



Unit 3

Business -Key

Terms

Topic 1 - Marketing

Marketing	The management process that is responsible for anticipating, identifying and satisfying customer needs profitably.
Market Research	The process of gaining information about customers, competitors and market trends through collecting primary and secondary data.
Primary Data	Information that has been gathered for a specific purpose through direct investigations such as observation, surveys and experiments.
Secondary Data	Information that already exists such as accounts and sales records, government statistics, newspaper and internet articles or market research agencies.
Quantitative Data	Data that can be expressed as numbers and can be statistically analysed.
Qualitative Data	Data about opinions, judgements and attitudes.
Survey	Research involving asking questions of people or organisations.
Respondents	Those who provide data for a survey usually by answering the questions.
Market Segment	Part of a market that contains a group of buyers with similar buying habits.
Sample	A small group of the total population which is selected to take part in a survey.
Questionnaires	A list of questions to be answered by respondents, designed to give information about consumer tastes.
Product Trial	When consumers buy a good for the first time and assess whether or not they want to buy it again.
Public Relations	The promotion of a positive image about a product or business through giving information about the product to the general public, other businesses or to the press.

Viral Marketing	Getting individuals to spread a message about a product through their social networks like Facebook or their group of friends.
Penetration Pricing	Setting an initial low price for a new product so that it is attractive to customers. The price is likely to be raised later as the product gains market share.
Trade Buyers	Buyers of goods which then sell those goods on to customers or other buyers, they include supermarket chains and wholesalers.
Wholesalers	Businesses that buy in bulk from a manufacturer or other supplier and then sell the stock on in smaller quantities to retailers.
Retailers	Businesses which specialise in selling goods in small quantities to the consumer.
Customer Loyalty	The willingness of buyers to make repeat purchases of a product or from a business.
Repeat Purchase	When a customer buys a product more than once.
Product Life Cycle	The stages through which a product passes from its development to being withdrawn from sale, these include R&D, Launch, Growth, Maturity, and Decline.
R&D	The process of scientific and technological research then development of the findings of that research before the product is launched.
Extension Strategy	A method used to increase the life of a product and prevent it falling into decline.
Product Portfolio or Mix	The combination or range of products that a business sells.
Product Portfolio Analysis	The investigation of the combination of products sold by a business.

The Boston Matrix	A model which analyses a product portfolio according to the growth rate of the whole market and the relative market share of a product within that market.
Brand	A named product which consumers see as being different from other products and which they can associate and identify with.
Generic Product	A product made by a number of different businesses in which customers see very little or no difference between the product of one business compared to the product of another.
Own Brand	A product which is sold under the brand name of a supermarket chain or other retailer rather than under the name of the manufacturer.
Product Differentiation	Making one product different from another in some way, e.g. improving the quality, its design, packaging or promotion.
Marketing mix	A combination of factors which help a business take into account its customer needs when selling a product (5Ps)

Topic 2 - Meeting customer Needs	
Design Mix	The range of variables which contribute to successful design - function, cost and appearance.
Stocks	Materials that a business holds. Some could be waiting to be used in the production process, some could be finished stock waiting to be delivered to customers.
Maximum Stock Level	The highest amount of stock to be kept by a business.
Re-order Level	The amount of stock held by a business at which an order for new stock is placed with suppliers.
Minimum Stock Level	The lowest amount of stock to be kept by a business. AKA Buffer stock.
Just in Time (JIT)	A stock management system where stocks are only delivered when they are needed on the production line.
Quality	Achieving a minimum standard for a product which meets customer needs.
Quality Control	Ensuring that a product meets minimum standards.
Quality Assurance	Ensuring that quality is produced and delivered at every stage of production, often through making quality the responsibility of every worker.
Customer Service	The experience that a customer gets when dealing with a business and the extent to which that experience meets and exceeds customer needs and expectations.
Innovation	The process of transforming inventions into products that can be sold to customers.
Sales of Goods Act	Gives consumers rights to compensation if a product they buy is not of saleable quality, not as described or not fit for purpose.
Trades Description Law	Makes businesses liable for prosecution and fines if products are sold in a misleading way.

Topic 3 - Effective Financial Management

Financial Management	Deliberately changing monetary variables like cash flows to achieve financial objectives.
De-Stocking	Reducing the levels of stocks in a business.
Revenues	The amount of money received from selling goods and services over a period of time.
Fixed Costs	Costs which do not vary with output such as rent, business rates, advertising costs and salaries
Variable Costs	Costs which change directly with output, the number or products produced by a business such as the cost of buying raw materials
Total Costs	All the costs of a business (Variable Costs + Fixed Costs)
Profit	Occurs when the revenues of a business are greater than its costs
Loss	Occurs when the revenues of a business are less than its costs
Break Even Point	The level of output where total revenues are equal to total costs. This is where neither a profit nor a loss is being made.
Cash Flow	The flow of cash into and out of a business
Total Revenue	The revenue earned by a business from the sale of a given quantity of products. It is equal to quantity sold x average price.
Break Even Chart	A graph which shows total revenue and total cost, allowing the break even to be drawn.
Trade Credit	Where a supplier gives a customer a period of time to pay a bill for goods and services once they have been delivered

