

# Utilizing Blue Ocean Strategy: Empowering Small U.S. Minority-Owned Businesses to Compete Amid Gentrification

Dr. Reginald King

*Business and Entrepreneur Department, Prince George's Community College, Largo, United States  
Correspondence, Reginald King*

**ABSTRACT:-** Gentrification presents a dual challenge for small U.S. minority-owned businesses: increased competition from larger, well-funded businesses and displacement of traditional customer bases. As property values rise and communities transform, these businesses often face systemic barriers, including limited access to capital, resources, and networks. The Blue Ocean Strategy (BOS), introduced by Kim and Mauborgne, offers a transformative solution by helping businesses create uncontested market spaces, rather than competing in saturated “red oceans.” This paper explores how minority-owned businesses can leverage BOS to innovate, attract new demand, and strengthen community ties, enabling them to thrive in gentrified environments. It includes case studies, strategies, and data visualizations to illustrate BOS's effectiveness and highlights its potential as a tool for equity and economic resilience.

## I. INTRODUCTION

Gentrification, defined as the process of urban redevelopment that often displaces lower-income residents and small businesses, creates significant challenges for minority-owned businesses in the U.S.<sup>i</sup> These businesses, deeply rooted in their communities, often struggle to compete against larger, well-funded companies that enter newly revitalized areas. Gentrification not only increases commercial rents and operational costs but also shifts the demographics and purchasing power of local residents<sup>ii</sup>. As a result, minority-owned businesses risk losing their customer bases and relevance within the evolving market.

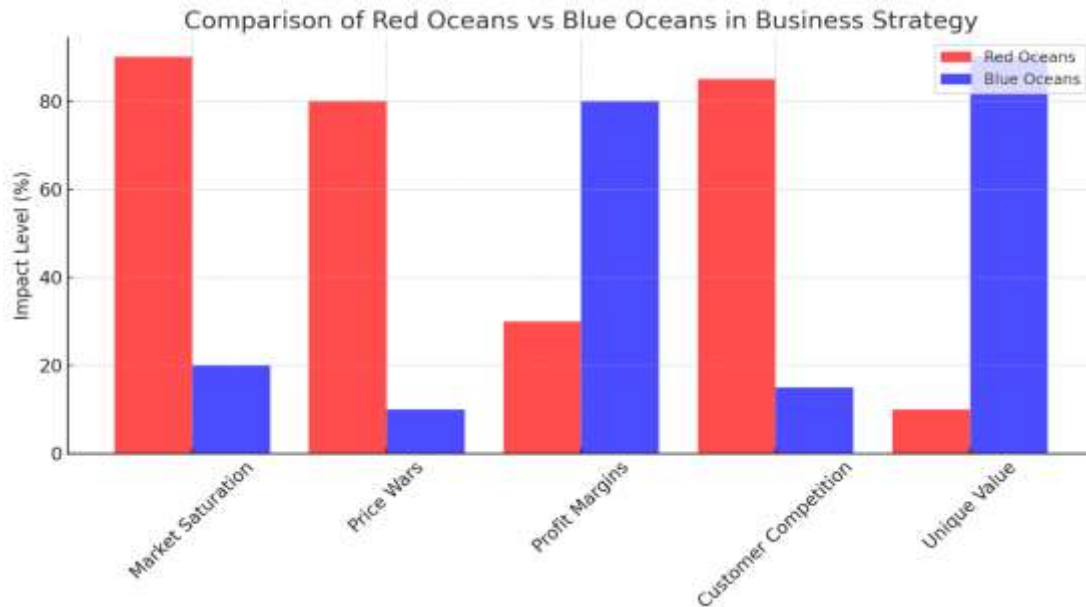
The Blue Ocean Strategy (BOS) offers a viable pathway for these businesses to not only survive but thrive. BOS, introduced by W. Chan Kim and Renée Mauborgne, emphasizes creating new, uncontested market spaces, a blue ocean where competition becomes irrelevant<sup>iii</sup>. By focusing on value innovation and differentiation, minority-owned businesses can redefine their offerings to attract new customer segments and remain competitive. This paper discusses the principles of BOS, its application in gentrifying markets, and its unique advantages for minority-owned businesses.

