

ASIAN AMERICAN BUSINESSES EXPLODING IN DIVERSITY & NUMBERS

CENTRAL TEXAS ASIAN AMERICAN OWNED BUSINESSES
REPORT 2016

PRESENTED BY
THE GREATER AUSTIN ASIAN CHAMBER OF COMMERCE

FORWARD

Exploding in Diversity & Numbers is the first report on the Asian American business community produced by the Greater Austin Asian Chamber of Commerce (GAACC) since its inception in 2012. That was also the year of the most recent *Survey of Business Owners*. Survey results broken down by race and ethnicity, were released in December, 2015.

This report delivers an analysis of entrepreneurs from the fastest growing and most ethnically diverse demographic in the United States, Asian Americans. The number of businesses owned by this group is accelerating in step with the rapid growth of the general Asian American population in Central Texas.

Our goal is to provide insights into the demographics and challenges faced by Asian American owned businesses. So we disaggregate the data into the ethnic segments to give a more nuanced understanding of how each is performing. Marketers and service providers who seek to discern and create strategies to best serve Asian American entrepreneurs should find this report valuable as they strive to be relevant to an increasingly multicultural business environment.

The mission of GAACC is to advocate for, connect people to and educate the Asian American business community. We do this by offering with a comprehensive variety of programs and services to ensure that their culturally and linguistically specific needs are met and they can grow to their potential.



Marina Ong Bhargava
Executive Director



Paul Kim
Chairman of the Board

CONTENT

EXECUTIVE SUMMARY	2
BY THE NUMBERS 2012	
AGGREGATE DATA	3
• Number and Revenue	
• Employees	
• Industry Categories	
GEOGRAPHIC INSIGHTS	6
• Distribution	
• Number	
• Revenue	
• Employees	
ETHNIC GROUPS BREAKDOWN	8
• Distribution	
• Number	
• Revenue	
• Employees	
GROWTH 2007-2012	10
TOTAL GROWTH	
BY ETHNIC SEGMENTS	
PROJECTIONS 2015 & BEYOND	13
CONCLUSIONS	14

EXECUTIVE SUMMARY

“Asian Americans are the highest-income, best-educated and fastest-growing racial group in the United States. They are more satisfied than the general public with their lives, finances and the direction of the country, and they place more value than other Americans do on marriage, parenthood, hard work and career success”

2012 Survey of Asian Americans, Pew Research Center

In the City of Austin, the Asian American community is estimated to exceed 100,000 almost seven percent of the total population. We expected that Asian American owned businesses would also be growing and the recently released data broken down by race and ethnicity from the 2012 *Survey of Business Owners* confirms this prediction. In the five year period covered by the survey, Asian American businesses **grew 44 percent** to 10,553 and we estimate that there are currently about **13,000** Asian American businesses in Central Texas.

There are Asian American businesses from every segment of this diverse community and they are exploding in number. Furthermore, the characteristics of these businesses are reflective of the owners who tend to be well educated, motivated, and technologically savvy. The industries that these businesses serve mirror the general education levels of the owners, so we see professional, technical and scientific as the highest category at 26 percent. However, although they make up about six percent of all private firms, they only account for five percent of total revenues. This under performance means there is a role for GAACC to play to support these firms.

Minority and women business enterprise programs notoriously have under participation rates of Asian American owned firms. Mom and pop restaurants that serve Asian food have little to no presence online. Entrepreneurs with limited English proficiency are left out of public service announcements regarding important opportunities and regulations that are disseminated only in English and Spanish. And even in technology companies with large numbers of Asian American employees, their representation in management, leadership roles and on executive boards are woefully low.

If the growth rate of Asian American businesses holds, then we can expect them to number **22,000 in 2022** and the entire region will be better off if they are able to fully contribute to the economy.

BY THE NUMBERS 2012

AGGREGATE DATA

NUMBER AND REVENUE

In 2012, there were 10,553 Asian American owned businesses in the Austin-Round Rock Metropolitan Statistical Area (MSA), 5.9 percent of all privately owned firms.

Category	Number of Firms	% of Total Private	Revenue (\$,000)	% Private Revenue	Revenue/Firm
AA Owned	10,553	5.9	3,553,692	4.9	\$336,747
All Privately Owned	178,615	100	73,160,017	100	\$409,596
Private and Public	182,973	n/a	233,425,043	n/a	\$1,275,735

Asian American owned businesses reported \$3.6 billion in total which was 4.9% of all private firm revenue, which is one percentage point less than what could be expected. Moreover, the average revenue per firm Asian Americans is 17.8 percent lower than that of all private firms.

