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Retail Glossary

2/10 Net 30: 2% is the discount rate if payment is made within ten days. Otherwise, payment is due in 30 days.

3/10 ROG: 3% discount is allowed within 10 days of receipt of goods.

8/10 EOM: 8% discount is allowed if the invoice is paid within 10 days from the end of the month.

Add on sale: Additional items customers buy due to in store suggestions or promotions.

Ad slicks: Camera-ready ad, usually on glossy paper. Many vendors supply these for newspaper ads.

Advertising: Paid message communicated through various forms of media and designed to influence the purchase behavior and thought patterns of the audience.

Allocation: Suppliers determination of how much of (usually) scarce merchandise to assign to their customers.

Allowance: Any price reduction given by suppliers to retailers for various reasons (late delivery, damaged merchandise, below standard quality, overstock, etc.).

Anchor tenants: Major stores that serve as the primary draw of customers to a shopping center.

As is: Merchandise sold in its current, often slightly flawed, condition.

Assets: Those items of value the company owns such as cash in the checking account, accounts receivable, inventory, equipment, and property.

Assignment: The transfer of title, right, or interest in certain real property. For example, if you sell your business and turn over your lease agreement to the new owner, that is an assignment.

Authorized shares: The total number of shares the corporation is permitted to issue.

Automatic ordering: A feature in certain software systems of stores to automatically create suggested orders based on preset criteria for minimum and maximum stocking levels.

Average margin: The difference between what you pay for all the goods you sell during a specific period, and what you buy them for, calculated as a percentage of the selling price of the goods.

Average markup: The difference between what you pay for all the goods you sell during a specific period, and what you buy them for, calculated as a percentage of the cost of the goods.

Back haul: Trucks that have delivered merchandise to a buyer and are now empty are available to back haul material to their home base.

Back order: When an order cannot be filled because the products are not in stock, the order is left open until the goods arrive.

Bad debt ratio: The amount of money you believe the customers will never pay, also called uncollectible funds, divided by the total sales, expressed as a percent.

Balanced tenancy: The mix of stores in a planned shopping center chosen to meet the full range of consumers' shopping needs.

Balance sheet: Financial statement that shows the company's assets, liabilities, and owner's equity. The value of the assets must equal the value of the liabilities plus equity.

Base rent: Minimum monthly rent payments excluding pass-through, percentage rents, and all other charges.

Basics: Merchandise that customers need all the time.

Beginning of the month (BOM) inventory: The inventory in the store at the beginning of the month.

Big box store: A large store focused on a broad selection and low prices of a specific category of goods. Big box stores typically have few frills.

Billed cost: Manufacturer's price for goods.

Board of directors: Group of business leaders, typically including a company's CEO and other senior executives, who serve as advisors or supervisors of the company. In a private company, the board has little operating control. However, in a public company, the board represents the shareholders and may be called upon to make major strategic decisions including hiring or firing the CEO, making acquisitions or divestitures, etc. In return they receive either cash or shares of stock.

Book value: Net value of a company as shown on the balance sheets. In successful companies book value is often much less than actual value.

Bottom feeders: Customers who buy clearance merchandise, distressed companies in trouble, etc., at rock bottom prices.

Boutique: Upscale shop designed to present usually expensive merchandise tailored to a specific customer mix.

Breadth: The extent of the selection of merchandise in a department such as, for instance, the number of different styles, colors, sizes, etc.

Breakpack: Process of pulling inner packs from a master carton in order to ship smaller quantities to stores.

Brick and mortar: Traditional retailing in a physical business location as opposed to virtual retailing conducted online.

Business plan: Detailed road map of where a business is going and how it is going to get there.

Buying groups: Organizations that coordinate or pool the buying needs of many small retailers into a larger order with manufacturers or suppliers in order to negotiate better pricing, delivery, and payment terms.

Call tag: A freight carrier's written authorization for customers to return merchandise to the retailer at no cost.

Cash discount: Deductions taken from the cost of goods for performance of prearranged terms of payments. For example, 2/10 means payments within ten days can deduct 2% off the invoice.

Cash flow analysis: Financial statement showing how much money the company had at the beginning of the month, how much money came in through sales and payments, and how much went out as payments to create what was left over at the end of the month.

The cash flow statement may differ greatly from the profit and loss (P & L) statement. For example, a major capital purchase may deplete cash but not impact profit because it has merely converted one form of asset (cash) into another form (the capital good).

Cash on delivery (COD): Goods that are delivered to the store only upon immediate payment for them to the deliverer.

Cash wrap: Shelving and stands surrounding the cash registers.

C corporation: Standard corporation structure that establishes the company as an independent legal entity.

Charge back: Deductions on an invoice taken by the retailer for shortages,

damages, freight allowances, etc.

