursue other than merely financial goals, and can rely on networks and long-term relationships fostering trust (Chen & Bowen, 2001). Asian small business owners rely on using family, relatives, or other immigrants in their ethnic group as cheap labor forces. They developed a network of loyal customers not only within their own ethnic group but also within their local community. However, relatively little research attention has been paid to this segment, especially in the area of Chinese restaurateurs.

Asian small business owners are most likely to open their own businesses within their own ethnic community because the most well-developed community, such as a Chinatown, tends to produce much more profits. Also, working in ethnic enclaves shields owners and workers from racial hostility and discrimination that they would normally face in the mainstream labor market.

The Delaware Restaurant Association (DRA) has grown significantly since its founding in the 1990s. Today it has a total of more than 200 members.
Founded as an advocacy organization, DRA continues to work for its members, offering representation on political issues facing restaurateurs and providing extensive educational opportunities to assist both independent restaurateurs and small business owners.

According to the DRA (2010), there were 200 members of the association by the end of 2010. Among those restaurants, more than 180 were American restaurants; meanwhile, only 2 out of 200 were Asian/Chinese restaurants. As a result, the vast majority of DRA members are American restaurant owners; only a few Chinese restaurant owners have been interested in joining.

This study aims to find out the key barriers that cause ethic restaurateurs’ reluctance to become members of the DRA. Using Chinese restaurants as the subjects of this study, the research will determine effective strategies that can be used to increase the membership of Chinese restaurateurs in the DRA.

This study provides practical recommendations that can be used to make the DRA more adaptive not only to Chinese restaurateurs but also to all other ethnic restaurateurs in Delaware.

Keywords: Ethnic restaurateurs, DRA, Chinese restaurateurs, Family business.
Chapter 1
INTRODUCTION

Background/Importance of Research

We live in an era in which commodities, capital, information, and people are exchanged across the Pacific Ocean at ever-increasing rates. The Immigration and Naturalization Act of 1965 abolished the national origins quota system that had favored Europeans. The arrival of new Asian immigrants to the U.S, which began after 1965, heavily influenced the growth of Asian small business in United States. If you walk around any Chinatown, Little Tokyo, or Koreatown, you will see many small shops, restaurants, and salons selling goods—everything from traditional foods, gifts, and ethnic books to tour guide services, bus tickets, haircuts, and nail polish.

The importance of the economic integration between Asian immigrants and local American communities to overall economic mobility in the United States can no longer be neglected or underestimated. Furthermore, the cultural, social, and economic ties between Asian immigrants as a whole and their home culture are becoming stronger than ever with the advancement of communication and transportation.

Within a year of the arrival of the first wave of Chinese immigrants in San Francisco between 1847 and 1860, the hard working Chinese established a Chinatown. Others soon followed. Boston’s Chinatown was established by 1875. Chinatown was
and still is considered a place of support and security where one can find a bed, a job, and social help; a place of cultural familiarity where one can share common food, language, and customs. Chinatown is home.

Japanese immigrants also quickly established Little Tokyo in the 1890s in San Francisco. Immigrant communities built villages and family associations which had the same social structure as the ones at home. On the social and cultural sides, temples and churches were built to preserve traditional religious practices while language schools were founded to maintain the language and cultural integrity of the younger generation. Immigrants published their own newspapers in the communities, in which news from the homeland as well as local affairs was reported in their own language. Social organizations and recreational activities played critical roles in building a sense of support and belonging.

In order to enhance the survival, security, and adjustment to American society, Asian communities opened their doors and welcomed people from all over the world to see and understand their lifestyle. Ethnic cuisine as a cultural marker, and gateway ethnic restaurants, perform their culture by representing each ethnicity and by re-creating their place-identities, in ways that make them more consumable.

Today, immigrants open all kinds of restaurants and introduce various delicious cuisines that enrich Americans’ lives. They sell smart products and qualified services that make American life more efficient. Their American neighbors can see beyond the often distorted, stereotypical images of Asian communities as mysterious and exotic places filled with gangsters and prostitutes, which Hollywood movies and television often portray. Furthermore, the American neighbors can learn to appreciate the value of ethnic communities because of the important roles they play in enabling
people to survive. Asian people are hard working, self-motivated, and determined people who should be respected. For these reasons, ethnic entrepreneurs in the United States will become increasingly important for the development of Asian immigrant entrepreneurship.

Delaware’s restaurants are an increasingly important part of the state’s economy. Restaurants are a key driver of employment in Delaware, and their sales generate tremendous tax revenues for the state. It was estimated that in 2009, Delaware restaurants generated 1.4 billion dollars in sales (National Restaurant Association, 2009). According to the National Restaurant Association report (2009), by the end of 2007, there were 1,711 eating-and-drinking places in Delaware; to dine out in today’s Delaware is to be faced with a great variety of choices.

The Delaware Restaurant Association is the leading business association for the restaurant industry in Delaware. It is a nonprofit trade association dedicated to promoting, protecting, and improving Delaware’s foodservice industry, especially small businesses (Delaware Restaurant Association, 2009). By assessing the various needs and wants of restaurateurs, the DRA provides their membership with numerous products and services that are necessary for their success and leverages collective purchasing power to save members significant dollars. By the end of 2009, the DRA had a total of 200 members. Among them, 26 restaurants were new members and 174 were renewal members. However, among all those restaurants, only 3 were Asian restaurants.

According to Restaurants USA (2000), in recent decades, the market for ethnic foods in the U.S. has noticeably grown (as cited in Jang, Ha, & Silkes, 2008, p. 63). George (2001) argued that Chinese cuisine has shown an incredible power to
penetrate the U.S. foodservice market. According to the Chinese Restaurant News (2007), there are about 43,139 Chinese restaurants in the United States. Chinese restaurants generate over $17.5 billion in annual sales, accounting for about one fourth of overall annual sales generated by ethnic restaurants in the United States (Liu & Jang, 2008, p. 338). Although the DRA (2009) stated that there are more than one hundred Chinese restaurants doing business in Delaware, unlike American restaurants, only a few of them are willing to become members of the DRA. Looking at this issue from the point of view of ethnic restaurants in the United States, Stodolska (2007) illustrated that ethnic restaurateurs’ insulation from professional associations may act as a drawback to economic achievement by reducing the opportunities for social interactions that may be useful for achieving mainstream professional success. Furthermore, Sanders and Nee (1987) stated that ethnic insulation can remove incentives and opportunities for immigrants to acquire the linguistic and social skills necessary for professional success (as cited in Stodolska, 2007, p. 2).

On the Delaware Restaurant Association side, George (2001) argued that segmenting the market is important in assessing consumer needs and wants. Segmentation assumes that every market group has its own set of demands, which differ from those of other groups. On the basis of this assumption of segmentation, restaurateurs of different ethnic origins may have different expectations toward becoming a member of state restaurant associations. According to Sherry (1995), in marketing implementation, multiculturalism makes it increasingly necessary to understand consumer behavior through a cross-cultural perspective in the United States (as cited in Tian, 2001, p. 113).
Purpose of Study

Despite the importance and popularity of ethnic restaurants in the foodservice industry, this area has received little research attention. This study has two purposes. The first is to find out the key barriers causing ethnic restaurateurs’ reluctance to become members of the DRA. Using Chinese restaurants as the subjects of this study, the research will determine effective strategies that can be used to increase the membership of Chinese restaurateurs in the DRA. The second is to provide practical recommendations that can be used to make the DRA more adaptive not only to Chinese restaurateurs but also to all other ethnic restaurateurs in Delaware, so as to meet their needs and desires. Thus, the objectives of this study are as follows: (1) to increase understanding about ethnic restaurants based on their challenges and needs; (2) identify the barriers that prevent ethnic restaurants from becoming members of state restaurant associations; (3) provide information useful for the National Restaurant Association or other state-level restaurant associations to market to ethnic restaurants as an unique segment in future business.
**Research Questions**

After reviewing the existing literature about ethnic restaurateurs, it is determined that there is a lack of theoretical reports of the characteristics of Chinese restaurateurs. The existing literature explains the history of ethnic restaurateurs but does not thoroughly describe any mindsets or philosophy or way of running a business. The objectives of this study will be addressed through the following research questions:

Q1. What are the barriers that prevent Asian restaurants from becoming members of the Delaware Restaurant Association?

Q2. Are there any mindsets which heavily influence Chinese entrepreneurs’ philosophy, in terms of investing their money in the family business?

