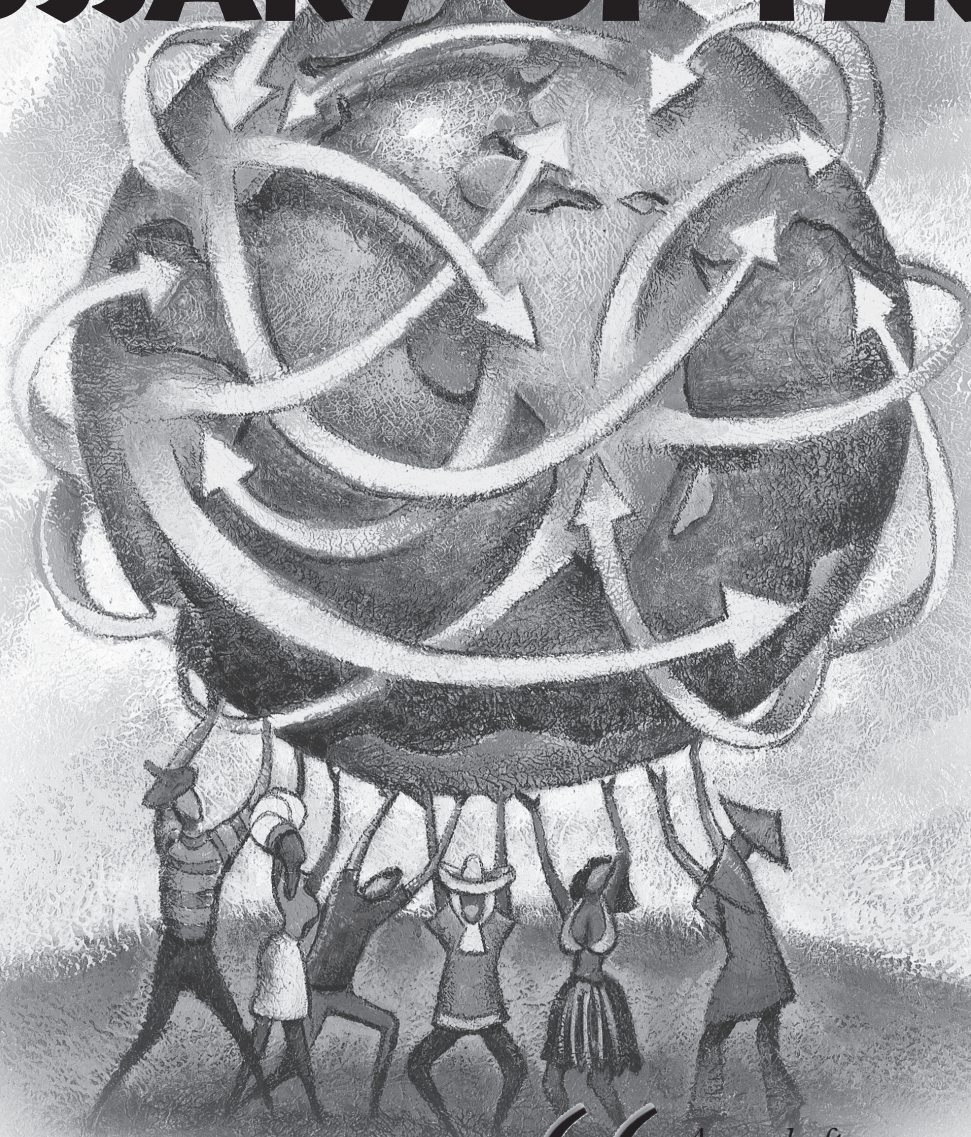


GLOSSARY OF TERMS



“A word after a word after
a word is power.

—Margaret Atwood

”

The Business World is filled with specialized terms. Understanding the business vocabulary will enhance your ability to understand entrepreneurial concepts and allow you to feel less threatened by the language in business discussions.

