

GLOSSARY OF KEY TERMS

EDEXCEL

Term	Definition	Confident	Not quite sure	Unsure
Adding value	How a business sells a product for more than it costs through the processes they apply			
Advertising	Promotional method where a business pays to place an advert in a form of media, such as a newspaper or television			
Aesthetics	The attractiveness of the design of a product			
Aims and objectives	The overall goals of a business or organisation identifying what the business is trying to achieve			
Application form	A method of applying for a job where the required details are decided by the business who is recruiting			
Autonomy	The independence a worker has within their job			
Average rate of return	The annual percentage profit that an investment makes compared to the cost of the investment			
Bar gate stock control graph	A method of displaying data on stock levels, which allows stock control policy to be decided, implemented and reviewed within a business			
Batch production	Method of production where groups or types of products are made at several stages			
Bonus	An extra amount of financial pay received through achieving a business target			
Branding	What distinguishes a good or service from rivals			
Break even	Where total revenue is the same as total costs and no profit or loss is made			
Buffer stock	A quantity of stock kept in store to safeguard against unforeseen shortages or demands			
Business	An organisation set up to meet customer demand and to make a profit for its owners			
Business environment	The external factors such as the economy and the law that influence how a business operates			
Business plan	A document produced by a new or existing business that shows what its objectives are and how it will meet them			
Capacity	The maximum production output a business can achieve with its existing resources			
Capital	The initial money that is needed to start a business that is normally linked to purchases of machinery and premises			
Cash-flow	The money that flows into and out of a business from sales and expenses			
Cash-flow forecast	The prediction of how much money will come into and out of a business over a future time period			
Cash inflow	The money that comes into a business from sales and other sources			
Cash outflow	The money leaving a business that it spends on raw materials, labour and other expenses			
Centralised	Where business decision making and implementation take place at and from the business headquarters			
Chain of command	Part of the structure of a business organisation which shows who is in charge of who			
Closing balance	The total cash-flow left at the end of a period			

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Commission	The extra amount of pay workers receive as a percentage of their or the business's sales			
Communication	How messages are passed within a business or from a business to its customers			
Competition	Other businesses that produce the same or similar goods or services			
Competitive advantage	A business has a marketing mix which enables it to be more successful than its competitors			
Competitive environment	The number and strength of other businesses in the same market			
Competitive pricing	Where the price of a product is decided by comparing it to its rivals			
Consumer	The person or business that use the good or service produced			
Consumer income	How much money consumers have to spend on their needs and wants			
Consumer law	Legal constraints that protect the consumer from unfair business practice			
Consumer Rights	Where consumers are protected by laws in terms of product quality, returning goods, repairs and replacements, digital content and delivery			
Consumer spending	The level of spending that consumers undertake related to their income			
Cost plus	A pricing method where a business decides what price to charge based only on the cost of its production and some extra to make a profit			
Crowd funding	Finance raised through internet appeals from a large number of small investors			
Curriculum Vitae	A document summarising the personal details, qualifications and experiences of an individual. Often used to apply for a job			
Customer engagement	Communicating with customers in a positive way			
Customer feedback	Enquiries made after a sale to show how a good, a service or the sales process could be improved			
Customer loyalty	Whether customers return to a business on a regular basis to purchase more of the same goods or other goods that they produce			
Customer needs	What an individual must have in order to survive			
Customer satisfaction	How happy the consumer is with the product or service they have purchased			
Customer service	How a business looks after its customers before, during and after they make a purchase			
Customers	The people who purchase a product or service from a business (not always the consumer)			
Decentralised	A business structure and its decision-making is spread out to include more junior managers as well as individual business units or locations			
Delaying	A method of saving costs in an organisation by reducing the number of layers			
Demographics	Factors related to population, often used as a basis for segmentation			
Design mix	The use, appearance and cost of a product			
Differentiation	When a business makes its product different to those of its competitors			
Digital communication	Sending messages using mobile or internet technology			
Digital technology	Where businesses use computers in any way to improve their business performance			
Directors	People appointed by the shareholders to run the company on a day-to-day basis to make all the important decisions			
Discrimination	When an employer choses its workers based on a particular characteristic; many of these are illegal, for example age, gender and race			

