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The Impact of Crime on Small Businesses Viability

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INTRODUCTION

The role crime plays in the overall vitality of a business has received much attention from the media but relatively little attention from the social science community. A major reason for the lack of research on commercial crime has been the focus on crime as an individual level phenomenon, both offending and victimization, which has limited research on the impact of crime in other levels of social organization (eg. businesses or families). In addition little systematic data has been collected and is available for analysis of patterns of commercial victimization.

Research should focus more attention on crime committed against small neighborhood businesses because the existence of this type of business is fundamentally important to the vitality of urban neighborhoods. According to a 1989 study released by the Interface research group, small businesses: 1) provide jobs for young people, usually their first job; 2) provide employment for minorities; and 3) provide shopping and services at the neighborhood level. In addition commercial crime accounts for a large proportion of overall crime particularly property crime. The FBI reports that as many as one-third of all burglaries may be non-

residential. Recognizing the need for further research on small businesses, the National Institute of Justice has recently sponsored a study to examine the effects of crime on small businesses located in Boston neighborhoods.

This Research in Brief will summarize the findings of the study of small business vitality in Boston. Specifically, we will discuss the type and amount of victimization committed against these businesses, the factors associated with victimization, factors contributing to the fear level of business owners, and the steps taken to minimize future crime.

DATA SOURCES

The data for this study was obtained from four sources 1) a victimization survey of more than 1200 small businesses in the city of Boston; 2) a computerized listing of businesses in Boston based on their Yellow Pages telephone listing; 3) all 1988 calls for police service received by the Boston Police Department; and 4) demographic profiles of all Boston neighborhoods developed by the Boston Redevelopment Authority

As a means of designating neighborhood boundaries this research utilized post office zip code areas. This may be the first use of zip codes as means of defining neighbor-

hoods in an ecological study. The use of zip codes areas in this study offered two significant advantages over other geographic designations: first, the areas defined as zip code areas were small enough to still be considered neighborhoods (the zip code areas range from .3 sq. miles to 6.7 sq. miles) while being large enough to have a useful number of businesses identified in our survey. Secondly, the 17 zip code areas in Boston correspond remarkably well to the city neighborhood designations generally used by local government agencies.

THEORETICAL APPROACH

Variables were selected for this analysis if extant theory or prior empirical studies suggest their relevance to the the study of commercial victimization and fear of crime. Our analysis of commercial victimization is primarily guided by Cohen and Felson's Routine Activities Theory of criminal behavior (1979). This theory attributes the risk of victimization to certain social behaviors in which people are likely to engage on a routine basis. According to Cohen and Felson, there are three factors whose non random convergence increases the risk of victimization: 1.) motivated offenders 2.) suitable targets and 3.) opportunity. The variables selected for this analysis and our overall analytic approach, reflect measures associated with these factors.

OVERALL VICTIMIZATION

Businesses were asked to report the incidence and prevalence of victimization that had occurred against their business within the year previous to the survey. The survey addressed victimization in terms of property crimes including shoplifting, vandalism, and break-ins, as well as crimes against the person which included robberies and attacks/threats.

Prevalence

Close to one half (48%) of the businesses in our sample had experienced at least one victimization in the year previous to the survey. Regarding the type of victimization, 43% of the businesses had been victimized by property crime and 18% had been victimized by personal crime. Overall, shoplifting was the most commonly reported crime with 21% reporting this type of victimization followed by break-ins and vandalism (each with 18%) and robberies and attacks (each with 10%).

These figures are lower than one would expect based on media reports of business crime or figures on the extent of shoplifting reported by some studies of juvenile offending

(Bachman, Johnston and O'Malley, 1989). However these figures correspond to commercial victimization rates uncovered in prior research (Interface 1989) This indicates that commercial crime may not be as widespread as some have indicated and as we will see below, that it may be focused on particular businesses.

Incidence

While only half of our businesses reported being victimized at all in the previous twelve months, the businesses that were victimized were likely to be victimized more than once. When we look at the 52% of our sample that had been victimized once, 71% had been victimized more than once. In addition, fifty-four percent of those that had been victimized once experienced 3 or more crimes within the year previous to the survey. Of those businesses who were victimized by property crime, 53% were victimized 3 or more times. For those businesses who were victimized by personal crime, 21% were victimized 3 or more times.

Victimized businesses were also likely to be victimized repeatedly by the same type of crime. This is especially true of property crime where 30% of those vandalized had been so 3 or times and 66% of those who had victimized by shoplifting had experienced 3 or more occurrences. This pattern was less consistent for crimes against the person.

Of those businesses which had experienced an assault, 27% had been assaulted 3 or more times, however, of those businesses which had been robbed only 9% had been robbed 3 or more times.

