

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/317183137>

Effects of Stakeholder Relationship Quality on Efficient Retail Crime Prevention: A Research Agenda

Conference Paper · December 2016

CITATIONS

6

READS

260

3 authors:



Balkrushna Potdar

University of Tasmania

14 PUBLICATIONS 43 CITATIONS

[SEE PROFILE](#)



John Guthrie

University of Otago

18 PUBLICATIONS 220 CITATIONS

[SEE PROFILE](#)



Jürgen Gnoth

University of Otago

90 PUBLICATIONS 2,887 CITATIONS

[SEE PROFILE](#)

Some of the authors of this publication are also working on these related projects:



Quality stakeholder relationships for efficient retail crime prevention in New Zealand [View project](#)



Research relevant to my teaching [View project](#)

Effects of Stakeholder Relationship Quality on Efficient Retail Crime Prevention: A Research Agenda

Balkrushna Potdar, University of Otago, balkrushna.potdar@postgrad.otago.ac.nz*

Dr. John Guthrie, University of Otago, john.guthrie@otago.ac.nz

Dr. Juergen Gnoth, University of Otago, juergen.gnoth@otago.ac.nz

Abstract

Research experts of retail shrinkage, security, crime, and loss prevention believe that irrespective of technical advancements all across the globe there has not yet been desired substantial positive changes in reduction of shrinkage and retail crime. Every year, retailers lose billions of dollars through reduction in retail inventories due to shoplifting, employee theft, supplier fraud, and deliberate administrative errors. Retailers do invest money in all sorts of tangible measures such as installing CCTVs, GIS, RFID tags, appointing private security guards etc. to reduce incidents of crime against them. However, the relations of retailers with their stakeholders are formal and transactional. It is today's necessity that retailers should constructively work upon building quality business transactions along with harmonious and safe relationships with their stakeholders. Our research is based on improving stakeholder relationship quality that ensures support for retailers to have secured business environment which results in effectively minimized retail crime incidents.

Keywords: Stakeholders, Relationship Quality (RQ), Retail Crime, Shrinkage, Retail security and loss prevention

Track: Retailing and Distribution

Introduction

Consistent technological revolution, globalisation and migration affect lives of people of this planet. There is a dramatic shift in the standard of living due to the 'progress' of the human race (Guthrie & Guthrie, 2006). Progress is a tangible entity which can be seen and experienced. Tene and Polonetsky (2015) argued that this 'progress' may be responsible for immensely dark social and ethical problems such as injustice and inequality due to increasing desire from peer pressure to have high standards of living. To fulfil these desires of high standards of living, ironically, some people divert towards criminal activities such as shoplifting (Elder, 1989). Shoplifting and similar deviant acts are offenses against retailers that affect them financially, socially and emotionally (Kennedy & Benson, 2016). It is known to the people of retail industry that shrinkage is a consistent growing problem (Elder, 1989). Like all other countries, unfortunately New Zealand retailers too face this problem. Retail business sector is believed as one of the most significant sources of New Zealand's revenue. In New Zealand, the largest contribution to overall services activity is from retail and wholesale trade; which values 18% of services Gross Domestic Product (GDP) that accounts for approximately \$17,425 million (NewZealand, 2016). Guthrie (2003) argued that in New Zealand, shrinkage through retail crime is approximately one to two percent of sales. Also customers, employees and suppliers are identified as known potential stakeholders who are responsible for the shrinkage in retail. Several research studies have been independently carried out in line with this argument (Bamfield, 2004; Lasky et al., 2015). However, none of the studies has endeavoured to fill the research gap of evaluating the effects of maintaining good relationships with stakeholders on the possibility of better security as well as reduction in shrinkage and retail crime. Therefore, the researchers have decided to focus on the idea of improving stakeholder relationship quality through a theoretical framework and theory that expected to be helpful to avoid losses in their day-to-day business operations.

Theoretical foundation:

Authors of this research paper have intensively explored relevant existing literature in different aspects of retail crime, stakeholder theory and relationship quality to give a substantial basis as well as support to the previously mentioned proposition. It is worthwhile to look at each of these aspects into more detail.