Q3. What are the characteristics of Chinese restaurant entrepreneurs’ capital expenditures?

Q4. What are the top challenges for them to run a family business in the U.S.?
Organization of the Paper

The literature review in Chapter 2 highlights articles on the topic of Asian small business entrepreneurs, especially focusing on four ethnic minority groups: Chinese, Korean, Japanese, and Asian Indian. Chapter 3 details the methodology that will be used to collect and analyze data and describes the research instrument that will be tested. Chapter 4 is reserved for a comprehensive presentation of the results from the data collection. Chapter 5 is the final chapter and it details the discussion and conclusion of the entire research.
Chapter 2
LITERATURE REVIEW

Introduction

With consumers’ surging interest in ethnic flavors, globally influenced menu items are jumping from the conceptual stage into the mainstream. Ethnic offerings are found at both chain and independent restaurants, in efforts to appeal to consumers who are expanding their palates to include more adventurous tastes.

According to the National Restaurant Association (2009), restaurant-industry sales are forecast to rise by 2.5% in 2010 and will equal 4% of the U.S. gross domestic product. On a typical day in America in 2010, more than 130 million people will be foodservice patrons.

Two of the top seven appetizer trends for 2010 will be Asian- and Mexican-inspired starters, according to the “What’s Hot” survey. Chefs expect such foods as tempura, spring rolls, satay, and dumplings to be popular, as well as tamales, quesadillas, and taquitos. That will make diners happy: Mexican and Chinese are the two most popular ethnic cuisines, according to the NPD/National Restaurant Association (NRA) ethnic cuisine survey.

Roseman (2006) stated that there are numerous reasons for the increase in restaurant dining, including changes in lifestyle, employment patterns, and amount of disposable income. Tian (2001) argued that a continually growing national economy
lets people eat at restaurants more often than ever before. Kendall (2000) predicted that the trend for eating out more often will continue and even accelerate (as cited in Roseman, 2006, p. 6). Also, the NRA pointed out that dining at restaurants has increased by two thirds over the last several decades (as cited in Roseman, 2006, p. 5). Tian (2001) stated that more than one million restaurants are expected to be in operation by the year 2010—up from 831,000 restaurants in 2000.

Hensley (2000) demonstrated that increased immigration in recent decades is a major reason for the rising popularity of ethnic foods in United States. At the same time, Restaurants USA (2000) reported that ethnic foods play an increasingly important role in restaurant dining (as cited in Jang, Ha, & Silkes, 2009, p. 63). According to a report (2005), the U.S. ethnic food market generated $75 billion in annual sales, and 65% of those sales were attributed to the foodservice industry (as cited by Liu & Jang, 2008, p. 338). A recent study from Iowa State University (ISU) found that ethnic foods account for $1 out of every $7 being spent on groceries. Overall, Mintel estimates ethnic food sales in the U.S. exceeded $2.2 billion in 2009 and predicts the trend will increase sales by 20% into 2014. The largest segment of the ethnic foods market, Mexican/Hispanic foods, is responsible for 62% of sales. While Hispanics are by no means the sole purchasers of these foods, it should be noted the buying power of the Hispanic demographic is growing at a steady clip: the Selig Center for Economic Growth at the University of Georgia estimates the group’s buying power stood at $978 billion in 2009 and projects it to rise to $1.3 trillion by 2014.

According to New Survey (1995), Italian, Mexican, and Cantonese-Chinese cuisines are the most popular ethnic foods among Americans of all ages (as
cited in Roseman, 2006). Hensley (2000) stated that according to a National Restaurant Association (NRA) study, 97% of consumers were familiar with and had tried these foods, and about half reported eating them frequently (as cited in Roseman, 2006, p. 8).

Chinese cuisine has been widely accepted by Americans (Chen & Bowen, 2001). George (2001) stated that according to a National Restaurant Association report, 96% of surveyed Americans were aware of Cantonese style Chinese cuisine, and 90% were aware of Hunan, Mandarin, and Szechwan style Chinese cuisine. Ninety percent of people surveyed had tried Cantonese style Chinese cuisine, and 73% had tried other styles of Chinese cuisine (Hunan, Mandarin/Beijing, or Szechwan). Among those surveyed, 32% ate Cantonese style cuisine often, and 52% ate it occasionally and would eat it again; 24% of them ate other styles of Chinese cuisine often, and 43% ate them occasionally and would try again in the future. For those participants who had eaten Chinese food in the past six months prior to the survey, 80% visited Cantonese style Chinese restaurants 6.5 times and 60% visited other styles of Chinese restaurants 5.9 times.
Evolution of Ethnic Restaurants in the United States

Stodolska (2003) argued that over the last 40 years, due to immigration and higher birth rates, minorities have changed the composition of American society. The ethnic population not only makes the national population more diverse but also contributes to the diversity of national cultures and makes the United States a multilingual and multicultural nation (Liu & Jang, 2008). Alba and Nee (1997) demonstrated that new immigrants are known to settle in major urban cities and to create communities quite different from the mainstream population, in terms of their cultural background, social languages, and family structure as well as eating habits (as cited in Stodolska, 2004, p. 379). “Food serves as one way of ‘flagging’ an individual’s consciously-chosen identity, and the choice of where and what to eat provides one way of communicating that choice to others” (Nash, 2001). Meanwhile, food is a cultural product through which ethnicity is constructed, reproduced, negotiated, and realized (Gvion, 2009).

Although Panitz (2000) stated that eating out and eating a variety of American and ethnic foods has become a new trend in the United States and, thus, a popular cultural phenomenon nowadays (as cited in Tian, 2001, p. 112), ethnic cuisine was not always popular in the United States. Roseman (2006) stated that Americans were largely ignorant and mistrustful of ethnic cuisine, and often their attitude toward ethnic cuisine was quite hostile. Early nutritionists condemned the quality of most ethnic food as below standard. Most nutrition education concentrated on Americanizing the foods immigrant families ate. As a result of the trend of respect for diversity, by the 1980s, ethnic restaurants constituted 10% of all restaurants in the
United States; by the end of 2001, that number had risen to 23% of all restaurants (Roseman, 2006).

According to Liu and Jang (2008), numerous ethnic concepts are expanding in the United States. According to the U.S. Market for Emerging Ethnic Foods (2005), the newest ethnic foods include Caribbean and African cuisines, the cuisines of Mediterranean countries beyond Italy, and kosher and halal foods, which are attracting consumers beyond their core Jewish and Muslim markets (as cited in Liu & Jiang, 2008, p. 113). Traditional ethnic cuisines such as Italian, Mexican, and Cantonese Chinese have become so familiar to American customers that they are perceived as mainstream American foods (National Restaurant Association, 1995). At the same time, many emerging ethnic cuisines such as Caribbean, Mediterranean, and Pan-Asian have also gained wide acceptance in recent years (U.S. Ethnic Food Market, 2005, as cited in Liu & Jang, 2008, p. 339). Josiam and Monteiro (2004) stated that as America has become more diverse both ethnically and culturally as a result of recent surges in immigration, ethnic cuisines have obtained a more prominent position in American society (as cited in Roseman, 2006, p. 9).

**Korean Small Business Entrepreneurs**

Immigrant small business in the United States is a subject of intense interest because opening an ethnic small business has long been regarded as a typical way of economic adjustment to the United States among some immigrant groups (Waldinger, 1989). The most common source of income for Korean immigrants in the United States is a self-owned small business. Koreans now dominate fruit and
vegetable stores in New York City, and hamburger stands and retail clothing stores in the garment districts of Los Angeles. They are gradually making headway into the electronic, real estate, banking, and garment manufacturing industries. Korean professionals have made their presence felt in the fields of higher education, medicine, research and development, and the performing arts.

The Immigration and Naturalization Act of 1965 abolished the national origins quota system that had favored northwestern Europeans since the turn of the 20th century. The new preference system favored family relationship and occupational skill. As a result, the flow of immigration has shifted from European to Asian countries, with dramatic effects upon the size of the Korean population in the United States.

The literature on immigrant small businesses identifies two types of business opportunities. One is ethnic markets and the other is minority areas in large cities. These are distinguished from each other by several criteria: customers, suppliers, and business locations. Ethnic markets meet the demand from members of culturally defined groups for their distinctive products and professional services. They sell not only ethnically specialized items but also goods produced in the host country to local customers. Ethnic market businesses concentrate in the ethnic community to offer fast and convenient service for the needs of their members.