This section is designed for easy “look up” of common business terminology

and defines acronyms frequently used in business.

This section makes it easy to look up common business terms, and defines acronyms frequently used in business.

acceptance. An agreement to purchase goods at a stated price and under stated terms.

accounts payable. Money owed for inventory, supplies, and other expenses.

accounts receivable. Money owed to a business by customers.

accrual basis. A method of accounting in which revenues are recorded when earned and expenses are recorded when incurred, no matter when cash changes hands.

active investment. An investment in which one is actively involved in earning money, such as owning and operating a business.

ad hoc research. A form of market research conducted to satisfy situational information needs.

adware. Ad delivery systems that are integrated into software applications. Adware will usually continue to generate advertising (e.g., pop-up ads) even when the user is not running the original program.

affective conflict. Unhealthy conflict between team members on the basis of personality and ego. *See also cognitive conflict.*

agent. A representative who normally has authority to make commitments on behalf of the firm he or she represents.

aging report. A list of accounts receivable according to the length of time the unpaid balance has been owed.

amortization. The process of liquidating a cost over a long period of time (e.g., a home mortgage) by periodically making a payment that reduces the principal amount.

arbitration. A system administered by the court system to resolve disputes; it is increasingly used instead of litigation.

arbitration clause. A clause in a sales contract outlining the method under which disputes will be settled. *See also arbitration.*

articles of incorporation. A document filed with a state's Department of Commerce stating why a corporation is being formed and what type of business it will conduct; and serving to register the corporate name.

asset valuation. A method of business valuation that calculates the total assets of the business (building, property, machinery, etc.) to arrive at a value for the business.

assets. Any items of value owned by a business, including cash, accounts receivable, notes receivable, property, and property rights.

assumed business name. The name under which a business operates. Most states provide for registration of assumed business names, which protects the name from misuse by others.

authentication certificate. A digital "ID card" that establishes one's identity when doing business or other transactions on the Web.

balance sheet. An itemized report listing assets, liabilities, and owner's equity at a given point in time.

bankruptcy. The inability of a business to pay its debts.

behavioral segmentation. A form of market segmentation based on observations of consumer browsing and buying patterns, and the effect of marketing on those patterns.

benchmark. A point of reference set to determine progress towards a goal.

bid pricing. Pricing used by organizational buyers in which requests for proposals invite interested sellers to bid on a set of specifications.

bill of lading. A shipping contract that outlines the terms of a shipping agreement and the means by which goods will be shipped.

blog. An online journal that is frequently updated, and offered for general public consumption. Short for Weblog.

blue sky law. A law regulating the sale of securities, real estate, etc., especially designed to prevent the promotion of fraudulent stocks.

board of directors. Individuals elected by shareholders to oversee the management of a corporation. The members of a board of directors are paid in cash and/or stock, meet several times each year, and assume legal responsibility for corporate activities.

boilerplate. The detailed standard wording of a contract. Also known as "fine print."

bonded warehouse. A secure area within a customs territory, where foreign merchandise can be stored without duties being assessed.

brand. A name or symbol that represents a product.

brand identity. The image a business tries to project to customers, communicated by a product's design, benefits, packaging, advertising, and the services delivered along with it.

brand image. The customer's impression of a brand.

branding. Telling the "story" of your business and your product in a compelling and colorful way—one that will give people reasons to buy your product instead of someone else's.

brand management. Management activities related to the development, maintenance, and promotion of a brand.

breakdown forecasting. Looking at one's largest population of customers, then breaking that group down by qualifying criteria such as age, income, and preferences to define the level of sales expected from target customers.

break-even analysis. Identifies the point at which total revenue equals total costs and profits are zero.

break-even point. The sales level at which neither a profit is earned nor a loss incurred. The basic break-even formula is: S (break-even level of sales) = FC (fixed costs) + VC (variable costs). Analyzing the break-even point helps to predict the effects of changing costs or sales levels on income.

