



No. 242

Reporting of Crime against Small Retail Businesses

Natalie Taylor

Under-reporting of crime to police means not only that police crime records may underestimate the extent of particular crimes but that valuable resources and crime prevention strategies may be aimed at certain crimes because they are reported more frequently, to the neglect of other prevalent but less reported crimes. Surveys of businesses have revealed that while crimes such as burglary and robbery tend to be reported to police, other crimes such as employee theft, employee fraud and shoplifting are likely to go unreported. Understanding why some crimes are reported and others are not is essential to encouraging business proprietors to report crime which, in turn, is essential for obtaining an accurate picture of crime and for developing effective crime prevention and management strategies.

Drawing on data from the Small Business Crime Survey, this paper reveals that reporting behaviour of small retail businesses varied as a function of the type of crime and whether the crime was attempted or completed. While nine in ten completed burglaries and robberies were reported to police, only one in 17 incidents of employee theft, one in five incidents of shoplifting and one in four incidents of cheque/credit card fraud were reported. Reasons for non-reporting varied, but most commonly reflected a pessimistic belief that reporting crime was pointless and achieved nothing. Further research to unravel the complex nature of reporting behaviour and to encourage greater reporting is recommended.

Adam Graycar
Director

It is now generally accepted that crimes which are reported to the police may under-represent levels and patterns of crime occurring in the community. Many crimes go unreported to the police, meaning that not only is an accurate description of crime difficult to obtain, but the overall picture of crime that we do obtain may be biased. This is particularly a problem for police and government agencies that must use valuable resources to combat crime problems based on their understanding of where crime is occurring and the types of crime that occur. Given that police crime data rely heavily on community input and a willingness to report crime (how else can the police know if a theft or burglary has occurred?) it is important to investigate how much and what types of crime may be under-reported to police, and why particular crimes go unreported. Identifying the extent of the problem will then assist in the development of strategies to encourage greater reporting and improve the accuracy of police data (Carcach & Makkai 2002).

While there has been considerable research into uncovering reasons for (non)reporting associated with crimes against individuals and property in general (for example, Carcach 1997; MacDonald 2001; Schwind & Zwenger 1992; Skogan 1984; Sparks, Genn & Dodd 1977), research into small businesses' crime reporting practices is scant. Crimes against small businesses, however, are attracting greater attention due to increasing acknowledgment that rates of victimisation are substantially higher for businesses than households (Fisher & Looye 2000; Hopkins 2002; Mirrlees-Black & Ross 1995). Further, the impact of crime on small businesses is not restricted to individual business victims but can extend to employees, customers, local businesses and the economy (Taylor &

AUSTRALIAN INSTITUTE
OF CRIMINOLOGY

trends

&

issues

in crime and criminal justice

December 2002

ISSN 0817-8542

ISBN 0 642 24286 0



Australian Institute
of Criminology
GPO Box 2944
Canberra ACT 2601
Australia

Tel: 02 6260 9221

Fax: 02 6260 9201

For a complete list and the full text of the papers in the Trends and Issues in Crime and Criminal Justice series, visit the AIC web site at:

<http://www.aic.gov.au>

Disclaimer: This research paper does not necessarily reflect the policy position of the Commonwealth Government.

Mayhew 2002b). These impacts are often difficult to quantify but if crimes against business are underestimated due to under-reporting, then we run the risk of severely underestimating the broader impact of these hidden crimes on the community in general. We also risk allocating resources inappropriately and targeting particular crimes because they are the most frequently reported while ignoring other crimes which go unreported but may be just as deserving of attention.

This paper draws on data from the Small Business Crime Survey conducted in 1999 to identify the extent and types of crime reported to police that occur against retail businesses, and to investigate why some crimes go unreported.