Most of the merchandise, such as shoes, clothes, food, and even wigs sold in Korea towns are manufactured in Asian countries like Taiwan, Hong Kong, and South Korea. These products generally are imported and distributed by Korean suppliers. The vertical integration between Korean retailers and suppliers is one of the strengths of Korean immigrant businesses. Korean suppliers typically offer some
benefits and special services to help Korean retailers gain more profit. Extended credit terms, lower prices, and easy access to information are the key benefits offered by Korean suppliers. Because Korean suppliers dominate general merchandise, apparel, and shoe trades, Korean retailers can get early information about which items have recently arrived and which ones are the best sellers. Korean retailers may feel uncomfortable dealing with American suppliers, because they don’t speak the same language or may have different views of esthetics due to cultural differences.

Korean business owners hire employees not only for economic reasons, but also for purposes of social and public relations. For example, Korean merchants in black neighborhoods almost always have one or more black employees. Korean merchants realized the advantages of having black employees. They may help protect the stores and the owners from criminal attacks. Further, black employees may be a bridge between Korean owners and black customers. By the same token, Korean merchants in Korea town need Koreans or people who can speak the Korean language as employees so they can build good relationships with Korean customers.

Minority areas also provide business opportunities for some immigrant entrepreneurs who are willing to fill a marginal market that has been abandoned or neglected by large businesses because of low profit margins and high crime rates. Most residents of those communities have low incomes and do not have means of transportation. As a result, they prefer or are forced to make frequent shopping trips for small quantities of items.

Further, immigrant businesses in minority areas are often portrayed as middleman minority businesses that distribute the products of U.S. corporations to low-income minority customers. The middleman minority theory defines select
immigrant groups as the middlemen between the elite and the masses, distributing the products of the elite to the masses for the interests of the elite and for themselves. Middleman minorities are said to perform better in these markets because of their marginal status in society; which enables them to deal more objectively and indifferently with local customers than majority members.

Small businesses have been an avenue for disadvantaged minorities to achieve upward social and economic mobility in the United States. Like some of the early European and Asian immigrants, Korean immigrants have shown a strong propensity toward self-employed small businesses. First, according to the 1980 U.S. Census, about 14% of employed Koreans in the United States are either self-employed or unpaid family workers. This figure is considerably higher than the mere 7% of the general American population that is either self-employed or unpaid family workers. Next, according to the 2000 U.S. Census, among all the major ethnic groups, Asian Americans are the mostly likely to own small businesses. The Census lists the rates of self-employment for all persons 25 years of age or older in the seven major Asian ethnic groups. As the numbers show, foreign-born Asians (those who immigrated to the U.S. at age 13 or older) are much more likely to be self-employed than American-born Asians (those who are either U.S.-born or who immigrated to the U.S. before age 13). Among foreign-born Asians, Koreans have the highest self-employment rate, at almost 28%. Koreans do not have the highest self-employment rates among the U.S.-raised Asians, however; the Taiwanese do. In fact, research shows that in the last couple of decades, immigrants and people of color have increasingly large numbers in the self-employment category.
Because of their relatively short history in America, it is difficult to make long-term generalizations about the economic adaptation of Korean immigrants. Their experiences in the past 10 years or so, however, point to a number of emerging economic patterns. Like early immigrants, Koreans work very hard and often operate small businesses. But, unlike their predecessors, the new immigrants are also making headway in the competitive professional sectors and in middle range entrepreneurship that require professional management skills. A typical pattern is for a newly arriving family to start a small business after a few years of work on assembly lines, with maintenance companies, or in sewing factories.

**Chinese Small Business Entrepreneurs**

The first Chinese restaurant in the United States was established as early as 1849 in San Francisco. Restaurant entrepreneurs and cooks were part of the early Chinese migration flow. By 1856, a San Francisco business directory listed 5 restaurants and 38 grocery stores among 88 Chinese businesses. In 1900, there were only 2 or 3 Chinese restaurants in Los Angeles, frequented almost exclusively by Chinese. By 1910, however, there were at least 15 Chinese restaurants. Many white Ma, Njite & Chen (2011) found that American customers “discovered that Chinese food was quite good and not at all poisonous as some had imagined.” (p. 127). Several of these Chinese restaurants were outside Chinatown, and a few were in downtown Los Angeles.

The Immigration and Naturalization Act of 1965 ended the U.S. immigration policy based on race and nationalities that provided quotas of 20,000
immigrants to every country annually. Chinese immigrants quickly took advantage of the new policy. Post-1965 Chinese immigrants were far more diverse in their class and cultural background than the earlier immigrants had been. Many were educated professionals, engineers, technicians, or exchange students.

Between 1950 and 1993, Taiwan sent 120,000 students to the United States, and fewer than 27,000 of them returned home after graduation. From 1979 to 1989, mainland China sent about 80,000 graduate students and their spouses and children to the United States, and a majority of them stayed after graduation. Whether they were from mainland China, Taiwan, or Hong Kong, post-1965 Chinese immigrants preferred residing in metropolitan cities like New York, Los Angeles, or San Francisco, where they could find a Chinatown. Homesick immigrants probably missed Chinese food most among the many familiar commodities available in Chinatowns. To the new immigrants, Chinatown was not only a symbol of Chinese ethnicity but also a place that touched their cultural sensibilities. It gave them a sense of home.

Post-1965 Chinese immigrants followed a chain migration pattern. A husband or wife, or both, arrived first and then sponsored their children, parents, and siblings. Soon family networks expanded as relatives, in-laws, and friends followed. Because the new immigration act favored family reunification, the Chinese population grew rapidly. Between 1965 and 1984, an estimated 419,373 Chinese entered the United States—almost as many as the 426,000 Chinese who had come here between 1849 and 1930. Under the new immigration act, Chinese family networks and social relationships thrived.
According to Chen and Bowen (2001), as the flagship of Asian cuisine, Chinese food has maintained its popularity as one of America’s favorite ethnic foods. Although the total number of Chinese restaurant units in the United States was only 2,829 in 1971 (Lao, 1975) that number had increased to 17,859 units in 1987, which accounted for approximately 5% of all U.S. restaurants (Kochak, 1988). According to the magazine Chinese Restaurant News, there are nearly 41,000 Chinese restaurants in the United States, three times the number of McDonald’s franchise units. Most Chinese restaurants in the 19th century were modest, primarily catering to working-class diners, and spread with Chinese workers through the western United States along the rail lines (Freeman, 2008, as cited in Liu & Jang, 2008, p. 339). The growth in popularity of Chinese restaurants began in the 1890s as Chinatowns were transformed from vice districts to tourist attractions. In the coming decades, Chinese restaurants gradually expanded out of Chinatowns due to the wave of new Chinese immigrants and the growth of the second generation of the first Chinese immigrants (Chen & Bowen, 2001). Unlike many older immigrants who lived in an urban Chinatown, the new Chinese immigrants and the new generation did not form a closed ethnic community. They did not rely on mutual help and support from other Chinese for their survival and success. Thus, social ties between modern Chinese immigrants were looser than those found in a traditional Chinatown (Lu & Fine, 1995, as cited in Chen & Bowen, 2001, p. 242).

According to Chen and Bowen (2001) there are three types of Chinese restaurants evolving in the United States. These are restaurants in Chinatowns, restaurants outside of Chinatowns, and multi-unit operations. The restaurants in Chinatowns have authentic cuisine, employees are usually members of the same
family, and the restaurants are usually single-unit independent operations. The second type of Chinese restaurants, single-unit independent ones outside of Chinatowns that mainly cater to American customers, provide both classical and regional Chinese foods. In the late 1970s, the third type of Chinese restaurant, multi-unit restaurant operations, appeared. Some of these noticeable establishments include Panda Express, P.F. Chang’s China Bistro, Magic Dragon, and home-delivery concepts Ho-Lee-Chow and Chop-Chop.

Although there are a few Chinese restaurant chains operating in America, most Chinese restaurants are family-owned or single shop restaurants. A typical Chinese restaurant has a Chinese name on the sign; is decorated with Chinese-style pictures and artifacts, such as red lanterns; offers a menu printed in both Chinese and English; and provides Chinese characterized tableware, such as chopsticks and Chinese teakettles and cups (Liu & Jang, 2008). Customers are served food prepared with Chinese cooking methods and ingredients (George, 2001).

