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COMMERCIAL GENTRIFICATION IN POST-INDUSTRIAL NEIGHBOURHOODS: A DYNAMIC VIEW FROM AN ENTREPRENEUR'S PERSPECTIVE

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ABSTRACT

In urban geography research there is a small supply of articles which reflect upon the aims and motives of entrepreneurs when they enter neighbourhoods that are undergoing a process of gentrification. The aim of this paper is to better understand the explanatory factors behind the timing of entrepreneurial changes that take place during the commercial gentrification process in Tallinn's post-industrial neighbourhoods. Based on thirty in-depth interviews, we propose an explanation from the supply perspective that highlights the dynamics behind motivation-based influences. By modifying the diffusion of the innovation theory developed by Rogers we are able to show how, during the different phases of the process, groups of pioneers, early adopters, the early and late majority, and laggards enter a neighbourhood that is being gentrified by varying objectives, and associate the dynamics behind the process with the follower effect that is being shaped by knowledge diffusion, a specific market niche, and physical co-location.

Key words: commercial gentrification; entrepreneurs; motivation; qualitative research; Estonia

INTRODUCTION

In 2018, Isabelle Nilsson and colleagues published their results of a quantitative analysis which found that US craft breweries are often restricted to (post-)industrial districts. These results show something of which we may already be aware: gentrification, post-industrial neighbourhoods, and a certain type of new enterprise (such as craft breweries) tend to be related. The interest in commercial gentrification, which has the potential to conceptually

bind these three areas, has risen alongside broader economic trends that have been taking place since the 1990s. Commercial gentrification tends to be analysed as a process that accompanies residential gentrification, but it has recently gained wider interest as a separate topic (Pratt 2009; Zukin *et al.* 2009; Ferm 2016).

Commercial gentrification is understood as being the upward transformation of local businesses in terms of social class that refers to mutual changes in local entrepreneurship

regarding: (i) the changing proportion of enterprises that may belong to the service sector instead of manufacturing industry (Smith 1979; Wang 2011); (ii) the changing type of entrepreneurs that belong to a more affluent social strata or corporate sphere (Zukin *et al.* 2009; Ernst & Doucet 2014); and (3) the changing set of goods and services (Zukin *et al.* 2009). First, the links with deindustrialisation and the re-use of an existing industrial infrastructure have been acknowledged in the available literature, whereas creative industries in post-industrial neighbourhoods have often been seen as a catalyst for gentrification (Ferm 2016). Studies that claim changes in the characteristics of entrepreneurs have documented the increasing provision of expensive ethnic restaurants which often replace cheaper ethnic restaurants (Ernst & Doucet 2014), corporately-owned marketplaces that replace local, traditional grocery marketplaces with private vendors (Gonzalez & Waley 2013), and the diffusion of corporate sellers, such as the Starbucks coffee chain, serving to mark out the frontier of gentrification (Bridge & Dowling 2001; Zukin 2008). Finally, the transformation of the product range being offered by businesses that are located within areas that are experiencing commercial gentrification has been linked to the expansion of whole foods and goods from farmer's markets, along with the provision of ecological foods (Joassart-Marcelli & Bosco 2018). Commercial gentrification is the outcome of the intentional and unintentional decisions and actions that are taken by individual entrepreneurs, local government bodies, and the national administration, all of which is influenced by local and global market forces. This paper concentrates on the first part of this mix – the role of entrepreneurs.

Studies which focus on retail and commercial gentrification have drawn attention to three aspects. First, commercial changes tend to follow the patterns that have been generated by the residential processes of gentrification and displacement (Curran 2004; Avdikos 2015). According to the displacement process, traditional shops are seen to represent lower class residents, and the new retail capital represents more middle or higher class living standards (Ley 2003; Zukin *et al.* 2009; Ernst

& Doucet 2014). The uneven set of business opportunities that is generated by a decreasing local client base of traditional businesses and the promising success of the new type of creative enterprises, alongside broader macro-economic trends, leads to the displacement of traditional businesses (Gonzalez & Waley 2013). Second, something that is also related to the first aspect, commercial gentrification is explained in most case studies in terms of the demand side. These accounts show local demand as a trigger for new forms of business. For example, craft production is found to be linked to the process of gentrification because gentrifiers increase the demand for symbolic value products by means of a claim of authenticity (Ley 2003). On the supply side, only some theoretical assumptions have been made using the argument which revolves around the affordability of business premises, which itself is somewhat similar to the rent-gap theory (Smith 1979), according to which the empty canvas of business opportunities and vacant post-industrial facilities support economic upgrading and are suitable for new entrepreneurs who are seeking affordable locations (Ley 2003). And third, explanations which cover commercial gentrification do not often have a bearing in terms of temporal dynamics (Lees 2012) which, as we know, is something that has been successfully used to understand residential gentrification (such as Gale 1979; Hackworth & Smith 2001).

However, it is important to understand the motivations of entrepreneurs and the mutual influences between those entrepreneurs when it comes to shaping the process of commercial gentrification. During such a process, entrepreneurs are more likely not to be constantly allured by similar local circumstances, such as lower rents and the potential involved in the re-use of industrial housing, and we cannot assume a stable 'relationship' between commercial changes and the respective local (gentrification) context (cf. Welter 2011). Studying the dynamics behind the aims and motives of entrepreneurs may entail beneficial information to be unearthed when it comes to understanding the process of commercial gentrification.

