



No. 45 Crimes against Businesses in Australia

John Walker

Significant numbers of businesses report that they are victims of crime. As business creates Australia's wealth and employment opportunities, crime prevention is of great importance for this sector of the community. This Trends and Issues paper promotes discussion of crime prevention strategies and processes, and highlights further work which needs to be done.

In reporting on a 1993 survey, this paper shows that crime against business has direct costs in the order of \$1.5 billion and indirect costs of a further \$5 billion (approximately), including \$1 billion in insurance payouts. Notwithstanding these costs, the author points out that much crime against business is unreported because the process of reporting and investigation is perceived as disruptive and costly.

The Australian Institute of Criminology supports further collaborative work with Australia's business organisations.

Adam Graycar
Director

How serious is crime against businesses in Australia? What sorts of businesses are most likely to be victims of crime? How much does it cost these businesses, and how much does crime against businesses cost the economy? And what can the businesses, the police and the broader community do about it?

This Trends and Issues paper describes the main results of a survey which attempted to answer some of the questions, and suggests a number of crime prevention initiatives.

Surveys of Crime Victimisation

Surveys of crimes against households and individuals already provide considerable policy-relevant data to a wide range of criminal justice and other agencies engaged in developing crime prevention policies. Police now use victim survey data to help estimate the level of under-reporting of crime (an important indicator of public confidence in the police) and to examine the risk factors which are only partially identified in their own experience of responding to reports of crime.

In spite of evidence that crime against businesses is a considerable proportion of all crimes (*see*, for example, Biderman & Lynch 1991; Skogan 1991; Walker 1992), these crimes generally escape the attention of the traditional surveys of crime.

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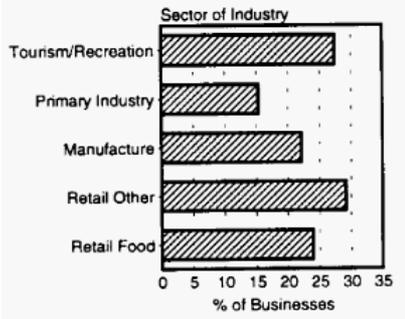
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Figure 1.
Perceptions of crime: Percentages of businesses perceiving a "serious crime problem" in their neighbourhood, by sector of industry



Police and other data indicate that, pro rata, businesses are considerably more at risk of certain types of crime than are households, and that the costs of crimes against businesses are a significant imposition on business. A New South Wales Bureau of Crime Statistics and Research (1987) study suggested that about half of all robberies reported to police targeted businesses. The Retail Traders Association of Australia suggests that the losses from shoplifting are the order of 1.75 per cent of total retail sales, which amounts to over \$1 billion a year across Australia. Neither police nor industry data, however, provide the sort of detail needed for crime prevention policy development.

Survey Origins and Methodology

In November 1992, a meeting of the United Nations Inter-regional Crime Research Institute in Rome agreed that a group of key delegates should design an internationally comparable survey of the problem

The expert group identified a number of key methodological criteria which would maximise the utility of the survey. In the Australian survey, it was agreed to concentrate on five sectors- retail (food), retail (non-food), manufacturing, primary industry and tourism/recreation. The questionnaire addressed twelve issues:

1. Perceptions of levels of crime in the neighbourhood.
2. Burglaries.
3. Vandalism/damage to property.
4. Vehicle crime (e.g. thefts of/from vehicles).
5. Thefts.
6. Frauds.
7. Robberies.
8. Assaults/Threats/ Intimidation.
9. Corrupt practices.
10. Indirect losses due to crime.
11. Crime prevention measures being taken.
12. Opinion/experience of police/municipality activities against crimes against business.

The Roy Morgan Research Company conducted the survey during August 1993 and detailed results, stripped of all identifying information to ensure confidentiality, were provided to the AIC in early September.

The sample of 966 business premises was divided into the five industrial sectors, each of which were further subdivided into three size categories on the basis of staffing numbers, and related to national figures ensuring that there was a representative quota of businesses in each category. Some key results are presented here.

Perceptions of Crimes

The survey began by asking about general problems facing the neighbourhood around the premises and the business which was located there. Crime in urban areas has been linked to some planning factors such as parking difficulties, noise and pollution problems, poor public services (for example, street lighting or public transport), and the presence of unsupervised children and adolescents. The theories of "crime prevention through environmental design" attempt to find practical

solutions to crime through the urban planning processes. The survey attempted to find out the prevalence of such conditions, and whether they were related to crime against businesses.