Estimating Levels of Under-reporting

Although the research which has been conducted into reporting practices of business proprietors is limited, the available findings suggest that a large number of crimes committed against businesses go unreported to police. Further, reporting of crime does appear to be correlated with the type of crime in question. Mirrlees-Black and Ross (1995), for example, found that while nine in ten incidents of completed burglary and seven in ten incidents of robbery were reported by UK retail businesses to police, only one in five incidents of customer theft and employee theft were reported. Similarly, Fisher and Looye (2000) found that while nine in ten incidents of burglary were reported by a sample of American small businesses, none of the employee thefts were reported. In a sample of Australian businesses, Walker (1994) found that only 40 per cent of customer theft victims had reported the crime to police, while only 20 per cent of businesses experiencing employee theft or fraud reported the incident to police. Unfortunately, however, Walker did not investigate reporting behaviour in relation to any other type of crime so it is not known whether

reporting of burglary and robbery incidents would match the higher levels found in the overseas research referred to above.

A survey of retail businesses in South Australia (*Retail Crime and Safety Survey 1998*) found that while four in five burglary/ram-raided incidents were reported to police and three in four incidents of robbery with violence were reported, only one in 17 incidents of customer or employee theft were reported. It would appear that, although the types of crime measured in crime surveys differ, burglary and robbery are substantially more likely to be reported to police than incidents of customer and employee theft. It remains to be seen how other types of crime might fare in the reporting process and whether reporting also varies with whether the crime is attempted or completed (a factor often neglected in previous research).

The Present Study

The results presented in this paper are based on findings from the Small Business Crime Survey conducted jointly in 1999 by the Australian Institute of Criminology and the Council of Small Business Organisations of Australia, with funding from the National Crime Prevention Program. The findings are based on responses from 3,834 small retail businesses, with results weighted according to Australian Bureau of Statistics (ABS) national figures for retail sector, business size and state/territory for better national representativeness. Six retail sectors were covered:

- cafes/restaurants/takeaways;
- general stores/milk bars;
- liquor outlets;
- service stations;
- newsagencies; and
- pharmacies.

Details of the survey and weightings are provided at the end of this paper.

Retail proprietors were asked about their experience of various types of crime during the financial year 1 July 1998 to 30 June 1999.

Those who reported incidents of crime were asked additional questions relating to those incidents. The patterns of victimisation found, and the costs incurred as a result of crime, have been covered in earlier papers (see Taylor & Mayhew 2002a, 2002b respectively). The focus of this paper is confined to identifying the levels of crime which were reported to police, whether reporting varied with type of crime, and investigating the reasons underlying reporting behaviour by small retail businesses.

Crimes Reported to Police

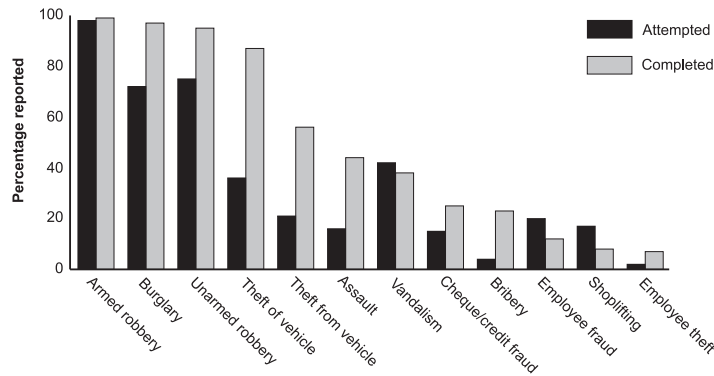
For each type of crime investigated in the survey, Figure 1 shows the percentage of incidents reported to police for both attempted and completed crimes. Four things stand out in particular:

- burglary and robbery incidents were substantially more likely to be reported to police than other types of crime, supporting the findings from previous research;
- shoplifting and employee theft were very unlikely to be reported to police, again supporting previous findings;
- completed crimes were generally more likely to be reported than attempted crimes; and
- reporting practices differed markedly depending on both the type of crime and whether the crime was attempted or completed.

Armed robbery was the crime most likely to be reported, with almost all incidents being reported to police regardless of whether they were attempted or completed. This may well reflect the fact that confrontation with a weapon is regarded as a very serious offence, with substantial emotional consequences regardless of whether or not the offender was successful.