Our empirical evidence comes from Tallinn, the capital of Estonia where, after the

collapse of the Soviet Union in the early 1990s, two decades of subsequent market-led urban development has also entailed a commercial gentrification process which has particularly been located in post-industrial inner-city neighbourhoods. The study area of Northern Tallinn characterises the process of residential change towards higher income populations and the eviction of traditional enterprises by new businesses which are targeting modern consumption practices (Pastak & Kährik 2016; Pastak *et al.* 2016). Based on thirty in-depth individual interviews with entrepreneurs who operate small and medium-sized enterprises, we have sought answers to the following research questions:

1. How has the motivation changed when it comes to starting a business by different entrepreneurs in different stages of gentrification?
2. How do entrepreneurs access the necessary information and know-how to start a business in a neighbourhood which is undergoing a process of gentrification?

The paper is organised as follows: we provide a theoretical background to commercial gentrification from the perspective of the entrepreneurs, and thereafter we present the background information about the case study area and explain the process of collecting and analysing the data. The paper ends with a discussion of the main findings.

COMMERCIAL GENTRIFICATION AND THE MOTIVATION TO START A BUSINESS

Since the 1960s, when Ruth Glass first introduced the term, the debate about gentrification has accompanied urban geography's body of scholarly literature. Early definitions explained the process of gentrification as the rehabilitation of working class neighbourhoods by middle class homebuyers, landlords, and professional developers (Smith 1982). This kind of narrow understanding pertains to the rehabilitation of working class and derelict housing, and the consequent residential transformation of an area, first into a middle-class neighbourhood (Smith & Williams 1986), and later into a higher class neighbourhood (Lees

2003). Contemporary residential gentrification is understood as 'the social and spatial manifestation of the transition from an industrial to a post-industrial urban economy based on financial, business, and creative services, with associated changes in the nature and location of work, in occupational class structure, earnings and incomes, life styles and the structure of the housing market' (Hamnett 2003, p. 2402). As the concept has widened, gentrification is currently defined as the upward class-based transformation of urban space (Lees *et al.* 2016). Such transformation includes the physical upgrading of the built environment (Hamnett 2003; Curran 2004) and a change in the businesses and those activities that people carry out (Ernst & Doucet 2014; Lester & Hartley 2014).

While there is a consensus on the association of residential and commercial processes in the process of gentrification, these entities are generally handled without clear theoretical emphasis on the mutual causal relationship. By-and-large, existing research on commercial gentrification tends to focus on three streams of thought: the mutual relatedness of residential and commercial gentrification, commercial developments as a by-product of residential gentrification, and commercial displacement.

The body of literature which covers the first of these streams explains residential gentrification by involving economic reasons, and emphasise the mutual relatedness of residential and commercial gentrification. For example, Freeman and Braconi (2004) have phrased a prerequisite for gentrification: the growth of employees in finance, insurance, real estate, communications, higher education, and business services as these tend to prefer central or inner-city locations. In addition, Hamnett (2003) and Badyina and Golubchikov (2005) show how macroeconomic processes, such as the rise of the service-based economy and the post-socialist transition to a market economy, have led to residential gentrification. They argue that the demand for retail, office, and housing space has contributed to the process of gentrification. Bridge and Dowling (2001) draw attention to the new middle class being differentiated in terms of economic capital, with them bringing along new consumption

practices that increase such a demand. The context of mixed residential and business land use, being particularly the case for Tallinn, refers to the residential turnover that also includes the arrival of new entrepreneurs and businesses, including the offices of property developers, secretarial services, cafeterias, restaurants, and small creative sector businesses such as architects and design firms.

The body of literature for the second stream visualises commercial developments as a by-product of residential gentrification. For example, Atkinson (2015) argues that commercial change has been supporting neighbourhood's identity change and rising prices that contribute to direct and indirect residential displacement pressures. Changes in the retail and leisure spheres refer to indirect symbolic displacement pressures when new restaurants, pubs, and their services are designed to meet the tastes of middle class incomers (Zukin *et al.* 2009; Gonzalez & Waley 2013; Ernst & Doucet 2014; Pastak & Kährik 2016). Direct pricing-out takes place when the goods and services being offered by new businesses are too expensive for the purchasing power of long-term residents (Marcuse 1985; Slater 2006; Meltzer & Schuetz 2012).

Gentrification literature for the third and final stream to be included here concentrates directly upon commercial displacement and its impact on local businesses and residents. In this area, commercial gentrification is defined as being a gradual fading of local, traditional enterprises (ethnic shops and bars, car repair garages), and an increase in specific types of new businesses (such as hipster cafes, boutiques, and organic food shops) (Gonzalez & Waley 2013; Ernst & Doucet 2014; Williams & Needham 2016). Commercial displacement has a direct, negative effect on local entrepreneurship when businesses are forced to downsize or close completely and it has an indirect negative effect that can be related to the displacement of other local businesses (Curran 2007). In later stages of commercial gentrification, the increasing rents being demanded for office properties may have the effect of reducing the supply of affordable workspace (Ferm 2016; Williams & Needham 2016). Here, some parallels have been drawn with residential displacement, according to which commercial

displacement also affects the more habitual entrepreneurs who tend to belong to lower income groups, and/or to minority ethnic populations (Gonzalez & Waley 2013). This refers to the displacement of longstanding stall holders in local outdoor markets, ethnic restaurants, and poorer traders who may be hit by multiple penalties when facing rising rents and the impact of a declining clientele. The displacement of manufacturers by service-sector firms has also been studied, and clear links have been made between residential and commercial displacement. The displacement of manufacturers who provide employment for a less-educated, largely immigrant and minority workforce will lead to residential displacement when these jobs disappear from the area (Curran 2007).