Shrinkage, Retail crime, and Loss Prevention:

According to Charles (2011) shrinkage is "the loss of merchandise by a retailer, usually due to theft, but sometimes due to other reasons." (p. 165) Unknown reduction in the retail inventory results in financial and subsequent emotional losses (Kennedy & Benson, 2016). There are various reasons behind shrinkage however, four significant sources of shrinkage are; shoplifting, employee theft, supplier fraud and administrative errors (Bamfield, 2006). It is essential for retailers to understand the causes behind shrinkage to mitigate it effectively. However, it is lengthy and time consuming process. Instead of that if retailers strive to improve their practice of executing excellent and quality relationships with their stakeholders then it might reduce the severity of losses they currently face. The researchers of this study are assuming that relationship quality can be effectively sharpened through cause-related marketing and service quality. Three stakeholders; customers, employees and suppliers are mostly seen responsible for retailers and the basic reason could be the casual and uncertain attitude these stakeholders have towards retailers and retail theft (Bamfield, 2004). For customers, it seems to be a simple offence and for retail employees, it is helpful to support their day-to-day living through this kind of 'unethical perk' from their job (Elder, 1989). Ironically,

few research studies mentioned that people who steal from large retailers didn't feel guilty for the same as they believed that their act didn't target and affect a particular individual (Elder, 1989). Retailers face challenges to find the accurate source of shrinkage which results into a major issue of continued financial losses for them (Bamfield, 1988). Therefore, Brown et al. (1987) suggested that it is best practice for retailers if they take necessary precautions to at least minimise threat of shrinkage from their own employees through appropriate pre-employment integrity testing as enhanced morale of employees results in high productivity and better organisational loyalty (Bamfield, 2006). Similar is the case with suppliers as sometimes intentionally or otherwise they might end up doing something bad to retailers through supplying defective goods, less items etc.

Stakeholder theory:

The stakeholder theory looks at the importance of all stakeholders of a business. One of the most difficult tasks of retail businesses is to manage relationships (Ford et al., 2011). Retention of existing customers; maintaining healthy and harmonious relationships with suppliers, government agencies, financial institutions and other stakeholders, etc. have become some of the growing problems in complex retail business environment (Dawson, 2001). Lawson (2005) suggested that for making retail business successful, retailers should opt for a practical approach as well as strategy and they must use efficiently. Payne et al. (2005) argued that stakeholder theory is a pivotal matter in business strategy formation and implementation. "Relating is connecting, and at its simplest level, a relationship is a state of being connected", as Payne et al. (2005, p. 856) defined it. As per Ford et al. (2011), stakeholder theory emphasises that interfirm associations are company's most crucial resources, since in their absence, it cannot gain access to the resources of others, obtain the articles and materials it needs, or resolve problems of its customers and thus generate profits. The six-markets stakeholder model (Payne et al., 2005) can be helpful to retailers to identify, study and understand various important stakeholders and all domain areas important to them. Retailers may critically analyse these six-markets to identify and typecast important markets and then work upon gaining good business opportunities through these markets. In the context of retail loss prevention, it is strongly recommended that one more set of stakeholders needs due attention. Retail businesses should understand that they can only achieve good and harmonious long-term relationships with their customers, if they accomplish, recognize and maintain good, meaningful networks of relations with other relevant stakeholders; including, a new proposed stakeholder which is a set of security management and it includes; police, private security firms, agents, retail associations, and legal consultants. Present authors have labelled it as safeguard markets.

