# Student Guide

# Glossary

# Glossary of Terms

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| **Advertising** | The activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast or electronic media. |
| **BATNA** | Best Alternative to a Negotiated Agreement; enables one to determine what is a minimally acceptable agreement. |
| **Balance Sheet** | A financial statement that tells the condition of a business at a particular moment in time. A balance sheet is like a picture of a business in that it illustrates the three important aspects of a business: assets, liabilities and net worth. |
| **Benefit** | Aspects of a product, both tangible and intangible, that enhance the value of the product or service to a customer. |
| **Break-Even Analysis** | A calculation that determines the volume of sales required to earn a profit. This calculation requires considering assumptions regarding pricing, variable costs and fixed costs. |
| **Break-Even Point** | The volume of sales that must be made in order to cover all expenses. |
| **Bundling** | A pricing strategy in which services or products are combined together for one price as opposed to having the customer pay for each individual part of the service or product. |
| **Buying Process** | A series of mental steps that a customer goes through when making a purchase. |
| **Cash Budget** | A budget that shows the projections of cash coming in and going out; it should show estimated cash flow, actual cash flow and the difference between the two. |
| **Cash Inflow** | Cash coming into a business; examples include sales of a product or service, loan or credit card proceeds, asset sales and owner investments. |

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| **Cash Outflow** | Cash going out of a business; examples include business expenditures, loan or credit card repayment, asset purchases and owner withdrawals. |
| **Cause-Related Marketing** | The process of associating a business with a charitable cause to gain joint publicity and awareness for that cause and the company. |
| **Character** | A person's reputation based on self-discipline, courage and ethics; knowing what is right and acting on it; the inherent complex of attributes that determine a person's moral and ethical actions and reactions. |
| **Code of Ethics** | A level of ethical behavior demanded by an individual, a business, a culture or a society. |
| **Competition-Based Pricing** | A pricing strategy that seeks to meet or beat the competition's price. |
| **Consumer Analysis** | The process of understanding who your customers are in an effort to effectively meet customer demand. |
| **Consumer Credit** | Loans provided by banks and credit unions to consumers. |
| **Contribution Margin** | Sometimes mistakenly referred to as the profit per unit, the "profits" of units sold have to first contribute to paying fixed costs. |
| **Corporate Social Responsibility** | How companies effectively manage their business processes to produce an overall positive impact on society; the idea the business should not behave amorally, but behave in such a manner that will contribute to the overall welfare of their communities; acting with concern and sensitivity, aware of your actions on others, particularly the disadvantaged. |
| **Cost-Based Pricing** | A pricing strategy that uses the wholesale cost of an item as the basis for the price charged. Choices are a markup price or a markdown price. Businesses usually use a set percentage to determine the markup or markdown price. |
| **Cost of Goods Sold** | Direct costs of labor and materials involved in a business. |

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| **Current Ratio** | Compares current assets with current liabilities and indicates the ability of the business to pay its bills. |
| **Customer Service** | The degree of assistance and courtesy granted those who patronize a business or organization. |
| **Cyclical** | A type of cash flow that means that the amount of cash flowing in may depend on the time of the year. |
| **Debt Ratio** | Measures the percentage of total dollars in the business provided by creditors. |
| **Demand-Based Pricing** | A pricing strategy that surveys potential customers to discover what they would be willing to pay for the product or service. The highest price identified is the highest price that can be charged. |
| **Elasticity** | The ability of a product to rise or fall in price, even slightly, to cause dramatic shifts in demand for that product. An example of an elastic product is oil. |
| **Ethics** | The study of values that examine how we ought to live. A set of moral principles. |
| **Ethos** | Character. The primary definition is one's distinguishing attitudes and beliefs that define who they are as a person. A secondary definition is one's concern for the community. |
| **Feature** | A distinctive aspect, quality or characteristic of a product or service. |
| **Fixed Costs** | Expenses that do not change from month to month over a given period of time to maintain business operations. Examples of fixed costs include utilities, salaries, advertising and rent. |
| **Gross Profit** | Profit before operating expenses are deducted. |
| **Gross Sales** | The dollar amount of all sales, including returns. |
| **Keystoning** | A pricing strategy that doubles the wholesale price to arrive at a retail price. |

