

The Pass-through of Retail Crime

Abstract:

This paper shows that retailers increase prices in response to organized retail crime. We match store-level crime data to scanner data from the universe of transactions for cannabis retailers in Washington state. Using quasi-experimental variation from robberies and burglaries, we find a 1.5-1.8% price increase at victimized stores and nearby competitors. This rise is not driven by short-to-medium-term demand changes but is consistent with an own-cost shock. Effects are larger for independent stores and less concentrated markets. We estimate that crime imposes a 1% ‘hidden’ unit tax on affected stores, implying \$28.4 million additional social costs, primarily borne by consumers.

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