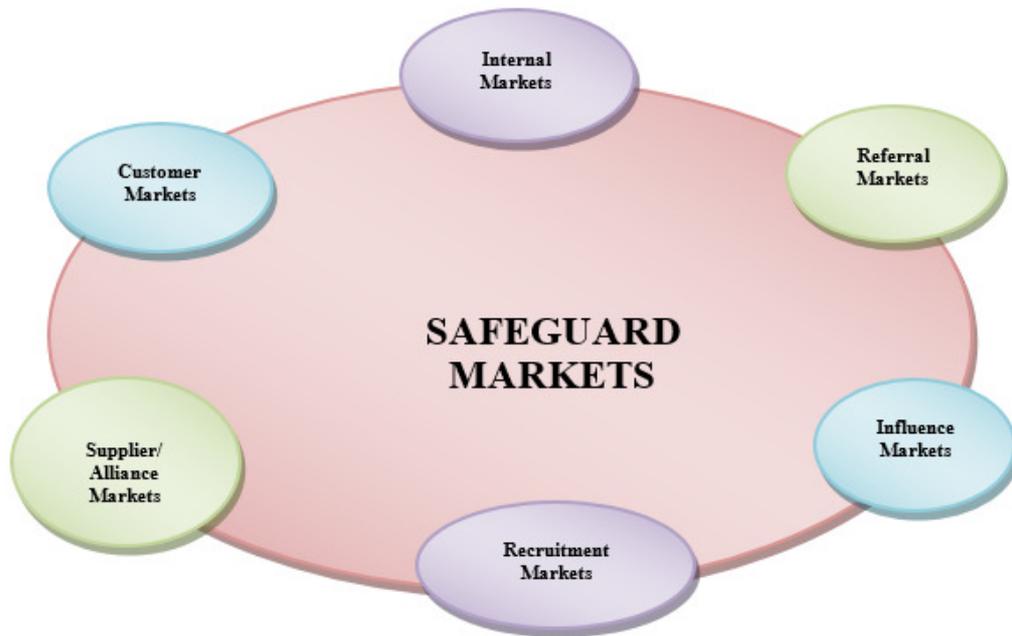


Figure I. Seven-markets Model

The seven-markets model (Figure-I), which is an extension of the six-markets model of Payne et al. (2005), is proposed for retail businesses to prevent losses through different means. Relationships do matter to retailers with all their stakeholders and by introduction of the seventh category of stakeholder i.e. the 'safeguard markets', it is expected to effectively help retailers to manage good relationships with all the stakeholders. The safeguard markets are the entities that are proposed to support and advocate secured retail operations.

Relationship Quality:

According to Siggelkow (2002), organisations are regarded as structures of fundamental, enlarging, autonomously independent, and changeable elements as well as the networks among all or fragment of these elements (pp. 126-129). Relationships are believed to be the building blocks of a successful organisation. Especially in today's globalised society and highly competitive business environment, it is economic to maintain good relationships with existing customers than to acquire new ones (Athanasopoulou, 2009). Therefore, organisations are seen striving to maintain long-term relationships with customers. When the quality of relationship is good then the relationship is successful and it ultimately helps organisations to grow. It is essential to know and understand the factors responsible to increase and decrease quality of relationships (the antecedents), how the quality of relationship can be measured (the dimensions) and the benefits of quality of relationships (the consequences). Further, Athanasopoulou (2009) concluded that the only effective area is the three key measurements of quality of relationship, including; trust, commitment and satisfaction; that have been used in many studies they reviewed and they have been validated in different context (p. 603). Collis et al. (1998) found the intangible elements such as trust, commitment and satisfaction are unconsumed while in use and Teece (2000) concluded that an organisation's excellent performance depends upon its ability to defend and use the intangible elements it creates (p. 52); nonetheless, finally Hitt et al. (2001) concluded that in organisations, intangible elements might produce a competitive advantage (p. 14) and that's why these elements must be

addressed on priority. Based on Figure I, a new model of relationships among different retail stakeholders is shown in Figure II.



4

Figure II. Relationships among different stakeholders

In Figure II, the retailer is at the core of this model as present researchers will be evaluating relationship quality between retailers and all other stakeholders. The first level of relationship quality is of the supporting entities that help retailers protect as well as smoothly run their business. Therefore, present researchers have termed them as ‘safeguard level’ stakeholders. These stakeholders are divided into two categories, direct safeguard stakeholders and indirect safeguard stakeholders. The direct safeguard category of stakeholders contains police, private security providers and, retail association whereas the indirect safeguard category of stakeholders contain law makers as well as policy makers. The second level of this model is the community level and it is critical in nature as this level contains the potential perpetrators. As already discussed, customers, employees and, suppliers are stakeholders mostly seen

involved in retail crime this level is going to be the most interesting level to discuss their relationships with the retailer. The third and last level is the society as all the stakeholders are part of the society and must be considered.

Proposed outcome:

Safeguard marketing - A brief introduction:

Safeguarding is an act of defence or a precautionary measure warding off impending danger or damage or injury. Safeguard protects against something negative. For example, a store security system is a safeguard against theft. The ultimate aim of safeguard is to ensure safety. Using a similar concept along-with the safeguard markets, the authors are endeavouring to develop a theory of safeguard marketing as an extension to the relationship marketing theory of Payne (1993).