Reporting for all other types of crime, however, varied as a function of whether the crime was attempted or completed. While almost all completed incidents of burglary and unarmed robbery were reported to police, only seven in ten attempted incidents were reported. This finding is similar to Mirrlees-Black and Ross

Figure 1: Percentage of attempted and completed crimes reported to police



Source: AIC Small Business Crime Survey, 1999 [computer file]

(1995) who found a lower level of reporting for attempted than completed burglary. In addition to perceived seriousness, the high levels of reporting for burglary and robbery may also reflect the fact that insurance claims require such incidents to be reported to police. Lower levels of reporting for attempted incidents of burglary and unarmed robbery may possibly result from fewer insurance claims being made due to lower losses incurred and/or an unwillingness to pay the excess premium required to make a claim for lower amounts. While this reasoning is speculative, Mirrlees-Black and Ross (1995) also noted insurance as a primary reason for reporting burglary. Whatever the cause, it would seem that police records of reported crime are likely to be reasonably accurate in relation to completed incidents of burglary and robbery.

The same cannot be said for other types of crime. It is noteworthy that the four least reported crimes (excluding bribery/extortion) were cheque/credit card fraud, employee fraud, shoplifting and employee theft. Specifically:

- only one in four completed incidents of cheque/credit card fraud were reported;
- only one in 17 completed incidents of employee theft were reported;
- only one in five attempted incidents of shoplifting were reported; and
- only one in five attempted incidents of employee fraud were reported to police.

These findings are important not only because they reveal that

police records do not accurately reflect the extent of some types of crime perpetrated against businesses, but because the potential emphasis on burglary and robbery as the major or most common crime problems for businesses may mean that allocation of resources and crime prevention strategies are not directed effectively.

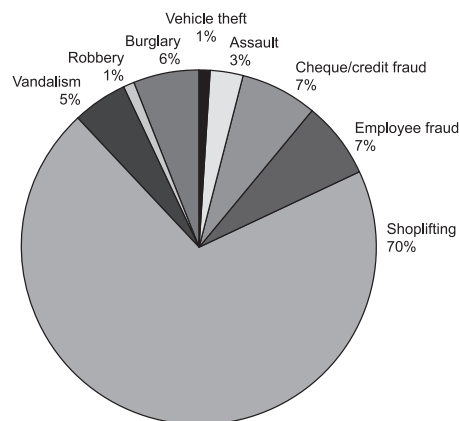
To get a clearer understanding of the discrepancy between the types of crime which retail businesses experience (nature and extent of the problem) and what is actually reported to police, Figure 2 shows the breakdown of all incidents of crime experienced by the retail sample by type of crime, while Figure 3 shows the breakdown of all incidents reported to police by type of crime.

It can be seen that while shoplifting accounted for 70 per cent of all incidents of crime experienced (Figure 2), shoplifting accounted for only 42 per cent of all incidents reported to police (Figure 3). Burglary accounted for only six per cent of all incidents of

crime experienced yet accounted for 26 per cent of all crimes reported to police. Robbery accounted for only one per cent of all crimes experienced but accounted for six per cent of all crimes reported. Employee theft/fraud accounted for seven per cent of all crimes experienced but only two per cent of all crimes reported to police. Clearly, incidents of burglary and robbery are being over-represented in police data compared with incidents of shoplifting and employee theft/fraud.