## II. UNDERSTANDING BLUE OCEAN STRATEGY

Kim and Mauborgne noted that the BOS framework distinguishes between two types of markets:

- **Red Oceans:** Saturated, competitive markets where businesses fight for the same customers, often leading to price wars and shrinking profit margins.
- **Blue Oceans:** Untapped, uncontested market spaces where businesses create new demand by offering unique value propositions that set them apart.

Note the below graph which contrasts Red Oceans and Blue Oceans in business strategy by evaluating five factors: market saturation, price wars, profit margins, customer competition, and unique value. Red Oceans represent highly competitive markets with overcrowding, intense price wars, low-profit margins, and minimal differentiation. In contrast, Blue Oceans signifies untapped markets with minimal competition, higher profitability, and a strong focus on delivering unique value propositions. The graph highlights the strategic advantage of shifting from Red Oceans to Blue Oceans by creating innovative offerings and expanding demand instead of competing for existing customers.



**Figure 1: Comparison of Red Oceans and Blue Oceans in Business Strategy**

### **III. THE FOUR ACTIONS FRAMEWORK**

At the heart of the Blue Ocean Strategy (BOS) is the Four Actions Framework, as noted by Kim and Mauborgne, which is a tool that helps businesses systematically reconstruct market boundaries by challenging industry norms. This framework provides a structured way to analyze and innovate offerings to achieve both differentiation and cost leadership. The Four Actions Framework consists of four key components:

#### **1. Eliminate Factors That Do Not Add Value**

Businesses often expend resources on elements of their products or services that do not contribute to customer satisfaction or competitive differentiation. These factors add unnecessary costs and complexity, limiting profitability. By identifying and eliminating these elements, businesses can streamline operations and focus on creating true value for their customers. For minority businesses in gentrified areas, eliminating unnecessary features can help reduce operational costs and allow for the reallocation of resources toward initiatives that directly serve customer needs, such as cultural or community-focused offerings.

#### **2. Reduce Features That Are Over-Served by the Industry**

Industries often over-deliver on certain features that do not align with evolving customer preferences or provide diminishing returns. By reducing these over-served features, businesses can improve efficiency and refocus their efforts on what truly matters. In competitive markets, minority businesses can identify industry norms or features that do not resonate with their unique customer bases. For example, a local cafe might reduce reliance on costly advertising channels that fail to target the local demographic and instead focus on grassroots marketing within the community<sup>iv</sup>.

#### **3. Raise Aspects That Add Greater Value to Customers**

To stand out in a competitive landscape, businesses must identify features that resonate strongly with customers and raise them to levels not previously offered in the industry. This creates a unique value proposition that attracts new demand and fosters customer loyalty. By understanding cultural nuances and local customer preferences, minority businesses can elevate their offerings. For instance, a minority-owned bookstore might raise its value by offering culturally specific literature, hosting educational events, or providing a space for community dialogue.

#### **4. Create Entirely New Factors That Generate Demand**

The most transformative aspect of BOS involves creating new value elements that the industry has never offered. These innovations attract new customer segments, redefine industry boundaries, and make competitors irrelevant. Kim and Mauborgne also noted how Apple created new demand by integrating touch-screen interfaces and user-friendly ecosystems into the mobile phone market, transforming how consumers interacted with technology.

Minority entrepreneurs can leverage their cultural and community insights to introduce entirely new offerings. For example, a small restaurant might create unique fusion dishes that blend traditional flavors with modern culinary trends, appealing to both long-standing residents and new gentrified demographics.