Martin (1984) identified three features which make food “Chinese”: (1) the use of the stir-frying technique; (2) special cutting, seasoning, and marinating of ingredients prior to cooking; and (3) the use of dried products (as cited in George, 2001, p. 70).

In the old times, Chinese people dried fresh food to preserve and store it, especially fruits. The Chinese believe that drying has the obvious advantage of letting us enjoy our favorite fruit when it is out of season, but the flavor is still fresh. In ancient China, when there was no refrigeration, dried fruits could last up to a year because their high sugar content would ward off bacteria. It is a good way to store
fruits for a long time. Nowadays, dried products are still used by Chinese because their flavor and fragrance enhance the taste and richness of foods.

Chinese cooking is distinguished by the use of multiple ingredients and the mixing of flavors. The purpose of cutting, seasoning, and marinating ingredients before they are cooked is to enhance the taste, texture, flavor, and appearance of the finished dishes. Ingredients are then usually combined and cooked together to bring out the best taste and flavor, to strengthen the characteristics of each ingredient, and to offset bitterness, richness, and the undesired aroma of certain food items.

The primary Chinese cooking methods are deep frying and stir-frying. The wok is an essential piece of equipment for Chinese cooking. It is an all-purpose piece of equipment that is shallow enough for stir-frying and sautéing, and deep enough for deep-frying, boiling, steaming, and braising.

Most Chinese have a similar money philosophy, which orients their spending habits. The personal savings rate in China is incredibly high compared to the United States. According to CNN, the personal savings rate of Chinese households is 30%, while that of Americans is much lower.

The second typical money spending habit of Chinese people is that they pay for things in cash. Credit cards are still fairly rare in China and most people pay for everything in cash. Many ordinary Chinese have been able to pay cash for their homes since the government allowed homeownership recently, which is a very impressive phenomenon. Some houses are worth hundreds of thousands of dollars. Chinese people are wary of debt and good at managing their own finances.

The Chinese pride themselves on being debt-free. Rarely will the Chinese borrow money from friends or even relatives; it is considered shameful to do so. If the
unthinkable happens and they do need to borrow money, they’d pay the whole thing off as soon as possible. Failure to do so is even more shameful. They wouldn’t dare tarnish their good names.

**Japanese Small Business Entrepreneurs**

Japanese immigrants arrived in the United States shortly after the Chinese in the 19th century. However, Japanese immigration was unique in that the governments of both Japan and the United States tried to restrict and regulate migration between the two countries. The Japanese government had an active policy to restrict poorer and less-educated Japanese from leaving the country for the U.S. The origins of this policy lie in Japan’s Tokugawa era (1603–1867) when the Japanese government severely restricted trade with other countries and immigration was banned. Upon arrival in the United States, Japanese immigrants faced more inequality than other minorities.

Like the mass migration from Europe, Japanese migration reflected the growth of capitalism in Japan and the growth of labor markets. The first mass immigration of Japanese to Hawaii in the 1880s was based on two reasons, first of all, the expansion of sugar plantations in Hawaii, second, the opening of the U.S. market for sugar. When California’s agriculture was transformed in 1882 from mechanized wheat to more labor-intensive crops, such as fruits and vegetables, the U.S. immediately needed a huge quantity of low-wage labor. Japanese and Chinese workers began to flush into the U.S. in the 1880s in response to the need for labor. By 1905,
Japanese immigrant workers dominated the supply of seasonal farm labor in California.

In the early age of Japanese immigrants, their economic position was below other immigrants and African Americans. However, by 1940, Japanese immigrants had surpassed African Americans and became economically as strong as European immigrants.

This economic achievement of the Japanese immigrant population was indeed impressive. At the beginning of the 1900s, almost 90% of Japanese immigrants held unskilled jobs such as farm laborers, railroad construction workers, miners, and servants; less than 2% were professionals. At that time, they had the lowest occupational score of all minorities in the western United States. But by 1940, 18% of Japanese immigrants were professionals or managers and their occupational score had surpassed all other racial groups and was basically equal to that of white immigrants.

By the end of 2002, there were over 87,000 Japanese-owned firms in the U.S., employing more than 205,000 workers, and generating almost $31 billion in business revenues. These Japanese-owned firms accounted for 0.4% of all nonfarm businesses in the U.S., 0.2% of Japanese immigrant employment and 0.1% of their receipts. In 2002, 34% of Japanese-owned firms operated in professional, scientific, and technical services; and in other services, such as personal services and repair and maintenance, where they owned 0.5% of all such businesses in the United States. Wholesale and retail trade accounted for 45.5% of all Japanese-owned business revenue. California had the most Japanese-owned firms with 36,687 firms or 42.2%, with receipts of $12.5 billion or 40.9% of the total. Hawaii was second with 19,850 firms or 22.8% percent, with receipts of $7.4 billion or 24.2% of the total.
Indian Small Business Entrepreneurs

From 1899–1914, the first significant wave of Indian immigrants, mostly farmers and laborers from the Punjab region of British India, started arriving in California on ships via Hong Kong. They found employment on farms and in lumber mills in California, Oregon, and Washington.

In the Indian American immigration history, two generations have widely being talked about and each of them has their own characteristics. The first generation, also called New Immigrants, are the ones who respect and preserve their cultural and religious heritage and are expected to live according to Indian cultural values. For example, women are expected to maintain the household, including cooking, cleaning, taking care of the children, and so on. Additionally, women also need to hold part-time or full-time jobs. Second-generation Indian Americans, who are considered an “in-between” group, live different lives at home and outside the home. At home or in the local Indian community, they live a traditional Indian lifestyle developed by their parents or broader community. But they also learn something from western cultures, for example, a second-generation Indian American may need to find financial support for college tuition instead of being fully supported by his or her parents.

There are several characteristics of Indian small business entrepreneurs in the United States. Indian entrepreneurs believe that quick money can be made by limiting investment, which means they prefer putting in a minimum amount of money and expect a much larger amount of profit. Some Indian restaurant owners even think
investing money in decorations for their restaurant is a huge waste. Some East Indian restaurants provide a classic example, where decorations and fixtures may be nothing more than simple paneling and few inexpensive pictures and furniture. These businesses hope to attract a high paying, steady flow of American customers.

This kind of value system is deeply rooted in their minds. Most Indian children have grown up in environments where fans are adequate for cooling in summer and air conditioners are a luxury. They were taught to save as much money as possible, in order to survive in an emergency situation later. They fear the uncertainty of the future and that is why they prepare very well for it. They know how to look at the bigger picture and anticipate problems long before they occur.

Besides the money spending philosophy, in many Indian retail establishments, such as restaurants, the number of staff exceeds the customers and they stick together and continue to talk among themselves and pay no attention to customers. The owners do not recognize or notice this as a simple problem to be solved by providing sales and customer relations training to employees. Restaurant critics frequently write about excellent Indian restaurants not in terms of the quality of the food but in terms of their service. Some customers also suffer through the experience where a waiter serves a glass of water after having four of his fingers in the glass when a simple training on how to handle a glass of water can be a matter of only a few seconds. Many American customers are turned away by such a lack of good management and marketing skills.

The third characteristic of Indian small businesses is they are very imitative, meaning they buy from the same wholesalers, locate in the same places, cater to the same ethnic market, and use the same brands and assortments of
merchandise as their competitors. One of the prerequisites for success in a competitive economy is to be unique and different from one’s competitors in order to gain an edge over them. This does not provide them the opportunity to differentiate their enterprises from others in order to build customer loyalty.
Chapter 3
RESEARCH METHODS AND DESIGN

Introduction

This study had been undertaken to find the reasons and barriers that prevent Asian-owned restaurants from being members of a state restaurant association. Based on these findings, we provided recommendations and strategies to state restaurant associations as well as the National Restaurant Association, to help them understand the needs of ethnic restaurant owners, in particular, Asian owners. The findings of this paper helped state restaurant associations to attract more Asian restaurants as members in the future.
The Sample

The population of the study comprises ethnic restaurateurs and managers in the state of Delaware. Majority of the data gathered from the restaurateurs were qualitative data. A qualitative research methodology was used for this exploratory study. There were two reasons for this decision: a limited number of widely known Chinese restaurants in New Castle County and the lack of previous research and study.

The population of the sample had been decided after the total number of licensed Asian drinking and eating places in state of Delaware had been determined. This research study mainly focused on Chinese restaurants owners instead of interviewing owners of all four kinds Asian restaurants discussed in Chapter 2.