Commercial gentrification has rarely been reviewed as a staged process in order to be able to emphasise the dynamics involved in commercial change. We admit that the temporal dynamics of residential and commercial processes are deeply related and mutually influenced and, most likely, the stages involved in residential and commercial processes do indeed overlap (Kloosterman & van der Leun 1999; Lees 2003). The study by Hackworth and Smith (2001) viewed gentrification as a gradual process with identifiable 'stages' or 'waves' in order to capture the root causes and the transformation from locally-managed process by property developers and local businesses to national capital and state-driven process. Commercial gentrification has also been viewed as a gradual process in case studies which come from New York, where early entrepreneurs were viewed as initially opening new bars, boutiques, galleries, and cafes on empty and abandoned plots (Ocejo 2011), with second wave entrepreneurs opening edgy, alternative places for middle class lifestyles, and with third wave entrepreneurs opening businesses with upscale and exclusive products (Zukin & Kosta 2004). This account clearly emphasises the changing product range, but says nothing about the changing motivation during the process and does not answer the question of why entrepreneurs are attracted by gentrification.

Explanations for motivations to start a business in neighbourhoods that are undergoing

the process of gentrification can say much about the location-based choices and diffusion of businesses. When residential supply-side accounts discuss the role of actors on the supply side, such as landowners, the owners of residential buildings, investors, real estate agents, local government authorities, and national government (Blasius *et al.* 2016), commercial gentrification studies can explore the role of entrepreneurs and real estate investors and the policies being pursued by local government authorities and national government. There are only a few supply-side arguments that explain the motivation for entrepreneurs to become involved in the commercial gentrification process. The most compelling argument has been that entrepreneurs are attracted by the affordability of low-price property and accommodation rents both for business and investment purposes (Ley 2003; Williams & Needham 2016). The affordability of local property and its low rental price is for the most part seen to attract entrepreneurs in the first and second waves of gentrification (Wang 2011) where artists and small creative businesses search for low costs and a rustic atmosphere (Ley 2003). Local or national entrepreneurs and real estate developers mostly try to invest below the city's average market rate, and they see an opportunity arising from the empty business canvas offered by a pre-gentrification neighbourhood (Williams & Needham 2016). At the same time, the initial stages of gentrification may reflect high crime rates and the inability of formal institutions to ensure a secure environment for entrepreneurs but may also reflect business networks that are currently absent (North & Syrett 2006).

Two key demand-side explanations for the motivation to start a business in a neighbourhood that is undergoing a process of gentrification will be introduced via the available literature. Entrepreneurs are attracted: (i) by their willingness to contribute to the emerging local social community (Zukin *et al.* 2009); or (ii) by seizing the opportunity to use the authenticity of former industrial locations in their search for alternative production practices (Zukin 2008). In terms of the first area of motivation, the willingness to contribute to the emerging local social community, refers a desire on the part of local entrepreneurs

to contribute to local development (Zukin *et al.* 2009; Varady *et al.* 2015). These entrepreneurs can be 'opportunity seekers' who belong to a group of gentrifiers, but may also be long-standing residents who have lost their (regular) job and are now venturing into the field of entrepreneurial activities (Varady *et al.* 2015). This motivation can further be fuelled by the emergence of spatial clusters that allow local knowledge spill over to take place amongst local businesses. As Bathelt *et al.* (2004, p. 45) point out, these clusters tend to operate on what can be referred to as a 'buzz-pipeline' model, in which the spill over of local knowledge ('the buzz') is signposted by 'information flows, gossip, and news' that 'creates a complex multi-layered information and communication ecology'. In order to be efficient, the entrepreneurs within the cluster also need the global spill over (the 'pipeline') to happen. That said, there should be some motivation when it comes to contributing to local community (e.g. spatial cluster), but also in terms of keeping open the channels that foster reciprocal know-how-sharing outside the local community.

According to the second area of motivation, authenticity helps to create the story and argument behind selling the product using the history of the area or a specific local niche (Ley 2003; Zukin 2008). Authenticity is one type of surplus value that is given to the product (Knaller 2012) which accents its originality and contrasts with the mainstream and with mass production. It is argued that people who belong to a middle class tend to prefer products which have a surplus symbolic and moral value (such as vegetarian food) that reinforces and reproduces their class position (Bourdieu 1984; Ley 2003; Zukin & Kosta 2004). Zukin (2008) uses the concept to understand gentrification both from the perspective of consumption and that of consumerism. The market demand is created by customers who are seeking authentic goods (and services), but it is also a strategy that helps small shops in the city centre to sell their products and compete with the widespread emergence of large-scale shopping centres (Ernst & Doucet 2014). Farmer's markets, little shops selling eco-friendly or recyclable products, organic cosmetics shops, or ethno-themed bakeries

are all examples of the search for authenticity and alternative products in the retail market. However, authenticity can be seen as a marketing tool that refers to the external impression instead of any 'real' authentic nature (Michael 2015). This motivation is allegedly a characteristic of third wave entrepreneurs who are looking for the niche markets that have been established in gentrifying neighbourhoods (Keatinge & Martin 2016). Building on these ideas, this paper contributes to the existing debates on commercial gentrification by offering empirical evidence when it comes to being able to understand the supply side of the commercial gentrification process and the diffusion of businesses.

