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## Commercial gentrification and ethnic entrepreneurs in Itaewon, Seoul

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## Summary

Commercial gentrification is an urban phenomenon that entails supply and demand changes on businesses impacting entrepreneurs in multiple ways. It has been expanded the realm of studies through multi-disciplinary approaches associated with socio-demographic factors such as class or ethnicity, yet mostly in the Euro-American context. Itaewon, a representative multicultural commercial area in South Korea, has undergone great changes based on the area's authenticity created by ethnic entrepreneurs that enables the examination of commercial gentrification with relation to ethnicity in a non-Western context.

By employing the concept of embeddedness which refers to the survivability of ethnic businesses in certain environmental changes, this research aimed to examine in what ways did commercial gentrification in Itaewon affect the embeddedness of ethnic entrepreneurs during 2015-2019.

A combination of qualitative and quantitative data is utilized, focusing on the former by conducting semi-structured interviews with ethnic entrepreneurs in Itaewon. Several supplementary data, including surveys and statistics, were used for triangulation.

The supply and demand changes on businesses were materialized simultaneously and interrelated with each other. With some exceptions, local stores were displaced as long-term customers disappeared, while the proportion of boutiques increases with Korean customers seeking authenticity. Meanwhile, a new kind of store "pocha" running a business regardless of the authenticity started to soar its numbers with the growing demand on nightlife that blurs the identity of the area.

It is empirically confirmed that the impacts on the market embeddedness of ethnic entrepreneurs due to the changes were varied by the kind of stores. Boutiques and native franchises sufficiently offset the rising rent with the increasing sales based on authenticity adapting non-essential elements of businesses, while those who could not — local stores and large-scale, international franchises — mostly lost the business competitiveness. However, there were nearly no impacts on the social embeddedness as ethnic entrepreneurs' social network and sense of alienation remained unchanged.

The study empowered the academic argument that asserting the different impacts of commercial gentrification depending on the individual position through ethnic entrepreneurs. It also opened a new research agenda of gentrification related to ethnicity in a non-Western context.

The study calls for an active role of the public sector, conserving the market embeddedness of ethnic entrepreneurs to maintain the authenticity of a multicultural commercial area and to vitalize the local economy. Meticulous and inclusive policies are needed to ease the inequity in urban society and spaces, leading to a more just city.

## Keywords

Commercial gentrification, authenticity, ethnic entrepreneur, embeddedness, Itaewon

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## Abbreviations

IHS	Institute for Housing and Urban Development Studies
ISTZO	Itaewon Special Tourist Zone Organization
KRW	South Korean Won
KSIC	Korean Standard Industrial Classification
SMG	Seoul Metropolitan Government

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# Chapter 1: Introduction

## 1.1 Background information

Gentrification is an urban phenomenon that has been studied for decades, yet most gentrification theories have been devised from the Euro-American world. As gentrification is now of worldwide issue (Smith, 2002; Atkinson & Bridge, 2005), its geographies vary depending on the context, hence is difficult to build a global consensus on its characteristics (Lees et al., 2008; Aalbers, 2019). Meanwhile, this urban phenomenon which had been often argued around residential spaces has been spatially expanded to greater realms including commercial districts (Hackworth & Smith, 2001; Lees et al., 2008). It is, therefore, divided into various subconcepts based on the land usage or main agent (e.g., Zukin et al., 2009; Park et al., 2016; Paton & Cooper, 2016). Also, the studies socially expanded through multi-disciplinary approaches making efforts to associate the phenomenon with socio-demographic characteristics such as class, gender, and ethnicity (e.g., Bondi, 1999; Hamnett, 2003; Lees, 2016).

A commercial area in urban cities is not merely a place where economic activities occur but it also helps understanding cities and citizens as it reproduces local culture through human interactions (Jaffe & Koning, 2015). Compared to a residential area where residents are usually separated by class or ethnic group, these interactions are more dynamic and diversified in the commercial area, hence it is vital to be studied for an in-depth understanding of the city and people engaged in it (Lee, 2019).

Itaewon, a famous commercial area in Seoul, is an exceptional urban space that the local vibe is blended exquisitely with that of global that has been agreed and defined in society and academia as a representative multicultural area in South Korea (Song, 2007; Lee, 2019). It was in the '90s when the cultural diversity in Itaewon proliferated that various minority groups started to settle down and build their own communities (Lee, 2019).

A few people from these groups opened businesses to cater to new immigrants who crave goods and services that are from their home countries or fit their religious persuasions. However, this kind of businesses has surged from the early 2000s as much more minorities arrived in the area, and in the late 2000s, the exotic atmosphere started to attract young and sophisticated consumers who were eager to distinguish themselves from mainstream consumers (Jung, 2015).

## 1.2 Problem statement

The geographies of Itaewon seem to be changed to a certain extent since then. Numerous entrepreneurs not only ethnic minorities but also native Koreans opened their businesses, and the kind of stores also vary from traditional, local retail stores and diners to “new entrepreneurial” and “corporate” retail capitals (Zukin et al., 2009, p.58), expecting business potential. According to a document published by Seoul Metropolitan Government (2016), the number of new restaurants and mobile food service businesses, which is the most general type of business in the area, has significantly increased from the 2010s that its three-year growth rate has proliferated from 9% in 2009 to 50% in 2012.

These supply and demand changes were promoted by mass media, and starting from 2013, the public sector implemented several public projects, utilizing the exotic atmosphere of the area. As a result, the rent skyrocketed, and this trend affected the surrounding areas in Itaewon soon after, leading to the displacement of entrepreneurs in the area (Jung, 2015).

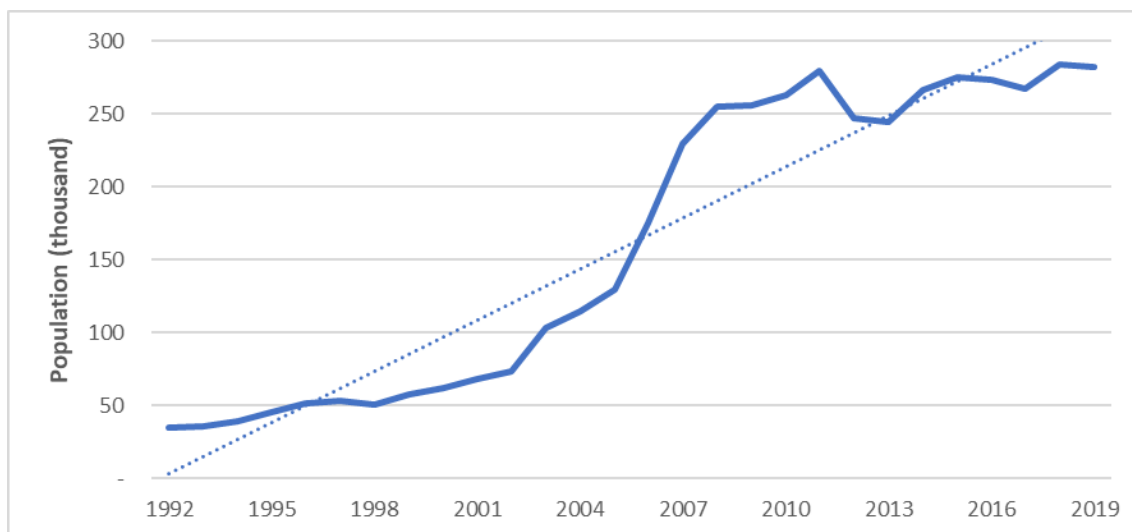
Based on the conceptualization of Zukin et al. (2009), the area is in the process of commercial gentrification that affects entrepreneurs in the area in multiple ways.

Impacts of gentrification have been examined from multiple points of view and heated arguments have been continued between scholars “those who see negative social costs” and “those who see ... wider improvement of city fortunes” (Atkinson, 2004, p.119). In this regard, Murdie & Teixeira (2011) insisted whether an impact is positive or negative vary depending on geographies and the position of a stakeholder. In this regard, the impacts on ethnic entrepreneurs must be examined separately, yet not many research activities have been conducted so far.

Here, the notion of mixed embeddedness, defined by Kloosterman et al. (1999) which explains the rise and fall of ethnic entrepreneurship, enables understanding the impacts of commercial gentrification on entrepreneurs running businesses based on their ethnicities. For more systematic comprehension, Sakizlioglu & Lees (2020) reframed the concept into three different aspects: social, market, and institutional embeddedness that refers to the capability of ethnic entrepreneurs to maintain their businesses in the respective environment changes in a gentrifying neighborhood. Besides, the authors confirmed that the impacts of commercial gentrification on the embeddedness of ethnic entrepreneurs vary depending on their ethnicities and types of businesses.

Context-specific understanding is very crucial in gentrification studies and has been stressed in urban academia (e.g., Lees et al., 2008; Aalbers, 2019). When associating with ethnicity, inter alia, Lees (2016) in her recent literature called for an out-of-the-box research agenda from the predominant U.S.-centered gentrification studies since most of the studies shined spotlights on the Western world (e.g., Murdie & Teixeira, 2011; Huse, 2016; Sakizlioglu & Lees, 2020).

Today in Seoul, commercial gentrification and multiculturalization are both the major social issues as several neighborhoods are rapidly gentrifying and the foreign population is upsurging (Graph 1). Numerous research activities have been conducted separately on these topics in South Korea (e.g., Park, 2013; Heo et al., 2015; Lee, 2019; Ryu & Park, 2019), yet there are few academic attempts to examine two concepts together.



**Graph 1: Number of foreign residents in Seoul, 1992-2019. Source: Statistics Korea (n.d.)**

Therefore, this empirical study aims to investigate the impacts of commercial gentrification on the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019 through their experiences and supplementary data.

### **1.3 Relevance of the research topic**

As gentrification is a context-dependent phenomenon, different approaches must be applied in different regions and countries for accurate understanding (Lees et al, 2008; Aalbers, 2019). Commercial gentrification has, inter alia, more complexity compares to that of residential as additional stakeholders such as consumers are involved (Zukin et al., 2015). In this sense, the study provides a general but up-to-date examination of commercial gentrification through applying the case of the recently gentrified commercial area in Seoul that can accumulate empirical evidence in urban academia. Also, the adaptability of the gentrification theories developed by previous studies is examined through empirical evidence.

Impacts of commercial gentrification have mostly been dealt with macroscopically in South Korea as an involuntary migration of business owners due to rising rent (e.g., Kim & Heo, 2016; Park et al., 2016). However, few academic attempts on examining the experiences and perceptions of them were made so far. Based on the concept of mixed embeddedness, this study gives attention to a specific entrepreneur group which has not yet been sufficiently investigated and broadens the academic awareness.

Though several empirical studies have been already conducted in terms of commercial gentrification and ethnicity in Itaewon respectively (e.g., Park, 2013; Heo et al., 2015; Lee, 2019; Ryu & Park, 2019), there are few academic efforts looking into these two concepts together. In accordance with the message by Lees (2016), this study opens a new multi-disciplinary research agenda of gentrification related to ethnicity which is departed from the existing framework predominated by the U.S. up to now.

It is a result of the societal change which stresses the inequity in urban society and spaces that the term gentrification has come to the fore in South Korea in recent years (Lee, 2016a). Accordingly, gentrification is one of the major social issues at the national level in terms of equity that must be addressed to become a ‘just city’ coined by Fainstein (2014) where marginalized groups are fairly treated. Also, though Seoul turned into a ‘global city’ with ethnic and cultural diversity (Kyung & Jeong, 2019), minorities have been socially alienated including in the context of gentrification. Therefore, by investigating the impacts of commercial gentrification on ethnic entrepreneurs, this study provides social attention to minority groups who are now one of the members of Korean society. A better understanding of our neighbors will contribute even a little to the process of establishing a just city.

Lastly, as the state takes a significant role in the process of gentrification over the globe (Shin & Kim, 2016; Aalbers, 2019), this study offers assistance to the public sector for designing more delicate and inclusive policies in terms of gentrification.

### **1.4 Research Objectives**

The supply and demand changes on business imply commercial gentrification that impacts entrepreneurs in various ways. Itaewon, a commercial area with ethnic diversity that has undergone great changes in supply and demand during 2015-2019, is selected as a case that enables the examination of commercial gentrification with relation to ethnicity in a non-Western context. By employing the concept of embeddedness, this study gives attention to the impacts on ethnic entrepreneurs who are the key agents of the changes in Itaewon.

Therefore, the objective of the research is to explain in what ways did the supply and demand changes on businesses affect the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019.

## **1.5 Main research question and research sub-questions**

### *Main research question*

In what ways did the supply and demand changes on businesses affect the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019?

### *Research sub-questions*

- 1) How did the supply and demand changes on businesses materialize in Itaewon during 2015-2019?
- 2) In what ways have the embeddedness of ethnic entrepreneurs in Itaewon changed during 2015-2019?
- 3) Are there any specific entrepreneur groups that have been more influenced on their embeddedness?

## Chapter 2: Literature review/theory

### 2.1 Classic gentrification studies

#### *Gentrification*

Studies on gentrification have been developed for more than half a century up to now. Glass (1964) coined the term ‘gentrification’ to describe an urban phenomenon that involves the substitution of working-class residents and neighborhood by those of middle-class. As the term became popularized in academia, many scholars attempted to reinterpret the phenomenon and created its own definition. Smith (1986) defined gentrification as the revivifications of labor class or abandoned housing, while Clay (1979) described it as the process of property value increment through the influx of upper-middle class professionals and investors who perceived economic potential in a traditional neighborhood. Though some differences depending on what they gave attention to, the concept of gentrification commonly entails the alternation to wealthier inhabitants in the area which causes the dislocation of existing poorer residents.

#### *Supply- vs. demand-side approaches*

The classic argument in gentrification studies has been conducted between the ‘supply-side approach’ based on economic perspective and the ‘demand-side approach’ with a cultural perspective. The groundwork for the former approach was laid by Smith (1979) who explained gentrification by applying ‘rent-gap theory’ — a gap between ‘the capitalized ground rent’, the actual land value measured under the current land use, and ‘the potential ground rent’, the maximum land value under the optimal use — established based on Marxian economics (Figure 1). He argued that a house starts to depreciate from the time of completion, enlarging the rent gap which triggers the large-scale financing. On this wise, Smith (1979) tried to explain gentrification as “the by-product of economic restructuring and uneven development process in macroscopic and structural perspective” (Shin & Kim, 2014, p.71).