broadband. A communications medium capable of simultaneously transmitting a large amount of voice, data, and video signals.

brokers. Professional intermediaries who bring buyers and sellers together. Brokers do not have formal or lasting relationships with either party, and are often used by businesses that need not maintain a full-time sales force.

browser. A software program that allows users to view and interact with pages displayed on the World Wide Web. The most popular browsers, such as Netscape Navigator and Microsoft Internet Explorer, are graphical browsers; these allow users to view text and graphics.

buildup forecasting. Estimating the size of each market segment, then adding them together to arrive at a sales forecast.

buy/sell agreement. A contract that sets forth the terms and conditions by which associates in a business can buy out other associates.

bylaws. Corporate rules that set forth provisions for the annual meeting, size and manner of election of the board of directors, number and duties of the officers, voting requirements for merger, and similar matters.

cable modem. A modem designed to operate over cable TV lines. Because the coaxial cable used by cable TV provides much greater bandwidth than telephone lines, a cable modem can be used to achieve extremely fast access to the World Wide Web.

capital. Cash and/or material assets (e.g., tools, property, and equipment) owned by or used in a business.

carrying costs. The cost of tying up money by holding inventory, plus additional costs like taxes and insurance on inventory.

case study. An in-depth investigation of how target populations do things that are of interest to researchers. A case study usually focuses on a representative of the larger population (e.g., a person, household, company, or community that is thought to be "typical"). A form of market research.

cash basis. A method of recording income and expenses in which each item is entered when received or paid.

cash discount. A discount given to buyers who pay bills within a specified time.

cash flow. The movement of cash into and out of a business.

cash flow cycle. The cash flow cycle represents the length of time that cash is tied up in business operations. If the cycle can be shortened, cash will be freed to begin the cycle again, or to invest in other projects.

cash flow projections. The information in your cash flow projection comes from your other budgets, but it is organized so that cash is highlighted. Preparing cash flow projections helps you anticipate cash shortages, or plan for using excess cash.

cash in advance. A method of payment for goods in which the buyer pays the seller in advance of the shipment of the goods. Usually employed when the goods are built to order.

cash receipts. Cash generated from sales, accounts receivable, and loans.

causal research. A form of market research that examines the impact of independent variables (e.g., the incidence of smoking) on dependent variables (e.g., the mortality rate from lung cancer).

certificate of origin. A document certifying the country of origin for goods, used in foreign commerce.

certified public accountant (CPA). An accountant certified by a state examining board as having fulfilled the requirements of state law to be a public accountant.

CET. *See common external tariff.*

CFR. *See Code of Federal Regulations.*

change management. The process of planning and implementing a smooth transition from one organizational structure or business process to another.

channel of distribution. *See distribution channel.*

channel partners. Businesses that act as intermediaries to help other businesses buy, sell, assemble, store, and display products.

chargebacks. A refund given by a credit card company to a cardholder; when a customer disputes a credit card bill, the credit card gives the customer the money back, and then “charges back” the merchant, often adding a fine to the refunded amount.

chat room. A virtual area on a Web site where users can instantaneously communicate with other people who share similar interests.

civil law. The body of laws regulating ordinary private matters, as distinct from laws regulating criminal, political, or military matters.

closely held business. A business owned by a small number of persons (usually under 25) whose interests in the business are not publicly traded.

code of federal regulations (CFR). The general and permanent rules of the federal government, as published in the Federal Register.