BACKGROUND TO THE STUDY, DATA, AND RESEARCH METHODS

The case study area of Northern Tallinn used to be one of the city's most deprived areas at the end of the twentieth century; today, it is the most dynamic and diverse area in terms of people, the physical environment, and businesses (Tammaru *et al.* 2016). Among other low rise working class neighbourhoods of the nineteenth century, Northern Tallinn

was affected by forty years of lack of investment and decline during the Soviet period (Sýkora 2005) which resulted in the collapse of the manufacturing industry, and the closure of factories during the 1990s (Tammaru *et al.* 2016). At the moment, Northern Tallinn consists of diverse neighbourhoods that are undergoing various phases of residential and commercial gentrification (Tammaru *et al.* 2016): the most gentrified and highly-valued residential neighbourhoods are located close to the city centre (Kalamaja and Pelgulinn) while the spatially more peripheral and least developed industrial areas experience the first waves of gentrification (Kopli) (see Figure 1).

Three major contextual factors have shaped the process of commercial gentrification in the district of Northern Tallinn over the past three decades: first, the large supply of vacant industrial infrastructure and housing; second, the high rate of ownership; and third the real estate crisis in 2008–2010. By the end of the Soviet period one third of the land in Northern Tallinn was being used for industrial purposes, including eleven ports, the biggest shipyards in Tallinn, and several factories which were serving the metal and electronics industry. The fact that sizable groups of



Source: authors.

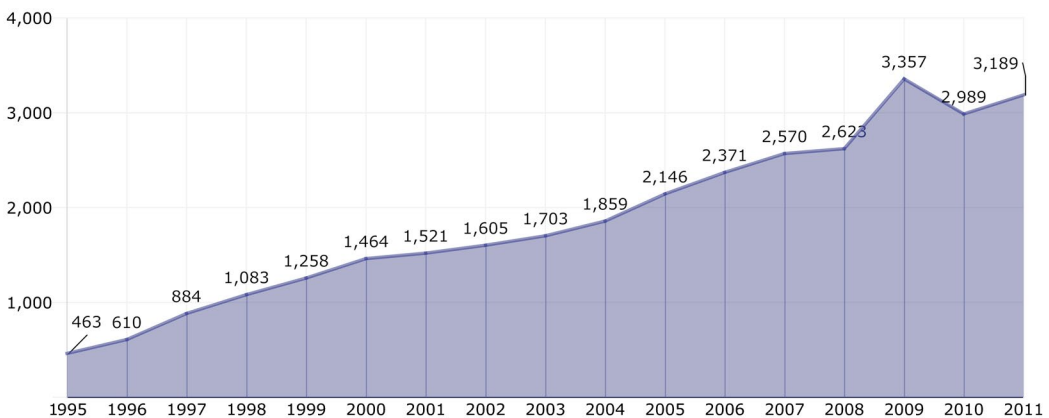
Figure 1. An overview of case study neighbourhoods in Northern Tallinn. [Colour figure can be viewed at wileyonlinelibrary.com]

Russian-speaking in-migrants were resettled during the Soviet period in Northern Tallinn in order to address labour needs serves to illustrate the volume of industrial production (Hess *et al.* 2018). At the end of the Soviet period, this practice resulted in approximately half of the population being Estonian-speakers and half Russian-speakers, all of whom were living in Northern Tallinn (Tammaru *et al.* 2016). The closing-down of many manufacturers in the 1990s and the slow retreat of still-operating large-scale manufacturing provided a decent supply of land and property for the process of retrofitting and renewal (Pastak & Kährik 2016). It also shows that the direct displacement of local businesses has been less the case because the supply of convertible housing stock has exceeded demand.

The high ownership rate is the second important contextual factor that influences the process of commercial gentrification. A process of restitution that made private companies the owners of industrial properties resulted in a high private ownership rate: about 60 per cent of all land in Tallinn is privately owned (Statistics Estonia 2017). In the residential sector, about 96 per cent of the residential housing supply is privately owned (Hegedüs 2013). In addition, the main plots for industrial reuse in Northern Tallinn are in private ownership (Pastak & Kährik 2016). This means that gentrification tends to follow more free market forces of supply and demand thanks to the

limited opportunity for the public sector to be able to act when it holds none of the rights over the available land units. Some authors also refer to the public sector's pro-development 'attitude' (Ruoppila 2007; cf. Badyina & Golubchikov 2005) and the market-based context. Van Assche and Salukvadze (2012) use the term 'investor-led urbanism' to characterise the main features of urban change in formerly centrally-planned countries in Europe. Investor-led urbanism in the Estonian context means that the role of enterprises and individual entrepreneurs in the neighbourhoods that are undergoing gentrification is more significant than the role of the public sector (Pastak *et al.* 2016).

Finally, the real estate crisis in 2008–2010 was the trigger for entrepreneurial growth in Northern Tallinn (Figure 2). The number of local businesses has increased steadily, but during the years of the economic crisis a remarkable spurt of growth took place. This may be related to decisions to move businesses into Northern Tallinn for affordability reasons. The high private ownership rate both for residential and commercial housing and the relatively low representation of gentrification policies refer to the fact that gentrification in Tallinn can be viewed much more as the practice of a small group of middle class professionals and businesses than something that is being shaped by an urban strategy, corporate sellers, or large-scale developments.



Source: Estonian Business Registry.