#### **IV. CHALLENGES MINORITY-OWNED BUSINESSES FACE IN GENTRIFIED AREAS**

Gentrification, often characterized by an influx of higher-income residents and businesses into historically marginalized neighborhoods, presents significant challenges for minority-owned businesses<sup>v</sup>. While gentrification can bring economic revitalization and infrastructure improvements, it frequently exacerbates systemic inequalities, leading to the displacement of minority business owners and the erosion of local cultural and economic ecosystems.

##### **1. Displacement and Rising Rents**

A primary challenge for minority-owned businesses in gentrified areas is the sharp increase in property values and commercial rents. As new, affluent residents move into a neighborhood, property owners capitalize on the demand by raising rents. Small businesses, often operating on narrow profit margins, struggle to absorb these costs. According to a study by the Urban Displacement Project, commercial displacement disproportionately affects minority-owned businesses because they are less likely to own their properties and are often subject to short-term leases<sup>vi</sup>. This results in forced relocations, financial strain, and even business closures.

##### **2. Loss of Customer Base**

Gentrification often leads to the displacement of long-standing local residents who constitute the primary customer base for minority-owned businesses. As housing costs rise, lower-income families, many of whom belong to minority groups, are priced out of their neighborhoods<sup>vii</sup>. This exodus deprives minority businesses of loyal customers who previously supported their establishments. New residents may favor larger, more mainstream businesses that align with their tastes and purchasing habits, leaving minority entrepreneurs unable to sustain their businesses. For instance, a local grocer or barbershop may struggle to retain clientele when the community demographics shift dramatically.

##### **3. Competition from Large, Well-Funded Corporations**

Gentrified neighborhoods often attract large, well-capitalized businesses, including national chains and upscale establishments. These businesses benefit from extensive resources, including access to capital, established branding, and economies of scale that allow them to undercut local competitors. Minority-owned businesses, which typically lack the financial reserves and institutional support available to large corporations, face an uphill battle in competing for customers. The Minority Business Development Agency highlights that large corporations can dominate revitalized markets, further marginalizing small, local businesses that struggle to adapt to shifting economic conditions.