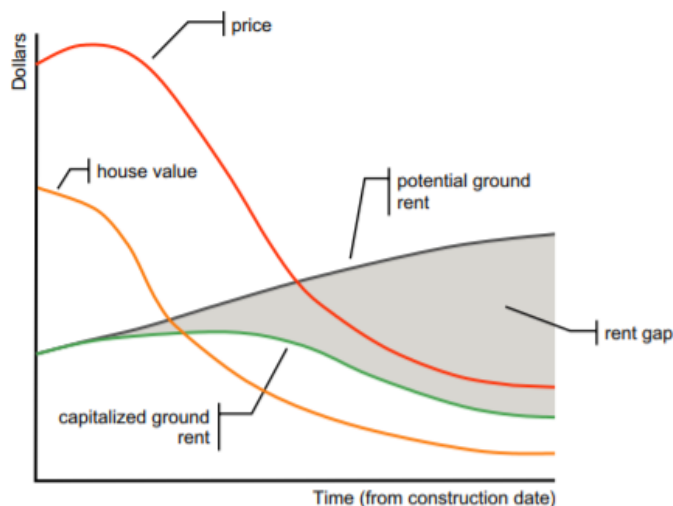


Figure 1: Rent gap theory coined by Smith (1979). Source: Diappi & Bolchi (2008, p.9)

The demand-side approach for gentrification has been mainly contributed by Ley (1986) based on ‘consumer’s sovereignty theory’. He identified the phenomenon by focusing on the role of occupants of spaces that gentrification occurs by changes on demographic factors in a

neighborhood, namely the emergence of young, well-educated, and dual-income households and their housing preference with less commuting cost and abundant amenities. These preferences by new middle classes include an aesthetic aspect of a neighborhood that represents their social standing (Jager, 1986). Similarly, Zukin (1987) stressed the cultural authenticity of a gentrified neighborhood by employing the concept of ‘cultural consumption’ — the gentrifiers’ preference of restored historic buildings to have a cultural experience.

Heated debates have been continuing between two sides until now. Nevertheless, these heated arguments between the supply- and demand-siders highly contributed to broadening and deepening social and academic interests in gentrification.

### *New approaches*

The influx of post-modernism throughout geography research underlined the understanding of individual cases and stakeholder groups (Lees et al., 2010). In other words, the diversity and complexity in gentrification provided new perspectives which depart from the flawed dichotomy in the past (Lees et al., 2008). Rose (1984), for instance, conducted her research focusing on the ‘marginal gentrifiers’ — educated yet economically vulnerable groups such as youngsters and (female) single parents. Hamnett (1991) revisited the classic arguments concluding that they have emphasized only a few of the many issues of gentrification and proposed an integrated approach by adopting both sides. Lees (1994) also delivered a compromised interpretation on both perspectives and laid stress on the context-specific approach as new gentrification types occur.

## **2.2 Commercial gentrification**

### *Beyond residential spaces*

As commercial spaces are the place where more diverse human interactions take place compared to that of residential, gentrification in commercial spaces has more complexity since more stakeholders are involved (Zukin et al., 2015; Lee, 2019)

Based on the classification of gentrification practices and patterns by Hackworth & Smith (2001), the realm of gentrification has broadened beyond the residential area during the second wave of gentrification, distinguished by the recession in the mid-70s, starting from prime global cities such as London and New York.

To fully understand commercial gentrification, it is vital to consider the perspectives of suppliers and demanders at the same time (Park et al., 2016). Bridge & Dowling (2001) in their empirical research on gentrification successfully applied the demand-side approach, namely the consumption perspective to retail spaces. As consumption of certain products symbolizes one’s identity (Jackson & Thrift, 1995), new middle-class consumers pursue goods and services that can present their distinctiveness from other classes. In this regard, Zukin (2008) conceptualized the notion of alternative consumption that new “bohemian” consumers pursue the authenticity in the goods and services that distinguishes themselves from mainstream consumers in the “standardized realm of mass consumption” (Zukin, 2008, p.736). Commercial spaces such as restaurants or grocery stores are where authenticity is created that provide surplus value on commodities. This study focuses on one of the main sources of distinctiveness producing an aura of authenticity — ethnicity, supplied by ethnic entrepreneurs (May, 1996; Zukin, 2008).

The supply-side approach was attempted by Heo et al. (2015). This empirical study found out that the rent gap and fictitious capital affect new entrepreneurs to open their businesses, leading to commercial gentrification. Likewise, Pastak et al. (2019) investigated entrepreneurs' motivations for entry decisions in gentrifying districts and found out two main motivations, that are 1) affordability of rents/properties and pliable regulations and 2) authenticity that contributes to adding surplus value to their commodities.

### *Process of commercial gentrification*

The most influential progress in commercial gentrification studies was made by Zukin et al. (2009). The paper conceptualized the process of commercial gentrification into three stages. First, a few pioneers open restaurants or stores ("boutiques") that create unique local atmospheres and attract new bohemian consumers. As a street being more commercialized, the second process involves the massive supply of new boutiques and corporate capitals ("chain stores") seeking economic potential that causes an upsurge in rent, making local stores and pioneers unaffordable to stay put. Finally, the local culture is declined by new demands and supplies alienating long-term entrepreneurs and leading them to displacement.

Throughout the process, the agents involved directly dovetail with those of the residential area. Therefore, expanding from the definition of gentrification by Glass (1964), commercial gentrification involves the process that local stores being replaced by new entrepreneurial and corporate retail capitals with the new consumer demands (Bridge & Dowling, 2001; Zukin et al., 2009). Regarding the outcome, Zukin et al. (2009) stressed the 'right to the city' (Lefebvre, 1991) for vulnerable groups and called for public policies to protect them.

### *Market-led vs. state-led*

Zukin et al. (2009) conducted the empirical research by comparing two neighborhoods in New York City which underwent two different paths of gentrification: 1) market-led and 2) state-led gentrification. The former path has outbroken in Williamsburg that the changes have materialized as discussed in the previous section without any state intervention. On the contrary in Harlem, the state actively promoted the neighborhood to be gentrified through diverse public policies and institutions. (In)direct financial subsidies and consultations for opening new businesses were provided, and the area has rezoned facilitating the high-density development to draw new consumers and to attain economic growth in the area. Shortly, the neoliberal state actively supported the market to boost gentrification (Smith, 1996; 2002).

What is noteworthy here is that regardless of whether the state participates in gentrification or not, boutiques play a significant role as "symbols" and "catalysts" of gentrification (Zukin et al., 2009, p.55). Also, the public intervention has been extended and gained more importance in contemporary gentrification (Hackworth & Smith, 2001; Lees et al., 2008; Aalbers, 2019). Paton & Cooper (2016) insisted that the state once protected people from displacement turned into a perpetrator of displacement, and by using the term 'state-led eviction', the paper insisted that the government receives benefit from debt and displacement of households through a partnership with the private sector.

## 2.3 Gentrification and ethnic entrepreneurship

### *Gentrification, class, gender, and ethnicity*

In a gentrifying neighborhood or district, the change in physical environment always coincides with socio-demographic changes such as class, gender, or ethnicity. However, the majority of gentrification studies have been focused on the first two factors and shed relatively little light on the last (Lees, 2000; Murdie and Teixeira, 2011; Hwang & Sampson, 2014).

Mainly in the Western world, the public sector enthusiastically promoted gentrification under the belief that it will bring better local economy and social cohesion (Atkinson, 2005; see also Kennedy & Leonard, 2001). ‘Social mixing policy’ — attracting middle classes to be settled down and ‘mixed’ in a low-income neighborhood — is the most renowned governmental intervention assuming that spatial proximity between different classes or ethnicities will serve low-income or ethnic minority residents by role modeling and eventually resolve the issue of social segregation (Lees et al., 2008). In association with ethnicity, it is named ‘ethnic packaging’ (Hackworth & Rekers, 2005).

This policy, however, has been criticized by many scholars. Davidson (2008), for instance, stressed the injustices of the policy that brings serious threats of displacement to existing communities in economic and social aspects. Similarly, Uitermark et al. (2007) concluded that this governmental strategy, in fact, weakens social cohesion and causes conflict between beneficiaries and victims.

### *Ethnic entrepreneurship*

Ethnicity is greatly linked with commercial gentrification as it is the main source of authenticity for goods and services that new bohemian consumers pursue (Ley, 1996; May, 1996). Their preference has been perceived as a key element triggering commercial gentrification (Bridge & Dowling, 2001; Zukin, 2008). The suppliers of these authentic atmospheres, namely ethnic entrepreneurs, are significant agents in the commercial gentrification context.

Ethnic entrepreneurship is defined as “a set of connections and regular patterns of interaction among people sharing common national background or migratory experiences” (Aldrich & Waldinger, 1990, p.112). The theory of ethnic entrepreneurship is based on the patterns of interaction within ‘ethnic groups’, therefore it is also crucial to identify who they are (Volery, 2007). The ethnic group is defined as “a segment of a larger society whose members are thought, by themselves and/or others, to have common origin and to share important segments of a common culture and who, in addition, participate in shared activities in which the common origin and culture are significant ingredients” (Yinger, 1985, p.159). The vital point of ethnic entrepreneurship is that an entrepreneur — who does not belong to a certain ethnic group yet has a migratory experience that enables understanding of important segments of a common ethnic culture, and therefore, runs a business based on the ethnic culture — can also be defined as an ethnic entrepreneur.

Kloosterman & Van Der Leun (1999) highlighted the essential role of immigrant entrepreneurs as they not merely serve goods and services for the same ethnic group immigrants but also constitute “crucial localized nodes of economic activities” (Kloosterman & Van Der Leun, 1999, p.661) providing job opportunities, role models, and a pride of belonging. The authors, therefore, urged an appropriate public policy that can promote immigrant entrepreneurship. However, the study focused on the characteristics of immigrant



entrepreneurship themselves, not in terms of how they are affected by commercial gentrification, and more importantly, gentrification is being regarded as nothing but a desirable process.

## 2.4 Impacts of gentrification

### *Positive or negative?*

There has been heated discussion on the impact of gentrification between “those who see negative social costs and those who see local neighborhood changes as part of a wider improvement of city fortunes” (Atkinson, 2004, p.119). Some typical positive impacts of gentrification include increased property value (for the landlord), local tax revenue (for the municipality), and rehabilitation of the physical environment (Atkinson, 2004). However, the benefit for landlords implies growing pressure of tenants on rent, eventually leading to displacement. There are several impacts that scholars concluded diametrically. Kennedy & Leonard (2001), for instance, argued that gentrification vitalizes social diversity in a neighborhood, yet this argument encountered a strong refutation with empirical evidence by Lees et al. (2008). In this regard, Murdie & Teixeira (2011) commented that whether an impact is beneficial or harmful varies depending on the person influenced. However, Atkinson (2004) remarked that the empirical evidence has confirmed gentrification is more of a negative process, as it causes displacement and conflict between long-term residents and newcomers.

### *Displacement*

Displacement is one of the major negative consequences of gentrification. The most influential work was done by Marcuse (1985) who conceptualized displacement not only in economic aspects but also at the social level, categorizing the concept into four different types (Table 1). Among these types, the pressure of displacement is particularly influential in an ethnic neighborhood as ethnic entrepreneurs take various roles in a community that their displacement can disrupt the social network and blur the local identity (Kloosterman & Van Der Leun, 1999; Murdie & Teixeira, 2011). Vice versa, the displacement of an ethnic community impacts the viability of ethnic entrepreneurship by losing the existing demand and community resources (Sakizlioglu & Lees, 2020). The conceptualization is therefore also applicable to the commercial spaces as the types of displacement that shop owners in a gentrifying street undergo are highly parallel to what long-term residents experience.

**Table 1: Types of displacement. Source: Marcuse (1985, p.205-207)**

Type	Sub-type	Definition
Direct displacement	Physical displacement	Displacement of a household from the unit that it currently occupies by the force of the landlord.
	Economic displacement	Displacement by the rising rent beyond the affordable level.
Indirect displacement	Exclusionary displacement	The reduction of residence right for a household with similar economic/social status to the previous occupant as the neighborhood gentrified.
	Pressure of displacement	Being less livable in an area by the changes in surrounding environments (e.g., people, stores, and landscape) that alienating a remaining household.

Marcuse’s conceptualization of displacement has been accepted worldwide in gentrification studies so far and several studies have attempted to extend from it. One example is Atkinson

(2015) who understood displacement as an ‘un-homing’ process, describing it as a “form of symbolic dislocation and defamiliarization – the loss of a sense of a place to dwell without physically moving from it” (Atkinson, 2015, p.385). He stressed the psychological aspects of displacement (e.g., sense of loss and trauma) and called for its consideration. It is noteworthy that as Tran et al. (2020) revealed, these psychological impacts were observed only among victims of gentrification (viz., long-term, low-income residents), implying the existence of inequalities in mental health.

### *Embeddedness of ethnic entrepreneurs*

In recent years, several research activities have been working on impacts of commercial gentrification (e.g., Monroe Sullivan & Shaw, 2011; Jeong et al., 2015) and on ethnic minorities (e.g., Uitermark et al., 2007; Huse, 2016) as scholars perceived academic scarcities on both topics. Nevertheless, not many academic attempts are observed regarding ethnic entrepreneurs.

One exception is Sakizlioglu & Lees (2020), who targeted ethnic minority entrepreneurs, investigating how they experience, perceive, and are affected by commercial gentrification at a multicultural neighborhood in Amsterdam. The paper well-employed the term ‘mixed embeddedness’ that involves “socio-economic and politico-institutional ... sides of embeddedness to analyse processes of insertion of immigrant entrepreneurs” (Kloosterman et al., 1999, p.253), enabling understanding and conceptualizing the impacts of commercial gentrification on ethnic entrepreneurs. Sakizlioglu & Lees (2020) reframed the concept into 1) the social level: decline in community resources, namely a social network in a neighborhood and a sense of alienation as a local identity being blurred and 2) the market and institutional level: rent increment, consumer trend changes, and new public policies.

Consequently, the embeddedness of ethnic entrepreneurs can be defined as the capability to remain their businesses in certain social, market, and institutional environment changes. This study focuses on the social and market levels of embeddings that are more directly involved in entrepreneurs’ everyday life. Regarding the institutional embeddedness, Fiore & Plate (2021) criticized state-led gentrification in a multicultural commercial district that benefits White (natives), middle-class, and outside visitors, rather than ethnic entrepreneurs (and residents), causing them economic and social insecurity.

Sakizlioglu & Lees (2020) also confirmed with empirical evidence that the impacts of commercial gentrification on ethnic minority entrepreneurs and their responses vary depending on their ethnicities and types of businesses. Anyway, it generally brings economic and social insecurity, therefore deteriorates ethnic and class equalities.

## **2.5 South Korean gentrification**

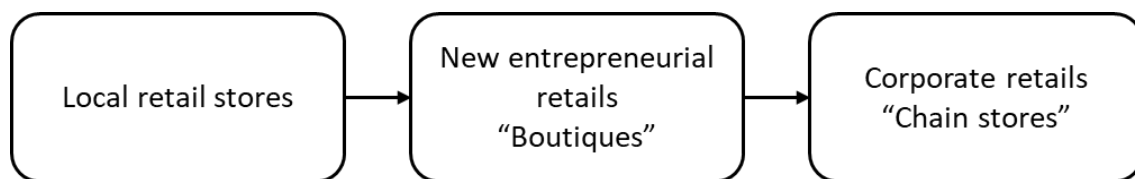
### *Context dependent*

Gentrification is undoubtedly a global phenomenon today (Smith 2002; Atkinson & Bridge, 2005), yet it occurs in different forms depending on the nation and region that it is difficult to build a universal consensus (Lees et al., 2008; Aalbers, 2019). South Korean gentrification is no exception that has some distinct characteristics compared to the Western world, and therefore, contextual consideration and transformation are needed to understand the concept accurately (Lee, 2016a; An & Kim, 2017). However, in-depth theoretical speculation and up-to-date subjects that are being discussed across the world have not been sufficiently addressed in South Korea (Shin & Kim, 2014).