These figures seem to support other recent research regarding the incidence of crime. Prior research into the repetitive character of crime have indicated that cities have "Hot Spots" of extreme criminal activity and further many of these hot spots are commercial establishments (Pierce 1985, Sherman 1989). The present research indicates that certain business are more likely to be victimized than other businesses and once victimized those businesses are more likely to be victimized.

TABLE I.
The Incidence and Prevalence of Victimization
in Small Businesses in Boston by
Type of Victimization

	Percent Victimized	Percent Victimized > 2 times
Any Crime	48%	54%
Property Crime	42%	53%
Vandalism	18%	29%
Break-ins	18%	18%
Shoplifting	21%	66%
Personal Crimes	18%	21%
Robberies	10%	9%
Attacks	10%	27%
Total Cases	(1226)	(588)

VICTIMIZATION ACCORDING TO TYPE OF BUSINESS

The businesses we surveyed were broken down by business type as defined by their SIC (Standard Industrial Code). We grouped businesses as retail establishments, food/drink establishments, financial establishments, and service businesses. Of these, retail establishments were the type of business most likely to be victimized. More than half of retail business (56%) experienced a crime, fol-

lowed by food/drink establishments (48%), service businesses (38%), and financial establishments (35%).

The variation in rates of victimization across business types is primarily a function of variation in the rates of property victimization. Property crime was much more likely to occur to the retail businesses than any other business type. More than half (52%) of the retail businesses had been victimized by property crime, a finding that is perhaps attributable to the large number of retailers who reported shoplifting incidents. The property crime rate was lower for eating/drinking establishments (42%) and significantly lower for the other types of businesses, financial (27%) and service businesses (31%).

Crimes against the person were more evenly distributed among business types than property crime and occurred to a significantly smaller proportion of businesses than did property crime. About one-fifth of both eating/drinking establishments and retail business had been victimized by personal crime. Financial and service businesses experienced slightly lower rates of personal victimization, 17% and 14% respectively.

TABLE II
Victimization Rates for Small Business
By The Type of Business

	Any Crime % victimized	Property Crime % victimized	Personal Crime % victimized
Retail	56	52	19
Food/Drink	48	42	21
Finance	35	27	17
Service	38	31	14
Total	(1226)	(1226)	(1226)

In our multi-variate analysis of victimization and fear of crime, we employed indicators associated with the theory of routine activities, which emphasizes the influence of motivated offenders, opportunity and guardianship, to explain victimization and fear of crime. Table III. provides the variables chosen to represent this theoretical perspective. The variables are grouped in three blocks variables which measure the pool of motivated offenders, the opportunity to commit crime and the guardianship of businesses or goods. Victimization measures are the dependent variable in our analysis of crime and become independent variables in our analysis of fear of crime.

TABLE III.

Multi-variate Results Of Analysis Of Selected Variables on the Incidence, Prevalence, Property and Personal Victimization and Fear of Crime

	Incid.	Preval.	Prop Pers	Fear	
POOL OF OFFENDERS					
Gang-related criminal activity				**	
Crime worse than 2 years ago				**	
Total calls for 911 service					
Concentration of transients					
Percent Minority				**	
Population Density					
More businesses in neigh					
Fewer businesses in neigh					
r2	.022	.046	.038		
OPPORTUNITY					
Number of hours open/wk					
Retail business	**	**	**		
Food					
Franchise					
Number of customers	**	*	**		
Business concentration on block					
r2	.074	.106	.098		
GUARDIANSHIP					
Customers from neighborhood	**				
Number of employees					
Number of security measures	**	**	**	**	
Owner	-*				
Number of years owned					
r2	.176	.157	.153		
VICTIMIZATION					
Victimization rate	--	--	--	--	**
Number of times called police	--	--	--	--	**

PREDICTING COMMERCIAL VICTIMIZATION

The results of our multi-variate analysis indicate that guardianship and opportunity, which were represented by characteristics of individual businesses, are more likely to predict victimization than the pool of motivated offenders which basically describe spatial or neighborhood characteristics. The opportunity measures found to be significant predictors of victimization were businesses that were retail in nature and the volume of daily customers. That is to say that large retail businesses were the most likely to be victimized in our sample. Guardianship measures that are significant predictors of victimization include the number of security measures installed, and if most of the businesses customers live in the neighborhood. The correlation between the number of security measures a business has installed and victimization is positive, this means that the businesses with the most security measures are also most likely to be victimized. The reason for this may be that businesses which have been victimized then go out and purchase equipment. The cross-sectional design of this study prohibits us from being able to determine which came first, however it seems clear from this data that having a large amount of security equipment does not guarantee that business will be free from crime.

The second significant predictor of victimization is if most of a businesses' customers live in the neighborhood.