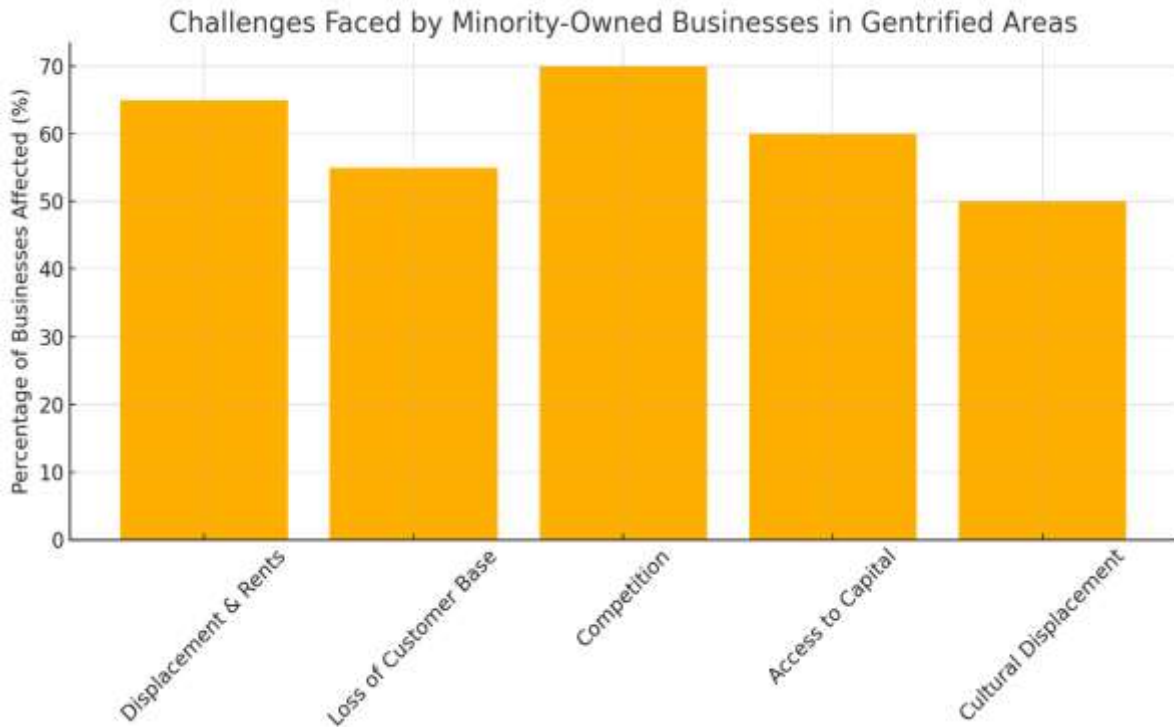
##### **4. Limited Access to Capital**

Access to capital remains a systemic barrier for minority entrepreneurs and is exacerbated in gentrified areas where financial demands increase. Historical inequities in lending practices have created long-term disparities, with minority business owners often unable to secure loans or investments at the same rate as their white counterparts<sup>viii</sup>. Without sufficient capital, minority-owned businesses are unable to expand, renovate, or adapt to the changing economic dynamics of gentrified neighborhoods. Discriminatory lending patterns and biases in financial institutions further exacerbate these challenges, as minority entrepreneurs are more likely to rely on personal savings or informal lending sources, which are often insufficient for sustaining or growing businesses in competitive environments.

##### **5. Cultural Displacement**

Gentrification often erodes the cultural authenticity of neighborhoods that minority-owned businesses rely on for their unique identity and customer appeal. As neighborhoods are "revitalized," the cultural and historical character that once defined the community can be diminished or erased<sup>ix</sup>. The study adds that minority-owned businesses, which often serve as cornerstones of their communities, face difficulties in connecting with new residents who may not value or identify with the existing cultural heritage. This cultural displacement disrupts the community-oriented relationships that minority businesses often depend upon, further isolating them in the evolving marketplace. For example, a family-owned ethnic restaurant may struggle to thrive if the neighborhood's cultural diversity is replaced with homogenized retail spaces.

The graph below illustrates the primary challenges faced by minority-owned businesses in gentrified areas, highlighting the percentage of businesses affected by each factor. The most significant issues include competition from well-funded corporations (70%), rising rents and displacement (65%), and limited access to capital (60%). Loss of customer base (55%) and cultural displacement (50%) are also critical concerns, reflecting the systemic pressures that minority entrepreneurs face in rapidly changing neighborhoods.



**Figure 2: Effectiveness of BOS in Addressing Gentrification Challenges**

**V. How BOS Helps Minority-Owned Businesses Overcome Gentrification Challenges**

The Blue Ocean Strategy (BOS), which emphasizes creating uncontested market spaces and value innovation, offers effective tools for minority-owned businesses to overcome the systemic challenges of gentrification. By focusing on differentiation, niche markets, and leveraging community loyalty, minority businesses can adapt and thrive in gentrified areas.

**1. Differentiation Through Cultural Identity**

Minority-owned businesses can leverage their cultural heritage to offer unique value propositions that distinguish them from competitors. By celebrating their identity, these businesses cater to both their traditional customer bases and the newer, often more affluent residents who are drawn to authenticity and cultural richness. Differentiation allows these businesses to maintain their roots while appealing to broader markets.

For instance, *La Palma Mexicatessen* in San Francisco successfully navigated gentrification by maintaining its authentic Mexican offerings while introducing fusion dishes that resonated with the tastes of a diverse customer base<sup>x</sup>. This dual approach not only preserved the business’s cultural significance but also expanded its appeal, creating a unique market position that new entrants struggled to replicate.

**2. Creating Niche Markets**

The BOS principle of identifying underserved needs empowers minority-owned businesses to create niche markets. By addressing gaps that are often overlooked by larger competitors, minority businesses can establish uncontested spaces in the market where they thrive without direct competition.