Clearance: Selling inventory at reduced prices at the end of a season or life cycle to move excess stock.

Clipping service: Companies that are paid to read a broad selection of newspapers and magazines and cut out articles that reference specific subjects.

Closely held corporation: Company controlled by one or a small number of owners.

Closeouts: Merchandise that is no longer being manufactured that is sold at reduced prices to clear out remaining inventory.

Comp store: Comparison of this year's business to last year's in stores that have been open at least one year.

Consideration: For a contract to be valid, the requirement of one party to pay or do something must be countered by the other contracting party giving or doing something (the consideration).

Consignment merchandise: Merchandise that is placed in a store but remains the property of the supplier and is paid for by the retailer only when it is sold. Consignment merchandise usually may be returned to the supplier whenever the retailer wishes.

Cooperative Advertising: Retail advertising for which the supplier pays the retailer's cost.

Cost per thousand (CPM): Term used in media buying that refers to the cost of reaching a thousand people in your target market. (The Roman numeral for one thousand is M.)

Cross merchandising: Using different lines of goods to help sell each other, for example by displaying them together.

Current assets: Company assets that are liquid or can be converted to cash in less than one year.

Customer base: The customers who shop in your store.

Debt financing: Financially, supporting a business with borrowed money that costs interest and, per its terms, has to be repaid. In contrast, equity financing supports a business with invested money that remains in the business, carries no interest expenses, but reduces the percentage of the owner's share of the business.

Deep and narrow: Large quantities of a small selection of merchandise.

Defectives: Merchandise that is incomplete or faulty.

Demographics: Set of objective characteristics that describe a group of people. Includes characteristics such as age, home ownership, number of children, marital status, residence, location, job function, and many other criteria.

Depreciation: The amount an asset is assumed to fall in value each year. This amount may be an actual reduction in the asset's value (such as when a car is expected to wear out in a certain number of years) or set by accounting standards for purposes of collecting profit or taxable profit, even though its value may increase (such as a house).

Depth: The number of pieces of merchandise of a specific item or category in stock.

Distribution: The system by which goods move to retailers from manufacturers via importers, wholesalers, etc.

Dividends: Money from corporate profits paid to shareholders in proportion to their investment.

Doing business as (DBA): The name the business uses for its operations, as distinct from the name under which it is registered.

Earnings before interests, taxes, depreciation, and amortization

(EBITDA): This figure is of key importance when buying or selling a business in that it tells the buyer what he can expect his pre-tax profit to

be, assuming he funds the business so it pays no interest.

E-commerce: Buying and selling products over the Internet.

Electronic Data Interchange (EDI): Method by which orders are transmitted from the buyer to the seller via e-mail.

Employee manual: Document prepared by the company and issued to employees indicating the company's policies and procedures.

Employer Identification Number (EIN): An IRS-assigned number used by the government to make sure your business pays the required payroll withholding taxes for your employees.

Endcap: Display at the end of an aisle.

End of month (EOM) inventory: The inventory in the store at the end of the month.

Equity financing: See Debt financing.

Event marketing: Promotional plans built around outside events (sporting, charitable, local, etc.).

Face out: Merchandise is presented on the shelf with its front showing on the shelf. The advantage is that the product is more visible; the disadvantage is it uses up more shelf space.

Factor: A bank or finance company that buys the receivables from a manufacturer at a discount from their face value. The amount of the discount depends on the percentage of the debt the factor expects to collect. If the receivable is from firms with a strong credit rating, the factor will pay more than if the receivable is shaky. Retailers then pay the factor, not the vendor, for the merchandise.

Federal Trade Commission (FTC): The government agency responsible for enforcing antitrust laws.

Finish out: Structural, mechanical, electrical, and decorating costs involved in transforming a new or previously occupied retail space into a new store.

First cost: The cost of goods before duties and transportation, the true cost of imported merchandise.

Fiscal year: An accounting period of twelve months. Can be the calendar year or a twelve-month period chosen by an organization.

Fixed costs: Costs that, at least in the short run, do not vary in relationship to sales.

FOB factory: Retailer pays all shipping and other charges for transportation, insurance, etc., from the seller's factory onwards.

FOB warehouse: Seller pays all shipping and other charges for transportation, insurance, etc., to the buyer's warehouse.

Franchisor: Business operation that sells the rights to its name, concept, and trade know-how for a limited geographic area to an independent buyer known as the franchisee.

Freelance: An independent individual or company that works, under their own auspices, for one or more companies that assign them specific tasks but provide only general supervision. Like a consultant, they are paid a set rate with no benefits.

Freight companies: Transportation companies who move goods.

Freight on board (FOB): The point where the shipping costs become the responsibility of the retailer rather than the vendor. Title of the merchandise passes from the seller to the buyer at the FOB point.

Freight out: Freight costs for merchandise sent out.