While there is no doubt that incidents of burglary and robbery carry substantially greater costs (both financial and psychological) than, for example, incidents of shoplifting, overall financial losses due to shoplifting and employee theft/fraud are substantial (see Taylor & Mayhew 2002b). In the Small Business Crime Survey, burglary was experienced by 27 per cent of the sample and accounted for 35 per cent of all financial losses incurred. While burglary accounted for only six per cent of all crimes experienced, it is clearly a prevalent and costly crime for retailers. Shoplifting, however, was experienced by 21 per cent of the sample and accounted for 20 per cent of all financial losses incurred. Hence, while individual incidents of shoplifting may not be costly relative to other types of crime, overall costs to retailers are substantial. Similarly, employee theft/fraud accounted for 18 per cent of all financial losses yet

Figure 2: Breakdown of all incidents experienced in the Small Business Crime Survey, by type of crime



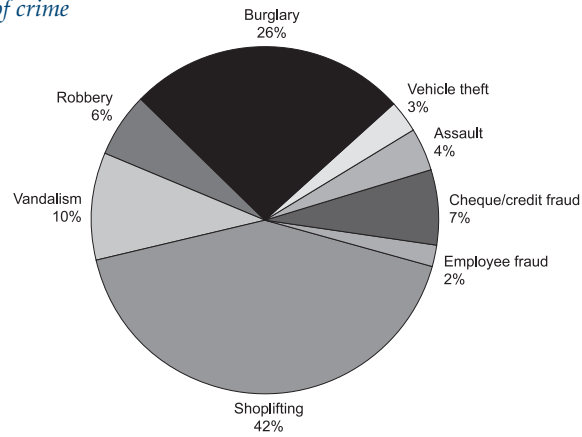
Source: AIC Small Business Crime Survey, 1999 [computer file]

represented only two per cent of all incidents reported to police. The fact that so many incidents of shoplifting and employee theft/fraud go unreported to police means that the prevalence of these types of crime remains hidden, yet such crimes clearly impact on a large number of businesses and result in heavy financial losses.

Reasons For Not Reporting Crime

Understanding why crimes are not reported to police is complex. Demographics, attitudes toward police, previous victim history, knowledge of the offender, seriousness of the offence, opportunity for compensation and time and effort involved in reporting have all been found to affect the willingness of individuals to report crime. In relation to reporting practices by business proprietors, the reasons for choosing to report or not report crime are also many and complex, and business proprietors tend to give several reasons for their reporting behaviour rather than just one. Typically, due to the potentially inexhaustible list of reasons for reporting behaviour, survey research has tended to concentrate on the reasons for reporting only a few types of crime. This is understandable but it means that survey findings are often not directly comparable on this dimension. What we can glean from previous research is that preventing a recurrence, collecting insurance and recovering property have been linked to reporting of burglary (Fisher & Looye 2000), while non-reporting of shoplifting has been linked to the incident not being serious enough, lack of evidence and perceived inability of police to do anything (Mirrlees-Black & Ross 1995; Walker 1994). Walker (1994) also found that employee theft and employee fraud tended not to be reported due to lack of evidence, the incident not being serious enough, the inability of the police to do anything and that reporting was “inappropriate”. A desire to avoid adverse publicity can also lie behind non-reporting of fraud (Smith 1999).

Figure 3: Breakdown of all incidents reported to police in the Small Business Crime Survey, by type of crime



Source: AIC Small Business Crime Survey, 1999 [computer file]

In the Small Business Crime Survey, reasons for non-reporting were not investigated for each type of crime but aggregated across all crimes. This was due to the sheer impracticality of including such a lengthy question for each type of crime (see Figure 4). While this is not ideal, as reasons for non-reporting will undoubtedly vary with the type of crime involved, it is nonetheless useful to look at the range of reasons implicated in non-reporting by business proprietors and to see which are the most prevalent. From Figure 1, we can conclude that the majority of incidents not reported to police will revolve around shoplifting, employee theft/fraud and cheque/credit card fraud. Those respondents who had experienced at least one of these crimes and who had not reported at least one of these incidents (26 per cent of the sample) were asked to indicate their reasons for not reporting. Figure 4 illustrates the reasons given by these respondents. In sum:

- 42 per cent indicated that reporting the crime would not achieve anything;
- 42 per cent indicated the police could not do anything;
- 38 per cent indicated the incident was not serious enough to report; and
- 37 per cent believed the chance of success in the matter was slight.