One other study found that the annual earnings for self-employed Asian Pacific Americans in the area are 19.9 percent lower than nonminority males (*Business Disparities in the Austin, Texas Market Area*).



Spotlight

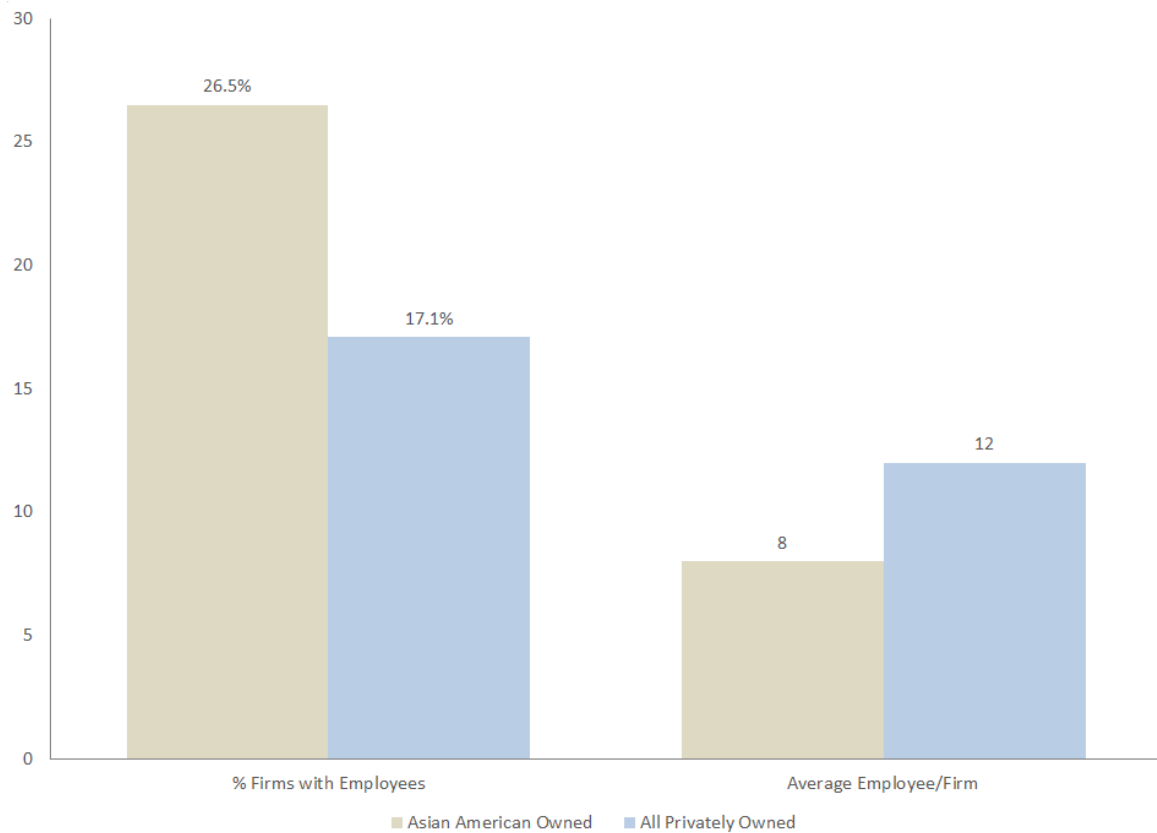
Electronic Interoperable Exchange Systems is a Round Rock based modernizer of healthcare technology, founded by Amin Salahuddin. They have 26 employees in the U.S. and India and they are looking at opportunities to expand to Malaysia and Japan. Amin founded a free health clinic at a local mosque and served over 400 patients in 2015.

EMPLOYEES

Of these 10,553 businesses, 26.5 percent employed 21,915 people or 6.1 percent of all private sector jobs. This compares to 17.1 percent of private firms which hired 357,768 employees. When we compare firms with employees, we find that the average number of jobs created by Asian American businesses was only eight versus 12 for all private firms.

So although Asian American firms create jobs at a significantly higher ratio than the general universe of businesses, those that do, have smaller staff.