COGS. *See cost of goods sold.*

cognitive conflict. Productive, healthy debate between team members that ideally leads to a group solution transcending individual capabilities. *See also affective conflict.*

collateral. Assets pledged to a lender to secure or support a loan.

collection payment method. A bank is the middle party between the buyer and the seller. The bank pays the seller for the goods; in order to obtain them, the buyer must pay the bank for them. The goods serve as collateral for the bank if the buyer defaults on the deal.

common external tariff (CET). A common tariff that members of a customs union, common market, or economic union impose on nonmembers.

common law. Law created through judicial application of precedent.

common market. This type of trading bloc is similar to a customs union, with the important difference that it permits unrestricted movement of labor and capital between its member countries.

competitive analysis. Assessing your prospective market’s overall attractiveness. A competitive analysis has three components: industry analysis, competitor analysis, and SWOT analysis.

competitor analysis. Analysis of your competitors’ strengths and weaknesses, both actual and potential.

compound interest. Interest earned on the principal and on previously accumulated interest.

concentrated marketing strategy. Selling a single product to a single market segment.

consideration. An exchange of value that passes between the parties to a legal contract.

consequential damages. Damages awarded for expenses incurred as a direct result of a breached contract.

consumer database. Demographic or financial information about individual consumers gathered from applications for credit, drivers’ licenses, or telephone service records.

consumer orientation. A policy of adapting the processes and products of one’s business to the wishes or needs of customers. *See also product orientation.*

consumer promotions. Short-term sales promotions to consumers.

contingency planning. Considering possibilities for disruption of your usual business activities, and developing a means of continuing your business should those disruptions actually occur.

continuous budget. A budgeting technique in which twelve months are always shown, with a new month added constantly.

contract management. Practices that keep a contractual relationship running smoothly, such as scheduling meetings with partners, setting performance checkpoints, creating a stable operating environment, and establishing a method of achieving goals despite the uncertainties of the market.

convergence. An accelerating process of integration and interoperability between communication and networking devices.

cooperative advertising. Advertising in which manufacturers and retailers pool their resources to promote both the product and the store. The manufacturer offers retailers an allowance to advertise the manufacturer's product, allowing retailers to include the name of their store.

copyright. The exclusive right to reproduce, sell, publish, or distribute literary or artistic work (i.e., works of authors, composers, and other artists). *See also intellectual property.*

corporate shield. Protection against personal liability offered by a corporation.

corporation. A group of persons authorized by the state to function as a separate legal entity, with privileges and liabilities distinct from those of its individual members.

cost of goods sold (COGS). Costs associated with the sale of a product or service, which may include materials, freight, direct labor, and overhead.

cost-plus pricing. A basic pricing method in which a business determines its costs, then adds a percentage to achieve a desired profit margin.

country risk analysis (CRA). Analysis of the financial risks that may arise from the political, economic, or social instability of a country.

CPA. *See certified public accountant.*

CPS. *See current population survey.*

CRA. *See country risk analysis.*

cradle to cradle design. A highly efficient form of design in which end-of-life products are reutilized as inputs for new products, resulting in minimal use of energy and production of waste.

credit risk insurance. A form of insurance that protects the seller against loss due to default on the part of the buyer.

criminal law. Concerns the rights of society versus the actions of individuals.

culture. The beliefs, norms, values, and customs that define a business or a country.

current liabilities. Monetary obligations due to be paid within one year (e.g., accounts payable,

wages payable, taxes payable, current portion of long-term debt, interest, and dividends payable).

current population survey (CPS). Monthly survey conducted by the Bureau of the Census. It provides estimates of the number of persons working, the number unemployed, and related employment data.

current ratio. Current assets divided by current liabilities, indicative of whether or not a business has sufficient current assets to meet its current debts. The higher the ratio, the more likely it is that a business will be able to meet its current obligations.

customer orientation. A primary focus on the needs of customers. *See also product orientation.*

custom marketing strategy. Segmentation of a target market down to the individual.

customs. A government authority that regulates the flow of commercial goods into and out of a country, and collects duties levied upon imports and exports.

customs broker. A person or firm licensed by the Treasury Department to enter and clear goods through customs.

customs union. A group of countries among which goods pass free of trade barriers, but which impose a common external tariff on countries outside the union.