Figure 2. The number of businesses registered in Northern Tallinn between the years 1995 and 2011. [Colour figure can be viewed at wileyonlinelibrary.com]

Interviews – In total, we have conducted thirty individual interviews with entrepreneurs who have started up businesses in Northern Tallinn. The interviews were conducted between September and December 2015. To be able to represent a variety of entrepreneurs and their experiences during the longer span of commercial change, and to capture the first waves of gentrification, we selected interviewees who started a business between 2000 and 2014. Interviewees were reached by using business registry data and, in later phases, also by using snowball sampling. Out of the 30 entrepreneurs and 30 companies that were studied, 12 are active in the food industry, mainly in the restaurant-cafeteria-bar business area. The remaining businesses are active in retail, the creative arts, advertising and marketing, legal aid, and IT development, and also in car repair, pharmacy, theatre, and real-estate development.

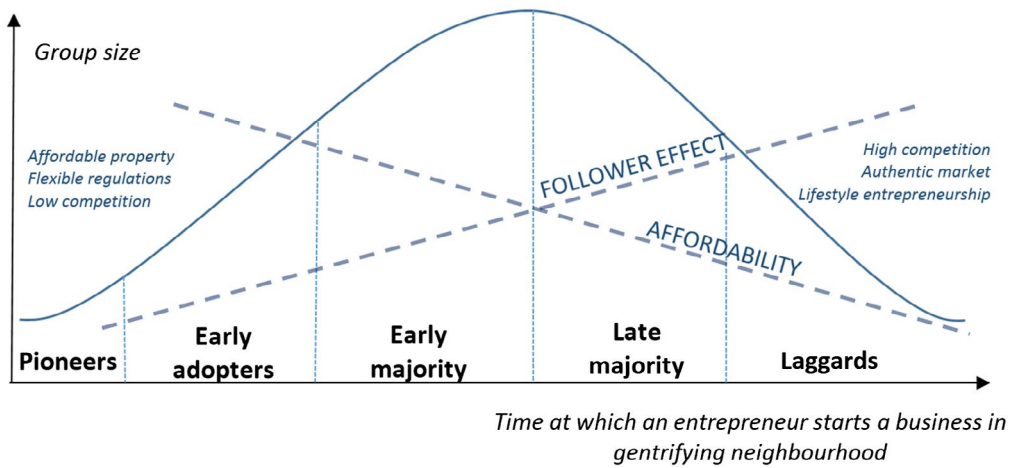
The interviews were conducted face-to-face, using a semi-structured interview guide with open-ended questions regarding the evolution of the business in question and the services it offers, the locational choice, the motivation behind starting the business, the role played by entrepreneurial networks, family, and friends, and the relationship to the neighbourhood. All of the interviews were audio recorded and transcribed verbatim. We used a two-step content analysis approach. First, we deductively coded any interview data that reflected the main theme of interest that was signposted by the available literature – narratives which were related to starting up a business in a neighbourhood that was undergoing gentrification, including the timing of and reasoning behind the selection of location. The results showed similar areas of motivation for each of the entrepreneurs who had entered the gentrified neighbourhood during a certain period of time and under certain conditions. This led us to consider interpreting our findings using the innovation diffusion model that was developed by Rogers (1962). Out of the 30 entrepreneurs who were interviewed, four were categorised as being pioneers, six as early adopters, 12 as an early minority, and six as a late minority, while two entrepreneurs were identified as laggards

(Appendix Table A1). Second, inductive coding was applied to identify specific elements of motivation and location-based decision-making in order to understand the exact reasoning and argumentation being used by groups of entrepreneurs, bearing in mind the context of the neighbourhood (its particular stage in the gentrification process) at the specific time in which the business was launched. During this form of interactive analysis we were able to make frequent back-and-forth comparisons between the data and the available literature.

THE DYNAMICS BEHIND MOTIVATIONS DURING THE COURSE OF COMMERCIAL GENTRIFICATION

Data analysis results served to signpost remarkable similarities between those entrepreneurs who seemed to be tied to the temporal dimension of the gentrification process. Rogers (1962) distinguishes five stages in the diffusion of innovations with pioneers being the first to arrive, bringing along with them a process of change, followed by early adopters, the early majority, the late majority, and laggards (Figure 3). Rogers's model has wide applicability as it shows how, over time, some specific idea, movement, or state of affairs gains acceptance and diffuses through a specific population. Contrary to Rogers, our study will apply this classification in another context, by showing how entrepreneurship diffuses in parallel with the gentrification process. The model allows us to differentiate between the entrepreneurs, thereby signposting how the first entrants into the gentrified area (pioneers and early adopters) came to the neighbourhood with different motives from those of, for example, the late majority or the laggards.

Pioneers entered the area in the (early) 2000s when most of the neighbourhoods in Northern Tallinn had specific traditional entrepreneurial activities (such as sewing factories, car repairs, welding services, etc.). The interview data also confirms that, in different case study neighbourhoods, the process of pioneers arriving in an area started at different times: it was earlier in Kalamaja before spreading to Pelgulinna and finally to Kopli.



Note: Adjusted to the gentrification topic by the authors based on Rogers (1962).

Figure 3. Entrepreneur categorisation on the basis of the time at which entrepreneurs started up their business during the process of commercial gentrification. [Colour figure can be viewed at wileyonlinelibrary.com]

Pioneers started to transform existing business models and the scope of activities. The ability to gain working space at a low price, the freedom to redecorate or re-build the space as they wished, and also the opportunity to be the first in the neighbourhood all served to address the ability to create a demand for their products and services with very low or non-existent competition. Such motivation responds to the affordability argument, which is supported by the studies by Ley (2003) and Ferm (2016).

