I'm Paying How Much for This? The Impact of Crime on the Retail Price Consumers Pay

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I'M PAYING HOW MUCH FOR THIS? THE IMPACT OF CRIME ON THE RETAIL PRICE CONSUMERS PAY
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Consumers often buy products without recognizing all the factors that contribute to the final price of an item. While consumers often realize that manufacturing, shipping, and store operational costs are all important in the item’s final price, they often are not aware of the impact of crime on the retail price of the item, primarily the price increase brought about from theft by customers. Use of surveillance, product tagging, and loss prevention specialists are all technological and operational improvements designed to prevent theft. Using data collected from a local electronic and appliance outlet, I will examine the economic impact of theft on the final cost of fifteen items over an eight year period. I will do this by comparing the price increase of each item with the inflation rate over that time, controlling for the costs of loss prevention. Preliminary results indicate that, for the majority of the items examined, loss prevention costs increased the price of the item above and beyond the natural inflation during that time period.