debt financing. Business financing that normally requires periodic interest payments, and repayment of the principal within a specified time.

debt to equity ratio. The relationship of creditors' money to owners' money in a business, indicating the extent to which a business is dependent upon borrowed funds.

demographic data. Data that describe the specific characteristics of an individual, such as age, level of education, occupation, income, marital status, and address. Businesses gather demographic data to discover who and where their customers are. *See also psychographic data.*

demographic segmentation. A form of market segmentation based on demographic data.

deposits in transit. Deposits that have not yet been posted by the bank.

depreciation. The portion of the cost of tangible operating assets (such as buildings or equipment) recorded as expense for the accounting period; results from spreading out the cost of long-lived assets over several years.

digital subscriber line (DSL). Digital subscriber lines carry data at high speeds over standard copper telephone wires. With DSL, data can be delivered about 30 times faster than through a standard modem. Also, DSL users can receive voice and data simultaneously, so small offices can leave computers plugged into the Net without interrupting phone connections.

direct exporting. Sale by an exporter directly to a buyer located in a foreign country.

directive leading. A management style based on one-way communication, in which a boss tells workers what to do, and when and how to do it. *See also supportive leading.*

direct labor. For a manufacturer, labor costs that can be directly traced to the products.

direct loans. Loans made by the Small Business Administration directly to a small business.

direct mail. Presenting a product or service to the customer via mail, without the use of middlemen.

direct marketing. Presenting promotional information to prospective consumers via door-to-door selling, telemarketing, direct mail, catalog, or the Internet; any presentation of a product or service directly to the consumer, without the use of a middleman.

direct materials. For a manufacturer, those materials that become an integral part of a finished product.

direct writer. A type of insurance agent who represents only one insurance company.

discretionary income. Amount of spendable or savable income available after providing for basic necessities such as shelter, food, clothes.

distributor. An agent who sells directly for a manufacturer and maintains an inventory on hand.

distribution channel. An organized system of interrelated marketing institutions that promotes the physical flow of goods and services from the producer to the consumer or end-user.

dividend. A share of profits paid to stockholders of a corporation.

doctrine of primary actor responsibility. States that a person is always responsible for his or her own actions, regardless of whether they occur in the context of a corporation or sole proprietorship.

documents against payment (D/P). A type of payment for goods in which the documents transferring title to the goods are not given to the buyer until he has paid the value of a draft issued against him.

domain name. A name that locates the Website of an organization or other entity on the Internet (e.g., www.nxlevel.org).

double taxation. Taxation of both corporate net income and stockholder dividends.

duties. Taxes levied by a government on the import, export, or use and consumption of goods. Duties are based on a given country's preset tariff rate.

e-commerce. The buying or selling of products, information, or services over the Internet.

economies of scale. A mass production concept: the more goods are produced with the same machinery and overhead, the lower the per-unit cost of the goods.

EDI. *See electronic data interchange.*

electronic data interchange (EDI). In a similar way to e-mail, EDI allows users to exchange business documents—such as invoices, delivery notes, orders, and receipts—over the telephone.

EIN. *See Employer Identification Number.*

e-mail client. A software application that runs on a personal computer, enabling the user to send, receive, and organize e-mail.

EMC. *See export management company.*

employer identification number (EIN). An identifying number of a business entity, obtained from the IRS by filing application form SS-4.

environmental management system (EMS). A management structure that supports development, implementation, achievement, review, and improvement of environmental policies.

environmental scanning. A form of country risk analysis in which analysts scan cultural,

political, legal, and economic environments for business opportunities or threats.

equity. The amount of the owner's investment in the business; what remains after total liabilities are subtracted from total assets. Also called "net worth."

equity financing. An investment received in exchange for partial business ownership. The investor's financial return comes from dividend payments, and from growth in the net worth of a business.

estoppel. A rule of law requiring that a party who leads another party into believing that a contract exists between them must perform as per the terms of that contract.