PERCENTAGE OF FIRMS WITH EMPLOYEES AND AVERAGE EMPLOYEE PER FIRM



INDUSTRY CATEGORIES

The trade segment that shows the highest number of Asian American owned businesses is the professional, technical, scientific industry. There are 2,015 firms or 19 percent of the total. This was followed by retail, food, and hospitality and real estate.

Industry Categories	Total Firms 2012	Total Firms 2007	Growth Rate	Percent of Firms 2012
Not Categorized	2,980	1,808	65%	28%
Professional, Technical, Scientific	2,015	1,519	33%	19%
Retail	1,212	893	36%	11%
Food & Hospitality	760	544	40%	7%
Real Estate	740	n/a	n/a	7%

On the other hand, 28 percent of businesses did not fall in any category which suggests that Asian Americans are contributing to the economy in a wide variety of enterprises. This was also the segment that grew at a much faster rate of 65 percent than the other top categorized industries.

Spotlight

Sunita Trevino, founder of *Brain Coach*, is a Certified Executive Coach and Organizational Development Consultant who combines her Eastern heritage with research and techniques from modern-day science. She coaches professionals, business leaders, and facilitates organizational change, team building, and alignment of organizational purpose. She also serves on the Veterans Affairs Committee and the executive board of the National Association of Women Business Owners.



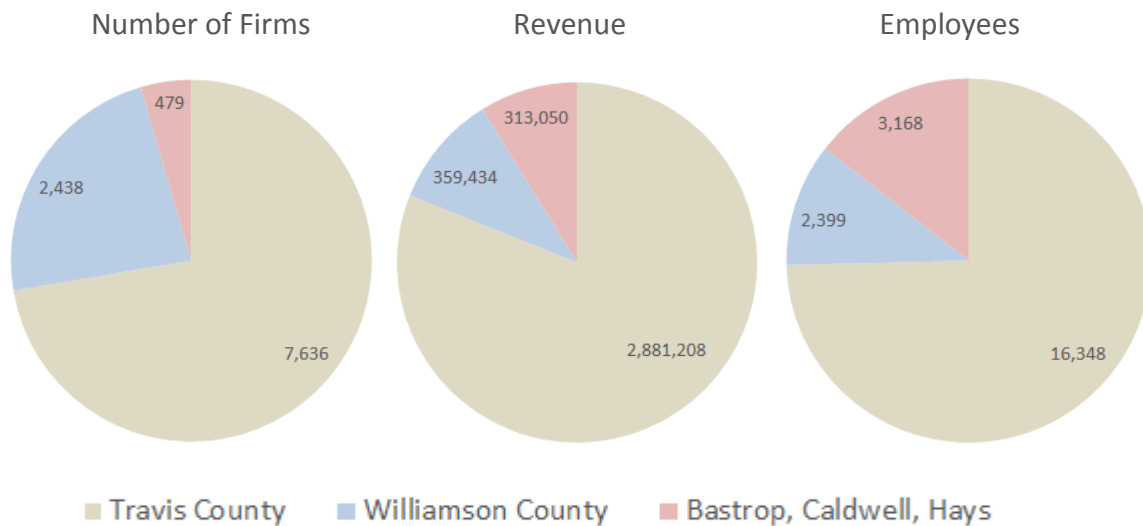
GEOGRAPHIC INSIGHTS

7,636 or 72 percent of Asian American businesses were located in Travis County and 2,438 or 23 percent in Williamson County in 2012. This is not surprising since like all other business owners, Asian Americans tend to establish their business close to where they live.

Asian Americans in Central Texas live mostly in these two counties where the urban cores of the region are located. They are not concentrated in neighborhoods although they tend to select locations with good schools if they have school age children.

In 2012, Asian Americans were responsible for creating 16,348 jobs in Travis County and almost 2,400 in Williamson County.