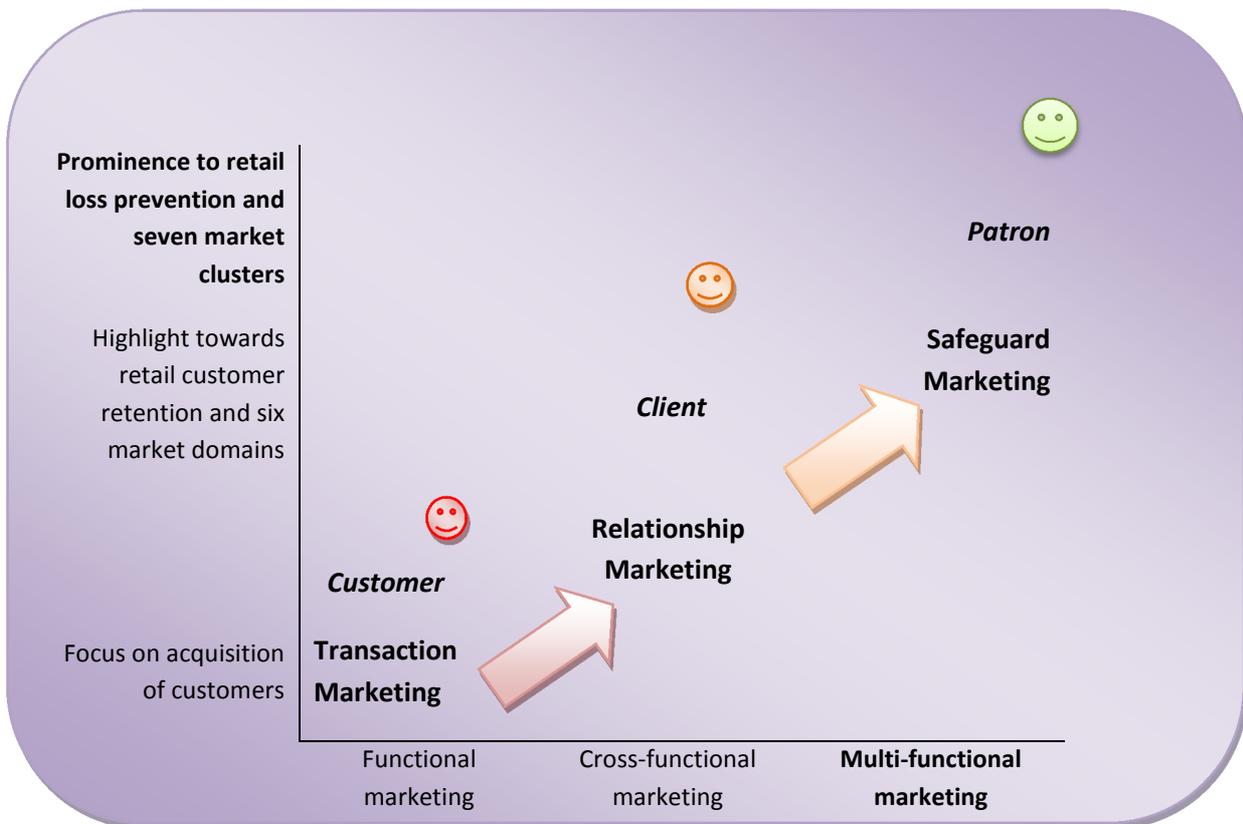


Figure III. Proposed evolution towards Safeguard Marketing

Figure III shows proposed evolution of safeguard marketing which is to be seen as an extension of the pioneering and benchmark study of Payne (1993) in relationship marketing. Safeguard marketing is a proposed revolutionary concept of marketing which was very rarely discussed before, especially in the retail sector. In general terms, the basic marketing relationship is limited to transactions only; with a focus on acquisition of ‘customers’. Relationship marketing takes it further towards customer retention with the help of few models and to make them ‘clients’ (regular customers). Further, this new proposed concept of safeguard marketing is aimed to prevent losses and ensure safety of retailers as well as to some extent even, customers; in general, businesses at large and making them ‘patrons’ (regular honest ethically behaving customers) of the retail business. Each phase needs investment of

ample efforts to have good harmonious relationships to prevent retail losses. The patrons are the proponents who support the retailers to smoothly and safely run their business. Patrons belong to one of the stakeholder markets that might be helpful to safeguard retail businesses through cause-related marketing. Cause-related marketing is a way of promoting retail organisation's Corporate Social Responsibility (CSR) initiatives. It is expected to fetch attraction of stakeholders towards retail organisations and then optimum service quality ensures fair service delivery and higher satisfaction of stakeholders. This elevated satisfaction level is proposed to positively boost morale of the customers to convert them as a safeguard resource advocating retail organisations safety and security.

Conclusion:

Proposed research question:

As a result of this research study, researchers are endeavouring to propose a theory of safeguard marketing which is planned to be designed along with the seven-markets stakeholder framework. It is believed to have a good foundation towards value-addition of the existing knowledge-base. Also, practically it is desired to be helpful to retailers with their relevant stakeholders to run smoothly and securely in their respective marketplaces; by preventing unexpected and may be even unforeseen losses.