Frontage: Section of the store facing the street or pedestrian walkway.

Generic merchandise: Non-branded products, often copied from branded merchandise but selling for less.

Guaranteed sale: The vendor's promise to take back unsold merchandise and issue a refund or credit.

Independent contractor: A supplier of services who is not an employee and from whose remuneration the employer does not withhold taxes. These are paid by the independent contractor. To qualify as an independent contractor, you have to work independently, use your own tools of the trade, be under only general supervision of the employer, and (usually, but not necessarily) work for several different employers.

Commission sales reps who work for several firms and workmen such as plumbers and carpenters who are retained for specific jobs are typical of independent contractors.

Independent retailer: Stores not associated with a chain.

Industrial espionage: Practice of collecting information about competitors through devious methods. Using public information sources is not espionage, but obtaining it from a competitor's employee is.

Initial markup: Difference between cost of goods and the original retail price.

Inventory: The dollar value of the stock on hand at the store and at the warehouse. Taking inventory is the act of physically counting and recording the quantities of merchandise on hand.

Jobber: A distributor or middleman who buys merchandise to be resold to retailers.

Job description: Detailed listing of the duties to be performed by the person filling the job. This is an important benchmark against which to measure future performance, especially if lack of performance forces you to fire an employee.

Keystone: Retailing term that sets a selling price for merchandise at double its cost. If you buy an item at \$10.00 and sell it at \$20.00, you are marking it up at keystone. If you are selling at \$30.00, that's double keystone.

Kiosk: Booth or stall set up in a shopping center to sell goods. May be temporary or permanent.

Landed cost: The total cost of imported merchandise once it arrives in the country. Landed cost includes first cost from the manufacturer, duties, transportation, and insurance.

Layaway: Storing merchandise for a customer for a later purchase usually requiring a deposit and a time limit for complete payment to be made.

Letter of credit (L/C): An agreement from the bank assuring a vendor that it will be paid for the merchandise once it is delivered according to preset specifications regardless of the buyer's financial condition, thus eliminating the seller's risk. The buyer has to have adequate credit to satisfy the bank and pays the bank a small commission for this guarantee.

Liabilities: Amount owed including accounts payable, loans, credit card debt, taxes due, etc. Short-term liabilities are those that have to be paid within twelve months. Long-term liabilities are those due in more than twelve months.

Licensing: Fee paid to use a name, product, or know-how for a given period of time and in a specified geographical area.

Life cycle: Many products go through four phases between market introduction and eventual demise: introduction (birth); maturity (middle age); decline (old age); and death. Thus, like people, products have a lifecycle.

Limited Liability Company (LLC): Form of corporate structure that provides business owners with personal liability protection but taxes corporate profits or losses at the individual level.

Limited partner: A partner who invests money but does not participate in the daily operations of the business. This partner is liable only for the amount of money invested. The general partner runs the business and is paid for his services.

Liquid assets: Anything the company owns that can be quickly turned

into cash, such as accounts receivable, current finished goods inventory, and financial instruments (e.g., stocks and bonds).

Logo: The stylized representation of the name of a business.

Loss leader: Product intentionally sold at a loss to attract customers.

Maintained markup: The average markup of an item sustained over a period of time, usually six months or longer.

Markdown: The difference between the original retail price and the reduced price.

Marketing: Process associated with the selling of goods or services to more people than you can approach personally. The art and science of marketing includes product development, package and logo design, pricing, market research (to determine the consumer acceptance of these aspects of the product), advertising, sales promotion, merchandising, and public relations to make people aware of the product.

Market niche: Defined segment of the market with a need for a particular product or service.

Market share: Sales of a company or product as a percentage of total sales of that category of products in a defined area (i.e., a single store, a town, state, country, etc.).

Market trip: Organized visit by a buyer to the place from whence they are buying their products.

Merchandising: Selecting, pricing, displaying, and advertising items for sale in a retail store.

Merchants' association: Organization formed and controlled by a group of merchants (often the tenants of a single mall or other group location) to plan promotions and advertising to benefit all the businesses in the area.

Minimum: Smallest amount of goods a supplier will allow you to purchase, expressed either as a dollar amount or a physical quantity.

Mom-and-pop store: A store that is small and operated by people who appear to be members of a family.

Net income: Money left over after all expenses.

Net 30: Credit terms extended by a supplier where the retailer pays the full amount of the purchase within 30 days of shipment.

Non-compete clause: An agreement employees or suppliers sign indicating they won't use your ideas or business methods on behalf of a competitor or start their own business in direct competition to you.

Non-competes are tricky. If you try to tie an employee up too tightly, the courts may hold that you are depriving that employee of the ability to earn a livelihood, and will strike down the contract. Generally, the more you pay the employee for the non-compete and the more limited its scope, the more enforceable it will be.