According to those narratives that describe the process of accessing the necessary know-how when it comes to starting up a business, the pioneers reported a global perception, since they have often seen similar processes and developments taking place elsewhere in the world. Notably, this reflects an above-average social status and abundant financial resources, but also supports the linkage between global perception and local gentrification processes (Lees 2012) and local buzz and global pipelines (Bathelt *et al.* 2004):

During the early years we went to Berlin to see similar developments taking place. Even so, we were not able to 'copy-paste' what we'd seen there, because most of the

new infrastructure there was built thanks to the financial support of the city or government. We did not have that. We had to make the business pay off from the beginning, finding our way as we went. (male 34; unfinished higher education; real estate)

Pioneers are attracted by affordability that is revealed in lower starting costs, and in lower rental or property prices, but they also face a lack of local personal or professional contacts in the area. The early gentrification stage areas pioneers occupy show high crime rates and are in some cases outside the control of the police. Those pioneers who were interviewed have not used public subsidies, support, or government initiatives, which also serves to refer back to the low association between local businesses and public funds:

When I went to the Northern Tallinn local authority to apply for a business permit they looked at me as if I may be crazy. They knew that the area was rather infamous for its junkies and criminals. So they looked at me and were like: 'oh my god, are you completely sure?' (female 48; higher education; restaurant owner)

The interview data also suggests that the context in which the entrepreneur perceives

'as being left alone' has been a conducive factor in the growth of personal or professional contacts between pioneers and early adopters. The buzz-pipeline model by Bathelt *et al.* (2004) largely explains how such a local buzz with its information flows, gossip, and news can be used to grow a certain market niche or local cluster. As the affordable locations tend to be less polished in the middle of high crime locations, such context frames the product and service design towards 'creative' and 'authentic', probably influenced by ideas that are taken from the global experience.

Early adopters gain the confidence to start similar business models based on the success of pioneers. This group benefits greatly from being close to the first emerging gentrification hotspots: the first creative hubs were located in neighbourhood of Kalamaja. A business hub in our case is a building or building complex that has been created in order to provide shared workshop space, office space, networking opportunities, and other related services that may be necessary for micro businesses, SMEs, and self-employed people. When interpreting the interview data, co-location and networking in the early stages of gentrification both serve to offer valuable role models:

We don't have ... if I could name it as such ... the history of dignified capitalism. We didn't have that kind of entrepreneurial spirit in our blood, because the entrepreneurship was then making the baby steps after the re-independence. /.../ Many Estonians have fears about starting up here and, if they end up worry about every little detail, it is a lot worse than making a decision and correcting it later. /.../ I think that the mood in Kalamaja has been good for developing intelligent conversation and learning from each other. (female 48; higher education; restaurant owner)

In Northern Tallinn's case, pioneers and early adopters started up their businesses before the local government's policies were implemented which targeted entrepreneurship, gentrification, and urban renewal. As it takes time to adjust the legislative framework, these early groups experienced a level of flexibility in the business environment and openness

to unconventional businesses when no urban policies or spatial plans which could regulate the local economic development had a chance to be brought into existence. One restaurant owner (female 48; higher education) celebrates the fact that being located in a neighbourhood that is undergoing early stages of gentrification provides advantages when it is compared to locations in the city centre and the Old Town, where the requirements for restaurants, from interior design to outdoor advertising, are much more strict. The missing regulations in terms of urban policy or construction guidelines simultaneously mean lower starting costs.

The locational choices that were being made by the pioneers and early adopters show that they tended to start alone. What such accounts had in common at the time was the fact that the choice of location was made on the basis of the condition and cost of the premises, accessibility in terms of transportation, and closeness to the city centre. In fact, these physical parameters are mentioned as the primary criterion for location choice in 'unconventional' business environments, such as deprived neighbourhoods (Williams & Williams 2011) and early-stage gentrification neighbourhoods (Smith 1979; Venerandi *et al.* 2014).

The early and late majority consists of entrepreneurs who need further confidence that their business idea has a chance of succeeding. They will not risk their money without seeing others succeed before them. Authenticity is the prevailing motivation at this stage. We interpret this demand in line with global trends for eco-friendly products and new modes of bohemian consumption (see Zukin 2008) and positioning in the existing buzz created by pioneers. Entrepreneurs sell their products by making use of the authentic atmosphere and industrial history that is often tied to the 'story' about the place:

These old factories that are full of industrial equipment and machinery /.../ and their so-called second life, these provide the back-story we use to sell apartments [in an old industrial area that is converted to residential use]. Those whopping gear

wheels, old chimneys, and railway tracks you see here, we make benches, lampposts out of them, or use them as landmarks /.../ everything that gives authenticity to the area. (male 34; higher education; real estate development)

Northern Tallinn presents farmer's markets, craft burger restaurants, second-hand furniture shops, and organic cosmetics. The range of activities that is carried out by entrepreneurs starts to expand with wider interest in the location and the arrival of the early minority and, especially, the late majority. Besides the wider range of business activities performed, our respondents also described the growing diversity in terms of niche businesses, such as the ethno-bakery, farmers' markets, or hip wineries. In matching third-wave gentrification, some brand and chain stores also open outlets, such as a local pharmacy chain and the farmer's market. The larger scope of entrepreneurial change and the range of goods and services being offered are also confirmed by studies by Ocejo (2011), and Zukin and Kosta (2004).