The results show that almost a quarter of Australian businesses consider crime to be a serious problem in their area. Overall, the tourism/recreation industry sectors were most likely to perceive a serious or fairly serious problem of crime. Primary industry businesses were the least likely to perceive such a problem. Larger food retailers were particularly likely to say they had a serious problem of crime.

Perceptions of crime are worse in "built up areas outside city centres" than they are in the city centres, while other neighbourhood problems are mostly distributed in the opposite direction. Special business zones, however, including "industrial estates, business parks and shopping precincts" appear to be more likely to suffer from a whole range of neighbourhood problems, including crime, than other business locations. Businesses located in areas where there were problems with unsupervised children were also much more likely to perceive a crime problem. Metropolitan areas seem to have consistently more problems than other regions.

The Actual Incidence of Crime

Turning now to the actual incidence of crime as opposed to perceptions, almost half of all businesses were not in fact the victim of any crime during 1992; but victimisation varied greatly by industry sector. Almost three-quarters of primary industry businesses completely escaped victimisation, while almost three-quarters of retail food outlets and tourism/recreation businesses were victims of at least one crime. Larger businesses were much more likely to

have been victimised than the smaller ones.

Burglary was the most common form of crime, affecting over a quarter of all businesses surveyed. A similar proportion fell victim to some form of theft from the premises, most often committed by retailers' customers, but also by staff or others. Around one in six businesses were victims of vandalism, and fraud in total affected about one business in five. Around one business in ten experienced an assault on staff during the year. Other crimes, including robbery, bribery/extortion and motor vehicle thefts, were rare and affected fewer than one business in twenty-five.

Characteristics of Different Crime Types

Burglary

Almost 60 per cent of business premises victimised by burglary (including attempted burglaries) were burgled more than once during the year; some as frequently as once a week on average—the distribution of risk is clearly not random. Tourism/recreation and retail food businesses were the most likely victims, with primary industry much less likely to be burgled. Average costs of burglary were comparatively small, but burglaries costing over \$10 000 occurred in all industry sectors. According to the results of the Australian component of the International Crime Victims Surveys (ICVS) of 1989 and 1992 (see Walker 1993), only around 4.2 per cent of households were burgled each year, compared with 27.4 per cent of businesses.

Vandalism

Vandalism is commonly seen as endemic to our cities, yet over 80 per cent of business premises had no problems in 1992. The costs to business, however, are still substantial, averaging about half of

the costs of a burglary. Tourism/recreation businesses appear to be most at risk. Again, primary industry was at least risk.

Motor Vehicle Crime

Around two-thirds of the businesses maintained vehicles for use at the premises, compared with car ownership of over 90 per cent for households. The percentage of businesses which had motor vehicles stolen was, at 2.6 per cent, the same as the percentage of households experiencing the crime, according to the ICVS report. The likelihood of vehicles being stolen, relative to vehicle ownership, is therefore rather higher for businesses than it is for households. Thefts from vehicles affected 6.1 per cent of total businesses which is almost equivalent to that of households (6.4 per cent).

Thefts by Customers

The survey asked those businesses which conducted at least some retailing about their experience of thefts by customers (shoplifting). The results show that non-food retailers stand out as the most likely victims of this type of crime, and indeed almost a third of them were victimised at least once during 1992, with average costs considerably higher than those of other sectors. Overall, more than 85 per cent of victims of customer theft were victimised more than once during the year, with "at least once a week" being a common response—particularly amongst non-food retailers.

Almost 60 per cent of the businesses which were victims of shoplifting did not report any of the incidents to police. Fewer than one in four victimised businesses reported "all" or "most" of the incidents. Lack of evidence and "not serious" were the most common reasons for non-reporting to police, although there was also some recognition that the police effectively "could do nothing" to help.

Figure 2. Actual victimisation: Percentages of businesses victimised by crime at least once in 1992, by sector of industry



Theft by Employees

Theft by employees was comparatively rarer than thefts by customers. It was also much less likely to be referred to police, with almost one victim in five describing such action as "inappropriate". Van Maanenberg (1994) suggests that prosecution can lead to "strained relationships with unions" and "unfavourable press". While tourism/recreation businesses had the highest average incidence of employee theft, the manufacturing businesses suffered the highest costs—presumably because of the high value of the tools and products of the manufacturing processes. Thefts by persons other than customers and employees, and thefts by persons unknown, were extremely rare. Apart from thefts by customers, the percentages of businesses victimised by theft are very similar to the percentages of individuals suffering similar crimes (5.8 per cent according to the ICVS).

Other Crimes

Fraud was experienced by over one in six businesses during 1992. The perpetrators were much less likely to be employees than outsiders.

Assaults on employees also occurred, with almost one business in ten experiencing at least one such incident. Multiple victimisation was common.