There is, it would appear, a certain amount of pessimism among retail proprietors about what can be achieved from reporting crime to the police. That is, if business proprietors believe that there is

very little chance of a crime being solved, or that an offender will be prosecuted, or that money or goods can be retrieved, they tend to see little point in reporting the incident to police. There is also clearly a belief that some types of crime are too trivial to report. What defines “trivial”, and why business proprietors have such perceptions about particular crimes, would be worth investigating in future research.

Attitudes toward the police are also worth noting. In particular, 20 per cent of non-reporting victims indicated that they did not report a crime because they did not believe the police would be interested. Similarly, a survey of regional businesses conducted jointly by the New South Wales State Chamber of Commerce and NRMA Insurance (*Local Business and Regional Affairs Survey*) in February 2002 found that 55 per cent of respondents believed that police do not take crime against small businesses seriously. In addition, then, to the estimated likelihood of an outcome being obtained for reporting a crime, beliefs about whether the police are actually interested in hearing about and solving incidents of crime are also likely to affect reporting behaviour.

Satisfaction with Police after Reporting Crime

Those retailers who had reported a crime to the police in the 1998–99 financial year were asked to indicate how satisfied they were

with the response time of police, the conduct of the investigation and the degree to which they were kept informed of events in relation to the incident. In sum:

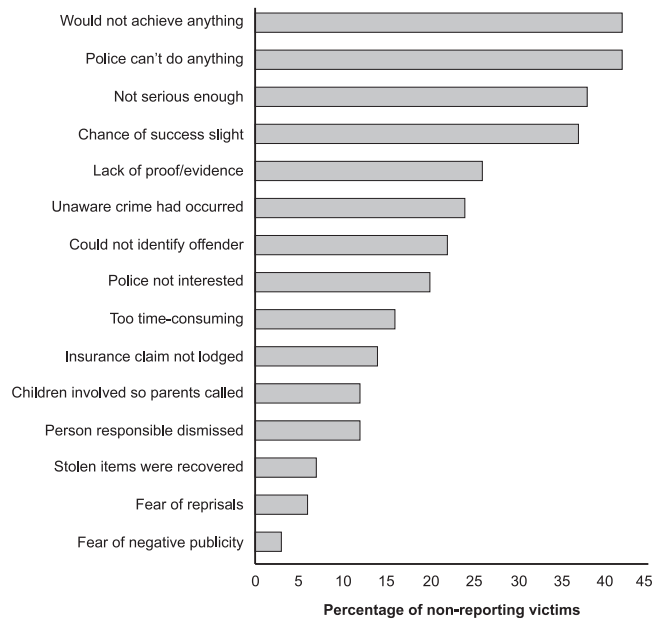
- 57 per cent of victims reporting crime were satisfied with the response time of police while 21 per cent were dissatisfied;
- 49 per cent of victims reporting crime were satisfied with the way the investigation was conducted while 20 per cent were dissatisfied; however
- only 28 per cent of victims reporting crime were satisfied with the degree to which they were kept informed of events while 40 per cent were dissatisfied.

It appears that while one in two victims who reported crime were reasonably satisfied with the response time of police and the conduct of the investigation, four in ten victims felt that they had not been adequately kept informed of events in relation to the crime. This finding is similar to that of Mirrlees-Black and Ross (1995) who found that dissatisfaction with police was related to a lack of information being provided about reported crimes. Providing feedback to victims about the status of crimes which they have reported not only shows a degree of respect for the victim and that the police are indeed following up the incident (just this knowledge could lead to increased satisfaction with the process), but should help to encourage future reporting.

Conclusion

Official police crime statistics have a number of limitations, the most important of which is that they only indicate levels and patterns of crime that come to police attention (Carcach & Makkai 2002). As shown in this paper, crimes which are reported to police do not accurately reflect the nature and extent of crimes which occur in the business community. Burglary and robbery, because they are so frequently reported, tend to be over-represented in police crime data compared with shoplifting and employee theft which are heavily under-

Figure 4: Reasons given by victimised business proprietors for not reporting an incident of shoplifting, cheque/credit card fraud, employee theft or employee fraud



Source: AIC Small Business Crime Survey, 1999 [computer file]

represented. This means that the overall pattern of crime against businesses which emerges from police records is distorted and may lead to an incorrect belief that burglary and robbery are more prevalent and important for proprietors than other types of crime. As shown, however, the financial losses associated with shoplifting and employee theft/fraud are substantial. The high incidence of these crimes also means that their impact and importance may be greater than currently realised.