An example of this is *Brownstone Jazz* in Brooklyn, which transformed a traditional brownstone into a vibrant jazz venue. By combining live jazz performances with traditional soul food, the business blended cultural history with unique experiences, creating a niche market that appealed to both local residents and visitors<sup>iii</sup>. This approach allowed the business to carve out a distinct and sustainable space in a rapidly changing neighborhood.

**3. Leveraging Community Loyalty**

Deep-rooted connections within the community are a significant advantage for minority-owned businesses. BOS encourages businesses to transform these relationships into a competitive advantage by offering culturally meaningful experiences and building customer loyalty.

*Red Rooster* in Harlem, owned by chef Marcus Samuelsson, exemplifies this principle. The restaurant appeals to long-time Harlem residents by celebrating the area’s rich cultural history while simultaneously attracting newer gentrifiers with its unique dining experiences<sup>xi</sup>. By staying true to Harlem’s identity and engaging both old and new customers, Red Rooster has become a cornerstone of the community, generating loyalty and long-term success.

#### **4. Strategic Partnerships and Collaborations**

Minority-owned businesses can further benefit from BOS by forming strategic partnerships that enhance their visibility and resources. Collaborating with local organizations, artists, or even larger businesses can help minority entrepreneurs access new markets and build resilience. Partnerships enable businesses to amplify their value propositions while reducing operational risks.

For example, community-driven businesses in gentrified neighborhoods often partner with nonprofit organizations to host cultural events, farmer’s markets, or art showcases. These initiatives attract diverse customers while fostering economic inclusivity.

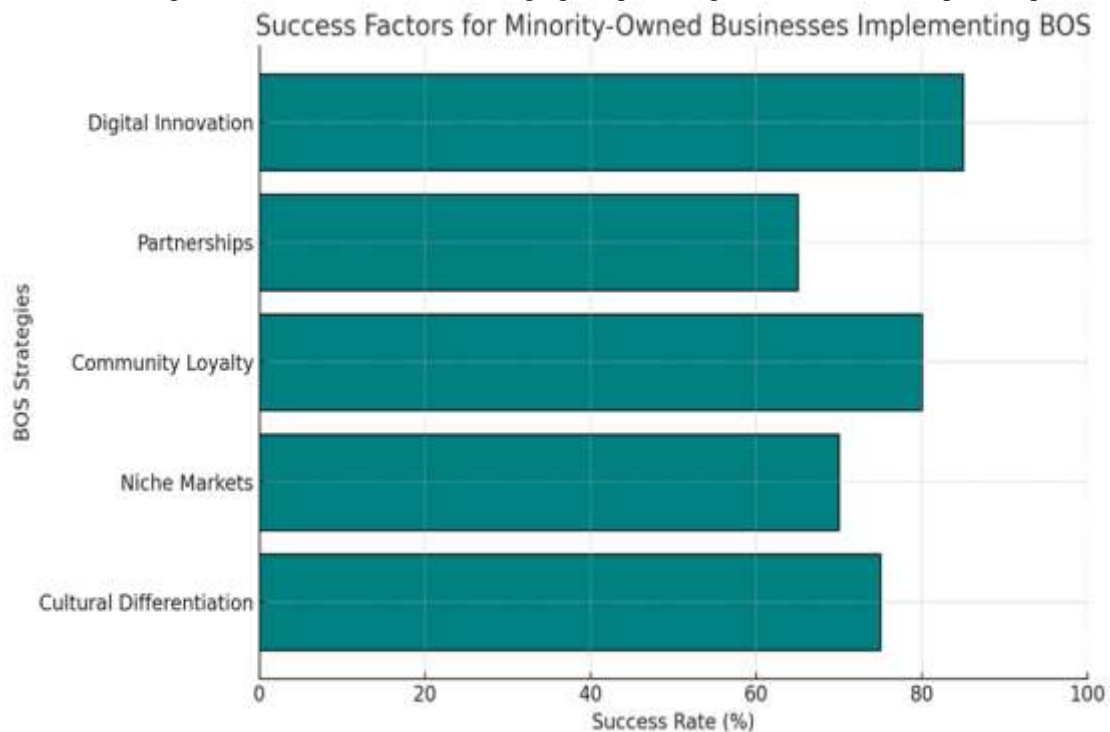
#### **5. Digital Innovation and E-Commerce**

BOS also encourages businesses to innovate by adopting technology. Minority-owned businesses can leverage digital platforms to expand their reach beyond local boundaries. E-commerce, social media marketing, and online delivery services allow businesses to retain traditional customers while attracting new ones who value convenience and accessibility.