The reason why the interest in gentrification has not been noticeable until recently is that there has been an implicit consensus on the rationality of developmentalism (Kim & Heo, 2016). However, the interest has rapidly increased since the 2010s, and Lee (2016a) commented on this that it is a result of the societal change which stresses the inequity in urban society and spaces. In commercial gentrification context, Kim & Heo (2016) presented three reasons why the issue has come to the fore in recent years by applying the classic supply- and demand-side approaches: 1) attention on commercial real estate as a mean of alternative investment; 2) changes in the propensity to consume; 3) increase in self-employed workers.

### *Commercial gentrification in South Korea*

The urban changing phenomenon called gentrification, which is receiving attention in South Korea, is closer to commercial or cultural gentrification, rather than its classic concept that involves class alternation in residential areas (Lee, 2016a). Ryu & Park (2019) conducted empirical research in several gentrifying commercial districts in Seoul, applying the framework developed by Zukin et al. (2009). The study confirmed that the commercial gentrification process in Seoul is practically the same as the Western cities (Figure 2). However, the source of authenticity in the South Korean context is mostly limited to ethnicity as the distinctiveness that new bohemian consumers are eager to represent is focused on exotic foreign cultures (Kyung & Jeong, 2019).



**Figure 2: Framework of commercial gentrification. Source: Ryu & Park (2019)**

To identify the level of gentrification, Lee et al. (2019) selected six variables by considering state-of-the-art research, data availability, and the relation between variables, that are population, household income, opening/closure of business, duration of business, franchise rate, and floating population.

### *Impacts of commercial gentrification in South Korea*

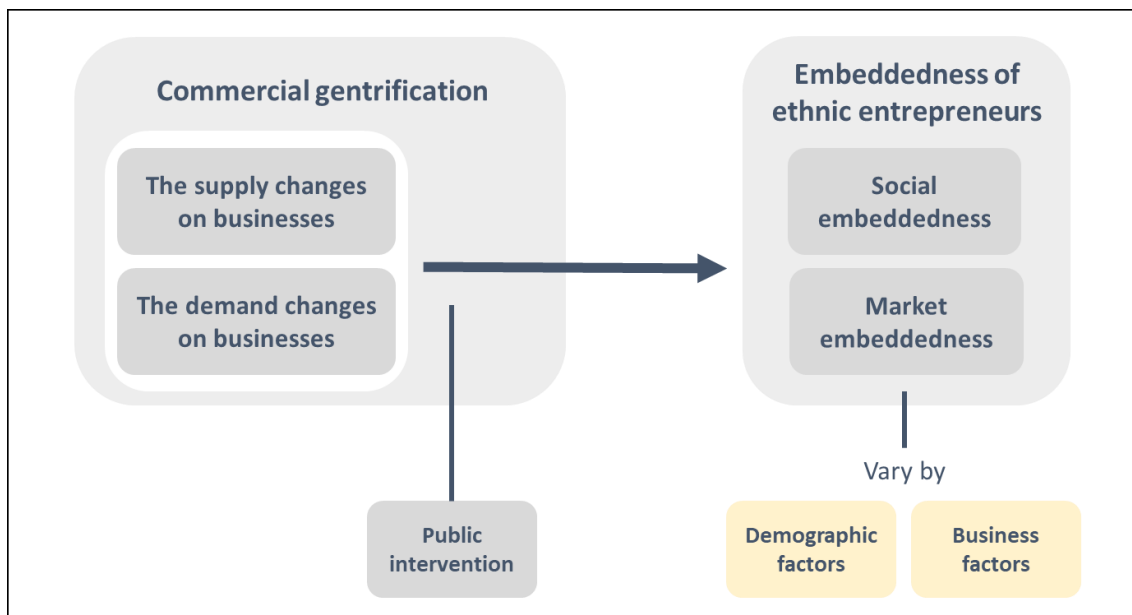
The impacts of commercial gentrification are also analogous with the academic findings in the Global North. The positive aspects include the increment of diversity in goods and services (though it decreases at the end), vitalization of the local economy, and releasing the rent gap, while long-term stores are being displaced (Kim & Heo, 2016; Park et al., 2016).

However, empirical studies which attempted to examine the perceptions of individual stakeholder groups are very scarce so far. One exception is Choi & Yang (2018), who confirmed a social effect on long-term residents that gentrification has weakened the network in a local community. Another noteworthy result from this study is that the perceptions of entrepreneurs on gentrification are different depending on tenure status. However, the case selected for this research contains the context-specificness of South Korea that is hard to be generalized to the other regions or countries.

This distinctiveness of South Korean gentrification for some cases is that the physical and social environment of the residential area is being upgraded not by the influx of middle-class residents, but that of consumers from the outside attracted by some new entrepreneurial

retails in the area (Lee, 2016b; see also Park et al., 2016). In other words, gentrification occurs without the class alternation of residents, yet it still involves the displacement of long-term residents, and consequently, the residential area gradually turns into a mixed-use area. It is due to the unique characteristics of the zoning system in South Korea that the second-class residential area allows not merely housing facilities but also leisure, cultural, religious, and retail facilities (Kim & Heo, 2016). Therefore, potential entrepreneurs expecting economic potential open their businesses in a residential area, commercializing and turning into a mixed-use area.

## 2.6 Conceptual framework



**Figure 3: Conceptual framework.** Source: Author (2021)

Based on the literature review, the conceptual framework of the research is as above (Figure 3). The concept of commercial gentrification includes two changes that have been studied extensively during the past few decades into two different approaches, namely the supply-side (from Smith, 1979) and demand-side (from Ley, 1986). As Zukin et al. (2009) conceptualized, the supply changes on businesses imply the decline of local stores and the emergence of new entrepreneurial and corporate retails (boutiques and chain stores) who expect the rent gap and economic potential (see also Heo et al., 2015; Pastak et al., 2015; Ryu & Park, 2019). The demand changes on businesses, on the other hand, correspond to the arrival of new bohemian consumers who pursue the authenticity that indicates their distinctiveness from others (Jackson & Thrift, 1995; Bridge & Dowling, 2001; Zukin, 2008). During the changes in supply and demand on businesses, the public sector intervenes empowering the process expecting socio-economic improvement (Smith, 1996; 2002; Atkinson, 2005), which, however, may cause a reverse effect to long-term entrepreneurs (Fiore & Plate, 2021).

To examine the impacts of commercial gentrification on ethnic entrepreneurs and their responses in the context of Itaewon, the notion of mixed embeddedness conceptualized by Kloosterman et al. (1999) is employed. With reference to the framework by Sakizlioglu & Lees (2020), this study defines the embeddedness as the survivability of ethnic businesses in certain environmental changes and focuses on the two different levels of their embeddings, namely the social and market levels. Social embeddedness involves a sense of alienation and

a decline in the social network among entrepreneurs in a changing environment. Market embeddedness, on the other hand, is being affected by the rent and consumer trend changes in an area.

These embedding levels of ethnic entrepreneurs vary depending on demographic and business factors such as ethnicity and type of business (Choi & Yang, 2018; Sakizlioglu & Lees, 2020).

## Chapter 3: Research design, methods and limitations

### 3.1 Description of the research design and methods

As gentrification is highly context-dependent, the research strategy chosen for the study is a case study that is “concerned with the complexity and particular nature of the case in question” (Bryman, 2012, p.66) that enables an intensive and in-depth understanding of the case. The study is focusing on a single case of the Itaewon area during 2015-2019. Based on Yin’s (2014) distinguishment, the case is considered as an extreme or unique case since the neighborhood is the first and the most famous multicultural area in South Korea.

The limitation here is that the findings are difficult to be generalized and applied to other cases (Van Thiel, 2014). However, this deductive study is more to examine the urban phenomenon which already globally recognized and its impacts in another geographical context rather than build a brand-new theory. Therefore, a case study is the most logical strategy for this research.

A combination of qualitative and quantitative data is used to answer the research question, with a focus on the former. The main research method used is a semi-structured interview that the researcher designs a few open questions or topics beforehand as a guideline based on the operationalization, ensuring a pattern of an interview and a certain degree of internal validity and reliability (Van Thiel, 2014). Interviews were conducted based on the order of the manual prepared (see Annex 1), yet depending on the flow of dialogue, the order was rearranged extemporaneously. All the sub-questions are partly answered through interviewing ethnic entrepreneurs. Accordingly, the unit of the research is ethnic entrepreneurs who operated businesses in Itaewon during 2015-2019. The exact definition and categorization of the research unit can be found in the operationalization section.

The snowball sampling method was employed in which the initial sample group is being reached and their network is utilized for further contacts (Bryman, 2012). This method is typical in purposive sampling as it is cost-efficient in time, yet there is an issue of representativeness. To overcome this issue, some key demographic and business factors on individual ethnic businesses were pre-collected online so that the researcher can maximize the diversity of an initial entrepreneur group.

Also, a short survey form was presented to entrepreneurs before the interview, requesting them to fill it out (see Annex 2). It was not only to look up the interviewees but also to collect quantitative data regarding the supply and demand changes on businesses and the public intervention in the area which can partly answer the first sub-question.

The major limitation of a case study, as aforementioned, is that external validity is comparatively low. The perceptions on internal validity, on the other hand, are two-sided: one deems a case study can accomplish high interval validity in virtue of the sufficient amount of available data (Van Thiel, 2014), while the other concerns the subjectivity of interpretation and the probability of third factors causing a dependent variable (Yin, 2014).

Triangulation, “a way of collecting or processing information by using different operationalizations, data sources, researchers, or methods” (Van Thiel, 2014, p.92), is a pragmatic means of handling the abovementioned issues in case studies. It is therefore employed in this research by diversifying data sources and research methods.

First, a secondary analysis is used for triangulation. The advantages of the method are explicit that it is time- and cost-saving, (usually) the data is high-quality, and the research can prevent interference on research situation (Bryman, 2012; Van Thiel, 2014). To answer the first sub-

question, several statistical data from the government are collected. Also, a survey conducted by Kyung & Jeong (2019) which attempted to identify the main consumers in Itaewon is reanalyzed. These quantitative secondary data supplements qualitative primary data, and together indicate the supply and demand changes on businesses in the area. Furthermore, several media interviews of ethnic entrepreneurs were collected as secondary qualitative data to complement primary data.

Step-by-step processes are vital for accurate data analysis. First, the qualitative data collected were recorded and transcribed. Most of the transcripts were translated into English as interviews were conducted in Korean. The software ATLAS.ti was employed for the data coding and analysis.

Coding is a means for the data analysis that the qualitative data is assigned with different codes to categorize and subdivide for the comparison (Van Thiel, 2014). Therefore, the interview transcripts were divided into smaller pieces and assigned code(s) derived from the operationalization for the actual analysis. Axial coding is used to categorize codes and to find out the patterns and causalities among them.

### 3.2 Operationalization: variables, indicators

The two core concepts discussed in the first and second chapters are commercial gentrification and the embeddedness of ethnic entrepreneurs. Here, these two core concepts and their variables are ultimately defined.

First, commercial gentrification is defined as a process that local stores being replaced by new entrepreneurial and corporate retail capitals with the new consumer demands (Bridge & Dowling, 2001; Zukin et al., 2009). Based on the definition of Zukin et al. (2009), the three kinds of stores are distinguished (Table 2). Two derived variables from the concept which explicitly imply the definition of each are the supply and demand changes on businesses — the degree of stores and consumer changes.

**Table 2: Three kinds of store. Source: Zukin et al. (2009, p.58)**

Sort	Definition	Examples
Local stores	Individually owned small businesses that served long-term residents.	Stores serving local food or groceries
New entrepreneurial retail capital “Boutique”	Small local chains or individually owned stores, with a recognizably hip, chic, or trendy atmosphere, offering innovative or value-added products and enjoying a buzz factor in promotion, including heavy press coverage and online presence.	Stores offering designer furniture or clothing, gourmet food that attract new bohemian, middle-class consumers
Corporate retail capital “Chain stores”	Publicly traded, franchised, or large local or trans-local chains with considerable market share in the city.	Starbucks, McDonald’s, Outback Steakhouse, Nike

Embeddedness is based on the notion of mixed embeddedness that enables understanding and conceptualizing the impacts of commercial gentrification, encompassing a social, market, and institutional framework on explaining the rise and fall of ethnic entrepreneurship (Kloosterman et al., 1999; Sakizlioglu & Lees, 2020). Shortly, the embeddedness of ethnic entrepreneurs refers to the survivability of ethnic businesses in certain social, market, and institutional environment changes, and this study focuses on the first two levels of embeddings that are more directly linked to daily life of ethnic entrepreneurs in Itaewon.

The definition of ethnic entrepreneurs is based on the work of Jung (2015) who examined the development of a multi-ethnic consumption space. The literature identified the operators of

ethnic businesses in Itaewon by categorizing them into three: 1) foreign immigrants and 2) Korean returnees from overseas creating authenticity in the area, and 3) native Koreans who mostly run boutiques and chain stores targeting new bohemian Korean consumers. This study defines ethnic entrepreneurs as the first and second groups, namely foreign immigrants and Korean returnees, corresponding to the definition of Aldrich & Waldinger (1990).

Since no statistical data exists on the ethnicity of entrepreneurs in the area, ethnic entrepreneur groups are assumed by the researcher based on academic literature which examined the entrepreneurs and multiculturalism in the area (Park, 2013; Jung, 2015; Lee, 2019), that are 1) Americans and Europeans — Westerners; 2) Asians except Muslims; 3) Middle Easterners and Asians who are Muslims; 4) Africans.

**Table 3: Operationalization. Source: Author (2021)**

Concept	Variable	Indicator	Type of data*	Source
Commercial gentrification	The supply changes on businesses	Responses on changes in stores	Survey (P)	Respondents
			Interview (P/S)	Interviewees
		Physical changes	Observation (S)	Naver Map
		The amount of opening/closure of business	Statistics (S)	SMG
		Average duration of business	Statistics (S)	SMG
		Business establishment year	Statistics (S)	SMG
	Franchise rate	Statistics (S)	SMG	
	The demand changes on businesses	Responses on changes in customers	Survey (P)	Respondents
			Interview (P/S)	Interviewees
		Consumer profile	Survey (S)	Kyung & Jeong (2019)
Embeddedness of ethnic entrepreneurs	Social embeddedness	Responses on the social network among entrepreneurs	Interview (P/S)	Interviewees
		Responses on sense of alienation	Interview (P/S)	Interviewees
	Market embeddedness	Responses on rent changes	Interview (P/S)	Interviewees
			News article (S)	Online database
		Responses on consumer trend changes (business adaptation)	Interview (P/S)	Interviewees
			News article (S)	Online database
Moderating variables	Public intervention	Responses on the influence of the government bodies	Survey (P)	Respondents
			Interview (P)	Interviewees
	Demographic factors	Ethnicity, age, gender	Interview (P/S)	Interviewees
	Business factors	Type of business	Interview (P/S)	Interviewees
		Kind of store (Zukin et al., 2009)	Interview (P/S)	Interviewees
		Tenure status	Interview (P/S)	Interviewees
		Duration of business	Interview (P/S)	Interviewees

\*P=Primary data / S=Secondary data

Most of the indicators from the two core concepts are either clear or discussed earlier, yet a few need further elaborations. First, the supply changes on businesses are triangulated with the secondary observation, namely the physical changes in Itaewon, through the street view



service provided by a private enterprise. Also, some facts and figures were presented from news articles to supplement the analysis of the market embeddedness.