Robberies (i.e. thefts from the person, involving actual force or threats of force) and bribery/

extortion were extremely rare despite perceptions to the contrary.

Risk Factors associated with Crime Problems

In the survey, information relating to perceptions of crime in the neighbourhood and the information on actual incidence of crime at the business premises are related to four sets of possible risk factors. The risk factors are:

- the sector of industry in which the business trades on the premises;
- the presence or otherwise of "children vandalising things" or of "teenagers hanging around" the neighbourhood;
- the location of the business premises; and
- the size of the premises and the number of staff on site.

The nature of the business is very much related to crime incidence. For example, manufacturing industry businesses which also do some wholesaling from the premises are only half as likely to perceive a serious crime problem, compared with manufacturing businesses overall. The reason may be that wholesaling activities at manufacturing premises extend the working day, or increase the staffing numbers, both of which may improve the surveillance of the premises, or wholesaling may for some reason demand less crime-prone locations. In contrast, the addition of retailing activities to a tourism/recreation business significantly increases the risk of theft. Business managers may find that their crime problems can be significantly reduced by simple changes in business strategies.

The presence of unsupervised children and teenagers also affects the risk of crime. Only one business in six believes they have a serious local crime problem in areas where there are no "children vandalising" and no "teenagers hanging around". By

contrast, where there are teenagers "hanging around" and "children damaging things", five businesses in six think there is a serious crime problem. This, of course, does not mean that young people are to blame for all the crimes that occur in these areas, although Victorian data (Ross et al. 1994) show that young offenders do account for at least 30 per cent of all apprehended offenders in offences such as burglary, theft, motor vehicle theft, property damage and shopstealing.

Different patterns of victimisation occurred in different geographical regions and situations. Businesses located in town or city centres appear less at risk of burglary but at somewhat greater risk of the other crimes than businesses located outside the centres, while those located in "special business zones" are significantly more likely to have been the victim of virtually every crime type than those not located in a special business zone. These differences do not necessarily reflect badly on the basic concept of business zones—they may alternatively reflect differences in the types of businesses which choose to be located in such zones or they may reflect the characteristics of the areas in which business zones are typically located. One possibility, for example, is that business zones are attractive to the types of businesses most at risk of crimes, precisely because by virtue of their design they appear to offer extra crime prevention protection. If this is so, the locational strategy would not seem to be a successful one. Alternatively, the problems may arise because special business zones tend to be located in areas of our cities where perhaps police and other types of community supervision are less in evidence. Thirdly, it may be a consequence of the management practices of such centres, such as having common business closing hours or large, unsupervised vehicle access and parking areas, which make crimes particularly easy to carry out. Whatever the causal connection, the

evidence suggests that planners and developers need to enlist the assistance of police and "design out" crime in such locations.

A promising response to crimes which affect businesses in these locations is the "police shopfront", in which specially trained police take up prominent and visible locations in shopping centres to improve accessibility, improve police/community relations and remind potential

offenders of the possibility of being caught.

Another idea becoming popular, particularly in city centres, is the "crime and safety audit", often a joint project between police, urban planners and community representatives, in which focal points for crime are identified from police and survey data, and specific community solutions found involving strategies such as better lighting or youth projects.

On-site Crime Prevention Issues

Large businesses are much more likely than smaller ones to use every type of security measure. The strength of the relationship with business size varies from sector to sector, and differs between different security measures. Primary industry businesses were much less likely than others to use crime prevention measures, with the exception of equipment identification numbers. Special lighting was the most commonly employed measure overall, used by almost half of all businesses (but five-sixths of the bigger businesses), followed by after-hours security and window protection. Attendance by guards reacting to alarms was used by two-thirds of big businesses.

Costs also varied widely, with small businesses spending under \$1000 per annum on average, with over half allocating nothing at all to security during the year. Large

businesses by contrast averaged over \$70 000 per annum.

Only one in six businesses had contacted the police about crime or crime prevention (other than to report a crime); the larger businesses were more likely to have done so than the smaller ones. Generally, there was satisfaction with the police handling of local crime problems. Over a quarter of respondents were "very satisfied" and over 40 per cent were "fairly satisfied". Fewer than one in seven were dissatisfied.

Only one in twenty businesses had contacted the local authorities about crime or crime prevention during the year; again, the larger businesses were more likely to have done so. One in four businesses had participated in some form of business community crime prevention effort (such as Business Watch), with primary industry and retailing businesses most likely to do so.