The questionnaire was divided into two parts. In the sampled restaurants, the owner were asked both demographic and essay questions. Demographic questions would aid in determining Asian family business structure characteristics, employees’ background, opening hours, and so on. Essay questions would aid in finding out the details of barriers which prevent the Chinese restaurateurs from joining DRA, and the desires and needs of Chinese restaurateurs are looking for. Part two which contains eight Essay questions was designed to collect information on Chinese restaurateurs’ perspectives on the Chinese restaurants’ needs and challenges. All the eight statements were adapted from DRA’s Chairman and sales director.
The Research Instrument

To complete this analysis, it was determined that a well-formulated questionnaire would serve as the research instrument. The paper copy of this questionnaires was personally delivered by the author to the selected Chinese restaurateurs whose properties were in New Castle County of Delaware. And the author also conducted a interview with these Chinese restaurateurs after handling the questionnaires in person. The questionnaire was sectioned into two specific areas: demographic questions and essay questions. The demographic questions section included several questions aimed to describe the characteristics of the structure of Chinese family restaurants. The majority of the questionnaire was reserved for the essay question section. The essay questions section was expected to aid in demonstrating the reasons and thoughts preventing Chinese restaurateurs from joining DRA. The open-ended questions are aimed at highlighting the needs and desires that Chinese restaurateurs are most concerned with if they become a member of DRA.
**The Participating Restaurants**

There are nearly 150 Chinese restaurants in the State of Delaware. The research concentrated on interviewing the owners of 35 selected Chinese restaurants in New Castle County of Delaware. These potential participants were selected because their properties were located in the state of Delaware and they are the most well-known Chinese restaurants located in the same county where DRA is located. All of the restaurants were frequently visited by both Chinese and non-Chinese customers. The author telephoned all 35 restaurants owners to ask for participation in an interview to gain understanding on the challenges of the ethnic business owners. The questionnaires were sent via email to 35 restaurateurs. However after communicating with all the restaurateurs, only 12 of them agreed to take the interview. Other restaurateurs responded with notices that they could not or would not participate in this study. With these restaurants removed, the author telephoned the 12 restaurants to confirm the final interview date. Five of them changed their mind and stated that they were no longer interested in participating in this study. This reduced the potential number of participants to seven. This study was completed with a total of seven participants. The overall response rate for this study was therefore 20%.

All face-to-face interviews with Chinese restaurateurs were conducted in their restaurants during the downtime. Interviews were conducted in Cantonese or Mandarin Chinese. Each interview lasted approximately one hour. Notes were taken during the interviews and transcribed immediately thereafter. Two of the interviews
were tape-recorded with the permission of the managers. In order to establish a positive interaction between the interviewer and respondents, the interviewer was respectful, non-judgmental, and non-threatening during interviews. The conversations were started by greetings in Chinese and talks about the participants’ company figures and gradually led to the pre-designed questions, to which the interviewer was seeking answers. Some of the interviewees were very cooperative to share their expertise, thoughts, and feelings, while some of them were not. After all the interviews and surveys were completed, the participants’ opinions were coded and listed.
Chapter 4
THE RESULTS

**Introduction**

This study was undertaken to further the understanding of the characteristics and structure of Asian family business and the reasons why they do not join the state restaurant association. Unlike previous research, this study seeks to find the challenges and barriers that Chinese restaurant owners face in Delaware. The study is aimed at highlighting the needs and desires that Chinese restaurateurs are most concerned with if they become a member of DRA. The DRA is expected to be able to use this study as a tool in determining ways to attract more Asian restaurateurs to join the association.
Most Chinese restaurants in the United States have a very specific décor, which is different from that of other restaurants. The owners like to use red and yellow to decorate their restaurants. These colors are seen as symbols of fortune, success, and wealth in Chinese culture. Red paper lanterns often can be seen at the entrance to Chinese restaurants, because they stand for good luck, plus the color red is thought to keep negative energy outside the door. The second thing often seen in a Chinese restaurant is bamboo, because bamboo is a sign of strength, luck, and prosperity. Furthermore, paintings of dragons are very popular decorations in Chinese restaurants as well. The dragon is deeply rooted in Chinese culture, because the Chinese consider themselves the descendants of dragons. Traditionally dragons are considered the governors of rainfall in Chinese culture. They have the power to decide where and when to have rain. In ancient times, when there was no scientific explanation for rain, the farmers in China believed deeply in the power of dragons. Dragons are another important symbol of power and good luck.
Descriptive Statistics

After analyzing the data, the survey instrument’s demographic questions section generated an overall representation of the respondents. The survey instrument measured ten demographic variables including ownership, number of employees, working hours, occupancy capability, services, price range, employee wages, number of years in the industry, number of years since immigration to the United States of America, and highest education level.

Table 4.1. Participant relationship with the owner. The left column shows the numbers of all the participating restaurants, while the right column shows their relationship with the owners.

<table>
<thead>
<tr>
<th>Number of Restaurants</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/7</td>
<td>Self or Spouse or Children</td>
</tr>
<tr>
<td>2/7</td>
<td>General Manager</td>
</tr>
</tbody>
</table>

Source: demographic information

Of the total seven survey participants, the majority of the respondents, five out of seven, were the owners of the restaurants or the owners’ wife or children; and the remaining two out of seven were the general managers.
Table 4.2. Employees.

<table>
<thead>
<tr>
<th>Number of Restaurants</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/7</td>
<td>&gt;10</td>
</tr>
<tr>
<td>2/7</td>
<td>&lt;10</td>
</tr>
</tbody>
</table>

Source: demographic information

The respondents were also asked to indicate the number of employees that worked for their restaurants. Of the total seven survey participants, five said they had more than ten employees and the remaining said they had fewer than ten employees. One of the total seven survey participants said they had less than five employees.

Table 4.3. Working Hours.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Working hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/7</td>
<td>&gt;=60 &lt;80</td>
</tr>
<tr>
<td>2/7</td>
<td>&gt;=80</td>
</tr>
</tbody>
</table>

Source: demographic information

The next question indicated the working hours of these restaurants. From the seven total respondents, six out of seven indicated they worked more than 60 hours but less than 80 hours per week. Only one out of seven indicated that they worked more than 80 hours per week.

Table 4.4. Maximum Occupancy.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/7</td>
<td>&gt;=100</td>
</tr>
<tr>
<td>5/7</td>
<td>&lt;100</td>
</tr>
</tbody>
</table>

Source: demographic information
The next demographic question was to determine the maximum occupancy. From the seven total respondents, two out of seven indicated that they can hold more than 100 customers. The remaining five indicated that they can hold fewer than 100 customers.

Table 4.5. Hourly Wage.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/7</td>
<td>No Answer</td>
</tr>
<tr>
<td>3/7</td>
<td>&lt;8 &gt;6</td>
</tr>
<tr>
<td>2/7</td>
<td>&lt;6</td>
</tr>
</tbody>
</table>

Source: demographic questions

The next question was to find out the hourly employee wage. From the total seven respondents, two out of seven didn’t indicate the hourly wage they paid to their employees at all. And three out of seven didn’t indicate the exact hourly wage, but they gave a range, which was between six and eight dollars per hour. Two out of seven indicated that they pay less than six dollars per hour.
Table 4.6.  Years in the Business.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/7</td>
<td>&gt;=10</td>
</tr>
</tbody>
</table>

Source: demographic information

Table 4.7.  Education Level.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/7</td>
<td>Under college degree</td>
</tr>
<tr>
<td>2/7</td>
<td>college</td>
</tr>
</tbody>
</table>

Source: demographic information

According to the answers from the total seven restaurateurs, all of them had participated in the restaurant business for at least ten years before they came to the U.S. All the respondents have immigrated to this country more than ten years ago. Only two of them had a college or higher education.

In summary, the capacity of these restaurants ranged from 5 to 100. Four of the owners were from Hong Kong, and the rest were from China. At six of the seven restaurants, employees were predominately Asian. According to the owners, over 40% of the employees were their family members or friends. Chefs were mainly from China, Hong Kong or Taiwan, and Chinese Vietnamese. Wait staff and hosts were most often people from Asian descent who spoke Chinese. The owners stated that the majority of their customers were Americans.

The physical appearance of these seven Chinese restaurants varied from one another. One restaurant did not have any Chinese decorations. Four restaurants had a Chinese/Oriental outside appearance. They had animal symbols of China, Chinese figures, Chinese style roofing, and windows with Chinese pattern. Many had Chinese style mini bridges, Chinese screens, Chinese vases, and Chinese small to
medium size hanging decorations. Three of these seven restaurants had some small statues of the spirits of China, which were believed to bring business, wealth, or freedom from danger.