ETC. *See export trading company.*

exit limits. A predetermined point at which a businessperson will decide to get out of a business. Exit limits act as a safety net against personal and professional loss.

expediting. Moving orders quickly and efficiently by ensuring the supplier's commitment to a scheduled shipping date.

expenses. Assets spent in order to operate a business; expenses are subtracted from total revenues to determine net income.

exploratory research. A type of market research that tries to reveal what consumers really think about a given product; its methods include customer interviews, case studies, focus groups, and unobtrusive observation.

export declaration. A formal statement made to the director of customs, describing goods being exported.

exporting. Sending goods to a foreign country.

export license. A permit required in order to export certain commodities to certain destinations.

export management company (EMC). An organization which, for a commission, acts as a purchase agent for either a buyer or seller.

export management system. A program designed to ensure compliance with Export Administration Regulations, thus reducing the risk of inadvertently exporting to an unauthorized party or for an unauthorized end use.

export merchant. A producer or merchant who sells directly to a foreign purchaser without go-

ing through an intermediary such as an export broker.

export trading company (ETC). An ETC facilitates the export of US goods and services. Like an EMC, an ETC can either act as an export department for producers, or take title to the product and export for its own benefit. Most frequently, ETCs take title to the goods and pay the exporter directly.

express contract. A contract whose terms are in words or writing.

extended producer responsibility (EPR). A program under which the producers of hazardous materials or waste products are required to take back, reuse, or recycle goods that would otherwise pose a disposal problem for municipalities. The cost of EPR policies to producers are generally passed on to the consumer, reflecting a more accurate cost of production. (In states without EPR programs, consumers usually pay for disposal costs through taxation that funds municipal waste programs.)

factoring. A method of financing in which a business sells its accounts receivable at a discount for cash.

fair trade. A system of international commerce based on forming more equitable relationships between producers in impoverished countries and consumers in wealthy countries. The goal is for producers to receive a greater share of what consumers pay for the goods than they do under normal trade arrangements. To this end, a fair-trade organization pays producers more than the market rate, provides credit to the producers, builds long-term relationships with them, encourages them to form democratic co-ops, encourages ecologically sustainable production, and bypasses intermediaries between producers and consumers.

feasibility study. Research and analysis intended to determine whether a business opportunity is worth pursuing.

Federal Insurance Contributions Act (FICA). Legislation under which taxes are levied for the support of Social Security.

FICA. *See Federal Insurance Contributions Act.*

financial intermediary. A financial institution that acts as the intermediary between borrowers and lenders. Banks, savings and loan associations, finance companies, and venture capital

companies are major financial intermediaries in the United States.

financial statements. Accounting reports that generally include a Balance Sheet, an Income Statement (also called a profit & loss statement), a Statement of Owners' Equity, and a Statement of Cash Flows.

financing proposal. A document prepared in order to educate prospective lenders and investors about a business. It communicates the business's financial position, the quality of its management, and the degree of risk it offers.

fixed costs. Costs that do not vary significantly with the volume of output or sales (i.e., utilities, rent, depreciation, interest, administrative salaries). Also, costs that are constant regardless of quantity of products or services sold. See also variable costs.

fixed-price contract. A contract that provides for a specified price (or, in some cases, an adjustable price) for supplies or services, usually within a stipulated contract period. Such a contract places maximum risk and responsibility upon the contractor.

fixed rate. An interest rate that does not change during the life of the loan.

flexible budget. A budget that includes a range of activity levels, used to compare with a budget that reflects actual sales volume.

focus group. A group of 6-12 people interviewed by a professional who asks open-ended questions for the purpose of gathering data about their preferences, opinions, beliefs, and experiences. Also, a group of prospective consumers who participate in a structured discussion of a product or service.

follow-the-leader pricing. A pricing policy based on what industry leaders charge for a given product.

forebearance. The giving up of a right under a contractual agreement. A form of consideration.

foreign sales agent. An agent residing in a foreign country who acts as a salesman for a domestic manufacturer.

form postponement operations. A process in which a manufacturer creates the component parts of a product, but the parts are not assembled until later (e.g., when a customer orders the

final product, customized to his or her specifications).