Why crimes against business are or are not reported to police depends on the type of crime in question, whether it was completed or only attempted, as well as a potentially enormous range of other factors. What can be said from the results presented in this paper is that burglary and robbery are very likely to be reported to police while shoplifting, employee theft and employee fraud are very unlikely to be reported. Non-reporting of crime appears to be associated with a belief that there is nothing to be achieved by reporting crime to the police, that police are unable or unwilling to do anything about it and subjective judgments about the seriousness of the incident. It is easy to see how the question "why should I report a

crime?" might arise. However, while somewhat pessimistic, the results also point to ways in which reporting may be encouraged.

First, business proprietors should be encouraged to think of reporting not only as a means of obtaining a tangible outcome relating to each specific incident (for example, insurance, prosecution, retrieval of money/goods), but as a way of ensuring that the true levels of crime against businesses can be determined. If true levels are established this may mean that more resources could be directed where they are needed most, such as:

- improving business environments;
- focusing on specific business areas where many businesses are experiencing similar problems; or
- a greater focus on a particular type of crime.

Without this information, resources and attention can only be directed where known problems exist.

Second, police should encourage greater reporting through providing feedback to victims who report crime. Providing feedback about the progress of reported crimes gives a sense of closure to victims; they may be less likely to feel that their time has been wasted and follow-up shows respect for the victim and that police are still attending to the case. An attempt should also be made to explain that *all* crimes committed against

Details of the Small Business Crime Survey

Information for the Small Business Crime Survey was collected at the end of 1999 via a postal questionnaire devised with the assistance of the Council of Small Business Organisations of Australia. The questionnaire was sent to about 28,000 randomly selected small businesses across Australia within a restricted set of sectors generally thought to have higher crime risks. Business proprietors/managers were asked to recount experiences of crime during the 1998–99 financial year. The response rate was 16 per cent. While this might seem low, surveys investigating crimes against business are notorious for low response rates (Gill 1998, for example, reported a 10 per cent response rate). A preliminary analysis of the Small Business Crime Survey results was presented in Perrone (2000). There are, however, some differences between that and the present analysis. First, a small number of non-retail businesses in the initial sample (n=114) were excluded to leave a retail-only sample. Second, to be consistent with the ABS definition of small business (ABS 1999), some businesses employing 20 or more full-time staff were also excluded (n=139). Third, results were weighted for better national representativeness (see below).

In comparison with available ABS national figures for each of the six retail sectors, the sample slightly under-represented cafes/restaurants/takeaways, general stores/milk bars and liquor outlets, and over-represented service stations, newsagencies and pharmacies. To correct for this, the sample was weighted according to ABS national figures for (i) the size of the retail sector and (ii) business size (that is, number of employees). A further weight (iii) was applied to reflect the national as opposed to the sample distribution across Australian states/territories. Nationally, the number of small businesses in the six retail sectors was approximately 72,400 in 1999. The data in this paper are weighted up to this number, incorporating the other weights described. This yielded a sample comprising cafes/restaurants/takeaways (51%), general stores/milk bars (8%), liquor outlets (13%), service stations (11%), newsagencies (9%) and pharmacies (8%). Micro businesses (fewer than five full-time employees) comprised 56 per cent of the weighted sample, while small businesses (five to 19 full-time employees) comprised 44 per cent.

businesses are important for reporting purposes and that no crime is too trivial to report. Police also need to explain official charging and prosecution policies in order to dispel the belief that every crime reported must be prosecuted in the courts.