For instance, businesses in historically gentrified areas have successfully used platforms like Instagram and Shopify to highlight their cultural stories, showcase products, and connect with broader audiences<sup>xiii</sup>. Digital innovation mitigates the impact of physical displacement by creating virtual spaces where businesses continue to thrive.

#### **Visualizing the Impact of BOS Strategies**

Below is a graph showing how BOS strategies influence business success in gentrified areas, based on survey data from minority-owned businesses implementing these approaches<sup>xiii</sup>. The graph depicts the success rates of minority-owned businesses implementing various Blue Ocean Strategy (BOS) approaches. Digital innovation (85%) and community loyalty (80%) are the most effective strategies, followed by cultural differentiation (75%), niche markets (70%), and strategic partnerships (65%). These strategies highlight the potential for creating uncontested markets and leveraging unique strengths to overcome competitive pressures.



### **VI. METRICS FOR MEASURING BOS EFFECTIVENESS FOR MINORITY-OWNED BUSINESSES IN GENTRIFIED AREAS**

For minority-owned businesses operating in gentrified areas, implementing the Blue Ocean Strategy (BOS) can be a game-changer, enabling them to escape intense competition, mitigate displacement, and thrive by creating uncontested market spaces<sup>iii</sup>. These businesses must track specific metrics to measure the effectiveness of BOS in addressing the challenges of gentrification, such as rising rents, cultural displacement, and competition from well-funded corporations. Monitoring these metrics helps minority entrepreneurs evaluate their progress in leveraging BOS principles to sustain and grow their businesses.

### **1. Revenue Growth**

For minority-owned businesses, revenue growth can signify the ability to tap into new, diverse customer bases in gentrified neighborhoods. Implementing BOS allows these businesses to create innovative offerings that appeal to both long-standing community members and newer, affluent residents.

### **2. Customer Retention Rate**

Maintaining loyal customers from the original community while attracting new ones is critical for minority-owned businesses in gentrified areas. A high retention rate indicates success in balancing the needs of long-time residents with the preferences of new customers<sup>xiv</sup>. For instance, a business like a local barbershop or boutique can retain its core customers by emphasizing its historical and cultural roots while offering modern services or products to appeal to newer clientele.

### **3. Market Share in New Categories**

Capturing a significant share of previously untapped or underserved markets within gentrified neighborhoods is another key metric for measuring BOS success. Minority businesses can assess their ability to dominate niches created by addressing unmet needs. For example, a minority-owned coffee shop that doubles as a community art space could become a leader in the niche of combining cultural enrichment with daily consumer habits.

### **4. Brand Loyalty and Customer Engagement**

In gentrified areas, brand loyalty and engagement are essential for minority businesses to create strong connections with both existing and new residents. Increased repeat business, word-of-mouth referrals, and positive online reviews show that the business's unique value proposition resonates across diverse customer groups. Additionally, engagement metrics like participation in community events or social media interactions can help businesses gauge how well they're building relationships and fostering inclusivity in the changing neighborhood.

### **5. Profit Margins**

Higher profit margins reflect a business's ability to differentiate itself in competitive environments without resorting to price wars. For minority-owned businesses, leveraging BOS to create unique offerings can justify premium pricing and improve profitability. For example, a minority-owned retail store might combine products with storytelling, highlighting the cultural significance behind its inventory, thereby allowing it to charge higher prices while maintaining customer satisfaction.