Off price: Merchandise that is purchased for less than regular price.

Off-price retailing: Stores offering well-known brands of merchandise at substantially lower prices compared to conventional stores handling the same brands.

Open to Buy: Most retailers establish a maximum level of inventory they can afford to have on hand. The Open to Buy is the amount of merchandise the retailer can still buy before reaching that ceiling.

Opportunistic buy: Buying products at far below their original price because a vendor is overstocked.

Outsourcing: Contracting with outside people or companies to provide services that were previously performed in-house by employees.

Partnership: Formed when two or more people share ownership of a business.

Planogram: Structured plan for displaying a line of merchandise on the shelf so as to maximize their visibility and sale. For example, a store

might have a planogram for its detergents that would specify that Tide (its bestseller) had, say, ten shelf facings while lesser brands had fewer. By following the planogram, restocking shelves remains orderly and as planned.

Point of Sale (POS): Computer register system used to record sales by item, department, etc. The information is used to help make merchandising decisions and capture financial information.

Power retailers: Merchants with sufficient financial strength, marketing skills, and desirable content to enter any market they want.

Pre-paid: Vendor pays freight to store.

Price point: Various price categories. For example, one price may be for good products, another for better products, and a third for best products.

Price sensitive: Tendency for the demand for an item to be strongly affected by its price.

Price war: When two or more competitors try to beat each other's prices, possibly intending to drive the weaker competitor out of business or, at least, reduce their business substantially. They undercut each other's prices systematically, sometimes to such an extent that they are losing substantial sums of money on the price war "footballed" items.

Private label: Brands owned by a retailer or retail group rather than by a manufacturer.

Profit and loss statement (P & L): An accounting report that shows revenues, costs of goods, gross profit, expenses by major category (including depreciation and amortization), pre-tax profits, taxes, and after-tax profit.

Purchase order: The form used to place an order and give written authorization to a vendor to deliver specified merchandise at a stipulated price. Once accepted by the vendor, the purchase order becomes a legally binding purchase contract.

Rate card: The price list used primarily in advertising that lists costs based on the size of the ad, the length of a commercial, the positions of the advertising within its medium, and how often it is repeated.

Reach: Number of persons exposed at least once to a message during an ad campaign.

Receiving: The physical process of taking possession of merchandise.

Resale number: State issued identification number that permits retailers to buy merchandise without the vendor having to pay sales tax. When the retailer then sells to a person or entity that has no resale number, the seller is required to collect the tax from the purchaser and pass it on to the state.

Returns: Products sent back to the vendor for refund or credit against future sales.

Run of paper (ROP): Newspaper advertising term that applies to advertisements that the publisher can place anywhere in the paper.

Sales rep: Person or company representing the manufacturer in the sale of its goods.

S corporation: A corporation whose profits and losses pass directly through its owner(s).

Seasonal merchandise: Goods designed to sell only during specified seasons. *Seasonal* may be literal (such as summer clothing) or figurative, such as the Christmas or Easter seasons.

Secured line of credit: Line of credit that is guaranteed with collateral.

Short-term loan: Loan due within one year.

Show special: A price incentive offered by manufacturers to induce buyers to place orders at a trade show.

Shrinkage: Loss of merchandise at retail caused by shoplifting, internal theft, or bookkeeping errors.

Slotting fee: The price retail chains demand to stock an item they do not carry. The amount of the slotting fee may vary with the space, display, and promotional support to be allotted to the new item.

Small Business Administration (SBA): The government office that provides counseling and business plan evaluation for small businesses.

While it does not lend money, it guarantees bank loans for small business people who could not otherwise qualify for them.

Sole proprietorship: Business is transacted for which the single owner is personally responsible (as compared to a corporation, the debts of which are normally not the responsibility of its owners, even if there is only a single owner).

Special order: An order for products not in stock.

Stock keeping unit (SKU): An individual item of merchandise. Each item is normally recorded in the retailer's books by manufacturer, style, number, size, color, and unit price.

Substitution: When a vendor substitutes one style for another on an order. This can happen with or without the retailer's permission.

However, retailers are not obligated to accept the substitute product if they have not approved it.

Suggested Retail Price (SRP): The retail price suggested by the manufacturer.

Terms: The payment schedule for goods received.

Trade area: Geographic area from which a store or shopping center will obtain most of its customers.

Traffic department: These vendor departments optimize cost of freight and keep track of shipments to their customers.

Triple net: Name applied to a payment for leased space that includes rent, taxes, insurance, and common-area maintenance charges.

Turnover: Number of times the average investment in merchandise is bought and sold during a given time.

Universal Product Code (UPC): The bar coding system for merchandise.

Unsecured line of credit: Line of credit that is not backed by a specific piece of collateral.

Volume: Dollar sales of goods sold during a given period of time.

Return to:



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