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Distribution	How a product gets from the producer to the consumer			
Dividend	The share of the profit received by a shareholder			
E-commerce	Using the internet to promote and sell a good or service			
Economic climate	How a business is affected by economic variables such as interest rates or inflation in a country or in other countries			
Efficiency	Measures of how much output is being produced per unit of input			
Employees	People who work within a business			
Employment law	Legal constraints that protect the employees of a business from unfair business practice			
Employment level	The % employment rate in a country which will effect consumer spending and the availability of employees			
E-newsletter	A regular publication sent electronically to customers with items of interest, new products and promotions; used to maintain regular contact with customers			
Enterprise	A business that has the objective of making a profit			
Entrepreneur	An individual who takes a calculated risk in starting or running a business in return for making a profit			
Environmental considerations	The business takes into account consumer and producer concerns about the environment			
E-tailer	An electronic retailer i.e. sells goods using the internet			
Ethical objectives	Where businesses have as an aim what is morally right rather than necessarily the most profitable option			
Excessive communication	When too much communication can lead to workers being ineffective or inefficient because of unnecessary work acknowledging and responding to communications			
Exchange rate	The amount of foreign currency that can be purchased with another currency			
Exports	Goods or services that are produced in this country and sold to other countries			
Extension strategy	Methods of prolonging the product life cycle to extend the life of a product			
External finance	Sources of money from outside of a business			
External growth	Growth which occurs by a merging with or taking over another business			
External influence	Factors that affect a business but they cannot control			
External recruitment	Where a business aims to finds new workers from outside of its current workforce			
Finance	The money that is necessary to start and run a business			
Financial data	Information on the costs and revenues of businesses showing changes over time and used as the basis for calculations and displaying to managers			
Financial objectives	Quantifiable targets for a business including profit, sales and costs			
Fixed costs	Business costs that do not vary with output			
Fixed premises	Where business premises are located in a building; the use has decreased with the rise of the internet increasing home or teleworking			
Flat structure	Where the organisational structure has few layers, short chains of command and wide spans of control			
Flexible hours	Either the employee or the employer have some choice about the actual hours worked			
Flow production	Method of production associated with making very large quantities of standard products			
Focus group	In depth market research where discussions take place with a group of potential of actual consumers			
Formal training	Specialist training for employees involving courses or off site provision			
Franchise	Where a business acquires the right to use the name and products of another business			
Franchisee	The business which runs a franchise in a specific territory or area			
Franchisor	The seller of a right to operate a franchise			

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Freelance contracts	Where an employee is available to be hired on a daily basis or just for a specific job			
Fringe benefit	Methods of rewarding a worker that are not directly monetary			
Full time working	An employee who is employed for a whole weeks work			
Function	A feature of product design which shows that the product can perform its intended job			
Gap in the market	An opportunity for a business to provide a good or service that is not currently available			
Globalisation	The increased integration of trade, finance and communications between countries			
Goods	Products that businesses produce that have a physical presence			
Gross profit	The difference between revenue and cost of sales; calculated as: gross profit = total revenue – cost of sales			
Gross profit margin	The percentage profit made on sales not taking into account the businesses expenses; calculated as: gross profit/sales revenue x 100			
Growth	A business objective of increasing the amount or value of sales			
Health and safety law	Legal constraints that protect the employees of a business from unsafe business practice			
Hierarchical structure	Where the of organisational structure has many layers, long chains of command and narrow spans of control			
Human resources	How a business recruits and manages its workforce			
Imports	Goods or services that are produced in other countries and consumed in this country			
Inflation	Where costs and prices in an economy are increasing			
Informal training	Where employees learn how to do a job at the workplace by observing other employees			
Innovation	The introduction of a new product or features on a product			
Inorganic growth	Growth which occurs by merging with or taking over another business			
Insolvency	Where a business runs out of cash and is not able to obtain new finance			
Interest rates	The percentage cost of borrowing money or the reward for saving money			
Internal finance	Where a business obtains funds from its own sources such as retained profits			
Internal growth	Organic growth which takes place through a business selling more of its own products			
Internal recruitment	Where a business aims to finds new workers from within its current workforce			
Internet	A means of connecting computer to computer to allow the transfer of information around the world			
Investment	The purchase of new premises or machinery which can be used for growth, replacement or mechanisation			
Job analysis	A business deciding whether it needs a worker and what type if required			
Job description	An explanation of the roles and responsibilities of a job			
Job enrichment	Giving workers more responsibility or more complex and challenging tasks so they have a sense of achievement			
Job production	Method of production where products are made individually			
Job roles	What the different types of jobs do in a business			
Job rotation	Where a worker moves from one job to another job over a period of time			
Just-in-time	Where inputs into the production process arrive on the production line just as they are needed			
Labour	The workers who are needed directly or indirectly to provide the good or service that a business produces			
Lead time	The time between ordering a good or service and receiving it			
Legal structure	What type of organisation a business chooses to be such as a partnership or company			