Four of the seven participating Chinese restaurants played Chinese music or songs on a regular basis.

Two of the restaurants specialized in Chinese western regional cooking, two in Cantonese cooking, two in Taiwanese, and one in Chinese Northern regional cooking. All seven restaurants offered a mix of the four major styles of Chinese cooking, which are Northern, Eastern, Southern, and Western. Northern style is characterized by light and mildly seasoned foods, while western style cuisine is hot, spicy, and oily. Southern style is characterized by frequent use of dried and preserved ingredients and different kinds of sauces, while Eastern style cuisine is sweet and sour. In all restaurants, according to the owners, some dishes were modified to be more appealing to the American public.

In summary, Chinese immigrants involved in the restaurant business tend to be individuals who lack higher levels of education, English language proficiency, and financial capital. Given such circumstances they are attracted to business sectors that require a relatively small amount of capital, no specific qualifications, simple technology, and low barriers to entry. Most of these immigrants test out the business terrain with small-scale, low valued-added, and labor-intensive ventures such as restaurant businesses, especially smaller scale operations.
Operating Characteristics of Selected Chinese Restaurants in New Castle County

All the restaurants in this study were assigned pseudonyms.

The first restaurant owner that was interviewed was from Restaurant B. The following are some statistics about the restaurant. The restaurant is an upscale, full service Asian restaurant with prices ranging from $8 to $10 per appetizer and $15 to $25 per entrée. The restaurant serves both Cantonese cuisine and Taiwanese cuisine. The restaurant is open from 11 a.m. to 10 p.m. on weekdays, and on weekends it is open from 11 a.m. to 11 p.m. They offer a full bar as well. They do not provide delivery, but customers can order takeout. The restaurant is located in a shopping center. The restaurant can hold 50 customers. They have around 20 employees and hire more in peak seasons. The owners of this restaurant are originally from China. The décor features real and original decorations from China and the menu will elevate the dining experience above the average Chinese takeout spot.

The second restaurant on the interview list is called Restaurant C. This is another upscale Chinese restaurant. The food here is more authentic than most Chinese restaurants. The restaurant serves authentic Sichuan cuisine, which is spicy, hot, and oily. It has a good reputation among Chinese customers for its food, and all the cooking materials and ingredients are directly shipped from China. Their prices range from $7 to $10 per appetizer and $15 to $25 per entrée. The location is very close to many corporate centers in Wilmington; as a result they are much busier at lunch than dinner. The restaurant has two separate dining areas. On the right are the private tables, which are mainly for groups of four or less. On the left are a couple of round tables for family occasions. The restaurant can hold 60 people. The owner has about ten employees in total, and they work different shifts. The owners of this restaurant are
originally from Shanghai. They employ local Chinese college students as part-time servers. It is open from 11 a.m. to 9:30 p.m. on weekdays and weekends, and they are open on Christmas and New Year’s Eve. The restaurant has a full bar.

Restaurant D is the third restaurant that was researched. This is a upscale restaurant with slightly higher prices than the typical sit-down Chinese restaurants. The food is good but with small portions. The Chinese dishes here are mostly Americanized, but the Japanese items on the menu are also popular. The sushi rolls are around $8 to $10 and the Chinese entrée are mostly around $15 to $25. The owner has about ten employees working different shifts. The restaurant can hold 80 customers. It is located in a shopping center. They are open from 10 a.m. to 10 p.m. every weekday; on weekends, they are open from 10 a.m. to 9 p.m. It also has a full bar.

The fourth subject is Restaurant E. This is a mid-market restaurant, which is located along the highway. The restaurant can hold 60 customers. It has two different menus, one for Chinese customers and the other one for native American customers. The menu for Chinese customers features dishes from different regions in China; for example, they have Szechuan, Shanghai, and Dongbei dishes on the menu. They have around 12 employees in total. The peak time for the restaurant is lunch time; they not only serve from the menu but also have a Chinese buffet from 11 a.m. to 1 p.m. The buffet is average priced, which costs $12.99. During the downtime, which is from around 3 p.m. to 7 p.m., they only have four to six servers in the restaurant. Most servers are relatives of the owner. The owner of this restaurant also works as the chef. This is a typical family owned business. The son is the general manager, who deals with daily affairs and sometimes takes orders as well. The mother takes care of the cashier duties. The father works in the kitchen as a chef. All the
employees are relatives or acquaintances. It is open seven days a week from 9:00 a.m.
to 9:00 p.m. They work on most holidays, including Christmas and New Year’s Eve.

Restaurant F is a mid-market Asian cuisine restaurant. The décor and atmosphere inside is very elegant and family oriented. The prices here are very affordable while the location is convenient. They typically have a buffet at lunch time and dinner time, which costs $11.99. But customers still can order from a menu. They have a huge selection of food and plenty of desserts, just like other Chinese buffet restaurants. They also have rooms available for large groups or parties. They have nearly 25 small tables, which together can host 100 customers. The owner is half Chinese but she can speak fluent Chinese and she understands Chinese very well. Although the food in her restaurant is mainly Chinese, the owner has hired around 15 employees and most of them are from Vietnam and Thailand. They can speak limited Chinese, and their English is O.K. for taking orders. It is open seven days a week from 10:00 a.m. to 9:30 p.m.

Restaurant G is a mid-market restaurant, which is located among a couple of grocery stores along the highway. They typically have a buffet at lunch time and dinner time. It can host more than 100 people. There are more than ten employees working per shift. Their food is mainly Americanized Chinese and Taiwanese food. They have a Mongolian grill where customers can choose their vegetables, noodles, sauces, and meats and the chef will stir fry it in front of the customers. This enhances the dining experience. It also has a very large variety of food items, Chinese, Japanese, American, and raw seafood. The price is very reasonable, $14.99 at dinner time including tea or soft drinks. The owners are a couple originally from the southern part
of China. They handle the cashier duties themselves. They hired their relatives to be
the chefs and all the waitresses are women introduced by their acquaintances.

Restaurant H is a small economy Chinese restaurant. Unlike other take-out
restaurants, there are around 8 tables inside, and each table can hold four to five
people. They have both Americanized Chinese food and authenic Chinese food. The
owner cooks the food, but the delivery to customers’ houses is taken care of by
someone else. This is a typical Chinese family business. The owner’s daughter, who is
a middle school student, helps her father occasionally. She takes orders from the
American customers and the Chinese customers’ orders are taken by her mother.
There is no cashier, no waiter, and there are only two chefs in the kitchen. Their prices
are relatively cheap, which are $5 to $10 per entrée They are open from 10 a.m. to 11
p.m. every day, even on holidays.
Details of Selected Chinese Restaurants

Challenges

The rapid growth of Chinese restaurants in Delaware has made this business very competitive. To cope with this, many Chinese restaurants have adopted several survival strategies including providing extended opening hours, lowering labor cost, and adopting price reductions in order to gain a bigger market share.

According to the answers of the total seven Chinese restaurateurs in this study, the biggest challenges they have experienced in running the business are the following:

Table 4.8. Challenges. The left column shows the numbers of all the participating restaurants that recognize these three challenges.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/7</td>
<td>Cost Control and Human Resources</td>
</tr>
<tr>
<td>5/7</td>
<td>Marketing</td>
</tr>
<tr>
<td>4/7</td>
<td>Food Quality</td>
</tr>
</tbody>
</table>

Source: open-ended questions

Cost Control and Employee Recruitment

It cannot be denied that employee recruitment as well as cost control are the most serious challenges facing all seven interview participants.

The Chinese restaurateurs control their costs in two areas: food costs and labor costs. The preparation process and cooking methods in a Chinese restaurant are time consuming and labor intensive. The standardization of food preparation processes
and cooking methods makes efficient food cost control possible. It helps maintain consistency of food quality. Meanwhile, it shortens the time needed to prepare and cook a dish. As a result, the labor cost is reduced. This standardization of food preparation processes and cooking methods is cost effective, however, the downside of these processes is that they reduce the authentic flavor, which original Chinese customers would like.