Regarding the moderating variables, the public intervention entails all the efforts from various levels of government bodies, mainly materialized by public projects, indicated by the responses of entrepreneurs in the area. The types of business are limited to the ‘livelihood-related business’ which is defined by the South Korean government as a business that has a large number of businesses, a high proportion of small businesses, and easy to enter. It includes business types such as food and beverage services, accommodation, and retail trade classified based on the Korean Standard Industrial Classification, possessing the vast majority of businesses in Itaewon (see Annex 3). Lastly, tenure status is distinguished whether an entrepreneur owns a property of a business site or not.

### **3.3 Expected challenges and limitations**

Several challenges are encountered regarding the data collection. First, the current pandemic situation disturbs primary data collection that requires face-to-face contact. It also influences the responses of the embeddedness particularly at the social level since it isolates individuals and weakens the social network in general. Therefore, the researcher clarified and informed the timeframe of the study to interviewees before and during the interviews when they response beyond the period.

The language barrier is another issue in the data collection. There is a possibility that an ethnic entrepreneur neither familiar with Korean nor English. Despite little possibility, the researcher prepared the question in more simple manners and a translator as a last resort.

The major limitation of this study is that it only focuses on the five-year period from 2015 to 2019, though gentrification have already materialized in Itaewon from the early 2010s. It is mainly due to the data availability as 1) the majority of current entrepreneurs in Itaewon, the main source of data, did not experience the early situation as the average duration of business in the area is less than 5 years and 2) the secondary statistical data from the government is only available for this time period. The early stage of commercial gentrification in Itaewon, therefore, is presented briefly through existing literatures and documents.

This also implies that entrepreneurs who are already being displaced are hard to reach and are likely not to be included in the data analysis, which is a common limitation for gentrification case studies. However, by searching secondary media interviews online, the researcher was able to collect several data from displacees.

The methodological limitations of the study and a countermeasure have already been discussed earlier in this chapter. Finally, this study encounters an ethical issue as personal data are collected. To handle this issue, the informed consent was presented in written and oral form prior to collect data, and these were kept anonymous and confidential.

## Chapter 4: Presentation of data and analysis

Several types of data collected based on the operationalization are analyzed in this chapter to reveal the impacts of commercial gentrification on the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019. Before presenting the data analysis, the case is demonstrated as contextual consideration is crucial in gentrification studies.

### 4.1 The case study: Itaewon

Itaewon, the spatial background of this study, located in Itaewon 1-dong (neighborhood), Yongsan-gu (district) located at the heart of Seoul, is a famous multicultural commercial area that has a unique atmosphere that the local vibe is blended exquisitely with that of global (Figure 4). The area has a social significance as the city used to be culturally closed and multiculturalism is not yet recognized enough among citizens compared to the Western cities such as New York or Amsterdam (Choi, 2003). Park (2013) in his historical research investigating Itaewon's heterogeneous nature defined the area as "an experimental space of multicultural coexistence and a transnational space that ethnicity, religion, language, culture, sexual identities are combined" (Park, 2013, p.178, 180). A brief history of the area explains the cause behind its characteristics.

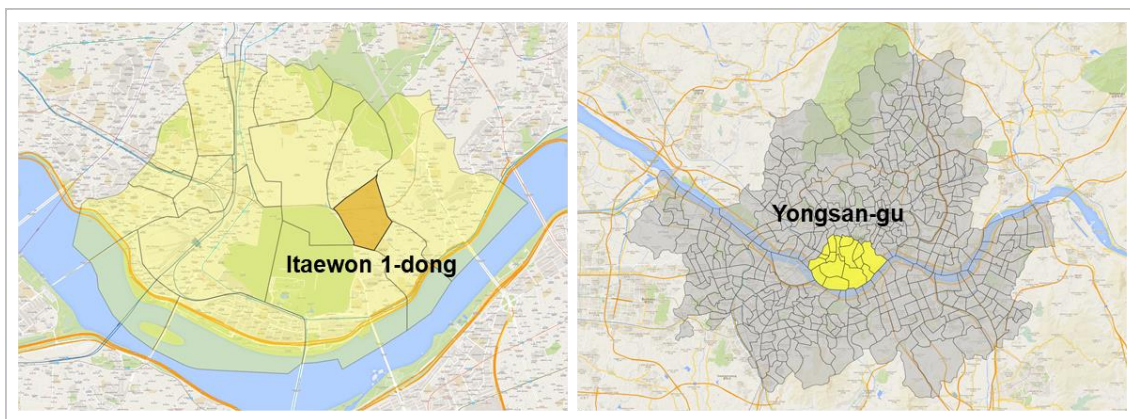


Figure 4: Geographical location of Itaewon. Source: Author (2021)

Until the beginning of the 20th century, Itaewon was nothing but a common agricultural land. However, the Japanese Army organized the base by force in Yongsan after winning the Russo-Japanese war in 1904 to take advantage of exploiting the Han River nearby for logistical reasons. After the Second World War, the Japanese retreated yet the U.S. Army was deployed instead in 1953 due to the Korean War until recently. Itaewon started to commercialize since then, taking the form of a military camp town. A clothing market for U.S. Army was formed in the '60s, following an overall shopping district for expatriates in the '70s. The first heyday of the area was in the '80s when the central government sponsored the area to develop as a shopping area for overseas visitors interlinking with the '86 Asian Games and '88 Olympics in the country.

However, it was in the '90s when the cultural diversity in Itaewon proliferated. With the decline of the existing market, various minority groups vary by ethnicities and religions such as Africans and Muslims started to settle down taking advantage of relatively low levels of rent/land value and build their own communities (Lee, 2019). The LGBT culture also initially manifested since the cultural barrier was lower than any other place due to the embedded Western culture (Park, 2013). Accordingly, Itaewon, which used to be an 'Americanized

space' under the influence of the U.S. Army until the early 2000s (Choi, 2003), has turned into a representative multicultural space in the country (Song, 2007; Lee, 2019).

At first, a few immigrants started businesses at commercial districts in Itaewon, mainly restaurants and grocery stores, to cater to new immigrants who crave goods and services from their home countries or that fit their religious persuasions. However, the number of these ethnic businesses has surged from the early 2000s as much more minorities arrived in the area. Also, the exotic atmosphere of the area started to attract young and sophisticated visitors from the late 2000s for several reasons. They were mainly 1) to recall their previous experiences and memories in foreign countries; 2) to show off their cultural consumption activities that differentiate themselves from the mass consumption; 3) to fulfill cultural curiosities (Jung, 2015).

As of 2019, the number of foreign residents in Yongsan-gu indicates the ethnic diversity of the area (Table 4). Although the diversity has already weakened and the figure is not data for Itaewon itself due to the data inaccessibility, it still represents the uniqueness of the area since immigrants not only settled down in Itaewon but also in the surrounding areas.

**Table 4: Number of foreign residents in Yongsan-gu and Seoul, 2019 (major countries). Source: Statistics Korea (n.d.)**

Nationality	Population				Rate (%) *(A/B)
	Yongsan-gu (A)	Rate (%) *(A/C)	Seoul (B)	Rate (%) *(B/C)	
China	762	4.6%	66,053	23.4%	1.2
Vietnam	308	1.9%	19,122	6.8%	1.6
Japan	1,330	8.1%	8,696	3.1%	15.3
Philippines	628	3.8%	3,484	1.2%	18.0
Thailand	192	1.2%	1,890	0.7%	10.2
Malaysia	1,398	8.5%	2,322	0.8%	60.2
India	419	2.5%	2,189	0.8%	19.1
Pakistan	400	2.4%	1,325	0.5%	30.2
Iraq	82	0.5%	125	<0.1%	65.6
Saudi Arabia	307	1.9%	801	0.3%	38.3
Turkey	147	0.9%	544	0.2%	27.0
Egypt	331	2.0%	592	0.2%	55.9
Nigeria	538	3.3%	657	0.2%	81.9
Morocco	147	0.9%	454	0.2%	32.4
Ghana	115	0.7%	217	0.1%	53.0
South Africa	106	0.6%	352	0.1%	30.1
United Kingdom	308	1.9%	1,657	0.6%	18.6
France	315	1.9%	2,418	0.9%	13.0
Germany	416	2.5%	1,542	0.5%	27.0
Italy	104	0.6%	531	0.2%	19.6
Spain	97	0.6%	437	0.2%	22.2
Russia	262	1.6%	2,390	0.8%	11.0
Australia	127	0.8%	747	0.3%	17.0
United States	2,494	15.1%	9,636	3.4%	25.9
Canada	233	1.4%	1,495	0.5%	15.6
Mexico	40	0.2%	280	0.1%	14.3
Brazil	43	0.3%	327	0.1%	13.1
Argentina	24	0.1%	59	<0.1%	40.7
<b>Total (C)</b>	<b>16,515</b>	<b>-</b>	<b>281,876</b>	<b>-</b>	<b>5.9</b>

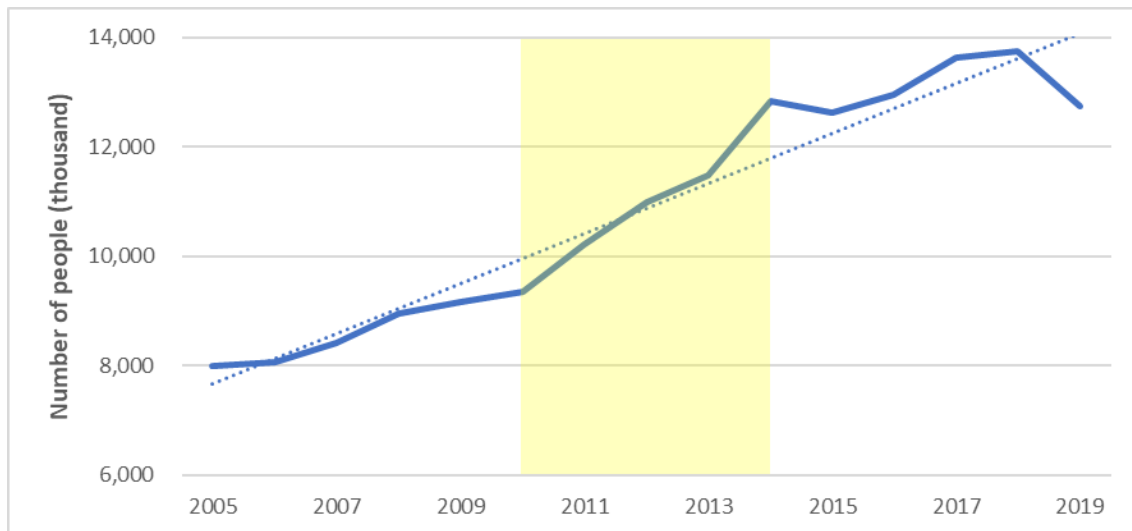
Before revealing commercial gentrification in Itaewon during 2015-2019, its early stage until the first half of the 2010s is described briefly through several academic papers and official documents. According to a public gentrification analysis document by Seoul Metropolitan

Government (2016), most of the new businesses in Itaewon during the recent decade (2006-2015) were restaurants and mobile food service businesses (KSIC code: 561), and the number of these businesses has significantly increased from the 2010s (Table 5). In the meantime, the average duration of these businesses that were closed has considerably decreased from 3.4 years to 2.6 years for a decade (2006-2015). Accordingly, the supply changes on businesses in Itaewon have gradually accelerated.

**Table 5: Three-year growth rate in the number of new restaurants and mobile food service businesses in Itaewon.**  
Source: SMG (2016)

Sort	2006	2009	2012	2015
Seoul	64,350 (-1%)	70,423 (9%)	85,736 (22%)	126,034 (47%)
Itaewon	101 (6%)	110 (9%)	165 (50%)	307 (86%)

The demand changes have coincided with the supply changes. Entrepreneurs in Itaewon testified that a new consumer group, native Koreans who seek authenticity, started to emerge from around 2008, and proliferated from the early 2010s (Jung, 2015). It is also backed by the practical evidence that the number of people getting on and off at the Itaewon subway station — the main public transportation means used by outside visitors (Kyung & Jeong, 2019) — has surged from around the same time (Graph 2).



**Graph 2: Number of people getting on and off at the Itaewon station, 2005-2019.** Source: SMG (n.d.)

In 2013, the public sector started to intervene in the business ecosystem of the area in earnest to attract more visitors and maximize the local economy. The district office designated the main commercial street in the area as World Food Street, upgrading the physical infrastructures and the pedestrian environment through road maintenance and setting up policies such as vehicle-free hours (Figure 5). It was the first case in the country that the public sector utilized multi-ethnicity as a marketing tool.

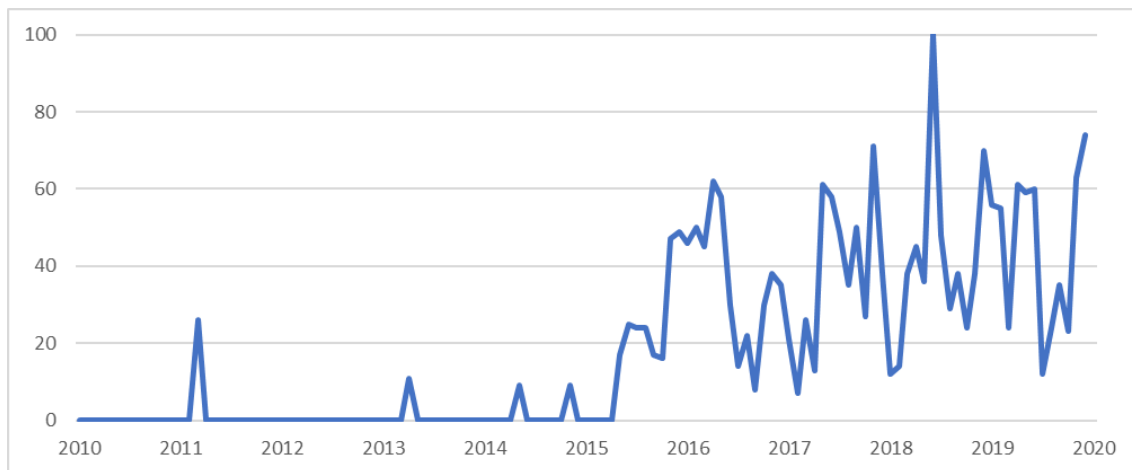


Figure 5: Landscape of World Food Street (left: entrance / right: vehicle-free hours sign). Source: ISTZO (2016)

With these supply and demand changes and the public intervention, the retail rent of the street surged by 54% in 2014 compared to that of 2012, and this trend affected the surrounding areas in Itaewon soon after (Jung, 2015). The municipality, therefore, concluded that Itaewon is under the entry stage of commercial gentrification as new business supplies and their changing speed are increasing, coinciding with the emergence of new consumers (Seoul Metropolitan Government, 2016).

## 4.2 Commercial gentrification in Itaewon, 2015-2019

The supply and demand changes in Itaewon were promoted by mass media and got massive social interest. With the academic attempts to examine this phenomenon in South Korea, the term gentrification began to show its presence around 2015 (Graph 3). Also, the concern that a sudden change of atmosphere may blur the local identity became the conversation topic.