So, the proposed question is:

How can stakeholder relationships lead to better retail security?

How do cause-related marketing and service quality help to improve stakeholder relationships?

Proposed research methodology:

The proposed research methodology is extensive and structured interviews with retail stakeholders to understand the critical and realistic elements of stakeholder relationships. Present researchers are expecting to get enough ideas from these interviews to design a good structured survey that will show the actual quantitative and qualitative nature of good stakeholder relationships on retail crime.

Proposed outcome:

Proposing and designing theory of safeguard marketing is the ultimate aim of the present researchers. Based on the analysis of responses from survey, basis for the safeguard theory shall be decided.

References

- Athanasopoulou, P. (2009). Relationship quality: a critical literature review and research agenda. *European Journal of Marketing*, 43(5/6), 583-610.
- Bamfield, J. (1988). Fighting retail theft: The use of appropriate security. *Retail and Distribution Management*, 16(6), 23-26. doi:doi:10.1108/eb018383
- Bamfield, J. (2004). Shrinkage, shoplifting and the cost of retail crime in Europe: a cross-sectional analysis of major retailers in 16 European countries. *International Journal of Retail & Distribution Management*, 32(5), 235-241. doi:doi:10.1108/09590550410699233
- Bamfield, J. (2006). Sed quis custodiet? Employee theft in UK retailing. *International Journal of Retail & Distribution Management*, 34(11), 845-859. doi:doi:10.1108/09590550610710246
- Brown, T. S., Jones, J. W., Terris, W., & Steffy, B. D. (1987). The impact of pre-employment integrity testing on employee turnover and inventory shrinkage losses. *Journal of Business and Psychology*, 2(2), 136-149.
- Charles, D. (2011). shrinkage: 'Oxford University Press'.
- Collis, D. J., Montgomery, C. A., & Montgomery, C. A. (1998). *Corporate strategy: A resource-based approach*: Irwin/McGraw-Hill Boston, MA.
- Dawson, J. (2001). Strategy and opportunism in European retail internationalization. *British Journal of Management*, 12(4), 253-266.
- Elder, A. (1989). Retail theft: the hidden crime. *Retail and Distribution Management*, 17(3), 39-41.
- Ford, D., Gadde, L.-E., Håkansson, H., & Snehota, I. (2011). *Managing business relationships*: Chichester, West Sussex, U.K. : Wiley
- Guthrie, J. (2003). *New zealand survey of retail theft and security report*. Retrieved from
- Guthrie, J., & Guthrie, A. (2006). A research agenda for loss prevention. *International Journal of Retail & Distribution Management*, 34(11), 873-878. doi:doi:10.1108/09590550610710264
- Hitt, M. A., Biermant, L., Shimizu, K., & Kochhar, R. (2001). Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective. *Academy of management Journal*, 44(1), 13-28.
- Kennedy, J. P., & Benson, M. L. (2016). Emotional Reactions to Employee Theft and the Managerial Dilemmas Small Business Owners Face. *Criminal Justice Review*, 0734016816638899.
- Lasky, N., Jacques, S., & Fisher, B. S. (2015). Glossing over shoplifting: How thieves act normal. *Deviant Behavior*, 36(4), 293-309.
- Lowson, R. H. (2005). Retail operations strategies: empirical evidence of role, competitive contribution and life cycle. *International Journal of Operations & Production Management*, 25(7), 642-680.
- NewZealand, T. (2016). New Zealand Economic and Financial Overview 2016. Retrieved from <http://www.treasury.govt.nz/economy/overview/2016/22.htm>
- Payne, A. (1993). Relationship marketing: The six markets framework.
- Payne, A., Ballantyne, D., & Christopher, M. (2005). A stakeholder approach to relationship marketing strategy: The development and use of the "six markets" model. *European Journal of Marketing*, 39(7/8), 855-871. doi:doi:10.1108/03090560510601806
- Siggelkow, N. (2002). Evolution toward fit. *Administrative science quarterly*, 47(1), 125-159.
- Teece, D. J. (2000). Strategies for managing knowledge assets: the role of firm structure and industrial context. *Long range planning*, 33(1), 35-54.
- Tene, O., & Polonetsky, J. (2015). A Theory of Creepy: Technology, Privacy, and Shifting Social Norms. *Yale Journal of Law and Technology*, 16(1), 2.