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Limited liability	The protection enjoyed by shareholders who can only lose the money they have put into the company			
Loan	Source of finance for a business where they receive a fixed amount of money for a specified time, which will need repayment with interest			
Loan capital	Sources of finance involving loans normally from banks or other financial institutions			
Local community	A business stakeholder who will be affected by a business's location in terms of direct and indirect employment opportunities			
Location	The place where a firm decides to conduct its business			
Logistics	The management of the flow of goods, information and money along the supply chain			
Loss	Where the costs of a business are greater than its income			
Loss leader	Where a business prices a good at less than its cost to encourage customers to buy other goods at the same time			
Management	How to successfully ensure that employees work effectively			
Margin of safety	The additional output that a business produces or expects to produce more than its breakeven output			
Market conditions	The current situation in the economy and whether it is improving or worsening			
Market data	Quantitative information such as sales figures over time for the market of a product or service			
Market map	A diagram representing different businesses in a market that are compared to two variables, such as price and quality; it is used to identify a gap in the market			
Market research	Information from existing and potential consumers about their reaction to a good or service			
Market share	The percentage of total sales a firm's particular good or service has			
Marketing	Providing the goods and services that consumers require whilst making a profit			
Marketing mix	The ingredients needed to produce a marketing policy normally known as the 4Ps (product, price, place and promotion)			
Market segments	A way of dividing up the market into different groups of potential customers			
Materials	The inputs needed for the production of a good or service			
Merger	Where two businesses of equal size are joined together			
Motivation	The desire of an employee to do a job well			
Multinational	A business that produces goods in more than one country			
Needs	What an individual must have in order to survive			
Net cash-flow	The difference between the cash inflows and cash outflows for a business in a time period			
Net profit	The total amount of money made from the trading activities of the business; calculated as: net profit = gross profit - other operating expenses and interest			
Net profit margin	The percentage profit made after all costs and expenses have been deducted; calculated as: net profit/sales revenue x 100			
Non-financial objectives	Business targets that involve areas such as improving quality and being more ethical			
Observation	A method of market research where direct data is gathered from customer actions			
Obsolete	When a type of product is no longer produced because it is not needed or has been replaced			
Opening balance	The total cash-flow available at the start of a period			
Operational staff	Employees who directly do the work such as the manufacturing or providing the service			
Organic growth	Growth which occurs as a business sells more of its own products			
Organisational structure	The way employees are arranged into a formal structure for control and communication			
Output	The total quantity produced by a business, employee or machine over a given period of time			

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Overdraft	Source of finance for a business where it is allowed to take more money out of its account than it has deposited			
Overheads	Costs or expenses that a business incurs			
Partnership	Where a business is started and owned by more than one person, who then share the profits and the responsibilities			
Part-time working	Where an employee is employed for less than a whole weeks work			
Payment system	The use of digital technology by a business to pay its suppliers and employees			
Performance review	A process of staff development looking back at how well an employee is doing their job; often linked to identifying future training needs and bonuses			
Permanent contract	A job where an employee will continue working for an indefinite period			
Person specification	The qualifications, skills, experience and personal attributes needed for a job			
Personal savings	The difference between an individual's income and their spending			
Place	How a product or service is distributed to the customer			
Post sales service	Following up with a customer after they have made a purchase to check that everything is "ok"			
Pressure group	A collection of individuals who have a common cause and campaign to achieve it			
Price	The amount of money a customer would need in order to buy a good or service			
Pricing strategy	A policy that a business decides to calculate the price at which it chooses to sell its new or existing products			
Primary research	First-hand information gathered by a business about existing and potential consumers			
Private limited company	The most common kind of limited company in the UK, where shares can only be sold to "family and friends"			
Procurement	The process of choosing a supplier			
Product life cycle	The stages in the life of a product from when it is first thought of until it is finally removed from the market			
Product range	The amount of different types of goods or services that a business chooses to produce			
Product trial	A free or reduced price product given as a sample with the hope that consumers will continue to buy the product in the future			
Production	The process which involves taking inputs and transforming them into outputs			
Productivity	The amount of output per unit of input (labour, equipment, and capital)			
Profit	The difference between costs and revenue			
Promotion	Methods of making a consumer aware of a product and persuading them to buy it, includes advertising, sales promotion and public relations			
Promotion (human resources)	Where an employee moves job to a more senior position			
Public limited company	The kind of limited company whose shares can be bought on a recognised stock exchange			
Public relations	An approach to promoting a business focussed on producing a positive image using media and other indirect methods			
Qualitative data	Results of research that is based on opinions, attitudes and beliefs			
Quality	Where a product is of a standard that meets a customer's requirements			
Quality assurance	Setting up processes in production to ensure that quality is achieved			
Quality control	Checking that the products produced by a business are of the required standard at the end of the production process			