Graph 3: Interest over time in the term “젠트리피케이션 (gentrification in Korean)” in South Korea web searches. 2010-2019. Source: Google trends (n.d.)

\*100 = maximum search interest

Until nowadays, ethnic entrepreneurs in Itaewon run businesses mainly around three different commercial streets with their own characteristics (Figure 6). First, World Food Street located in the northern part of Itaewon station is a representative street, full of restaurants, cafés, and bars. In the southern part of the station, there is Quy Nhon Street, which used to be Rodeo Fashion Street before, that the local government designated in 2016 following World Food Street. Lastly, Halal Food Street is a naturally built street with several Muslim-related businesses, connecting people from the main street to a mosque on a hill. Accordingly, this study investigated commercial gentrification in Itaewon by focusing on these streets.





Figure 6: Map of main commercial streets in Itaewon. Base map from Lee (2020), revised by author

For the same reason, the samples were collected in these three streets. The collection was done from the 14th of June 2021 to the 11th of July 2021 through (former) entrepreneurs, and 18 survey responses were collected in total. Of these 18 respondents, 14 were ethnic entrepreneurs; 13 participated in the interviews. The overview of survey respondents can be found in Annex 4.

Regarding the interview, 20 interview samples were collected in total: 15 primary semi-structured interviews and 5 secondary media interviews from online. Of these 15 primary interviewees, 12 belong to the food and beverage service businesses (KSIC code: 56), and 3 were the retail trade businesses (KSIC code: 47). All the business owners were tenants, and they were varied in the kind of stores; 6 local stores, 7 boutiques, and 2 chain stores, including two new entrepreneurs who could not answer the survey. Every group of interview sample except Africans was collected at least three or more. Since the African entrepreneur group was already displaced from Itaewon in 2016 (Ko, 2016), this group was excluded in data analysis regarding ethnicity. To complement the data analysis, 5 secondary interviews were collected including 3 displacees and the president of a local association. The detailed profile of interviewees can be found in Annex 5.

#### 4.2.1 Supply changes on businesses

Among 18 survey respondents, all except two answered that the supply in businesses in Itaewon has changed (more than) generally during 2015-2019. They testified that the supply changes have coincided with the demand changes that correspond to the early stage of commercial gentrification. Also, both changes were associated with the relocation of the U.S. Army base in 2017, which has been discussed from a few decades ago for national security reasons and the urban development plan. More than 20,000 soldiers and their families, the long-term consumers of Itaewon, were relocated to another city, and the site is planned to be developed into a public park (Jeong, 2019).

Entrepreneurs in Itaewon had known about the issue for a long time and perceived it was the time when *“the market started to collapse and needed restructuring”* (P4). There was a concern saying, *“the market has abnormally expanded. I thought this abnormal expansion is crazy and it will explode someday. (...) If there are 100 customers, there were a larger number of stores here. Then everyone dies together”* (P4).

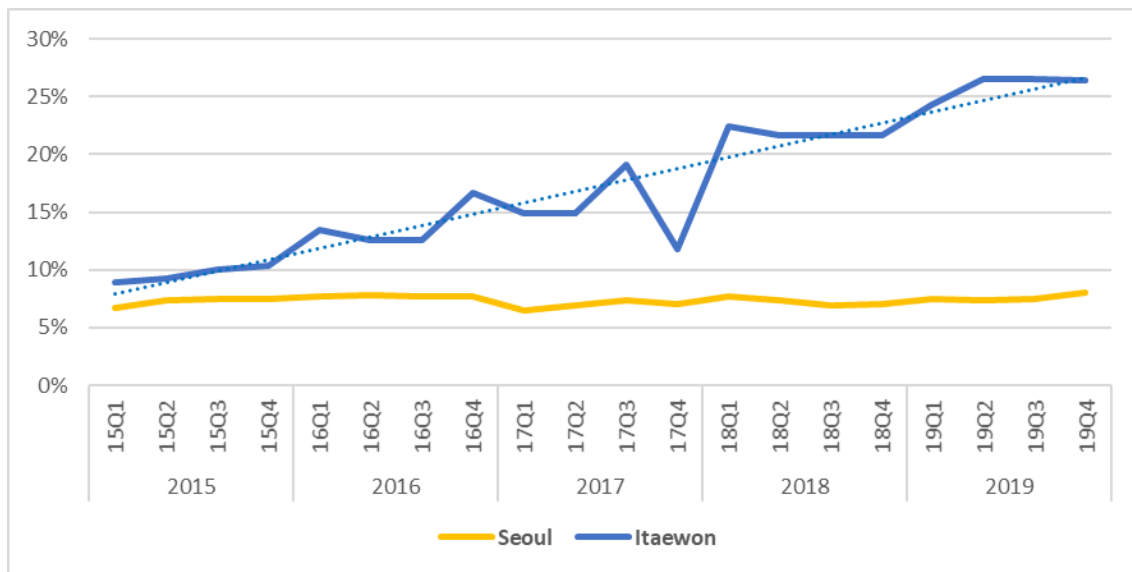
The argument is backed by the statistical data that the number of stores peaked in 2016 and started to decrease from the next year (Table 6).

**Table 6: Amount of the opening/closure of business in Itaewon, year-end 2015-2019. Source: SMG (n.d.)**

Sort	2015	2016	2017	2018	2019
Number of stores*	1,809	1,829	1,793	1,755	1,703
Number of openings (%**)	273 (15.1%)	246 (13.4%)	218 (12.2%)	197 (11.2%)	161 (9.5%)
Number of closings (%**)	224 (12.4%)	226 (12.4%)	254 (14.2%)	235 (13.4%)	219 (12.9%)

\*Livelihood-related businesses / \*\*Number of openings/closings divided by number of stores

According to the data, more than 10% of stores in Itaewon have newly opened and closed every year respectively, except for the openings in 2019. However, the number of openings has plunged by more than 40% during the five years (from 273 to 161), while that of closings remained comparatively the same. Consequently, with a few exceptional periods, Itaewon’s retail vacancy rate, the proportion of vacant spaces among total rentable retail spaces in the area, has gradually increased as not many new stores come in, resulting in the highest rate in the city (Graph 4).



**Graph 4: Retail vacancy rate of Itaewon, 2015-2019. Source: Korea Real Estate Board (n.d.)**

Meanwhile, there was an arrival of new entrepreneurs in Itaewon filling out the vacancies to some degree. First, a new type of entrepreneur has emerged, namely “*cheapie Korean “pochas<sup>1</sup>” targeting Koreans in their 20s*” (P8) in and around World Food Street, expecting business potential through the new demand regardless of the characteristic of the area. “*The street turned into a place for a drink rather than food especially from around 2017*” (P11), and numbers of ethnic entrepreneurs expressed their concerns that the street may lose its identity of ethnic diversity.

*“New waves started after they [the U.S. Army] were gone. Bars and clubs from Gangnam and Hongdae [the main commercial areas in Seoul] started to making an investment here and getting major, prime locations to catch the new customers. Itaewon became famous because of the good restaurants which started opening here, good intentions behind. (...) But these devils started coming and opening dirty and filthy bars” (P5)*

<sup>1</sup> Typical Korean-style pub/bar serving comparatively inexpensive food and drinks.

It is also confirmed via secondary observation that the number of pochas in the street has extremely increased during the five years while existing ethnic businesses disappeared (Figure 7).



Figure 7: Physical changes in World Food Street (green: ethnic businesses / yellow: pochas). Base map from Naver Map (n.d.), revised by author

Secondly, new entrepreneurs who serve the authenticity mainly settled down at Quy Nhon Street that has undergone the most changes during the five years due to the public intervention. The street used to be packed with retailers, however, in 2016, the local government took the same strategy used in World Food Street and made physical changes on the street. The result, therefore, followed the early stage of World Food Street that “a large number of stores opened and closed so quickly” (P6) (Figure 8). Several existing retail stores have been displaced, and new restaurants, cafés, and even pochas took over the spaces instead that supports the statistical output. The main reason for new entrepreneurs to open the businesses was related to the unique characteristic accumulated for decades in the area, “full of freedom and openness” (P9).



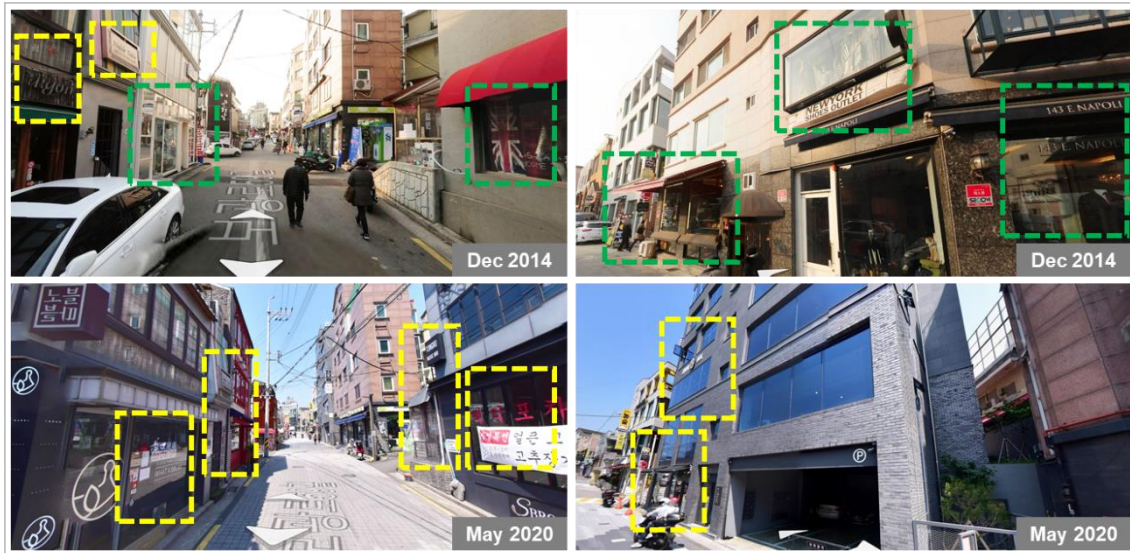
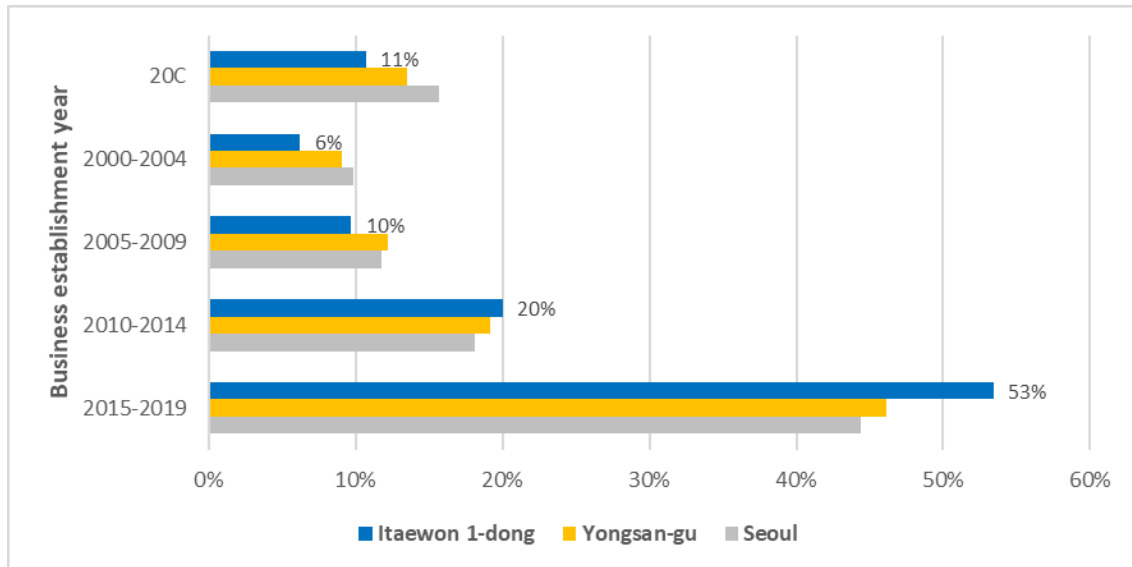


Figure 8: Physical changes in Quay Nhon Street (green: retailers / yellow: restaurants and pochas). Base map from Naver Map (n.d.), revised by author

These supply changes resulted in the distinctive distribution of business establishment year in Itaewon (Graph 5). More than half of businesses in the area were newcomers during 2015-2019, while those established in the 2000s or earlier survived less than 30%. In the meantime, the overall survivability of entrepreneurs has steadily diminished that the average duration of business in the area has declined by nearly 20% from 3.8 years to 3.1 years during the five years (Seoul Metropolitan Government, n.d.).



Graph 5: Distribution of business establishment years in Itaewon, year-end 2019. Source: SMG (n.d.)

However, the supply changing trend does not seem to have fully reached Halal Food Street (Figure 9). It is affirmed by local entrepreneurs that stores have “*remained mostly unchanged*” (P1) compared to the two other streets, though some exceptions were observed. The constancy of the street rather stresses the dynamic changes of the other two streets supported by the statistical output.



Figure 9: Limited physical changes in Halal Food Street. Source: Naver Map (n.d.)

Lastly, the franchise rate in Itaewon has not significantly changed and even started to decline from 2018 (Table 7). According to Koo (2019), this result was due to the market environment changes — the rising rent and rapid demand changes. They were mainly large-scale, international franchises, and with the outflow, the spaces were left vacant as no entrepreneurs have a similar economic capacity to occupy and run new businesses (Figure 10).

Table 7: Franchise rate of Itaewon, year-end 2015-2019. Source: SMG (n.d.)

Sort	2015	2016	2017	2018	2019
Numbers of stores*	1,809	1,829	1,793	1,755	1,703
Number of franchise stores	79	80	81	73	71
Franchise rate**	4.4%	4.4%	4.5%	4.2%	4.2%

\*Livelihood-related businesses / \*\*Number of franchise stores divided by number of stores



Figure 10: Disappearance of chain stores (green: chain stores / yellow: vacancies). Base map from Naver Map (n.d.), revised by author

#### 4.2.2 Demand changes on businesses

As abovementioned, the demand changes on businesses in Itaewon have coincided with the supply changes. 13 out of 18 entrepreneurs responded that consumers in Itaewon have changed (more than) generally during the five years. Also, the relocation of the U.S. Army base has influenced the changes. Several local entrepreneurs, especially those who serve the soldiers as a primary customer group, expressed dissatisfaction since they lost their existing and potential demand.

*“There were a lot of group customers from the U.S. Army and embassies. However, as the U.S. Army moving out, we lost regular customers. They are very crucial for us to maintain the business since they can introduce our restaurant to potential customers. (...) That is why there were a lot of changes” (P4)*

However, the absolute amount of the demand did not change significantly during the period as new customer groups emerged in the area. Most entrepreneurs running boutiques and chain stores experienced the “new waves” — the significant growth of new Korean customers as Itaewon has been promoted as a trendy place. The statistical data also supports that the number of people getting on and off at the Itaewon subway station has increased slowly but gradually during the same period, with an exception in 2019 (Graph 2).