According to the answers to the demographic questions in the first section, selected restaurants maximize their profits by hiring family members who are usually underpaid or unpaid. These family members are all skilled in Chinese food preparation methods and have more than 10 years cooking experience in the restaurant industry in China and the U.S. The set of employment regulations and immigration laws restricts the issuance of work permits to Chinese immigrants. This situation made hiring more difficult and complicated. The respondents also mentioned that they sought to recruit employees who ask for low wage, such as international students from the local University. Three owners of the total seven respondents considered it worthwhile to run the risk of hiring undocumented workers, which allows them to pay less than the minimum wage and to avoid the payment for social security taxes and benefits for their employees.

The employment of Chinese servers is also a management controversy discussed by five of the seven restaurant owners. Americans have long perceived that a Chinese worker should serve Chinese food in an Asian restaurant. Four of the seven Chinese restaurant owners felt that Chinese-descent employees were necessary for successful operations. They argued that non-Chinese employees need extensive training to be familiar with Chinese food and they still do not understand the Chinese
service culture. Chinese employees also reinforce the customers’ perception of “the authenticity of the food.” However, two of the seven participating restaurateurs believed that western restaurant skills could be applied and “standards” could be established for a Chinese restaurant chain. They believe Chinese cooks and servers were not necessarily important components of a successful Chinese restaurant chain.

The recruitment of skilled chefs is another challenge for all the interview participants in this study; particularly for the restaurateurs who originated from Hong Kong and some developed provinces of mainland China. According to the owners, some of them have very fixed ideas about cultures and nationalities of the chefs. They were expected to hire a chef originating from the same place where the owner came from, or at least who had the same nationality.

The respondents also mentioned good purchasing techniques as a way to control food costs. Other methods were also mentioned: inventory control, employee theft control, food waste control, and dish portion size control.

It has been very difficult for the small Chinese restaurants to hire certified Chinese chefs from mainland China, due to two reasons. First, China’s economy has developed rapidly. Most of the certified chefs feel that it is not very necessary for them to come to the U.S. to find a job here because they can find higher paying jobs in China nowadays and they are reluctant to leave their families. Second, to get a working visa in the U.S. is time consuming and complicated. According to immigration laws, any alien who seeks to enter the United States for the purpose of performing skilled or unskilled labor is inadmissible, unless the Secretary of Labor has determined that: (1) There are not sufficient workers in the U.S. who are able, qualified, or willing to do the job; or (2) The employment of such alien will not
adversely affect the wages and working conditions of workers in the United States similarly employed. The laws above are very strict, and the process of getting a working visa is time consuming and money consuming for both the employee and the employer, especially for Chinese chefs.

**Marketing**

Chinese restaurants have to survive a high level of marketing challenges. Chinese restaurateurs are very active and creative in meeting market challenges, creating new products and business strategies.

Six of the seven restaurants were actively engaged with local media. In addition to the traditional promotion and advertising methods such as the yellow pages, local tourist brochures, coupons, newspapers, and radio, innovative distributing channels are used by four of the restaurants. The four restaurants have a presence on the World Wide Web. Other marketing practices valued by these restaurants include good relationships with local communities and word-of-mouth advertising. Other strategies used included: social media, modifying their business operations, and drawing on their resourceful ethnic social network for gathering capital, recruitment, information, and other forms of support.

Furthermore, discount or complimentary coupons are distributed around the neighborhood when a new unit opens. Market research such as focus groups and customer satisfaction surveys are conducted when necessary.
Consistency of Food Quality

Chinese food has long been famous for being fresh and healthy. The freshness and flavor of some hot dishes could be lost in a very short time after food is cooked. “This is a big challenge,” one restaurateur remarked. A quick-service format makes the delivery of truly traditional Chinese cuisine hard to accomplish.

Without authenticity and a consistent quality of food, a Chinese restaurant lacks the necessary advantage to compete with independent restaurants that are well known for quality food, low prices, and originality.

Barriers

In summary, the seven respondents identified the following barriers to operating their business.

Table 4.9. Barriers. The left column shows the numbers of all the participating restaurants that recognize these three barriers.

<table>
<thead>
<tr>
<th>Numbers of Restaurants</th>
<th>Barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/7</td>
<td>Cultural Differences</td>
</tr>
<tr>
<td>5/7</td>
<td>Fast Expansion</td>
</tr>
<tr>
<td>4/7</td>
<td>Human Resource and Professional Challenges</td>
</tr>
</tbody>
</table>

Source: open-ended questions

The first barrier is cultural. Most owners are not American born and have saved their money to start their own businesses. The majority are not formally educated and don’t believe in modern corporate management methods, and are also
apprehensive about their ability to handle additional problems and details entailed in expansion and incorporation.

The second barrier is against rapid expansion. Most Chinese restaurants are typically family operations and it takes a long time to start, develop, and grow them, and after an optimum size has been achieved the owners cease to expand the business.

The third barrier is professional. For Chinese restaurants, expansion requires a supply of key personnel. Unfortunately, in recent years there is a scarcity of competent Chinese chefs. Considering the normally extensive menu in a Chinese restaurant, plus the fact that every dish is cooked to order, an experienced chef is a necessity if the operation is to run smoothly. A good chef usually requires a long period of professional training and practice. The food is regarded as an extension of a chef’s personality. Even with standardized recipes, different chefs create different tastes. This makes it extremely difficult for a restaurant to control the food quality and consistency when it expands from one or two units to more. This is quite contrary to Western-style operations like steak houses and family-style restaurants where cooking skills could be taught to non-skilled workers.

In summary, the foodservice industry in the U.S. has been facing fierce competition in recent decades. At the same time, the U.S. population has become more diversified. This requires restaurants to consider the different needs of customers from different cultural backgrounds. In this way, they can attract more customers to their restaurants. Chinese restaurants have been very successful in the past decades. Chinese cuisines in the U.S. have been modified to suit Western tastes. The increased number of Chinese immigrants may require Chinese restaurants to pay more attention to
Chinese customers. In order to continue with this success, the owners of Chinese restaurants need to consider the changing ethnic composition of the population, and try to satisfy both Eastern and Western customers’ needs. Bringing back the authenticity in Chinese food may be a good way to meet those diverse needs. In addition, being able to understand the unique needs of customers with different backgrounds and to leverage cultural factors in the service delivery process can also be a source of competitive advantage.

Because personal experience is very important to word of mouth advertising, efforts to improve customer experience will be rewarded with an improved reputation. Thus, restaurants and food marketers should keep in mind that providing a pleasant experience influences customer satisfaction and intentions for future behavior, as well as positive word of mouth. Similarly, it is also important to understand the gatekeeper power of customers from their own country of origin. Gatekeepers are individuals who have the power to endorse or denounce businesses to buyers. For example, customers who are not familiar with Chinese food are likely to ask a Chinese person to recommend a good Chinese restaurant. This shows that satisfying the indigenous customer segment is an important part of successfully attracting other ethnic customers.

There are other major findings from the interviews. First of all, these selected Chinese restaurants in New Castle County of Delaware are small to medium size. According to the U.S. census statistics, the total population in New Castle County Delaware is 538,479. Meanwhile, 4.3% of the total 538,479 are Asian people, which translates to 23,154 in total. Compared to other counties, the market for Chinese
restaurants in New Castle County is still immature. Second, Chinese restaurants rely heavily on family labor. Five of the seven restaurants are run by families.
Chapter 5

DISCUSSION AND CONCLUSION

Conclusions

This study sought to find out the reasons and barriers that prevent Asian-owned restaurants from joining the Delaware Restaurant Association. This research also aimed at determining factors that would attract Asian restaurateurs to join the Delaware Restaurant Association, and determine what benefits offered by the DRA would attract them to become members. This study is one of the first to provide a comprehensive description of the characteristics of selected Chinese restaurants in the state of Delaware. The study investigated the cultural and operating philosophies that influence Chinese entrepreneurs in their decision making. Three barriers were identified as important in preventing Chinese restaurateurs from joining the DRA, which include cultural, financial, and social barriers. The insights from the seven Chinese restaurateurs in the state of Delaware have provided valuable suggestions and recommendations for the DRA to successfully attract more Chinese restaurant owners and overcome the barriers.
Discussion

The DRA Membership Benefits Package

After the interviews, the DRA membership benefit package was introduced to study participants. The details of every benefit item were clearly explained. It was found that the owners were not very interested in most of the benefits. For example, their reaction to the BMI music licensing discount plan was that they really never play any American songs in the restaurants. In most Asian or Chinese restaurants, there is no music playing when customers are having a meal. In the restaurant B, although they were playing music, they claimed that the music was from China, and they refused to talk about legal copyright. As a result, the author thought the BMI discount music plan was not suitable for Chinese restaurants at all; they do not have the need. Further it makes more sense if they play Chinese songs in the restaurants. More, the law regarding public performance of music is not mature in China, and the author believes no one would be in violation even if they played some Chinese popular music without any authorization for a public audience.