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| **Leader** | A person who is committed to changing an organization through their influence and developing a shared vision throughout an organization. |
| **Manager** | A person who is tasked with the maintenance of an existing organization. |
| **Markdown** | Lowering prices on a product or service in order to encourage sales of that product or service. |
| **Market Analysis** | The process of reviewing your target market by location, population, personality, behavior and income in an effort to segment it into smaller groups. |
| **Market-Driven** | The state of a company being externally focused in order to understand market dynamics and consumer needs. This process allows a business to identify business opportunities and capitalize on them. |
| **Marketing** | Activities that businesses do to come to the marketplace and exchange goods and services for money. |
| **Marketing Mix** | A business concept that blends the four marketing elements of product, place/distribution, price and promotion used to reach a target market. |
| **Markup** | An amount added to the cost of an item to cover expenses to ensure a profit. |
| **Media Release** | A common term used for a press release. |
| **Mission Statement** | A set of sentences that describe a company's function, markets and competitive advantages; a short written statement of business goals and philosophies. |
| **Morals** | The practical application of ethical principles; accepted standards of right and wrong that are often applied to personal behavior. |
| **Negotiate** | To discuss with a view to reaching agreement. |
| **Net Sales** | The dollar amount of all sales after returns have been subtracted. |

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| **Nonprofit Organization** | These organizations are not prohibited from making profits, but have limitations placed on them on what to do with profits. Excess revenue (profit) is placed back into the organization to continue developing the programs that provide for the public good. Profits do not go to shareholders and they are not divided among employees of the organization. |
| **Order-Getter** | A salesperson who seeks to actively provide information to prospects, persuade those customers and close sales; order-getters are often associated with providing benefits to customers and engage in problem-solving. |
| **Order-Taker** | A salesperson who only processes the purchase the customer has already selected. |
| **Overhead Expenses** | Costs incurred to operate a business, such as utilities, salaries, advertising, rent and insurance. |
| **Penetration Pricing** | A pricing strategy where the price for products or services is set artificially low in order to gain market share. Once this is achieved, the price is increased. |
| **Personal Selling** | The process of making oral commercial representations during a buyer/seller interview situation; direct, face-to-face communication between buyer and seller. |
| **Philanthropy** | Voluntary giving by an individual or group to promote the common good. Philanthropy can also mean to voluntarily give of your time, talent and treasure. |
| **Pilferage** | Stealing of inventory by employees or customers, which is a particular form of shrinkage. |
| **Place** | One of the four marketing mix components. Also referred to as distribution; the process of deciding where and how a company will distribute its products or services. |
| **Positioning** | The process of placing a product in certain markets to obtain a desired customer response. |
| **Press Release** | A message to the media describing the who, what, when, where and why of a particular event or announcement. |

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| **Product Mix** | The combination of different products and services that are sold to meet or create consumer needs. |
| **Promotion** | One of the four marketing mix components. The combined efforts of advertising and publicity. |
| **Promotional Pricing** | A pricing strategy that uses price “promotions” such as “Buy One Get One Free.” |
| **Psychological Pricing** | A pricing strategy that seeks a customer response based on emotion. “Price Point Perspective” is an example of this type of strategy (pricing at $9.99 rather than $10.00). |
| **Publicity** | Attempting to manage the public's perception of a subject by seeking favorable media coverage. |
| **Quick Ratio** | A measure that indicates whether a company is liquid without having to depend on inventory. |
| **Revenue** | Money that comes from generating sales. |
| **Secured Loan** | A loan that is backed by a product. For example, a car is the collateral for a car loan—the bank can repossess the car if the loan is not repaid. |
| **Selling Process** | The routine of thinking like a customer, understanding the benefits and stretch benefits and having the qualities necessary for sales. |
| **Shrinkage** | Unexplained disappearance of inventory due to loss or theft. |
| **Skimming** | A pricing strategy that seeks to charge a high price during a product’s introductory stage, when it’s new and there is little or no competition. |
| **Time-Based Pricing** | Using the amount of time it takes to complete a service to determine the price of that service. |
| **Trade Credit** | An arrangement to buy goods or services on account; that is, without making immediate cash payment. |
| **Unique Selling Position (USP)** | The process of analyzing a competitor’s offers in order to identify what is unique about yours. |

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| **Unsecured Loan** | Loans that are granted based on a consumer's credit history of repayment. Most credit cards are unsecured forms of loans. |
| **Use of Debt** | A measure that looks at total liabilities compared to owner's equity or owner's net worth. |
| **Values** | Standards, beliefs or ideals that serve as guides by which we live and make decisions. |
| **Value Pricing** | A pricing strategy that seeks to find the balance between quality and price in an effort to give customers the value they seek. This pricing approach is not the same as setting the cheapest price. |
| **Variable Costs** | Expenses that vary according to the volume of production. Two examples of variable costs are materials and labor. |
| **Working Capital** | The amount of cash a business needs to carry on its daily operations. |