This variable may be less a measure of small businesses which cater to the local neighborhood, than a measure of businesses which are located in neighborhoods that are perceived as dangerous and thus their only customers are local. These same variables also predict the incidence of victimization with the addition of one variable, if the business was under sole ownership which was found to minimize the incidence of victimization.

The data also reveal that the routine activity approach predicts property crime more consistently than personal crime, a finding supported by many studies.

PREDICTING FEAR OF CRIME AMONG BUSINESS OWNERS/MANAGERS

The results of our multi-variate analysis of fear of crime reveal some different patterns. In this analysis we included the owner/manager's prior history of victimization as an independent variable, and in fact, prior victimization measures were among those measures most strongly associated with fear. It appears that an owner/managers level of fear is in part a function of their prior history of victimization.

Ironically, when we review the remaining variables in the model, those variables that predict victimization do not predict fear of crime. In fact, it appears that those vari-

ables associated with the pool of offenders at the neighborhood level are more associated with high levels of fear than business characteristics.

The neighborhood level variables associated with the level of fear include; if the business owners/managers perceive that crime in their neighborhood is worse than two years ago, the percent minority in the neighborhood, and a question which asks if gangs are present in the neighborhood. Businesses located in neighborhoods where the owner/manager perceive that crime is increasing and where signs of social disorder are apparent (in terms of gang activity), are among the most fearful business owner/managers in Boston. It appears from this analysis that in addition to the fact of being victimized in the past, the level of fear of a small business owner/manager is attributable to characteristics of the neighborhood where the business is located. This finding supports prior research which links the level of citizen fear to social disorganization in a neighborhood. (Wilson & Kelling 1989, Skogan 1990)

PREDICTING FUTURE SMALL BUSINESS DECISIONS

In further analysis, we examined separately the effect of victimization and fear level on the steps a business owner/manger would consider taking to minimize crime against their business in the future. While victimization does con-

tribute significantly to the level of fear, other components are also significant contributors to the level of fear, warranting a separate analysis.

Both fear level and victimization measures were found to be related to the consideration of taking precautionary measures to protect the business. However, there is a subtle but visible distinction between the choices that are significantly correlated with victimization and those correlated with the level of fear of the business owner/managers.

The consideration of choices affected by victimization can be directly viewed in terms of the routine activities approach to crime. For example, adding more security equipment and hiring more employees is an effort to increase guardianship; making more frequent bank deposits decreases opportunity; and screening customers/employees reduces the pool of motivated offenders.

Although fear of crime also influences the owners/managers consideration to take measures based on the routine activity theory, it's influence reaches beyond considerations involving the monitoring of daily activities. The other considerations include measures that involve a greater investment of resources (such as increasing insurance or relocating) or potentially result in the loss of revenue (such as reducing hours of operation).

TABLE IV

Relationship Between Victimization, Fear and
Future Considerations to Improve Safety

	Incidence	Prevalence	Fear
Reduction in hours			**
More owner presence	*		**
Hire more employees	**	**	**
Screen customers/employees	**	**	**
More frequent bank deposits	**	**	**
More security equipment	**	**	**
Increase insurance			**
Relocate			**

ROLE OF CRIME AS BUSINESS CONCERN

To answer the question of the relative import of crime compared to other concerns of small business owners, we asked our sample how concerned they were about various issues (including crime) facing small businesses. The information presented in Table V. indicates that small business owners and managers do not see crime as the most pressing problem facing their future business viability. Economic concerns such as high insurance premiums, mandatory health insurance, and the costs of rent generated much more

concern than crime for small businesses in our sample. Crime as a concern ranked in about the middle on a continuum of concern with 25.8% of our sample expressing crime as a major concern. These figures challenge the belief that crime is the major issue facing small business owners and managers it appears in this sample that issues with direct financial consequences are more of a concern to small businesses than crime. It may be that financial concerns effect business decisions on more of a day to day basis and crime due to its less frequent nature, has a background contextual effect on business concerns.

Table V.
 Percentage of Respondents Who Report Being Somewhat
 or Very Concerned Regarding the Following Issues

<u>Issue</u>	Percent reporting being: Somewhat or <u>Very Concerned</u>
High insurance premiums	58.8%
Mandatory health insurance	40.6
Costs of rent	35.3
Adverse economic conditions	35.0
City/State regulations	34.6
Loss of customers	32.6
Lack of space to expand	30.2
Lack of financing available	26.0
Fear of crime occurring to you or your business	25.8
Losses due to theft, pilferage, vandalism	25.8
General problems hiring employees	25.7
Costs of Security and protection	23.5
Increased competition from other businesses	23.4
Neighborhood in general	20.0
Lack of affordable suppliers	14.2
Lack of employees due to fear of crime	13.7
Changes of neighborhood from residential to commercial	7.8