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Quantitative data	Results of market research that is normally numerical			
Questionnaire	A method of gaining market research data through asking the opinions of actual or potential customers			
Raw materials	The inputs needed for the production of a good or service			
Recruitment	A process a business undertakes to attract new or replacement workers			
Reliability	Whether a supplier will always deliver at the agreed time			
Remote working	Where employees can be working normally at home away from their business's location being linked through the internet			
Remuneration	The package of pay and other rewards provided to an employee			
Research and development	Costs that are required in getting a new product ready to launch into a market			
Retailer	The final part of the distribution process where the product is sold to the customer			
Retained profit	A source of finance based on money that a business keeps back after paying shareholders a dividend and giving owners their share of the profits			
Retention	How well a business keeps the staff that it employs			
Revenue	The income from sales; price x quantity sold			
Reward	What an entrepreneur receives, financial or non-financial, as the return for the risks that are taken			
Risk	The possibility that a business may not be successful			
Roles and responsibilities	The details about a job and what it involves			
Sales process	A series of activities that are designed to engage customers and to complete a sale			
Sales promotion	Point of sale methods that persuade customers to buy a product			
Secondary research	Information that has already been collected by other businesses or organisations about existing and potential consumers			
Segmentation	A way of dividing up the market into different groups of potential customers			
Self-learning	A method of training and development where the employee works through a guided programme of information and activities			
Selling assets	When a business sells its land, buildings, machinery or equipment that are no longer needed to raise additional finance			
Service	Activities that are provided by a business for customers and that are not tangible			
Share capital	The money raised by a business from the sale of shares			
Share issue	When a company raises finance through selling shares to new or existing shareholders			
Shareholder	An owner of a company who receives a dividend as a return for their investment			
Shares	When an investor owns part of a private or public limited company			
Social media	Internet sites such as Facebook and Twitter that allow individuals to interact through messages and updating			
Social objectives	Business objectives such as being ethical or environmentally friendly			
Sole trader	Where a business is started and owned by one person who keeps all the profits, but holds all the responsibilities			
Sources of finance	Options that a business has if it needs additional finance to start, run or expand its business			
Span of control	The number of employees who a manager directly controls			
Special offers	Temporary deals to encourage customers to try a new product or a relaunched product			
Sponsorship	A type of public relations where a business aims to improve brand awareness through making donations to individuals and organisations			

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Stakeholder	An individual or group that is directly or indirectly affected by the actions of a business			
Stock market flotation	When a company raises finance through selling shares to new or existing shareholders			
Supervisor	An employee with responsibilities for the work produced by a number of workers			
Supplier	A business that provides raw materials, components, finished goods or services in exchange for payment			
Supply chain	All activities that are involved in getting a good or service to the customer			
Support staff	Employees who are called onto assist in any area of the organisation by providing additional labour or specialist skills			
Survey	A method of market research where customers and potential customers are asked their opinions			
Survival	A business objective where continuing in existence becomes the short term goal			
Sustainability	To ensure that production in an economy can continue at the same level in the future			
Takeover	Where a business acquires another business			
Target market	Where customers are segmented to allow businesses to focus its marketing policy on meeting their specific requirements			
Target setting	An employee process linked to performance reviews that sets goals and identifies training needs			
Tariff	A tax on imports that increases their price and allows home businesses an advantage			
Taxation	How the government collects money to fund its expenditure programme and influence the economy			
Team leader	An employee with responsibilities for the work produced by a group of workers			
Technology	How businesses uses machines and devices to improve their operation			
Temporary contract	A job where a worker will be employed for a fixed period of time			
Total costs	All the costs of a business; calculated as: total costs = fixed costs + variable costs			
Trade bloc	A group of countries that have free trade within their group and that may restrict imports from countries outside of the trade bloc			
Trade credit	When a business orders and receives supplies, but pays for them at a later date			
Training	How employees learn to do a job			
Unemployment	Where people are able, available and willing to work at the going wage but cannot find a job			
Unique selling point	What makes a business's goods or services different from its competitors			
Unit costs	The average cost of making one unit or item			
Unlimited liability	If a business becomes bankrupt, sole traders and partners are personally liable for their business's debts			
Variable costs	Business costs that change with output, such as raw materials			
Venture capital	A source of finance normally for small businesses with good growth prospects, where the venture capitalist normally takes a stake in the business			
Viral advertising	Where an advert is spread through social media by people spreading the message through forwarding to their friends and contacts			
Wants	What an individual would like, but does not need to survive			