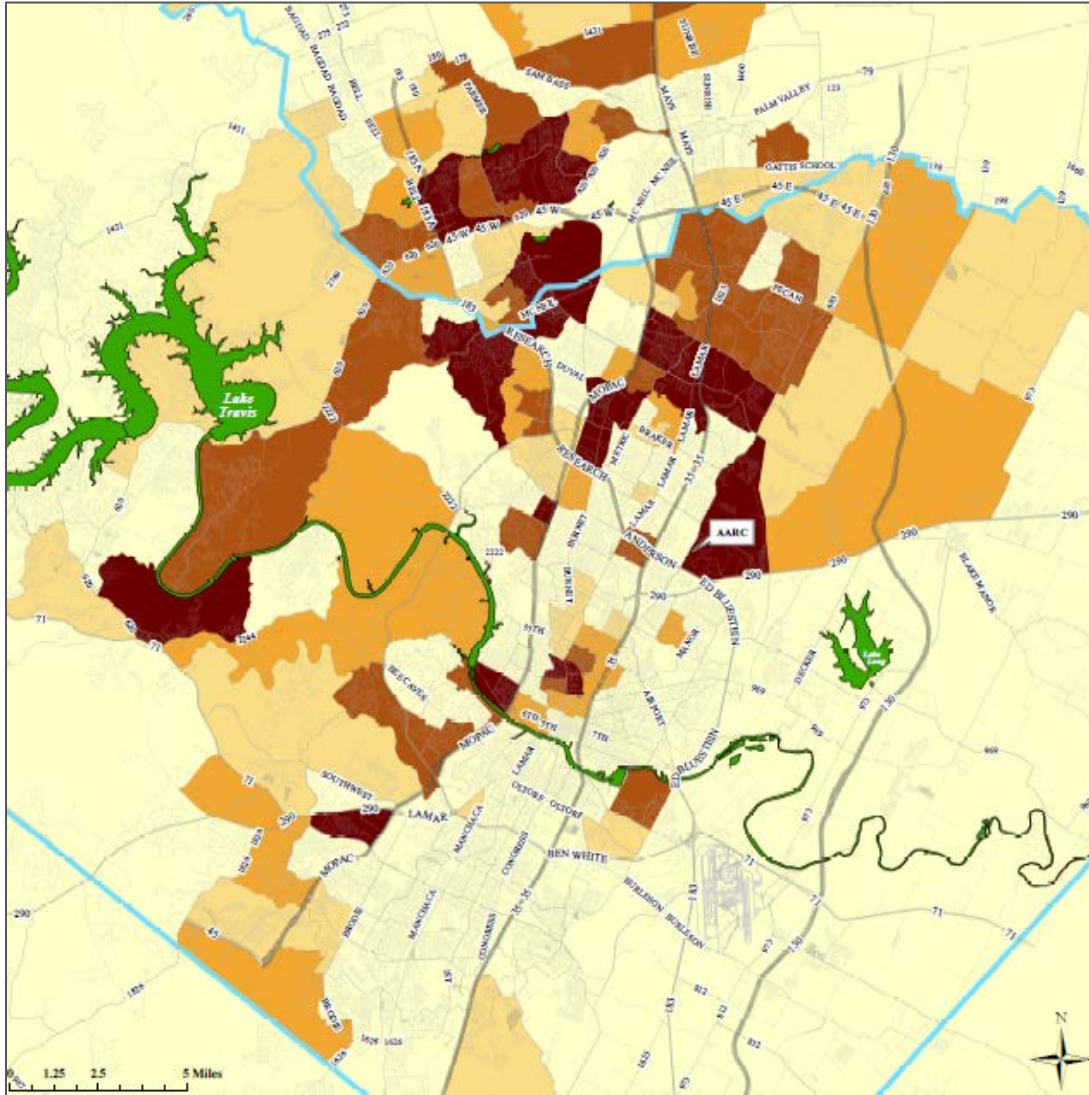
ASIAN AMERICAN FIRMS, REVENUE AND EMPLOYEE DISTRIBUTION BY COUNTY



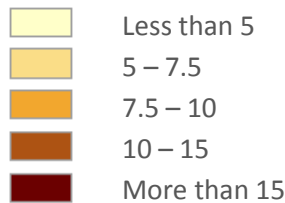
Within the membership of GAACC, we see similar geographic dispersion of our business members. Since we are located within the City of Austin, we naturally attract more members from Austin but we have local members in many of the surrounding cities, particularly Round Rock and members as far away as San Antonio.

The map below shows the concentrations of the Asian American population in the City of Austin and surrounding areas, with the darker colors indicating higher concentrations. Only the southeastern quadrant shows low numbers.