In another example, the author introduced the Fishbowl marketing discount benefit and it did not attract the owners’ attention at all. Fishbowl is a leading provider of on-demand marketing software and services to the restaurant industry. Fishbowl software helps restaurants of all sizes manage critical guest marketing services. Although the Fishbowl marketing software might be very popular among American restaurants, the Chinese restaurant owners know nothing about it. They
refused to tell me how they market to their customers and how they advertise their restaurants. But when the author researched it herself, she found that most of the upscale Chinese restaurants did a good job on their websites. The author is not sure whether they did it themselves or had some professional team do it for them.

Furthermore, the author introduced the Workers Compensation Insurance Program offered by the DRA to the restaurant owners. One of the upscale Chinese restaurant owners seemed have an insurance plan with some company in New York City. They did not tell the author specific details. But the other upscale restaurant owner seemed very reluctant to answer the question, “Do you have any insurance for the employees?” Maybe she has, but the author thought not. The same situation took place in another restaurant in which the author conducted an interview. The author asked an employee about insurance after he finished work. He told her that he is an international student who attends school at the University of Delaware. The author believes he has an F-1 student visa, which does not allow him to work off campus unless he has special authorization. The author does not think he possessed the authorization. He claimed that the owner paid low wages and confiscated a portion of each employee’s tips. The author was surprised, because this represents two violations of the law. Because these students do not have a legal working certificate, the owners of some Chinese restaurants exploit them. Although they work long hours for low pay, they are still willing to work under this unfair treatment.

Compared to the Chinese restaurants, there are some common employee benefits that can be found in any average American restaurant’s employee handbook. First, restaurant servers usually work for a pay rate of less than minimum wage, but take home a good deal more based on their tipped income. Tips are sometimes
distributed among kitchen staff as well. Unlike other restaurant benefits, tips are given by guests, not restaurant owners. Most importantly, the owner does not take tips from employees. Second, depending on the company’s policy, every employee can receive a certain number of paid sick days and vacation days. Employees can get paid for vacation days or sick days depending on how much paid time off (PTO) they have earned. Chinese restaurant employees do not have any PTO time; they do not get paid for their vacation or sick days. Third, American employers offer a 401K plan to employees who want to save money for their retirement account. However, Chinese restaurant employees, especially those who are students with a student visa, do not have this benefit at all. Fourth, other types of insurance, including medical, dental, disability, and vision, are not offered by the Chinese restaurant owners.

Last but most important, the author introduced the Annual NRA Public Affairs Conference in Washington, D.C., which is another benefit for DRA members. Most Chinese restaurant owners totally ignored this opportunity. They believe that their ideas and suggestions, no matter what kind, would never matter or be accepted because they are a racial minority. These Chinese restaurants have some issues themselves. They cannot promise not to break the law. They do not want their practices to be exposed and possibly be vulnerable to lawsuits.
Findings Associated With the Mindset of Chinese People

After talking with these Chinese restaurant owners, there appears to be a certain mindset or philosophy planted deeply in their way of life. First of all, most Chinese are reluctant to strike up a conversation with strangers and get to know them. Each time when I entered a restaurant to conduct an interview, the owners just showed hostility after finding out that I was not a customer. In my opinion, the family and relatives are still the major social resources for Chinese people. Valuable social resources outside the family sphere, such as alumni, colleagues, and other social circles, are often ignored and wasted. I think Chinese people need to escape the confines of their family circles and explore larger circles of society. Further, it is very clear that most Chinese people only choose to initiate social interactions when they enter a stable social environment, such as a new job, in which people can get to know one another gradually over time. On the other hand, Chinese people usually have solid family values.

The restaurant owners might not to talk to strangers like me unless it is business related. They only meet new people through mutual friends and socialize only within their own circle.

The other interesting thing I have been considering is why Chinese restaurants have a duplicated menu. In Chinese culture, being different is not polite
and indicates a lack of a sense of morality. Unlike some Americans, Chinese people feel more secure when they become one of the majority.

Chinese workers are very hardworking. They live to work and may work seven days a week, leaving no time for entertainment. Even when they have enough money saved in the bank, many of them still want to continue working. They barely enjoy their lives or have any hobbies. Part of the reason stems from China’s long history of war and poverty, which motivates Chinese people to change their lives by working hard in order not to go back to the past conditions of poverty.

In addition, Chinese people are too shy to expose their feelings or opinions. They think it is impolite to say no directly or to disagree with others. Instead, they express their opinions in indirect ways. For example, I was talking to a Chinese restaurant owner about employees’ legal rights. My position was against the owner’s position; however, he didn’t say “No, you are wrong.” He was listening; sometimes he smiled and said, “I agree with you on some points, it really makes sense, but I think it would be better if you do as I told you to do.” The shyness of Chinese people results from traditional Chinese culture and education. Most often this shyness just shows the consideration of Chinese people for others.

Chinese people are reserved and don’t like to show their affections. To Chinese it is unnecessary and weird to show their affection for relatives and friends. That is why most Chinese parents don’t say “I love you,” to their children.

I think shyness is a factor in preventing Chinese restaurant owners from joining the DRA, as well. An owner told me that he would feel uncomfortable in a group of Americans because he is unaccustomed to introducing himself to strangers. Chinese people prefer talking with people they know and expect that someone will
help them introduce themselves to others. Many Chinese restaurant owners may think it would be unusual to introduce oneself to strangers and embarrassing if that person did not want to have a conversation.

Last, I asked whether the owners had any ideas or needs to share with me after the interview. I asked them what specific needs they would want addressed if they were to join the DRA. Five of the seven said they think the annual fee is too high. They think it is not worth the money to join because they do not want most of the perks listed in the benefit package. Meanwhile, I think they have their own special marketing strategy that they kept as a commercial secret from me.
Suggestions for the DRA

First, the author believes the DRA needs to identify specific membership segments, such as Chinese or Mexican. They may design a brand new membership benefits package for the Chinese restaurants. In this package, the DRA may offer different plans such as the following: (1.) Design a special benefits plan for the Chinese restaurateurs with a lower annual fee and fewer services than the DRA provides to American members. For example, the Chinese restaurants do not need to play American songs in their places. As a result, they may want benefits other than the BMI music licensing discount plan. (2.) Find a way to minimize the time and money that the Chinese restaurateurs spend on applying for working certificates or visas for their chefs coming from China. The DRA may talk with the Senate and House of Representatives about this limitation in the immigration law. They may work together to make this visa approval process easier for Chinese chefs. (3.) The DRA may host a Chinese food festival in Delaware to invite all the Chinese restaurateurs who are willing to join the DRA to introduce their special dishes to the public. Meanwhile, the public maybe would learn a little bit more about traditional Chinese culture and food. Therefore, the Chinese restaurants may attract more customers and develop their market better. (4.) The DRA may hire a sales person who understands Chinese culture or speaks fluent Mandarin or Cantonese to build a bridge between the DRA and Chinese community. (5.) Explain the important role that the Chinese restaurateurs can play in the DRA to increase their confidence. Invite one of them to join the board of directors to represent opinions collect from the Chinese community.
Limitations and Future Study

There are very few studies of Chinese restaurant owners and their operational characteristics. It is hoped that this study would inspire more research about the ethnic restaurant segment. This study can also provide restaurateurs or state restaurant associations with practical information. These future research subjects could include ethnic food images, service quality in Asian food restaurants, and relationship marketing for Asian food customers. This study was limited by the number of restaurants participating, the limited geographical area, and the number of questionnaires distributed. The major limitation to this study was the lower than expected response rate and willingness to participate. The interview instrument was sent to more than 35 potential participants via email in New Castle County, Delaware. It was expected to gain a minimum of 50% response rate. At the completion of this study, the response rate was only 20%. This low response rate is attributable to two factors: (1.) The target sample had little interest in participating in the study and (2.) the lack of economic incentive for completing the interview. The majority of the restaurants’ owners were unable or unwilling to dedicate 30–50 minutes to complete the interview. Instead, some of the interviews were completed by their family members, including spouses and children. To receive a better response rate, it was taken into consideration that an incentive greater than a copy of the research paper should have been included with the research instrument.
REFERENCES