These are positive directions to pursue in order to encourage greater reporting of crime by small business proprietors but there is still much work to be done to unravel the complex nature of reporting behaviour. Such research will form part of future investigations in the Small Business Against Crime project at the Australian Institute of Criminology.

Acknowledgment

This paper is part of a project investigating crimes against small businesses, funded by the Commonwealth Attorney-General's Department's National Crime Prevention Program.

References

- Australian Bureau of Statistics (ABS) 1999, *Small Business in Australia 1999*, cat. no. 1321.0, Australian Bureau of Statistics, Canberra.
- Carcach, C. 1997, "Reporting crime to the police", *Trends and Issues in Crime and Criminal Justice*, no. 68, Australian Institute of Criminology, Canberra.
- Carcach, C. & Makkai, T. 2002, *Review of Victoria Police Crime Statistics*, Research and Public Policy Series, no. 45, Australian Institute of Criminology, Canberra.
- Fisher, B. & Looye, J.W. 2000, "Crime and small businesses in the Midwest: An examination of overlooked issues in the United States", *Security Journal*, vol. 13, no. 2, pp. 45–72.
- Gill, M. 1998, "The victimisation of business: Indicators of risk and the direction of future research", *International Review of Victimology*, vol. 6, pp. 17–28.
- Hopkins, M. 2002, "Crimes against businesses: The way forward for future research", *British Journal of Criminology*, vol. 42, pp. 782–97.
- Local Business and Regional Affairs Survey* (February 2002), NSW State Chamber of Commerce and NRMA Insurance, <http://www.thechamber.com.au/RBSurvey/index.asp> (viewed 16 July 2002).
- MacDonald, Z. 2001, "Revisiting the dark figure: A microeconomic analysis of the under-reporting of property crime and its implications", *British Journal of Criminology*, vol. 41, pp. 127–49.
- Mirrlees-Black, C. & Ross, A. 1995, *Crime against Retail and Manufacturing Premises: Findings from the 1994 Commercial Victimisation Survey*, Research Study No. 146, Home Office, London.
- Perrone, S. 2000, "Crimes against small business in Australia: A preliminary analysis", *Trends and Issues in Crime and Criminal Justice*, no. 184, Australian Institute of Criminology, Canberra.
- Retail Crime and Safety Survey 1998*, Crime Prevention Unit, SA Attorney-General's Department, Adelaide.
- Schwind, H. & Zwenger, G. 1992, "The dark number: Analysis of motives for non-reporting theft in three studies", *Studies on Crime and Crime Prevention*, vol. 1, no. 1, pp. 115–26.
- Skogan, W.G. 1984, "Reporting crimes to the police: The status of world research", *Journal of Research in Crime and Delinquency*, vol. 21, pp. 113–37.
- Smith, R. 1999, "Organisations as victims of fraud, and how they deal with it", *Trends and Issues in Crime and Criminal Justice*, no. 127, Australian Institute of Criminology, Canberra.
- Sparks, R.F., Genn, H.G. & Dodd, D.J. 1977, *Surveying Victims: A Study of the Measurement of Criminal Victimization*, John Wiley & Sons, Chichester.
- Taylor, N. & Mayhew, P. 2002a, "Patterns of victimisation among small retail businesses", *Trends and Issues in Crime and Criminal Justice*, no. 221, Australian Institute of Criminology, Canberra.
- 2002b, "Financial and psychological costs of crime for small retail businesses", *Trends and Issues in Crime and Criminal Justice*, no. 229, Australian Institute of Criminology, Canberra.
- Walker, J. 1994, *Australian National Survey of Crimes Against Business*, Australian Institute of Criminology, Canberra.

Dr Natalie Taylor is Manager of the Social Policy and Crime Program at the Australian Institute of Criminology



General Editor, *Trends and Issues in Crime and Criminal Justice* series:
 Dr Adam Graycar, Director
 Australian Institute of Criminology
 GPO Box 2944
 Canberra ACT 2601 Australia

Note: Trends and Issues in Crime and Criminal Justice are refereed papers.

Project no: 0035 Ethics no: PO37, PO39