There was considerable variation in the sources of advice about crime prevention and security. Security firms, the insurance industry and the police were the most prominent, although larger businesses also sought in-house advice from security officers and others. Almost half of the smaller businesses and two-thirds of the primary industry businesses had not sought advice during 1992.

The most common response to the perception of a serious crime problem is the use of security services who attend when alarms go off. The second most significant reaction is the installation of burglar alarms.

The Costs

The survey provided much needed data on the costs of crime against businesses, including direct costs, security costs, indirect losses due to crime, and "leakage and shrinkage". Indirect losses were defined by the question:

Your company may also incur indirect losses through crime, such as lost orders or customers, delayed deliveries, disturbance to production, and so on. Can you give us an estimate of such indirect losses for 1992, arising from any crime against your business?

Leakage and shrinkage was defined by subtracting the costs of all the crimes and the indirect losses from the responses to the question:

In 1992, what was your estimated total loss from leakage, shrinkage and crime identified from your stock control procedures (including any incidents you have already mentioned)?

The total cost of crime in the sectors of industry dealt with in this report is somewhere between \$3.8 billion and \$4.7 billion for 1992, depending on one's assumption about "leakage and shrinkage". Some of the \$915 million which is ascribed to leakage and shrinkage is undoubtedly due to crime, but not necessarily all. But while stock deterioration may account for some losses, it has been estimated that as much as three-quarters of leakage and shrinkage is due to crime, making the best estimate of total crime in these sectors around \$4.5 billion.

Other sectors of industry can be added where estimates exist. For example, it has been conservatively estimated that crime costs the transport industry of Australia as much as \$1.5 billion per year and that fraudulent claims cost the insurance industry around \$1 billion. This brings the estimated total cost of crime against business in Australia to at least \$7 billion a year. Thefts, of various kinds, account for the largest share of the direct costs of crimes against businesses, but the indirect costs, which include lost orders and disturbance to production, account for a third of all costs to business. Security costs are around one-eighth of the overall total.

The extent to which the vague notions of "indirect costs" and leakage

and shrinkage increase the estimated total losses due to crime is surprising. But many business people reported during the survey that such vague "on-costs" are part of the reason that such a high proportion of crime against business is not reported to police. The disturbance to the business incurred by following up a crime, which may itself have been relatively minor, costs more than the crime itself. Stenning and Shearing (1984) described existing criminal justice systems as largely "expensive, counter-productive and ineffective" in tackling retail crime. This view has been strongly supported by retail security managers at a number of recent conferences on retail crime. Van Maanen (1994) suggests also that many businesses believe that "a vigorous prosecution policy damages a company's image in the market place". In the current circumstances, it is clearly easier and more "economically rational" for businesses to simply pass on the costs of such losses to their consumers. Business managers are, of course, entitled (and indeed expected) to act in a profit maximising way, and if any of their competitors achieve lower

Table 1.
The total costs of crime, security and stock losses in retail, manufacturing, primary industry and tourism/recreation sectors, 1992, by cause

Direct costs of crime:	
Burglary	\$435m
Vandalism	\$226m
Other Fraud	\$190m
Thefts by Customers	\$179m
Thefts from Vehicles	\$173m
Thefts by Employees	\$108m
Vehicle Thefts	\$102m
Other Thefts	\$66m
Employee Fraud	\$45m
Thefts, Unidentified	\$42m
Robberies	\$14m
Total	\$1580m
Indirect costs of crime:	
Indirect Losses	\$1610m
Security Costs	\$631m
[Leakage, Shrinkage	up to \$915m]
Grand Total	\$3822m-\$4737m*

*Grand total varies according to percentage of leakage and shrinkage attributed to crime

costs by avoiding the pursuit of criminals they are all effectively obliged to act the same way. Only if retailers can achieve a united front against retail crime, or derive some tangible economic advantage by individually pursuing offenders through the courts, can the problem become amenable to solution via the detection and prosecution of offenders. In contrast, retailing policies such as "no questions asked" refunds actually create opportunities for crime and encourage shop theft. If we can find ways to reduce crime or these on-costs it will be to everyone's advantage, particularly the consumers.

Conclusion

Crime costs everybody money—it costs governments revenue, it costs businesses profits and it costs people jobs—in the end we all pay as consumers and as taxpayers. But only concerted community effort can significantly reduce crimes against businesses, because individual business managers are financially disadvantaged by the cumbersome processes of justice if they take on the fight alone. While security considerations suggest active resistance to crime, marketing or personnel management considerations and pure economics often present much more compelling reasons for doing the very minimum necessary.

This survey has revealed the dimensions of the problem. Efforts by police, the security industry, retail traders associations and other business groups should be applauded, but also need to be better coordinated and backed up by community support.

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