*“Nowadays, the proportion of domestic visitors is much higher than that of foreigners. During the summer vacation season, they come from areas that are 4 to 5 hours away. It is the result of the efforts of the merchants with*



*strengthened marketing strategy and the unique cultural characteristics of Itaewon” (S1)*

There were mainly two main customer groups: 1) Koreans seeking authenticity that already started to arrive from the early 2010s, occupying a large proportion of the total demand, and 2) Koreans enjoying nightlife regardless of the authenticity.

Both groups were contained with mostly the youth who are familiar with/open to consuming foreign cultures. It is confirmed by the survey conducted by Kyung & Jeong (2019), which attempted to identify the main consumer groups in Itaewon, considering them as indirect actors of commercial gentrification. With 153 samples collected in total, around three-fourths of visitors were in their 20s or 30s; 97% have overseas experiences, and among them, more than 70% went abroad at least once a year (Table 8). Also, they were influenced by social media when they look for places to visit.

*“The customers in Itaewon vary from the 20s to 50s, but where they get inside is divided. For instance, the 20s usually go to pochas, clubs, and bars. Our original target group and actual customers used to be office workers in their 30s or 40s. However, the number of young customers has increased due to social media such as Instagram, replacing long-term customers. It will be applicable to other stores around here” (P8)*

*“The [demand] change happened gradually; people [foreigners] started finding out about us, bringing their Korean friends, and Korean friends bring their Korean friends, and after that the social media staff... you know. We did not do any advertising in those days” (P14)*

**Table 8: Survey respondents’ profile. Source: Kyung & Jeong (2019)**

	Sort	%		Sort	%		Sort	%
<b>Gender</b>	Male	41	<b>Means of transportation</b>	Subway	64	<b>Number of traveling abroad per year*</b>	<1	28
	Female	59		Bus	8		1	38
	<b>Total</b>	<b>100</b>		Taxi	9		2-3	29
<b>Age</b>	20s	51		Car	16		4-5	3
	30s	25		Bicycle	1		>5	2
	40s	11		Walking	2		-	-
	50s	10		Others	0	-	-	
	60s and older	3	<b>Total</b>	<b>100</b>	<b>Total</b>	<b>100</b>		
	<b>Total</b>	<b>100</b>						

\*Respondents who have overseas experiences

Most of the total customers belonged to the first customer group — new “bohemian” Koreans. According to the survey, roughly half of the respondents visited the area since it enables feelings of the exotic and unique experience. The other reasons were mainly to enjoy various types of food (25%) and to visit trendy places (18%), which are also associated with the unique characteristic that the area has (Table 9).

The second and new customer group was Korean “nightlifers” who are far from seeking authenticity. Even though the number was less than the first group, nearly 30% of samples came to visit Itaewon to enjoy the nightlife in pubs, bars, and clubs (Table 9). Based on entrepreneurs’ words, the emergence of this group was highly linked with that of pochas.

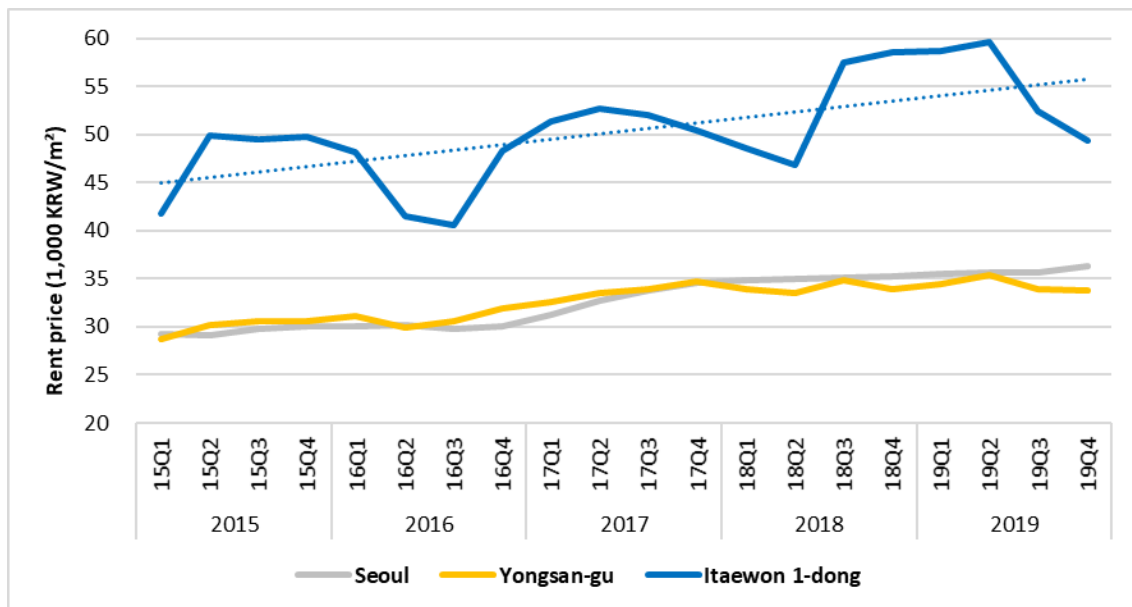
*“There were young customers from a long time ago, but the purpose has changed from having a meal to enjoying the nightlife” (P11)*

**Table 9: Reasons to visit/place visited in Itaewon. Source: Kyung & Jeong (2019)**

	Sort	%		Sort	%
<b>Reasons to visit</b>	Exotic/unique atmosphere	47	<b>Place visited</b>	Restaurant	59
	Various types of food	25		Pub/bar	22
	Trendy places	18		Night club	6
	Cultural activities	5		Café	5
	Sightseeing	3		Shopping	5
	Others	2		Others	3
	<b>Total</b>	<b>100</b>		<b>Total</b>	<b>100</b>

Meanwhile, similar to the supply changes, there were few demand changes in Halal Food Street. One Muslim entrepreneur verified that “*even though the interest in halal food has recently increased in Korea, 99% of customers are still Muslims. The remaining 1% are Koreans who brought Muslim friends*” (S2).

As a result of supply and demand changes during the five years, the retail rent in Itaewon has surged almost 50% when comparing the highest and lowest points despite some fluctuations (Graph 6). Also, it is noticeable that the rent increasing trend has continued even from the higher level compared to the average of the district and the city.



**Graph 6: Retail rent of Itaewon, 2015-2019. Source: SMG (n.d.)**

### 4.2.3 Public Intervention

The supply and demand changes in Itaewon during the five years have more or less been affected by the public intervention, with a variety of opinions. Among 18 samples, 8 of them responded that the public sector influenced the changes of the area, mostly by the district office, while the rest responded that there was rarely or entirely no influence.

The main intervention of the public sector was to designate another theme street: Quy Nhon Street in 2016, branded after the sister city of Yongsan-gu in Vietnam. It was named only for a diplomatic reason rather than reflecting the characteristics of the area. The district government invested a billion KRW<sup>2</sup> focusing on the improvement of the physical infrastructure to transfigure the relatively underdeveloped street into a street packed with

<sup>2</sup> Approximately 900,000 U.S. dollars.

diverse culture and vibrance to attract more visitors like World Food Street (Yongsan-gu Office, 2016; Figure 11).



Figure 11: Physical changes in Quy Nhon Street. Source: Naver Map (n.d.)

However, opinions on the intervention were far from the expectation. Long-term entrepreneurs operating local fashion stores, which used to occupy the biggest share in Rodeo Fashion Street (the former name of the street), vented grievances against the change saying, “it would be better to keep the street as it is” (P2) and complained the project aggravated their businesses. Besides, boutique owners, the group that is expected to be benefited from the upgrade, perceived that the supply and demand have already been changed prior to the improvement, considering the district government as a “free-rider”.

*“When we opened [the restaurant] in 2011, there were no restaurants around, except one. So, we were the first two restaurants here, and for a long time we were the only people, and then restaurants started opening next to us and next to them. When the government did the project, it just already became a restaurant area, so they just gave it a theme” (P14)*

### 4.3 Changes on the embeddedness of ethnic entrepreneurs

As revealed in the previous section, commercial gentrification in Itaewon during 2015-2019 affected ethnic entrepreneurs in the area in multiple ways. By employing the concept of embeddedness, the changes in ethnic entrepreneurs’ social and market levels of embeddings — how their survivability has been influenced during the social and market environment changes — due to the supply and demand changes on businesses are examined. Also, the differences in the embeddedness changes between specific entrepreneur groups distinguished by demographic and business factors are investigated in this section.

#### 4.3.1 Social embeddedness

During the five years, no changes were observed in the social network among ethnic entrepreneurs in Itaewon. However, the result has different reasons behind depending on the ethnicity. There were few personal interactions between ethnic entrepreneurs in World Food Street and Quy Nhon Street from the beginning, regardless of their demographic or business characteristics. Most of them described their level of interaction with neighbors as “just say hello”. They were too busy with their own businesses and did not consider the social network as an essential element for business success. Some stressed the excessive multi-ethnicity of streets affected as it weakens the common ground. Several ethnic entrepreneurs even had unpleasant experiences with neighbor-entrepreneurs, mainly pioneers at World Food Street

who are displeased with the increase of pochas. Besides, there was a boutique owner who complained about “copycats” nearby.

*“Our restaurant was the only place offering delivery around here. However, as they [neighbor-entrepreneurs] heard the noise of delivery scooters drop by our restaurant, they started the same thing. (...) To be honest, I feel so bad about this, and this is why I do not want to interact with them” (P9)*

The official yet superficial interactions among entrepreneurs took place mostly during the period of ‘Itaewon Global Village Festival’ led by the Itaewon Special Tourist Zone Organization. The festival is the main event in Itaewon, attracting more than a million visitors every year that has been held since 2002 to combine Korean culture with those of foreign and attract tourists through various cultural events promoting authenticity (Kim, 2020). It is publicized that the organization cooperates and communicates with business owners so that *“the diverse cultures of the global village can harmonize”* (S5). However, perceptions of the festival were rather pessimistic. There were voices saying that the local merchants are being ignored and hindered, and even ethnic entrepreneurs thought the festival is ineffective, describing it as *“a window dressing festival”* (P8).

On the other hand, Muslim entrepreneurs, an ethnic entrepreneur group mostly located in Halal Food Street that directly relates to the religion, were the only group with strong interactions. Their constant and sturdy social network was somewhat due to the constancy of the street during the five years, yet the most crucial factor was associated with its mono-ethnicity since the early days. They were strongly bound by religious persuasion and had comparatively more common grounds on their businesses represented by “halal food”. They enjoyed *“chit-chatting during less-busy business hours”* (P3), and their interactions were maximized before and after the service among not only entrepreneurs but also other Muslims from the outside. Furthermore, these ties of brotherhood reached the realm of business when new entrepreneurs open stores or look for staff.

*“I started to search for a store [in 2006]. Honestly speaking, I went to the mosque at first and requested them, “please make some books, let us spread the message of Islam”” (P5)*

*“I happen to meet the CEOs of all the restaurants and have very good relationships that most of their phone numbers are with me. Sometimes they need some salespersons and send me a message to me (...) I also have good connections with students searching for a job” (P5)*

Similar to the result revealed regarding the social network, most of the ethnic entrepreneurs also did not feel any sense of alienation during the supply and demand changes. All the interviewees did not feel being excluded for the same reasons as above that they are “too busy”, albeit some *“felt sorry when stores that [they] personally knew shut down”* (P6). Expectedly, the same result but different reasons were found among Muslim entrepreneurs as the strong brotherhood connected by the religion does not allow any space for feelings of isolation.

One additional finding was that long-term local retailers in and around Quy Nhon Street, though they were not defined as ethnic businesses, felt they are being alienated as surrounding environments have changed by newcomers. Many of them have already been displaced, and those who remained were *“thinking to move out (...) and just withstanding on*

*the very last of our strength*” (P7). It is not irrelevant to the emergence of ethnic entrepreneurs in the street during the five years.

### **4.3.2 Market embeddedness**

Unlike the social embeddedness, ethnic entrepreneurs in Itaewon have experienced various changes in the market level of embedding. The biggest and most direct impact on ethnic entrepreneurs in market environment changes was regarding the rising rent. Most of the ethnic entrepreneurs in World Food Street and Quy Nhon Street, regardless of ethnicity, testified that the rent has constantly increased during the five years, even it was already higher than other areas. Halal Food Street was not an exception to this trend, even with few changes. It was due to a chain reaction that the rent increasing trend initiated from World Food Street reached the surrounding areas (Jung, 2015; Ko, 2016). Muslim entrepreneurs were *“highly concerning on this issue”* (P1), and a few *“had no choice but to close the store”* (S3). In short, ethnic entrepreneurs throughout Itaewon have been influenced by the rising rent during the five years.

*“I know a lot of places in Itaewon that are empty now because the rent just got to the point that even if they had a busy month, they would make no money. So, they closed down”* (P14)

Also, there was a voice from speculators saying, *“if you invest in this area, you can earn money”* (P4) who utilize the rent gap and accelerate the property value increase in a short period. Although it is unknown to what extent they affect the increasing trend, they disturbed the market logic and impacted the market embeddedness of ethnic entrepreneurs in the area.

Meanwhile, the impact has reached differently depending on the kind of stores. First, most of the boutiques were not significantly affected by the rising rent thanks to the changing but overall increasing demand. Their businesses had *“prospered very well”* (P6) that *“it [the sales] was more than enough to offset the rent”* (P11). However, there were a few exceptions that some pioneers could not stand the rising trend.

Chain stores were divided into two different categories based on their origins. There were several *“native”* chains that started the businesses as local stores or boutiques, contributed to the authenticity of the area, and turned into trans-local franchises with growing popularity. They had practically the same experiences as boutiques since they were benefited from the new demand.

*“Since our sales are way higher than the rent, I do not feel much pressure about it, but if the sales are not sufficient enough, it will definitely be an issue for the business”* (P8)

On the other hand, typical *“large-scale”* chains that newly arrived expecting business potential suffered from the rising rent since it is one of the crucial factors in terms of profitability. As a result, they have moved out, and the vacancies are still left unfilled (Koo, 2019).

Lastly, long-term local stores were the group that was the most vulnerable. While the sales interlinked with the demand remained the same or decreased, the operational cost has surged, resulting in the displacement. It was the main reason why African Street has disappeared.

The consumer trend changes also affected the market embeddedness of ethnic entrepreneurs, and they responded to the environmental changes by adapting their businesses in various ways. These adaptations were mostly found among restaurants and mobile food service



businesses (KSIC code: 561) since these businesses were comparatively more flexible than the businesses handling end products such as clothing or cultural goods (KSIC code: 474; 476).

Restaurants, inter alia, showed the most diverse ways of adaptation, yet they differed depending on the kind of stores. First, most of the local stores and boutiques that occupy a vast majority of restaurants in Itaewon were uncompromising in their food or recipes. Instead, they showed their strong sense of pride in authenticity as it explicitly contributed to their business prosperities.

*“I wanted to introduce a genuine Russian cuisine to Koreans. They do not understand Russian food and culture. This is why I hire only Russian servers and chefs to maintain authenticity. We do not compromise with the Korean taste and localized our menu or recipe” (P6)*

The actual adaptations were materialized outside of food. In general, they “*spent more time on education*” (P14) as Korean customers were not familiar with their food or recipes. One boutique restaurant owner commented that “*recipes are exactly the same, but I spent a lot more time explaining how to eat the food. (...) There is a good way and a bad way to eat it, and if you eat in the right way, you come back, and if you eat in the wrong way, you do not come back*” (P14).