Margin of Safety	The amount of output between the actual level of output where profit is being made and the breakeven level of output.
Financing a Business	How a business obtains money and other financial resources to start up, expand and if necessary pay off losses it has made.
Internal Sources of Finance	Finance which is obtained from within the business such as retained profit or the sale of assets.
External Sources of Finance	Finance which is obtained from outside the business such as bank loans and cash from the issue of new shares.
Retained Profit	Profit which is kept back and used to pay for investment into the business.
Overdraft	Borrowing money from a bank by drawing more money than is actually in a current account. Interest is charged on the amount overdrawn
Equity (Share) Capital	The monetary value of a business that belongs to the business' owners, in a company this would be the value of their shares.
Share	A part ownership in a business e.g. a shareholder owning 25% of the shares in a business owns a quarter of the business
Bonds	A long term loan where interest is paid at regular intervals.

Topic 4 - Effective People Management

Organisation	The way in which a business is structured for it to achieve its objectives.
Organisation Chart	A diagram which shows the internal structure of an organisation.
Hierarchy	A structure of different levels of authority in a business, one on top of the other.
Line Manager	An employee who is responsible for overseeing the work of others further down the company hierarchy.
Authority	The right to decide what to do in a situation and take command of it.
Subordinate	Workers in the hierarchy who work under the control of a more senior worker.
Chain of Command	The path down which orders are passed. In a company this goes from the board of directors down to other workers in the organisation.
Delayering	Removing layers of management and workers in a hierarchy so that there are fewer workers in the chain of command.
Empowerment	Giving more responsibility to workers further down the chain of command in the hierarchy.
Downsizing	When a business employs fewer workers to produce the same amount through increases in productivity.
Span of Control	The number of people who report directly to another worker in an organisation.
Delegation	Passing down authority for work to another worker further down the hierarchy.

Centralisation	A type of business organisation where decisions are made at the core of the organisation and then passed down the chain of command.
Decentralisation	A type of business organization where decision making is pushed down the hierarchy and away from the core of the organization.
Hierarchy of Needs	Placing needs in order of importance starting with the basic survival needs.
Communication	Messages passed between a sender and a receiver through a medium such as letter or e mail.
Feedback	Response to a message by the receiver to the sender.
Internal Communication	Communication within the business organisation.
External Communication	Communication between the business and an outside individual or organisation like a customer, a supplier or a tax inspector.
Channel of Communication	The path taken by a message.
Formal Channels of Communication	Channels of communication that are recognised and approved by the business and by employee representatives such as trade unions.
Informal Communications	Communication through channels that are not formally recognised by the business.
Motivation	In work, the desire to complete a task and meet the needs of the business.
Payment Systems	Methods of organising worker's pay such as salaries or piece rates.
Manual (Blue Collar) Workers	Workers who do mainly physical work like an assembly line worker.

Wages	Tend to be paid to manual workers for working a fixed number of hours per week.
Overtime	Time worked over and above the basic working week.
Basic Pay	Pay earned for working the basic working week.
Non-Manual (White collar) worker	Workers who do non-physical, like an office worker or teacher.
Salary	Pay, usually of non-manual workers. Expressed as a yearly figure but paid monthly.
Commission	A payment system usually used for sales staff where their earnings are determined by how much they sell.
Bonus	An addition to the basic wage or salary for achieving a target.
Part-time Workers	Employees who work only for a part of the working week.
Full -time Workers	Employees who work the whole of the working week.
Temporary Workers	Workers who have no permanent contract of employment with a business and so tend to work only for a short period of time for an employer.
Freelance Workers	Workers who tend to be self-employed and do particular pieces of work for a business as a supplier.
Fringe Benefits	Payments in kind over and above the wage or salary, such as a company car.

Topic 5 - The Wider World Affecting Business

Business Ethics	Ideas about what is morally correct or not, applied in a business situation.
Supply Chain	The processes that are involved in the route taken by a product from the raw materials needed to create it right through to the final customer.
Developed Countries	Countries with a relatively high income per person.
Developing Countries	Countries with a lower income per person than developed countries.
Import	An import is the purchase of a good or service from a foreign business that leads to a flow of money out of the UK.
Export	An export is the sale of a good or service to a foreign buyer that leads to a flow of money out of the UK.
Protectionist Policies	Measures designed to reduce foreign products coming into a country and give domestic producers an advantage.
Tariffs (Customs Duties)	Taxes put on goods imported into a country which make them more expensive for consumers.
Quotas	Limits on the physical number of goods that can be imported over a period of time.
Export Subsidies	Measures that reduce the price of goods sold abroad.
Minimum Wage	The lowest payment per hour, day or week that can be given to a worker for their work.