

# **Reputation Risk Avoidance: Retail Customer Safety**

A White Paper by  
Dr. Larry Roderick, Ph.D., P.E.



Executive Summary ..... 3

The Issue of Corporate Reputation ..... 4

Personal Safety ..... 5

Personal Injury Lawsuits ..... 5

The Uncertainties of Personal Injuries ..... 6

Conclusion ..... 8

## **Executive Summary**

In today's business environment, reputation is a valuable asset that is seemingly under constant attack. Whether this assault derives from poor fiscal management, data compromises, or a lack of retail safety, the fact remains that corporate reputation must be protected. While we often conceive of reputation as being derived from product quality or customer service, the practice of customer safety is often overlooked in the discussion. Despite the apparent obscurity of customer safety issues in the corporate reputation discussion, the protection of a customer's physical well-being has a very tangible impact on an organization's reputation.

In this paper, we will review the concept of corporate reputation and the impact of customer safety on reputation. The impact of customer injuries on the bottom line will also be addressed. Lastly, we will discuss the differences between the rate of employee injury and customer injury and the causes of the discrepancy.

### **The Issue of Corporate Reputation**

Corporate reputation is defined as the perception of how your business is seen by its stakeholders...customers, regulators, suppliers, investors, and the media. The reputation of any company ranks among the most important of all its assets. Certain future uncertainties make reputation difficult to protect. As Warren Buffet said, "It takes twenty years to build a reputation and five minutes to destroy it." Even the most well-established companies with apparently impenetrable reputations can suffer unforeseen reputational damages. The current fiscal crises and mortgage bust provide ample illustration of how quickly even large companies can suffer seemingly unrecoverable reputational damages. We are all aware of the public anger and outcry generated toward "bailed-out" Financial Services companies when millions were subsequently spent on executive retreats.

A world-wide survey<sup>1</sup> in 2007 showed "reputation" as the most valuable asset a company could attain. Damage to the corporate reputation was also identified as among the highest risks to the organization. Reputation is important in hiring and retaining good employees, repulsing competition in the market, engendering a receptive attitude for regulators, bankers, and various pressure groups, and to general goodwill. According to one study, annual shareholder price losses from one "reputation-sensitive" occurrence are estimated to be around seven percent.

- In 2005, a major survey<sup>2</sup> of risk managers was undertaken. The survey included 268 senior risk managers. According to the survey, risk managers were particularly sensitive to the issues of reputation. The report noted the following findings: 84% felt that company reputation risks increased significantly (in the recent five years).
- Reputation is one of the most important assets, yet is very difficult to protect.
- Reputation can be used to a competitive advantage.
- Advances in the speed, development, and wide-spread use of global media and communications capabilities are rendering a company's reputation increasingly vulnerable.
- Poor corporate reputation resulted in higher regulatory scrutiny.
- Poor reputations result in reduced customer loyalty.

Additionally, results from the same survey indicated that another important reputation risk to avoid is "failure to deliver minimum standards of service and product quality to customers." These standards of service and product quality to customers are covered in my recently published book *It's Bad Business to Injure Your Customer*<sup>3</sup>. In this book, I

have suggested **7 Rights for Retail Customers** to be posted in retail stores. These rights are:

1. Quality Service
2. Quality Products
3. Product Variety
4. Competitive Pricing
5. Honest Advertising
6. To Be Heard
- 7. A Safe Environment**

It is the issue highlighted by number 7, “A Safe Environment”, that concerns us in this paper.

### **Personal Safety**

For over 15 years I worked as a Safety Expert Witness in more than 200 personal injury lawsuits. Approximately two-thirds of these cases involved lawsuits against retail stores and/or corporations. In the overwhelming majority of these cases, I was hired by the plaintiff’s attorney. I worked several cases for plaintiffs who had sued a particular large “home improvement” corporation for injuries received while shopping in some of their stores. This particular corporation, in my opinion, suffered considerable loss of reputation as a result of numerous incidents involving merchandise falling from shelves and fork trucks. One day I received a phone call from a major television network about this company. They wanted me to meet with one of their film crews and be interviewed for a story to be aired within a few days on national television. As I was unsure of the motives and the perspective of the story that might be produced, I refused the offer. After having watched the story as it was broadcast, I was glad that I had refused because I thought the company was not provided an equal opportunity to present their case. The news piece was responsible for a considerable loss of reputation to this company. Some of the lawsuits that were brought against this company and other similar “warehouse superstores” over the course of several years will now be presented.