Also, a few local restaurants upgraded and remodeled their business sites by injecting hip, chic, and trendy atmosphere and conducted various promotions off- and online to lower the entry barrier and easily attract new customer groups (Figure 12).



Figure 12: Physical upgrading of local stores. Source: Naver Map (n.d.)

This type of adaptation was actively promoted by the media, and as a result, these “adapters” successfully coped with the demand changes. They attained an increase in sales and ended up mutating into boutiques. However, those who did not or failed to accept the changes gradually lost their competitiveness.

Several native franchises also utilized the adaptation similar to the local or boutique restaurants but went one step further. To fulfill public demand in trans-local areas, they slightly negotiated with their food and recipes, which was the key strategy enabling them to enlarge businesses in the broader realm of consumption while remaining the authenticity at the same time.

*“About one-fourth of our menu cannot be found in Turkey, but they are not fully localized to suit Korean tastes. They are also based on authentic Turkish food, only by purifying the eating habits of salty and fatty foods. We will continue the tradition of Turkish cuisine in the future. (...) The ratio of Korean customers is 90% in the rest of the stores [except Itaewon]. We consider it is meaningful” (S4)*

On the other hand, no additional adaptations were made by large-scale, international franchises. There was no adaptation at all, or it has already done irrelevant to the context of Itaewon, resulting in business failure.

Lastly, it was noticeable that most of the businesses, regardless of ethnicity and kind of store, went through the linguistic adaptation. Although it is unknown whether it was due to the demand changes during the five years, they employed Korean (speaking) staff(s) or provided a Korean menu that is sharply different from the pre-gentrification period until the late 2000s.

## Chapter 5: Conclusions

This empirical research aims to examine the impacts of commercial gentrification on the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019 through their experiences and supplementary data. In this chapter, the examination is summarized and discussed with the academic literature, and some suggestions for further research and policy practice are delivered.

### 5.1 Answering research questions

#### Box 1: Research sub-question 1

1) How did the supply and demand changes on businesses materialize in Itaewon during 2015-2019?

During the five years in Itaewon, the supply and demand changes on businesses implying commercial gentrification were materialized simultaneously and interrelated with each other, empowering arguments that the phenomenon should be revealed by scrutinizing both side approaches (Hamnett, 1991; Lees, 1994; Park et al., 2016). Also, the context-specific approach was crucial for Itaewon's case considering its unique history associated with cultural diversity and the relocation of the U.S. Army base (Lees et al., 2008; Aalbers, 2019).

The supply changes occurred mainly in World Food Street and Quy Nhon Street. The overwhelming number of stores started to diminish in 2017, and accordingly, the retail vacancy rate has surged from around the same time that the exclusionary displacement has materialized (Marcuse, 1985). Nonetheless, new entrepreneurs have arrived, filling out the vacancy left by displacees to some degree. They were mainly boutiques, but a new kind of store — “pocha” that runs a business regardless of the authenticity — also started to soar its numbers, blurring the identity of the area (Kloosterman & Van Der Leun, 1999; Murdie & Teixeira, 2011). Though some differences in the characters of new entrepreneurs in each street, they commonly expected business potential and utilized the authenticity of the area that contributes to adding surplus value to their businesses (Pastak et al., 2019).

The new customer group: bohemian Koreans, who seek the authenticity proliferated from the early 2010s and carried out the alternative consumption, differentiating themselves through goods and services supplied by ethnic entrepreneurs (May, 1996; Zukin 2008). This group occupied a large proportion of the total demand, and with another new customer group: Korean nightlifers regardless of the authenticity of the area, the absolute amount of demand remained unchanged during the five years despite the disappearance of long-term customers.

Both new customer groups were mainly the youth, who are familiar with and open to consuming foreign cultures and influenced by social media. Most of the ethnic entrepreneurs running boutiques and chain stores experienced the growth of these new demands, while long-term local entrepreneurs suffered as they lost existing and potential customers.

The public sector intervened in the supply and demand changes through physical upgrading, anticipating socio-economic improvement (Smith, 1996; 2002; Atkinson, 2005). However, the result was far from the expectation that it aggravated the long-term local businesses (Fiore & Plate, 2021). Even boutique owners did not perceive the intervention conferred a benefit upon them, but the changes were more of a market-led process. In this regard, the public sector was not a significant agent in the process, unlike the contemporary gentrification in the Global North context (cf. Hackworth & Smith, 2001; Lees et al., 2008; Aalbers, 2019).

The changes during the five years are summarized as follows (Figure 13). Old local stores continuously suffered and were displaced as their main customer group disappeared. The proportion of boutiques has increased, yet there were differences depending on the streets they located. In World Food Street, a few pioneer boutiques were displaced and replaced by new pochas, while newcomers settled down in Quy Nhon Street, replacing long-term local stores similar to the early stage of World Food Street. The number of chain stores remained unchanged and even declined, which is not consistent with the existing academic literature (cf. Lee et al., 2019). Therefore, the changing process of Itaewon only partly fitted to that of commercial gentrification conceptualized by Ryu & Park (2019) based on Zukin et al. (2009). Nevertheless, it was obvious that boutiques play a significant role as “symbols” and “catalysts” of gentrification (Zukin et al., 2009, p.55).

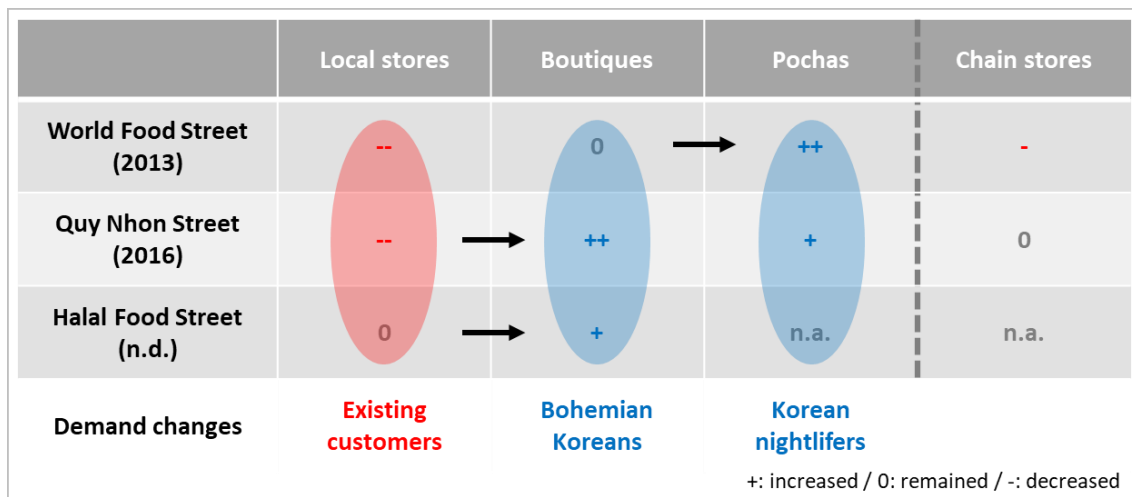


Figure 13: Summary of supply and demand changes on businesses in Itaewon, 2015-2019. Source: Author (2021)

**Box 2: Research sub-questions 2 & 3**

- 2) In what ways have the embeddedness of ethnic entrepreneurs in Itaewon changed during 2015-2019?
- 3) Are there any specific entrepreneur groups that have been more influenced on their embeddedness?

The degree of changes in the embeddedness of ethnic entrepreneurs in Itaewon during the five years was varied on each changing environment, also the causes depending on their demographic and business factors (Choi & Yang, 2018; Sakizlioglu & Lees, 2020).

First, despite certain supply and demand changes, there were nearly no changes in ethnic entrepreneurs’ social embeddedness. However, the reasons were varied by their ethnicities. Every ethnic entrepreneur group except Muslims did not interact with their neighbors beyond greeting each other from the beginning, regardless of whether they are long-term businesses or newcomers. They were too busy and did not consider the social network as an essential element for success, and even a conflict as Atkinson (2004) remarked was found due to business plagiarism. The excessive multi-ethnicity of streets, namely little commonality among their ethnicities, also affected their social independence.

However, in Halal Food Street where a vast majority of Muslim entrepreneurs have been settled down over a decade, a constant and sturdy social network derived from the religious persuasion gathered them together. With the mono-ethnicity of the street and comparatively more common grounds on their businesses represented by halal food, these ties of

brotherhood reached beyond personal interactions to the realm of business. The Muslim entrepreneurs, therefore, constitute “crucial localized nodes of economic activities” (Kloosterman & Van Der Leun, 1999, p. 661) for Muslim immigrants. As Hong (2008) defined, the street continues to serve as a ‘cultural refugee’ for the foreign Muslim community where they can enjoy an Islamic culture through diverse interactions.

Most ethnic entrepreneurs also did not feel any sense of alienation due to either independence or brotherhood based on religion. Meanwhile, local non-ethnic entrepreneurs expressed feelings of alienation — the pressure of displacement as surrounding environments have changed, and ethnic entrepreneurs gradually replace them (Marcuse, 1985).

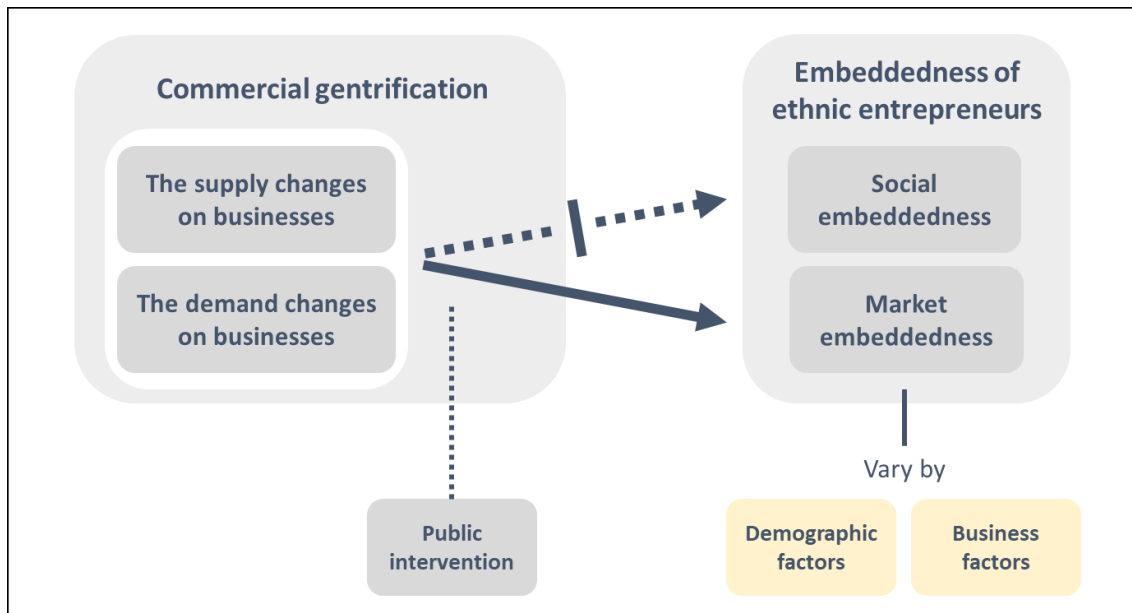
Comparatively more changes in the market level of embedding were observed among ethnic entrepreneurs. The biggest and most direct change in the market environment was the rising rent. There was even a speculator group who utilized the rent gap and fictitious capital, yet they were not entrepreneurs in the area (cf. Heo et al., 2015; Pastak et al., 2019). The proliferation of rent affected particularly local stores, large-scale chains, and even a few pioneer boutiques leading them to economic displacement as the rent went beyond the affordable level (Marcuse, 1985). On the other hand, most boutiques and native chains sufficiently offset the rise with the increasing sales.

This result was similar regarding consumer trend changes. The “adapters” — boutiques (including upgraded local stores) and native franchises — well-negotiated with non-essential elements of businesses, remaining their authenticity and resulted in the business prosperity. On the contrary, the “unadapters” — outdated local stores and large-scale, international franchises — did not respond to the new demand, leading to a loss of competitiveness.

**Box 3: Main research question**

In what ways did the supply and demand changes on businesses affect the embeddedness of ethnic entrepreneurs in Itaewon during 2015-2019?

Commercial gentrification in Itaewon during 2015-2019 was more of a market-led process despite a certain public intervention. It affected the market embeddedness of ethnic entrepreneurs that vary by the kind of stores as the rent and consumer trend has changed. However, it did not influence the entrepreneurs’ social embeddedness as the social network and the sense of alienation remained unchanged, yet the level of embedding itself was varied by ethnicity. The revised conceptual framework of the case study based on empirical findings is as follows (Figure 14).



**Figure 14: Revised conceptual framework. Source: Author (2021)**

By examining the case of Itaewon, the study empowered the argument by Murdie & Teixeira (2011) — the different impacts of commercial gentrification depending on the individual position — through ethnic entrepreneurs. In this regard, the study opened a new research agenda of gentrification related to ethnicity in a non-Western context (Lees, 2016).

When categorizing entrepreneurs, the main stakeholder group in commercial gentrification, based on the kind of stores in a multi-ethnic area, the research further diversified them in addition to the classification of Zukin et al. (2009). Chain stores were divided into two groups based on their origins, and a new kind of store: *pocha* — newcomers who blur the authenticity of a district, hence unwelcomed by long-term entrepreneurs — was conceptualized. This diversification enables a more in-depth understanding of a phenomenon that is worth assessing its applicability later in other contexts beyond the city or country level, particularly in multicultural areas in the late stage of commercial gentrification.

In a broader field of academia beyond gentrification, the study reaffirmed that a certain type of religion — Islam — plays a crucial role in the settlement of immigrants, both in business and pleasure. Also, it enables us to contemplate which means of adaptation serves the survivability of retail business in a fast-changing trend of consumption.

## 5.2 Suggestions for further research and policy practice

Several suggestions for further research and policy practice were developed through findings. First, a new problem statement arises regarding the unsuccessfulness of large-scale, international franchises in the multicultural area. It is only assumed to be related to the lack of authenticity since their goods and services did not fit the new demand of the area. Therefore, research focusing on the consumer’s perspective is recommended that can reveal a precise causality in between.

Also, further longitudinal research regarding *pocha* is suggested as one of the main agents in gentrifying commercial spaces. It remains unknown whether their continuous proliferation ends up in the elimination of the unique characteristic of an area or contributes to the revitalization of the local economy together with existing entrepreneurs in the long term. Moreover, it is worth conducting qualitative research about speculators, another agent of

gentrification who utilized the rent gap and fictitious capital, disclosing who they are, what are their strategy, and to what extent they affect the changing process.

In terms of research methodology, additional primary data from displacees, the public sector, and real estate agents are expected to make the analysis more solid and open a new perspective, although it was not possible due to the limitation in time and accessibility. These data will also enable an investigation on institutional embeddedness of ethnic entrepreneurs, which was excluded in this study, making the significance of the research even bigger.