ASIAN AMERICAN DISTRIBUTION MAP



Percentage of total population that is Asian American (*American Community Survey 2012*)



ETHNIC GROUPS BREAKDOWN

Ethnic Group	Total Businesses	Revenue (\$,000)	Total Employees	Revenue/Business
All Private Firms	178,615	73,160,017	357,768	\$409,596
All AA	10,553	3,553,692	21,915	\$337,000
Vietnamese	3,169	563,977	2,791	\$178,000
Indian	2,490	1,551,497	7,890	\$623,000
Chinese	2,068	829,745	5,479	\$401,000
Korean	844	146,183	1,144	\$173,000
Filipino	540	87,613	382	\$162,000
Japanese	431	138,578	1,407	\$322,000
Other Asian	1,132	323,255	3,042	\$286,000

The table above disaggregates the data into the different ethnic groups, offering a rich picture on the Asian American business community. The total for all private firms is listed to provide even more context as to how the different ethnic groups are faring. The average revenue was \$337,000 in 2012. However, this ranges from \$162,000 among Filipino owned businesses to \$623,000 for Indian owned enterprises.

According to the Pew Research Center's 2012 survey, Indian, Korean, and Chinese communities are the most educated with 70, 53 and 51 percent of adults having a bachelor's degree or higher respectively. Vietnamese have the lowest ratio at 26 percent. Some of the disparities in average revenue could be justified by education levels, assuming that local business owners track the national averages in schooling and that this has a positive effect on sales.

What else can be contributing to the disparities among the ethnic groups?

We believe that the other factor at play is limited English proficiency. For any small business, the inability to communicate effectively can place it at a clear disadvantage. Vietnamese and Koreans are two populations with large proportions who say they speak English less than “very well” 59 and 46 percent, respectively (*American Community Survey 2012*).

The data on English language proficiency and revenue strongly signals that there is a need to support for the Asian American entrepreneur. We do not have data on how many of them are being served by business service organizations but based on our work with non-profits such as *PeopleFund* and the local Historically Underutilized Business departments of state agencies, we know this number to be low.

There is little doubt in our minds that the Asian American community requires resources that are tailored to their specific culture and language. This is an **evidence based result** from our own experience when we hired a Vietnamese speaking small business program coordinator and the number of Vietnamese entrepreneurs that we served increased organically.