### **Personal Injury Lawsuits**

The following article, “Warehouse Superstores: Hazards of Shopping in a Working Warehouse”, was recorded in the March 2002 copy of the prestigious journal *Professional Safety*<sup>4</sup>.

*“The New York Times examined court records from around the country and published a report on the number of incidents involving falling merchandise in warehouse superstores. ABC’s 20/20 and other news agencies have reported on similar problems. For example, a woman from Tulsa, OK, was killed when boxes of fabric softener fell on her. In 1992, a three-year-old girl was crushed to death by a falling door. In 1994, a*

*woman in Edmonds, WA, was killed when a 3,000-lb. pallet of ceramic tiles collapsed on her. In 1997, a two-year-old girl was killed when a 100-lb. television fell on her. A 41-year-old Connecticut man was killed at a superstore when a 2,000 lb. pallet of landscaping timbers fell on him. In addition to fatalities, consumers may suffer injuries while shopping in warehouse superstores. According to the Los Angeles Times article, one official of a major superstore chain acknowledged receiving 185 injury claims a week. Another major chain reported 26,000 customer claims and 7,000 employee claims during the six-year period ending in 1995. The total number of customer injuries and deaths in these facilities is unknown because, unlike the industrial warehouse, owners/operators are not required to report and record customer injuries and deaths. Based on the 185 claims per week reported by one chain alone, however, one can estimate that consumer injuries in warehouse superstores across the country may be in the tens of thousands each year.”*

Such broad reporting of these accidents at these particular stores took a huge toll on their reputations. The sad fact is that **every one of these accidents could have been prevented.**

In reading this, you may think that these types of accidents cannot happen to you or your company. My response to such a position would be that a piece of merchandise weighing 10-lb. and falling 10 feet will hit with a force of 1,200 lbs. The cranium fractures at a force of about 800 lbs. A person can easily be killed by this, and certainly other injuries can be sustained by those that are impacted by smaller merchandise or merchandise falling from lesser heights. Using such a scenario one can see that a wide range of businesses are vulnerable to such accidents.

### **The Uncertainties of Personal Injuries**

I would like to be able to tell you that someone is able to predict when and where personal accidents and injuries will occur. Unfortunately, this is not true now, nor will it ever be. The good news, however, is that we can mitigate such occurrences through proactive, preventative measures. First, let's examine the probabilities of incidents versus accidents. Remember that an incident is a “near-miss” of an accident (no injuries received). An accident is one in which there are personal injuries or property damage or both. Accidents can be minor—one in which the victim may require first aid or stitches at a clinic -- or major. Major accidents are more severe and may include the death of the victim.

At this time, no organization, including the federal government, assembles and records retail customer accident data. From my research, I conservatively estimate that there are about 750,000 customer accidents in retail stores in the US annually. When data is

finally recorded, I expect this number to reach 1,000,000 per year. Table 1 shows my compilation of some statistics I have gathered about the number of incidents, minor injuries, and major injuries from three different sources. In statistical terms, there is not likely to be consistency in data gathering either from one source to another or within each source. In lay terms, this means that we know we are dealing with “apples and oranges” data, so we are somewhat limited about what we can say statistically.

**TABLE 1: PERSONAL ACCIDENTS & INCIDENTS BY CATEGORY**

<u>Category</u>	<u>NBS (Stairs)</u>	<u>NSC</u>	<u>WOOLWORTH</u>
No. Uses	609,589	??	??
Incidents	82	600	82
Minor Accidents	10	10	29
Major Accidents	1	1	1

The raw data that I began with were in terms of totals in each category and I divided each of the numbers in that column by the total number of major accidents so that we could have a basis for understanding. The numbers for stair incidents was video recorded at particular flights of stairs and was based on the projected number flights of stairs used in a year and were provided by the National Bureau of Standards (NBS)<sup>5</sup>. NSC<sup>6</sup> is the National Safety Council and Woolworth<sup>7</sup> numbers are primarily derived from European operations.

