SMALL BUSINESS

Office of Advocacy

U.S. Small Business Administration

RESEARCH SUMMARY

No. 176
March 1997

Small Businesses, Big Burdens: The Nature and Incidence of Crime Within and Against Small Business and Its Customers and Employees, Their Causes, Their Effects, and Their Prevention[1]

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Purpose

America's growing concern about crime and the fear of crime, and the importance of small business as an engine of economic development, job generation, innovation, and creativity are hardly perspectives easily melded in economic research. And, in fact, very few studies have examined either the nature and incidence of crime among small businesses or crime's impact on small firms' day-to-day operations, quality of work, worker and customer environments, sales, and receipts.

Accordingly, this study examines some of the issues not addressed in previous projects and attempts to fill in some of the gaps in existing small business and crime research.

Scope and Methodology

Data were collected from a survey of 400 small firms in a six-state area, and covered the period April 1995-April 1996. The survey questions focused on crime prevention and security behavior of the businesses, the effects of crime on businesses, perceptions of fear of violent crime among customers and clients near the business, changes in the level of violent crime and property damage crime near businesses, physical and social disorders near the business, and the characteristics of the business.

The survey area included Michigan, Ohio, Indiana, Illinois, Wisconsin and Minnesota. Of the total number of firms, 312 were located inside a standard metropolitan statistical area(MSA)and 88 were located in a small town or rural area. Most (168) were located on a commercial block with other businesses; 126 were located on a residential block; 19 were located in an open mall and 8 in an enclosed mall; and 11 firms could not be classified according to location.

Most of the firms (216) were service-oriented, followed by retail establishments (104), manufacturing (40) and wholesaling (40). Virtually all were small, generating annual sales of less than $1 million and averaging nine employees per firm.

Suggested further work includes expanding to a nationwide sample, tracking over time a group of victimized as well as non-victimized firms, and soliciting crime prevention ideas via focus groups. In addition, data should be collected on potential loss of sales resulting from customers who would not patronize a business because of fear of crime.

Highlights

[1] This Small Business Research Summary (ISSN 1076-8904) summarizes one of a series of research papers prepared under contracts issued by the Office of Advocacy U.S. Small Business Administration. The opinions and recommendations of the authors of this study do not necessarily reflect policies of the SBA or any agency of the U.S. government. The administrator of the U.S. Small Business Administration Office of Advocacy has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this agency. Use of funds for printing this periodical has been approved by the director of the Office of Management and Budget.

- For the period studied (April 1995-April 1996), nearly 13 percent of the 400 businesses (or about 1 in every 10 businesses in the sample) experienced at least one crime. Eight percent (32 businesses) were burglary victims; 3.5 percent (14 businesses) were victims of vandalism; 2 percent (8 businesses) were victims of employee theft; and less than one percent (3 businesses) were victims of a motor vehicle theft or break-in. Less than 1 percent of the businesses had an employee assaulted.

- The estimated dollar cost of all these incidents was nearly $170,000 –- about $3,370 per victimized business.

- Regarding the perception of who commits most of the crimes against small businesses and their employees and customers, 38 percent of those surveyed said the perpetrators lived in the adjacent communities, excluding customers and clients; and 37 percent indicated people who lived outside the adjacent communities, excluding customers and clients.

- Twelve percent of firms selected "other" for their response to who commits most of the crimes. Of these respondents,70 percent perceived children and teenagers to have committed most of the crimes that occurred near their place of business, followed by criminals or drug users (11 percent), employees (8.5 percent) and customers or clients (4.2 percent).

- Nearly 2 percent of the businesses were victimized by the same type of crime more than once and nearly 2 percent were victims of two or more different types of crimes.

- Not all incidents are reported to the police. While 91 percent of burglaries and 77 percent of vandalism crimes were reported, none of the employee thefts were reported. The two most common reasons for not reporting employee thefts were (1) the theft was dealt with directly by the owner or manager, and (2) it was felt that the theft was not important enough.

- In addition to the direct effects of the crime itself, there may be psychological impacts. Four percent of the businesses considered closing their businesses because of crime.

- Forty-eight percent of the businesses employed at least one protective security measure. The most common security measures included outside lighting, mirrors inside the establishment, and alarm systems or surveillance cameras.

- The estimated average value of damaged property from crimes of all types was $3,300; the average estimated value of damaged merchandise was $1,150.

Conclusion

Many crimes against small business go unreported, notably employee theft and vandalism. It appears that property recovery and reimbursement from insurance coverage is a deciding factor in reporting crimes, as a high percentage of employers report burglaries to the police. The researcher suggests that small firms may view their chances for victimization as low and may also believe that, with adequate insurance coverage, crime prevention measures may not be warranted.

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