The motivation behind the early and late majority shows some change from supply-side arguments to demand-based arguments. Nevertheless, the affordability argument was still used by most respondents in this group. We assume that it may be due to the fact that the timing of the early majority stepping in matched the financial crisis in 2008–2010, when many entrepreneurs needed affordable locations to be able to reduce costs as they attempted to cope with decreasing incomes. New entrepreneurs at this stage are described by respondents as lifestyle entrepreneurs and followers. A lifestyle entrepreneur means 'doing business as a hobby in a field in which they are interested, aiming not to become a millionaire but to live now and also to be paid a bit for their efforts' (male 44, unfinished higher education, advertising agency). We define the follower effect as the diffusion of entrepreneurial activities in terms of commercial gentrification by attracting new entrepreneurs who are adherents to some form of specific lifestyle or niche market, which refers to the following of local role-model entrepreneurs, market

niche, and a range of goods (authenticity). The knowledge about successful role models spreads mainly from one entrepreneur to another, referring to the sporadic nature of the process. Furthermore, two respondents started up their restaurant businesses as spin-offs, which shows the role of personal contacts and business networks besides the process of gathering know-how from role models and impersonal sources.

Respondents who were pioneers, early adopters, or the early majority have clear opinions which state that displacement is not the case for Northern Tallinn, where sufficient vacant industrial housing is slowly being brought into use despite the fact that the late majority tends rather to prefer locations that are close to other businesses. The only evidence of commercial displacement has been provided by a restaurant owner (male 50; higher education) who states that 'nearby land owners who accommodate car repair and machinery firms have understood that they can rent their properties out for much more money and have started looking for new, rather creative and service-sector-based tenants. However, this probably covers just a small number of property deals'.

Laggards take the longest time to start a business in a neighbourhood that is undergoing gentrification. They will hesitate and reconsider, but will also discuss the eligibility of the place just as much, and with as many people as possible:

We were offered the place and we thought it over for a long time. /.../ We discussed it with a health agency, and they gave us some good advice. Then we considered and re-considered it for years and finally made the deal. (male 46; unfinished higher education; food industry)

Laggards face strong competition. The best locations in the most gentrified neighbourhoods, such as Kalamaja, are already occupied by the time laggards came to the decision that they wanted to move in. One respondent (female 35; higher education, retail) stated that she had to wait for a year to be able to rent a room in the local business hub in which she definitely wanted to start a business. The late majority and, especially, the laggards are

attracted not only by networks and know-how, but also by access to established markets and a client base and the well-proven image of the location:

I was keeping my eye on rental places for a long time. I wasn't able to figure out how to make them profitable. If a place is located somewhere remote then it is extremely hard to make it function. But this place brings people to you. (female 35; higher education; retail)

The interviews signposted how motivations vary during the process of commercial gentrification. Gentrification studies should avoid falling into the trap of over-standardising and should not lose the temporal, social, and historical context of individual behaviour, the ideas that are generated by perpetuating debates which were highlighted by Welter (2011) and Maloutas (2012).

DISCUSSION AND CONCLUSION

The theoretical starting point for this paper is the limited attention paid on how location decisions which have been taken by individual entrepreneurs have changed during the course of the commercial gentrification process. This paper is the first to explicitly study the role of entrepreneurship in gentrification processes in a Central and Eastern European context by focusing on Tallinn. The Estonian context with its market-based economy and urban planning, celebrating independence through minimal regulation in the private sector and resulting in greater freedom to choose the location for a business, forms a great opportunity to study the role played by entrepreneurs and their motivations. At the same time, the large supply of industrial infrastructure has a possible influence on less direct commercial displacements. First, we asked how the motivation to start a business by different entrepreneurs in different stages of gentrification has changed; and second we looked at how entrepreneurs access the necessary information and know-how to start a business in a neighbourhood that is undergoing gentrification?

To be able to answer the first research question, we differentiated entrepreneurs by

their primary motivation to start a business in Northern Tallinn between the years 2000 and 2014. Departing from the innovation diffusion theory that was developed by Rogers (1962), we created a typology of pioneers, early adopters, an early and late majority, and laggards helped in order to highlight how entrepreneurs motivations shifted during the process of gentrification. The main areas of motivations focused initially on affordability and flexible regulations, followed by new attraction factors which were related to authenticity and an established local market niche for ecological and craft products. Affordability and authenticity are for the most part related to external processes (Smith 1982; Smith & Williams 1986; Zukin 2008; Zukin *et al.* 2009), initially in terms of deindustrialisation and its impact on labour and residential gentrification, and subsequently in terms of new modes of consumption which involve, for example, bohemian and eco-friendly goods.

Regarding the second question – how entrepreneurs access the necessary information and know-how to be able to start a business in neighbourhood which is undergoing gentrification – we particularly emphasise the follower effect in (the later stages of) the process. The follower effect is the diffusion of entrepreneurial activities in commercial gentrification by means of attracting new entrepreneurs who are adherents to a specific lifestyle or niche market. Specific 'authentic' markets with local craft breweries, farmer's shops, craft burger restaurants, second-hand furniture shops, and organic cosmetics brands are created which trigger by role models, a certain market niche, and a certain range of goods. Follower advantages can also be seen as the effect of the internal characteristics of local commercial and residential gentrification.

Our study confirms that the process of commercial gentrification in Northern Tallinn followed the dynamics that were generated by supply-side motivations in the early stages of gentrification (Ley 2003; Wang 2011) towards the demand-side motivations that dominate in the later stages of gentrification (Zukin & Kosta 2004; Ocejo 2011; Keatinge & Martin 2016). Our results reveal the class-based change in local entrepreneurship (Ernst & Doucet 2014), and the change in the product

range being offered by local businesses (Zukin & Kosta 2004). At the same time the interview data did not provide confirmation of possible displacements, that have been one of the main features by which commercial gentrification is defined (Curran 2007; Gonzalez & Waley 2013; Ernst & Doucet 2014).