In evaluating these numbers, there are a number of things to keep in mind. I feel that the numbers for major accidents are probably fairly accurate as the injured individual will be treated, most likely, by another party and thus get recorded. If a person fell and skinned their elbows and there was some blood, the accident was minor and probably got recorded, but that is uncertain. For incidents, it is quite likely that a number of them do not get recorded because there is a perception that this is a waste of time. Numbers for stair usage are for the public in general (all ages). Numbers for the NSC are for employees for various industries (employee ages) and are open to all kinds of accidents. Numbers for Woolworth are for both customers (all ages) and employees and are open to all kinds of accidents. Again, it must be emphasized that, because there is no centralized reporting structure, these numbers are not sufficient to provide statistically valid conclusions.

Interpreting the existing data, however, tells us that for every 609,589 flights of stairs walked there are 82 instances of a stumble, 10 instances of a slight fall and recovery, and 1 instance of a major injury (possible death). Obviously, the numbers of minor accidents for NBS (stairs) and NSC (general) are the same (10). The same can be said

for the numbers for NBS (stairs) and Woolworth (general) at 82. I know that we can increase the number of non-recorded incidents considerably—we just don't know how much. The important point is this: **As the number of recorded incidents increase, we are nearing another major accident and possible death.** Of course, we should perform analyses of the major accident and do everything to prevent its re-occurrence. However, if you really want to prevent major accidents, do the same analysis for every reported incident. Make it important **to each employee** that this be done.

Recall from above that one major retail chain reported 26,000 customer claims and 7,000 employee claims over a period of time. There are 3.7 times the claims for customers as for employees. Safety programs designed for employees are not sufficient for customers. Customers are at risk for many more accidents because of three primary reasons.

1. Customers expect the store to be safe.
2. Customers include the special groups—children and the elderly.
3. Customers do not get the safety training that employees do.

Therefore, much more attention must be paid to customer safety needs, else your store will pay the price of major injuries and possible deaths and the resultant loss of reputation.

### **Conclusion**

The good reputation of a company is hard earned and easily lost. It is the most valued asset of all. One of the most important aspects of a reputation is the relationship of the company with its customers. We must not fail to “deliver minimum standards of service and product quality to customers”. One of those standards that we must deliver is customer safety in all our stores. The great news is that over 90% of accidents are preventable. Preventing them saves the company money by reducing the “out-of-pocket” costs and improving reputation. One source puts it this way. “Although a shortage of cash can bring a company to its knees, it is more frequently a loss of reputation that deals the final blow.”

## About the Author

Larry Roderick, Ph.D., P.E. directs the activities of the Roderick Retail Safety Institute (RRSI). The mission of the institute is to assist retail organizations with the prevention of both customer and employee accidents and injuries. This is to be accomplished through: research, collaboration with other safety experts, collaboration with retail organizations, publications, consultancy, training and certification programs, and more.

## About the Roderick Retail Safety Institute

Larry Roderick, Ph.D., P.E. directs the activities of the Roderick Retail Safety Institute (RRSI). The mission of the institute is to assist retail organizations with the prevention of both customer and employee accidents and injuries. This is to be accomplished through:

- Research
- Collaboration with other safety experts
- Collaboration with retail organizations
- Publications
- Consultancy
- Training and Certification Programs
- Members
- Blog

Dr. Roderick has discovered that (conservatively) there are about 750,000 personal injuries to retail customers annually in the U.S. Past personal injury cases shows that at least 90 percent of these accidents are preventable through the application of known safety engineering principles and practices.

## References

---

<sup>1</sup> Rayner, Jerry, "Understanding Reputation Risk and Its Importance", at [www.qfinance.com](http://www.qfinance.com)

<sup>2</sup> Economist Intelligent Unit, "Reputation: Risk of Risks." White Paper, 2005.

<sup>3</sup> Roderick, L.M., "It's Bad Business to Injure Your Customer", BookSurge Publisher, 2009, 21.

<sup>4</sup> Mroszczyk, J.M., "Warehouse Superstores: Hazards of Shopping in a Working Warehouse", *Professional Safety*, (March, 2002), 18-27.

<sup>5</sup> Archea, et al. "NBS Guidelines for Stair Safety". (1975), 3.

<sup>6</sup> National Safety Council, "Accident Prevention Manual for Business & Industry", 12<sup>th</sup> ed., (2001).

<sup>7</sup> Woolworth Group, "Corporate Social Responsibility Report 2006", (2006).