The Relationship between Morality and Consumer-related Retail Loss: Does Emotional Intelligence Matter?

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Introduction and Background. Retail loss encompasses the financial impact on retailers resulting from theft, fraud, inventory shrinkage, and operational errors (Hayes, 2003). A recent survey conducted by the National Retail Security revealed that retail shrinkage in the United States accounted for $112.1 billion in losses in 2022 (National Retail Security, 2023) compared to $93.9 billion in 2021. Internal (by employees) and external (by consumers) theft accounted for nearly 65% of retailers' shrinkage (National Retail Security, 2023). Retail loss due to consumers, also known as *consumer-related retail loss* (CRL), encompasses the financial impact on retailers caused by activities like shoplifting, fraudulent returns, and organized retail crime carried out by individuals external to the retail establishment, which poses a significant challenge for the industry, directly influencing the profitability and sustainability of retail businesses. Therefore, retailers must implement robust loss-prevention strategies (Lemon & Verhoef, 2016). Similarly, academic research underscores the significance of comprehending consumer behavior and the motivations driving retail theft to formulate effective preventive measures and reduce financial losses associated with consumer actions (Buzby et al., 2014).

Problem Statement and Purpose. Many retailers have taken steps to enhance their loss prevention and asset protection. These steps include but are not limited to traditional security measures (e.g., third-party security personnel, employee training, and awareness) to innovative emerging technologies (e.g., RFIDs, software programs, facial recognition technologies, AI-based fraud detection analytics, and more). However, the outcomes are still not positive. The concept of CRL has yet to receive much academic attention. By thoroughly examining and mitigating CRL, industry professionals and academic researchers can strive to enhance retail enterprises' overall security and financial well-being. Thus, the present study focuses on the "human" aspects of the consumers that may shed light on their unethical behavior contributing to retail losses. More specifically, the study proposes to investigate the role of morality and emotional intelligence in predicting consumers' unethical behavior (i.e., shoplifting, fraud, and deceptive purchasing) contributing to retail losses.

Literature Review and Hypotheses Development. The proposed research model is based on a dual theoretical framework—*the moral identity theory* (Aquino & Reed, 2002) and *the moral disengagement theory* (Bandura, 1999). The central proposition of moral identity theory underscores the self-importance of moral identity and its influence on moral behavior. Likewise, moral disengagement theory proposes a mechanism that can lead individuals to rationalize their unethical actions. The interplay between moral identity theory and moral disengagement theory highlights the importance of understanding how individuals' moral self-concept influences their

ethical behavior and the cognitive processes that may lead to moral disengagement. Moreover, trait self-deception, as a measure of an individual's tendency to deceive themselves (Paulhus, 1984), can influence how moral identity translates into consumer actions contributing to retail losses. In the context of moral identity theory, individuals who strongly identify with moral values may engage in self-deceptive behaviors to rationalize unethical actions, leading to unethical behavior that contributes to retail losses. We further augment the theoretical framework with emotional intelligence (EI) as a buffering mechanism based on previous research (e.g., Zeidner et al., 2012), which has noted that EI can potentially serve as a moderator for various psychological processes related to moral decision-making. EI is "a set of skills concerned with the processing of emotion-relevant information" (Mayer *et al*., 2003, p. 97). EI may help retail consumers make ethical decisions. To generate new insights and approaches that offer practical value to the retail industry, this proposed study will investigate the association between EI and unethical consumer behavior contributing to retail losses and provide implications. Considering the extant literature, we are proposing the following hypotheses depicted in Figure 1. (Please note that H5 and H6 are mediation hypotheses and H7 and H8 are moderation hypotheses).
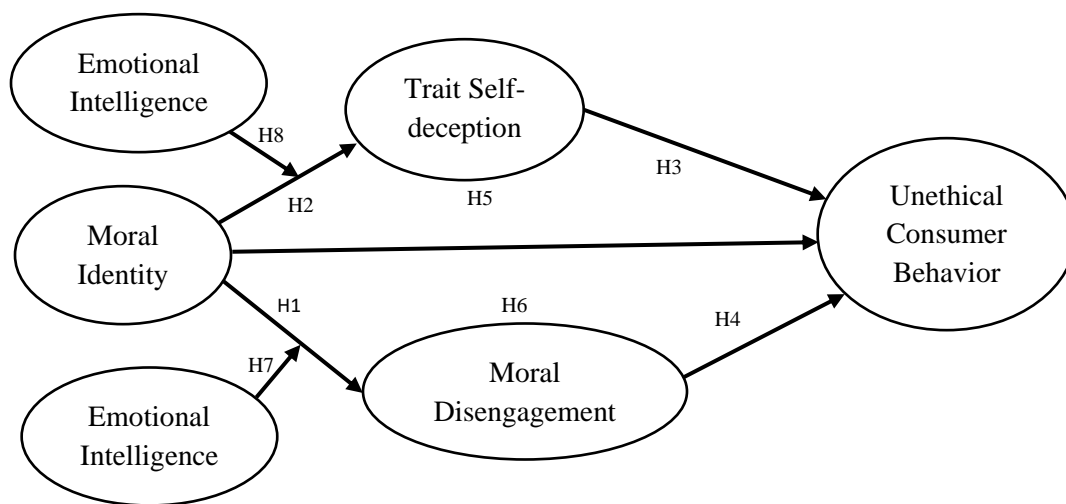
Proposed Research Model.

Figure 1: Proposed Research Model

Future Action Plan. To test the proposed research model and the hypotheses, an online consumer survey research design will be implemented. A targeted sample of 385 consumers located in Houston (TX) and Atlanta (GA) will be used for collecting the data from Qualtrics research panel. These two cities/metropolitan areas from southern region were listed in the top ten areas affected by the organized retail crime (ORC) in 2022 (National Retail Security, 2023). Retail sectors (i.e., men's and women's apparel, supermarkets, jewelry and accessories, department stores, and shoes and footwear stores) will be the prime sectors of investigation in the present study since they are majorly represented in the previous retail loss studies by the national

retail security survey. Structural Equation Modeling (SEM) will be used for data analysis. Integrating moral identity and emotional intelligence theories offers deeper insights into consumer unethical behavior, aiding in targeted interventions by retailers. Understanding these psychological mechanisms can inform strategies to mitigate retail losses, enhancing profitability and sustainability in the industry.

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