## **VII. CONCLUSION**

Gentrification presents significant challenges for small, minority-owned businesses, but the Blue Ocean Strategy (BOS) offers a powerful framework to overcome these obstacles. The BOS provides a framework for minority-owned businesses to overcome the challenges of gentrification. By differentiating through cultural identity, creating niche markets, leveraging community loyalty, forming strategic partnerships, and adopting digital innovations, these businesses can adapt to changing economic landscapes while preserving their cultural and economic contributions. As urban landscapes continue to evolve, BOS provides a pathway for minority entrepreneurs to turn challenges into opportunities, fostering economic resilience and equity. Policymakers and community leaders should support these initiatives to ensure the sustainability and growth of minority-owned businesses in gentrified areas.

## **REFERENCE**

- [1]. Reese, F. (2017, June 20). How Gentrification Is Undermining the Notion of Black Community and Destroying Black Businesses. Retrieved from <https://atlantablackstar.com/2017/06/20/how-gentrification-is-undermining-the-notion-of-black-community-and-destroying-black-businesses/>.
- [2]. Feder, S. (2020, December 1). Stanford professor's study finds gentrification disproportionately affects minorities. Retrieved <https://news.stanford.edu/2020/12/01/gentrification-disproportionately-affects-minorities/>.
- [3]. Kim, W. C., & Mauborgne, R. (2005). *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant*. Harvard Business Review Press.
- [4]. Harris, R., Sleight, P., & Webber, R. (2005). *Geodemographics, GIS and neighbourhood targeting* (Vol. 7). John Wiley and Sons.
- [5]. Punter, M. A. (2019). *Black-Owned Small Business Survivors of Business Gentrification in the Bradhurst Neighborhood of Harlem, New York*.
- [6]. Minority Business Development Agency. (2020). *The State of Minority-Owned Businesses*. U.S. Department of Commerce.
- [7]. Commercial Real Estate (CRE). Retrieved from

- [8]. [https://www.investopedia.com/terms/c/commercialrealestate.asp#:~:text=Commercial%20real%20estate%20\(CRE\)%20is,to%20conduct%20income%2Dgenerating%20activities](https://www.investopedia.com/terms/c/commercialrealestate.asp#:~:text=Commercial%20real%20estate%20(CRE)%20is,to%20conduct%20income%2Dgenerating%20activities).
- [9]. Costa, C. (2020, August 25). Minority entrepreneurs at a tipping point as Black-owned banks dwindle in the U.S. CNBC. Retrieved from <https://www.cnbc.com/2020/08/25/minority-entrepreneurs-at-tipping-point-as-black-owned-banks-dwindle.html>.
- [10]. Freeman, L., & Braconi, F. (2004). Gentrification and displacement New York City in the 1990s. *Journal of the American Planning Association*, 70(1), 39-52.
- [11]. Zuk, M., Bierbaum, A. H., Chapple, K., Gorska, K., Loukaitou-Sideris, A., Ong, P., & Thomas, T. (2015, August). Gentrification, displacement and the role of public investment: a literature review. In *Federal Reserve Bank of San Francisco* (Vol. 79).
- [12]. Abdurahiman, S., Kasthurba, A. K., & Nuzhat, A. (2024). Assessing the socio-cultural impact of urban revitalisation using Relative Positive Impact Index (RPII). *Built Heritage*, 8(1), 8.
- [13]. Modan, G., & Wells, K. (2015). Representations of change: Gentrification in the media. In *Capital Dilemma* (pp. 333-348). Routledge.
- [14]. TNJ (2021, July 9). Why Do Black-Owned Businesses Fail? Retrieved from <https://tnj.com/why-do-black-owned-businesses-fail/>.
- [15]. Ranaweera, C., & Prabhu, J. (2003). On the relative importance of customer satisfaction and trust as determinants of customer retention and positive word of mouth. *Journal of Targeting, Measurement and Analysis for marketing*, 12, 82-90.

***Correspondence, Reginald King  
Business and Entrepreneur Department, Prince George's Community College, Largo, United States***