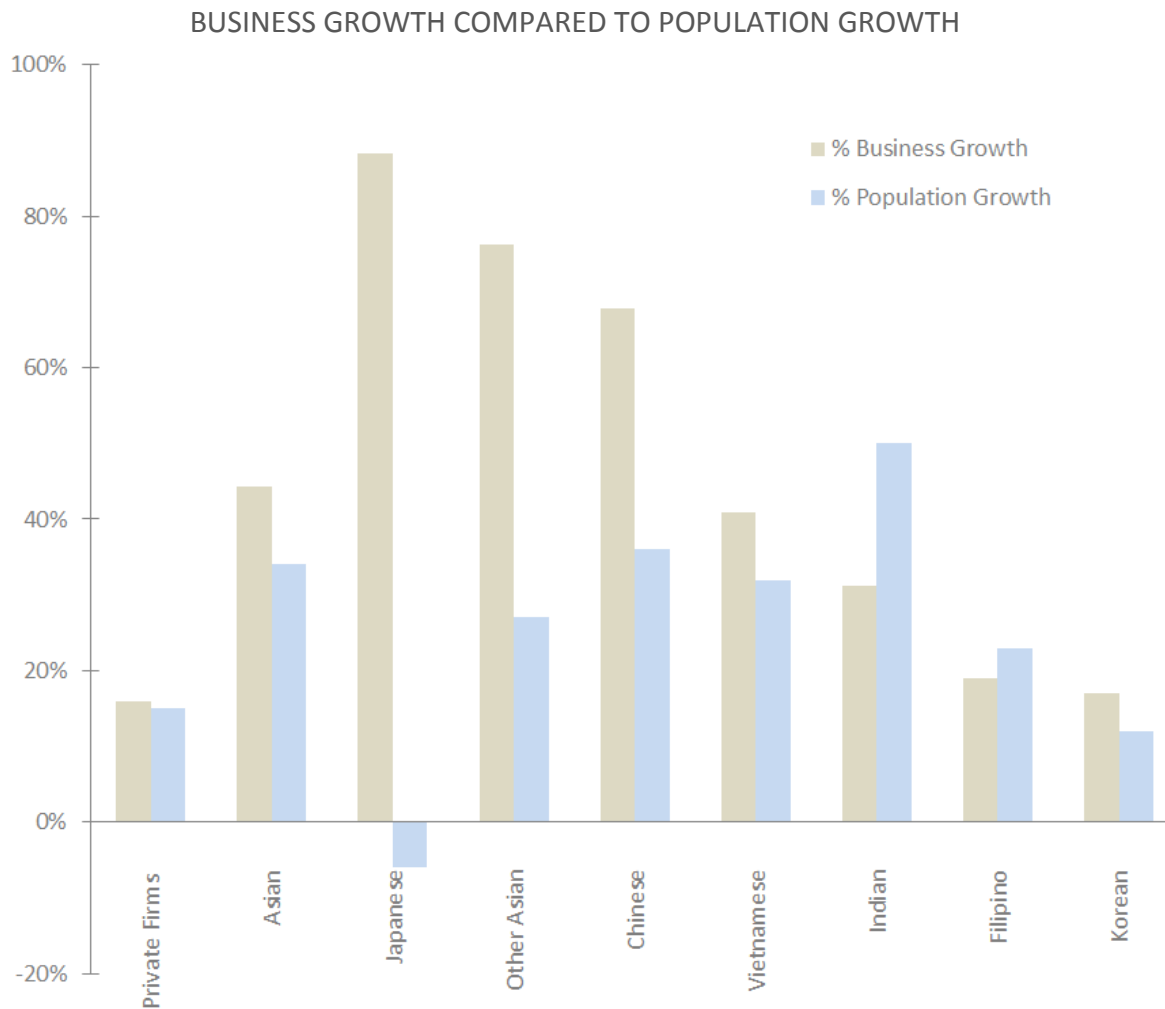
Spotlight

Nil Buan has a degree in filmmaking from in Manila, Philippines where he was born and raised. He furthered his education at the School for Visual Arts and Center for Media Arts in New York after which he did work for independent production houses including ABC, CBS and CNN. He started *Nil Buan Videography* in 2002. He has a network of videographers and production teams that creates event, corporate, and web content videos.

GROWTH 2007 – 2012

From 2007 to 2012, the number of Asian American owned businesses surged in number from 7,314 to 10,553. This is a blistering growth rate of 44 percent in a five year period, and surpasses by far the 16 percent rise for all private businesses.

To provide context to this increase, over the five years from 2009 to 2014 the Asian American population grew 34 percent and the general population rose 15 percent. The growth of all private businesses tracks closely to the population increase (16 to 15 percent). However, the growth of Asian American owned businesses was faster than its population (44 to 34 percent). This means that Asian Americans are starting businesses at a faster clip. The chart below disaggregates this data to show growth of business compared to population for the ethnic groups in the MSA for which there is data.