Regarding policy practice, this study calls for an active role of the governmental bodies deviating from superficially promoting the authenticity that adversely blurs it and accelerates changes. To maintain the authenticity of a multicultural commercial area and to vitalize the local economy, the public sector should focus more on conserving the market embeddedness of ethnic entrepreneurs, particularly regarding the issue of rising rent, which entrepreneurs highly and directly being impacted. In general, meticulous and inclusive policies with a consideration of different stakeholders are needed to ease the inequity in urban society and spaces, leading to a more just city.

Lastly, another changing wave different from the past beyond the realm of gentrification has arrived in Itaewon as the recent pandemic hit urban spaces. Continuous restrictions on public gatherings seriously damaged even boutiques and native chains on their sales that cannot any longer offset the rent, not to mention the situation of local stores. In this regard, further research and urban policies should be continued and developed to deal with the urban transition.

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## 1 Introduction

Good morning (afternoon) and thank you very much for your time for the interview.

My name is Seung Ho Lee, a graduate student in IHS, Erasmus University Rotterdam, pursuing a master's degree in Urban Management and Development. I am currently working on the research focusing on the changes in Itaewon and the experience of business owners. Therefore, this interview aims to examine how you as an entrepreneur have been experienced and perceived during the changes, so please feel free to share any of your thinking.

The duration of the interview will be approximately 20 minutes, and I assure you that your response will be kept anonymous and utilized only for academic purposes. So, may I take an audio recording and note-taking?

## 2 Questions

The questions are mainly divided into two parts, the first part is about *the changes in Itaewon*, and the second part is about *your own experience and perceptions on running the business*.

One thing I want to stress before the interview is that the time period I am asking is between 2015 and 2019, which is before the COVID-19 pandemic.

**Icebreaking questions:** Can you briefly introduce your business? / Why did you choose Itaewon as a business place?

### The first part – the changes in Itaewon

#### Q1-1. The business changes in Itaewon

- As you responded to the survey (1-5), can you share your personal experience on the changes?

#### Q1-2. The customer changes in Itaewon

- Who did you think is the main customers when you open the business?
- As you responded to the survey (1-5), who do you think are the main customers nowadays (2019)?
  - Can you share your personal experience with the changes?
  - Have you adapted your business in any way due to the changes?

#### Q1-3. The public intervention

- As you responded to the survey (1-5), was there any personal experience related?

### The second part – perceptions on running a business

#### Q2-1. Social aspects

- Do or did you belong to any group or association for the business?
  - (If so) how do/did you interact within the group?
- Do you interact with the other business owners in this area? / How?
- Do you think the degree of the interaction has changed due to the business and customer changes during 2015-2019?
- Did you feel being excluded or left out in this area due to the changes?

#### Q2-2. Market aspects

- May I ask whether you own the place or paying rent monthly?
- Did you confront any issue due to the rising rent (in the area)?

### The last part – general information

- May I ask your gender, age, and the country you came from?
- May I ask when did you move into South Korea?

## 3 Conclusion

This is the end of the interview. Thank you very much for your participation and time.

Do you have any questions? Please feel free to ask.

(Off-the-record) Can you introduce me to any other business owners in Itaewon who can participate in the interview?

**Annex 2: Survey form (Korean/English)**



안녕하십니까, 저는 네덜란드 에라스무스 대학교 IHS에서 도시학을 전공중인 이승호입니다. 저는 현재 2015년에서 2019년까지의 이태원의 변화 및 기업가들의 인식을 주제로 석사 학위논문을 작성 중에 있으며, 이에 따라 해당 설문 참여를 정중히 요청 드립니다. 응답은 익명성이 보장되며 학문적 목적 이외에는 사용되지 않음을 밝힙니다.

Dear respondent, my name is Seung Ho Lee, a graduate student in IHS, Erasmus University Rotterdam, the Netherlands, pursuing a master's degree in Urban Management and Development. I am currently working on the research focusing on the changes in Itaewon and the experience of business owners during 2015-2019, thereby kindly requesting your response to this survey for the data collection. I assure you that your response will be kept anonymous and utilized only for academic purposes.

기본정보 General information	상호명 Store name:	개업연도 Establishment year:			
<p>Q1</p> <p>귀하께서는 2015-2019년 사이에 이태원의 상점들(식음료 점, 잡화점 등)이 얼마나 변화했다고 생각하십니까? How much would you say the businesses (restaurants and grocery stores, and etc.) have changed in Itaewon during 2015-2019?</p>	<p>① 전혀 변화하지 않았다 Not at all changed</p>	<p>② 거의 변화하지 않았다 Rarely changed</p>	<p>③ 보편적으로 변화하였다 Generally changed</p>	<p>④ 다소 변화하였다 Somewhat changed</p>	<p>⑤ 크게 변화하였다 Largely changed</p>
<p>Q2</p> <p>귀하께서는 2015-2019년 사이에 이태원의 주요 고객층이 얼마나 변화했다고 생각하십니까? How much would you say the main customers of these businesses have changed in Itaewon during 2015-2019?</p>	<p>① 전혀 변화하지 않았다 Not at all changed</p>	<p>② 거의 변화하지 않았다 Rarely changed</p>	<p>③ 보편적으로 변화하였다 Generally changed</p>	<p>④ 다소 변화하였다 Somewhat changed</p>	<p>⑤ 크게 변화하였다 Largely changed</p>
<p>Q3</p> <p>귀하께서는 2015-2019년 사이에 공공 부문(용산구청 등) 이 이러한 변화들(상점 및 주요 고객층)에 얼마나 영향을 미쳤다고 생각하십니까? How much would you say the public sector (e.g., Yongsan-gu office and etc.) influenced these changes (on businesses and customers) in Itaewon during 2015-2019?</p>	<p>① 전혀 영향을 미치지 않았다 Not at all influenced</p>	<p>② 거의 영향을 미치지 않았다 Rarely influenced</p>	<p>③ 보편적인 영향을 미쳤다 Generally influenced</p>	<p>④ 다소 영향을 미쳤다 Somewhat influenced</p>	<p>⑤ 크게 영향을 미쳤다 Largely influenced</p>
<p>Q4</p> <p>귀하께서는 해당 주제에 관해 간단한 인터뷰(약 20분 내외)를 진행하실 의향이 있으십니까? Are you kindly willing to conduct a brief interview (approx. 20 minutes) on this subject?</p>	<p><input type="checkbox"/> 네 Yes</p> <p>성함 Name: _____ 직함 Title: _____</p> <p>연락처 Contact number: _____</p>				<p><input type="checkbox"/> 아니오 No</p>

참여해주셔서 대단히 감사합니다.  
Thank you very much for your participation.



### **Annex 3: Korean Standard Industrial Classification (KSIC) (livelihood-related businesses only)**

Code	Industrial Classification
33	Other manufacturing
47	Retail trade, except motor vehicles and motorcycles
471	Retail sale in non-specialized stores
474	Retail sale of textiles, clothing, footwear, and leather goods
476	Retail sale of cultural, amusement and recreation goods
55	Accommodation
56	Food and beverage service activities
561	Restaurants and mobile food service activities
562	Drinking places and non-alcoholic beverages places
68	Real estate activities
75	Business support services
85	Education
86	Human health activities
90	Creative, arts and recreation related services
91	Sports activities and amusement activities
95	Maintenance and repair services of personal and household goods
96	Other personal services activities

**Source: Seoul Metropolitan Government (n.d.)**

## Annex 4: Sample list: survey respondents

No.	Response date	Type of business	KSIC code	Kind of store	Establishment year	Supply changes*	Demand changes*	Public intervention*	Interview
1	14th June	Restaurant	561	Local store	2012	2	3	1	Yes
2	14th June	Pub/bar	562	Boutique	2015	5	5	2	No
3	15th June	Tailor shop	474	Local store	1976	4	4	5	Yes
4	15th June	Money exchange	661**	Local store	2009	3	2	2	-
5	15th June	Restaurant	561	Local store	2014	2	2	1	Yes
6	16th June	Restaurant	561	Local store	2009	4	5	5	Yes
7	16th June	Pub/bar	562	Chain store	2013	5	5	2	Yes
8	17th June	Book/religious store	476	Local store	2006	5	4	3	Yes
9	17th June	Restaurant	561	Boutique	2012	3	2	3	Yes
10	17th June	Café	562	Boutique	2015	4	4	2	-
11	18th June	Clothing store	474	Local store	1990	5	5	3	Yes
12	22nd June	Supermarket	471	Local store	2012	3	2	2	No
13	22nd June	Pub/bar	562	Chain store	2013	5	5	3	No
14	22nd June	Restaurant	561	Boutique	2008	5	3	3	Yes
15	23rd June	Restaurant	561	Boutique	2012	3	2	2	Yes
16	24th June	Restaurant	561	Boutique	2017	4	4	4	Yes
17	25th June	Restaurant	561	Boutique	2011	5	4	2	Yes
18	28th June	Restaurant	561	Local store	2005	5	5	2	Yes
<b>Average</b>					<b>2008</b>	<b>4.00</b>	<b>3.67</b>	<b>2.61</b>	<b>-</b>

\*5-point Likert scale: 1=not at all changed; 2=rarely changed; 3=generally changed; 4=somewhat changed; 5=largely changed (the word “changed” is altered to “influenced” regarding the public intervention)

\*\*Activities auxiliary to financial service activities (not included in livelihood-related businesses)

## Annex 5: Sample list: interviewees

No.*	Interview date/ source	Type of business	KSIC code	Kind of store	Tenure status	Establish- ment year	Ethnic entrepreneur group**	Business ethnicity	Age	Gender
P1	14th June	Restaurant	561	Local store	Tenant	2012	3	Indonesia	40s	Male
P2	15th June	Tailor shop	474	Local store	Tenant	1976	1	United States	60s	Male
P3	15th June	Restaurant	561	Boutique	Tenant	2014	3	India	50s	Male
P4	16th June	Restaurant	561	Local store	Tenant	2009	2	Thailand	50s	Male
P5	17th June	Book/religious store	476	Local store	Tenant	2006	3	India/ Pakistan	40s	Male
P6	17th June	Restaurant	561	Boutique	Tenant	2012	1	Russia	40s	Female
P7	18th June	Clothing store	474	Local store	Tenant	1990	5	Korea	60s	Male
P8	18th June	Pub/bar	562	Chain store	Tenant	2013	2	Japan	40s	Female
P9	18th June	Restaurant	561	Boutique	Tenant	2019	1	Italy	40s	Male
P10	22nd June	Snack bar	561	Chain store	Tenant	2019	5	Korea	50s	Male
P11	22nd June	Restaurant	561	Boutique	Tenant	2008	1	Brazil	50s	Male
P12	23rd June	Restaurant	561	Local store	Tenant	2012	5	Korea	50s	Male
P13	24th June	Restaurant	561	Boutique	Tenant	2017	2	Vietnam	40s	Female
P14	25th June	Restaurant	561	Boutique	Tenant	2011	4	South Africa	50s	Male
P15	28th June	Restaurant	561	Boutique	Tenant	2005	1	Mexico	50s	Male
S1	Bae (2017)	Restaurant	561	Boutique	-	2011	1	United States	-	Male
S2	Kim (2018)	Restaurant	561	Local store	-	2008	3	Pakistan	50s	Female
S3	Ko (2016)	Restaurant	561	Local store	Tenant	-	3	-	40s	Male
S4	Jung (2019); Na (2020)	Restaurant	561	Chain store	Tenant	2009	3	Turkey	40s	Male
S5	Kim (2020)	Association	75	-	-	2002	-	-	-	-

\*P=Primary interviewee / S=Secondary interviewee

\*\*Ethnic entrepreneur group: 1=Americans and Europeans (Westerners); 2=Asians except Koreans and Muslims; 3=Middle Easterners and Asians who are Muslims; 4=Africans; 5=Koreans

## Annex 6: Summary (Korean)

상업 젠트리피케이션(commercial gentrification)은 사업체에 대한 수요와 공급 변화를 수반하며 기업가들에게 다양한 방식으로 영향을 미치는 도시 현상이다. 이 현상은 주로 유럽 및 영미권의 맥락 아래 계급이나 인종과 같은 사회 인구학적 요인과 연관 지어 다학문적 접근을 통해 연구 영역을 확장해 왔다. 한국의 대표적인 다문화 상업지역인 이태원은 에스닉 기업가(ethnic entrepreneur)들이 만들어낸 지역의 고유성(authenticity)을 바탕으로 큰 변화를 겪었으며, 이는 비서구권의 맥락에서 상업 젠트리피케이션을 인종과 연관 지어 고찰할 수 있게 해준다.

따라서 본 연구는 특정 사회 및 시장환경 변화에 따른 사업체의 생존 가능성을 의미하는 착근성(embeddedness)이라는 개념을 통해 2015 년에서 2019 년 사이 이태원의 상업 젠트리피케이션이 에스닉 기업가의 착근성에 어떤 영향을 미쳤는지를 알아보고자 하였다.

이를 위해 이태원의 에스닉 기업가들과의 반구조화(semi-structured)된 인터뷰를 중점적으로, 설문조사 및 통계자료 등의 정량적 데이터를 보충적으로 활용하여 분석을 진행하였다.

사업체에 대한 수요 및 공급 변화는 동시다발적으로 나타났으며 상호 연관되어 있었다. 일부 예외를 제외하고는 기존 장기 고객들이 사라짐에 따라 지역 상점(local store)들이 사라지고, 고유성을 탐하는 내국인 고객들이 늘어나면서 부티크(boutique)들의 비중이 높아졌다. 한편, 유흥에 대한 수요가 증가함에 따라 고유성과 관계없이 지역의 정체성을 흐리는 “포차”로 대변되는 새로운 종류의 상점들이 급증하기 시작했다.

본 연구는 이러한 수급 변화에 따른 에스닉 기업가들의 시장 착근성(market embeddedness)에 대한 영향이 상점들의 종류에 따라 차이가 있었음을 실증적으로 확인하였다. 부티크와 토종 프랜차이즈(native franchise)들은 고유성을 기반으로 사업체의 부수적인 요소를 조정하여 매출 신장을 통해 임대료 상승을 충분히 상쇄한 반면, 그렇지 못한 지역 상점 및 대형·국제 프랜차이즈(large-scale, international franchise)들은 대부분 사업 경쟁력을 상실하였다. 하지만 에스닉 기업가들 사이의 사회적 네트워크와 그들이 느낀 소외감에는 변화가 없었음에 따라 그들의 사회 착근성(social embeddedness)에 미치는 영향은 거의 없었다.

본 연구는 에스닉 기업가를 통해 개인의 입장에 따라 상업 젠트리피케이션의 영향이 다르게 나타난다는 학문적 주장에 힘을 실어주었다. 또한, 비서구권의 맥락 아래 인종과 상업 젠트리피케이션을 연관 짓는 새로운 연구 의제를 제시하였다.

다문화 상업지역의 고유성을 유지하고 지역 경제를 활성화하기 위해서는 에스닉 기업가의 시장 착근성을 보호하는 정부의 역할이 요구된다. 도시 사회와 공간의 불평등을 완화하고 보다 정의로운 도시(just city)를 만들기 위해서는 세심하고 포용적인 정책들이 필요할 것이다.

## Annex 7: IHS copyright form

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