We discuss the key lesson that was learnt in combination with the contribution which this study makes to the existing literature. Our results showed that some pioneer entrepreneurs reached a neighbourhood before any remarkable changes in local population took place. However, the main contribution of this paper is not to provide recommendations for the causal relationship between residential and commercial gentrification. Rather it is to point out a more fundamental concern that commercial processes can be initiated before a local demand has been created by an increasing gentrifier population. We hypothesise a possible format for how commercial gentrification diffuses: entrepreneurs both before and during the gentrification process search for affordable and vacant locations in post-industrial and run-down areas. If the process of gentrification has reached to the point when affordable locations cannot be found, some (pioneer) entrepreneurs start to look for nearby neighbourhoods more distant. The commercial gentrification frontier then is highly influenced by the real estate market and developers, available locations, and the number of pioneers, but the scope of the process by knowledge diffusion, a specific market niche, and physical co-location. Of course, this theoretical reasoning is based on the case of Tallinn where flexible market conditions allow entrepreneurs to shape the process of gentrification. For this reason, further research should inquire as to what extent it is also applicable in the US, Northern Europe, and Western Europe, but also in other Eastern European and Central European contexts where urban policies and market regulations play a larger role than they do in Estonia.

Obviously the present study has limitations. First, we are not sure whether our case study covers all possible narratives when it comes to the motivations for all stages of the commercial gentrification process. Due to the relatively short period of existence for the new types of

entrepreneurial activities that are taking place in the case study area, we collected relatively little information about the laggards group. Second, some caution is necessary with regard to the method of study that involves looking at a cross-section. This paper presents an *ex post* evaluation of the motivations and locational choices of entrepreneurs, meaning that some firms started recently, and some many years ago. As perceptions may change over time, we must acknowledge that, for example, negative events may be described more positively after one has already successfully launched a business. The third limitation is selection bias, as our 'sample' may only contain entrepreneurs who have 'survived' the gentrification process over time, and not necessarily the early and later 'drop-outs' because we have not interviewed entrepreneurs who have quit. To understand commercial displacement, interviews with displaced entrepreneurs should also be included.

Turning back to Nilsson *et al.* (2018), who found that US craft breweries were being restricted to (post-)industrial districts, we end by drawing attention to the dynamics of supply and demand factors that may serve to influence the decisions of entrepreneurs. Craft breweries are attracted by a parsimonious search for affordable locations based on economic capital in the first stages of gentrification, but our results show that commercial gentrification reaches a tipping point when a tactical search for authentic business locations and the follower effect become the main reason for moving one's business into a commercial gentrification neighbourhood. This means that the mutual influence of entrepreneurs should be given more attention than hitherto.

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APPENDIX

Table A1. *Entrepreneur categorisation.*

Group	Int code	Business activity	Active in neighbourhood since	Age	Gender	Education
Pioneers	14	Retail (art supplies)	2003	39	F	Higher
	16	Creative arts (glass design)	2002	44	F	Higher
	23	Food industry (restaurant-bar)**	2001	30	F	Secondary
	32	Public relations management	2005	44	F	Higher
Early adopters	5	Sewing salon	2006	40	F	Secondary
	10	Real-estate development	2006	38	M	Higher
	15	Retail (wine imports and sales)	2008	35	F	Higher
	24	Retail (jewellery or clothing design salon)	2006	32	F	Higher
	31	Food industry (restaurant-cafeteria)	2008	40	M	Secondary
	34	Fitness, yoga, massage, group training	2007	45	F	Higher
Early majority	1	Interior design	2009	36	F	Secondary
	4	Beauty services (hairstylist's salon)	2012	42	F	Secondary
	8	Real-estate development	2009	34	M	Higher*
	9	Food industry (restaurant-cafeteria)	2010	38	F	Secondary
	12	Retail (vintage furniture)	2013	37	F	Higher
	13	Food industry (farm food shop and cafe)	2011	40	F	Secondary

Table A1. (Continued)

Group	Int code	Business activity	Active in neighbourhood since	Age	Gender	Education
Late majority	17	IT, advertising agency	2013	44	M	Higher*
	18	Food industry (restaurant)	2011	48	F	Higher
	25	Food industry (craft beer bar)	2013	36	M	Higher
	28	Food industry (restaurant)	2013	36	M	Higher
	29	Creative arts (stand-up comedy)	2011	35	M	Higher
	35	IT and computer programming	2013	34	M	Higher
	7	Food industry (billiard salon & restaurant)	2014	53	F	Higher
	11	Retail (vintage furniture)	2014	41	F	Higher
	22	Creative arts	2014	32	F	Higher
	26	Food industry (hamburger van)	2014	50	M	Higher
Laggards	27	Food industry (restaurant)	2014	34	M	Higher
	33	Food industry (cafeteria)	2014	35	F	Higher
	20	Food industry (ethno-themed bakery)	2014	46	M	Higher*
Long-term (before 2000)	36	Retail (clothing)	2014	35	F	Higher
	2	Electronics repair	1996	60	M	Higher
	3	Creative arts (theatre and performance)	1991	53	F	Higher
	6	Legal aid**	1996	28	F	Higher
	19	Car repair	1997	50	M	Secondary
	21	Retail (pharmacy)	1994	60+	F	Higher
	30	Sewing salon	1993	46	M	Higher

Note: * unfinished (but has passed most of the curriculum); ** interview with young key employer.