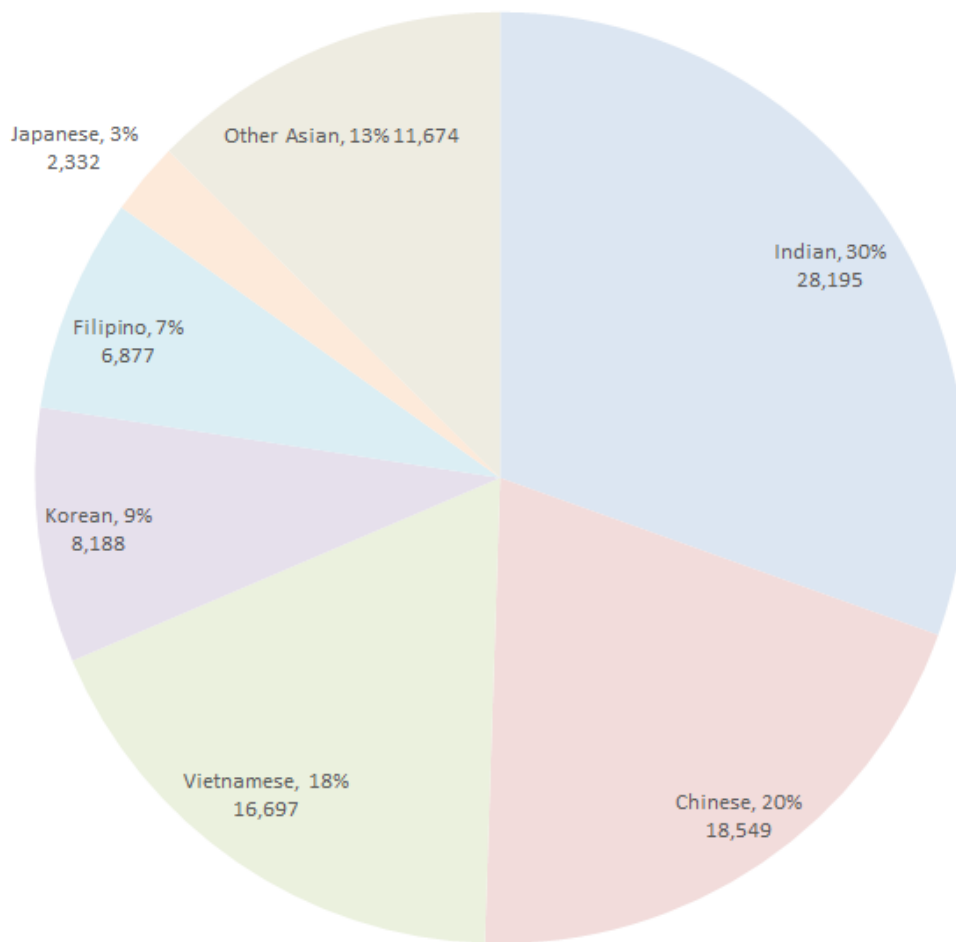


We can see from the chart that it is Japanese, Chinese, Vietnamese, and Koreans who are contributing to the business explosion phenomenon. Among the Japanese, this trend is especially interesting since their overall population actually decreased slightly. All other Asians not categorized also started businesses at a very high rate.

What is notable here is that the business growth rates of underperforming groups (Vietnamese, Korean and Other Asian) are very high meaning that there will be an acceleration demand for resources to support these businesses.

The chart below shows the relative size of these ethnic populations. The absolute numbers are still low and so we expect the high growth rate to continue.

POPULATION AND RELATIVE SIZE OF ASIAN ETHNIC GROUPS (2014 ESTIMATES)



What is driving Asian Americans to entrepreneurship in Central Texas?

There are many pull factors, not the least being that the region attracts and supports startups. The economy is also performing well and perhaps this gives confidence to potential entrepreneurs to take the plunge.

There could also be push factors at play. For those in the community who are limited in English proficiency, fewer alternatives exist for them. In addition, many Asian Americans in corporate America who are not getting the promotions that they feel qualified for educated may be frustrated enough to decide to work for themselves.

A recent disparity report found that annual average wages of Asian Pacific Americans in the construction sector in 2009-2013 were 14 percent lower than nonminority males, accounting for geography, industry, age and education (*Business Disparities in the Austin, Texas Market Area*).

Despite the strong growth of firms, the referenced report also found that the rate of business formation for this community would have been about five percent higher if there was no discrimination against this group. This means that with appropriate resources, advocacy and a neutral playing field, there would be even more Asian American owned firms. Since we know that these firms hire employees at a higher rate, the implication is that there would be more jobs created in the local economy.

Spotlight

Linh Tu founded *Patient's Premier Choice*, a pediatric home health care agency in 2015. Through her own personal experience of advocating for her daughter Jaelin, Linh learned of the gap of service providers in this area. She started her firm to help other caregivers of children with medical needs get the resources they need in physical and speech therapy, and in-home nursing.



PROJECTIONS

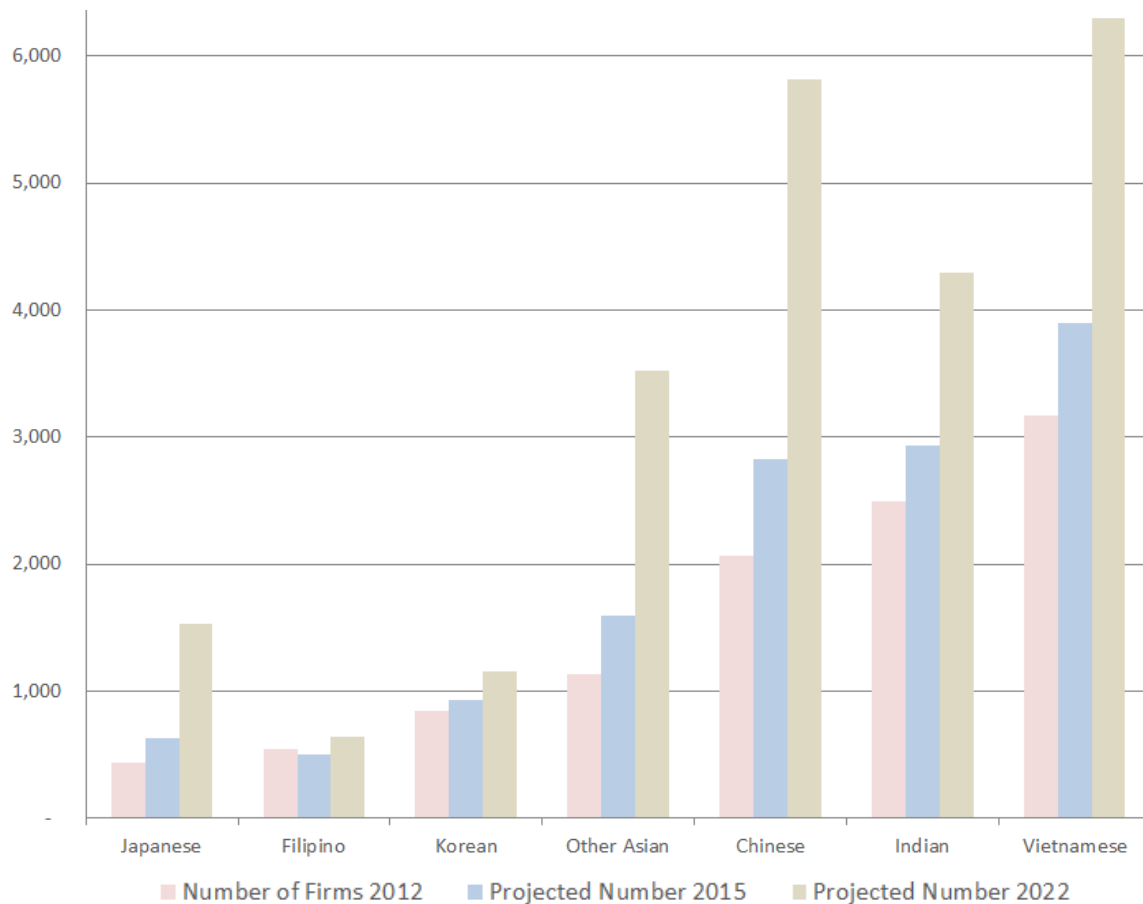
ESTIMATES FOR 2015

Based on survey data from 2007 and 2012, we calculate that Asian American businesses are growing by 7.5 percent annually. Using this rate, we estimate that there were about 13,000 Asian American owned businesses in Central Texas at the end of 2015.

In 2022, we project that this figure will grow to 22,000

Using the same methodology above, we made similar estimates for the different ethnic groups and charted the results below. The fastest business growth rates are from Japanese (13 percent), Other Asian (12 percent), Chinese (11 percent) and Vietnamese (seven percent) groups.

CURRENT AND PROJECTED NUMBER OF FIRMS



What are the implications of these forecasts? If the newer businesses share the same characteristics of existing ones, then we can expect that there will be more demand for resources that focus on the Asian American community as all the different ethnic groups with the exception of Indian Americans, underperform on the revenue per firm dimension compared to all private firms. Vietnamese and Other Asian entrepreneurs are even below the average for Asian American firms and these are the communities where there are higher levels of limited English proficiency, so more language specific resources will be needed.

CONCLUSIONS

The Asian American community is highly entrepreneurial and the businesses they create are highly diverse. This diversity is reflective of the population in general. Despite the high growth rate, racial obstacles exist that negatively impact both business formation and the revenue of firms.

The aggregate data does not provide a good understanding of the disparities that exist within the Asian American business community. When the data is broken down into the constituent ethnic groups, accurate information emerges regarding where resources and focus is needed to properly serve this community.

There are clearly segments that need more assistance because of lack of education, limited English skills, and existing discrimination.

Culturally and linguistically specific outreach and resources are needed for identified groups in order to help them to achieve their potential. If we are able to provide this support, we will be helping to build a more resilient economy and continued job growth in Central Texas.



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Perfectly positioned to help the
Asian American business community achieve its potential