Four Ps. Product, Price, Placement, and Promotion. These are the elements that must be appropriately balanced in the marketing mix.

free trade. A situation in which there are no regulatory barriers to trade.

free trade area. A type of trading bloc in which member countries trade freely and equally amongst themselves, while maintaining trade barriers with outside countries.

freight forwarder. A corporation that carries on the business of forwarding, but is neither a shipper nor a consignee. The foreign freight forwarder receives compensation from the shipper for preparing documents and arranging transactions related to the international distribution of goods.

full-time workers. Generally, workers who work more than 35 hours per week.

general ledgers. A business record that includes details of all accounts.

general partnership. Two or more persons who jointly own a business. General partners participate fully in management of the business, and their liability is personal and unlimited.

geographic segmentation. A form of market segmentation based on such factors as population density, climate, landscape (e.g., beach versus mountains), and weather.

globalists. Globalists believe that a world government is both inevitable and desirable, and they accordingly pursue policies, laws, and treaties that will implement that end.

globalization. The homogenization of activity and process in global channels of communications, culture, economics, politics, and technology.

goodwill. Intangible assets of a business, generally referring to the difference between the business's market value, and the market value of its net tangible (appraisable) assets.

gross profit. Net sales (gross sales less returned merchandise, discounts, or other allowances) minus cost of goods sold; also referred to as "gross margin."

groupthink. A tendency towards reactionary, consensus thinking that limits the ability of a

group to investigate or appreciate issues and alternatives.

guaranteed loan. A loan made by a financial institution to a small business with a partial guarantee given by the Small Business Association.

historical cost principle. An accounting principle stating that all costs must be recorded at the exchange price of the transaction at the time it occurred.

IGO. *See intergovernmental organization.*

implied contract. A contract whose terms are implied by conduct.

income distribution. The level of personal income found in various segments of a target market.

income statement. A financial report showing revenues earned, expenses incurred in earning the revenues, and the resulting net income or net loss; also referred to as a profit and loss statement.

incoterms. International commercial terms. The purpose of incoterms is to provide a worldwide standard for the interpretation of terms used in international trade.

indemnification clause. A contractual clause that transfers the risk of damages or loss from one party to another.

independent agent. An insurance agent who offers policies from a variety of companies.

independent contractor. A self-employed individual who has his or her own business; has many occasions to do freelance work for others; and is responsible for his or her own acts, contracts, and tax withholdings.

indirect exporting. Selling a product to a US-based intermediary, who then sells it abroad.

indirect forecasting. Gathering of data relating to a target market, in the absence of specific information about that market.

industry analysis. Research that identifies how attractive your industry is, and helps you compete more effectively if you decide to enter a given market.

industry profile. Pertinent information about a specific industry, such as its size, trends, growth potential, and history.

infringement. A breach of a law, right, or obligation.

initial public offering (IPO). The first offering of stock in a company to public investors.

intangible assets. Those assets that literally cannot be touched; these include a business's goodwill, customer lists, and patents.

integrated services digital network (ISDN). A telecommunications standard for digital transmission of voice, video, and data. Ordinary phone lines are used to transmit digital instead of analog signals, allowing data to be transmitted at a much faster rate than with a traditional modem.

intellectual property. Ownership or exclusive rights to processes or other products of intelligent thought, such as trade secrets, copyrights, patents, or trademarks.

intensive distribution. Distributing a product through many retail outlets. Usually used for low-cost "convenience" products.

intergovernmental organizations (IGOs). Organizations sponsored by several governments that seek to coordinate their efforts. Some are regional (e.g., the Council of Europe); some are alliances (e.g., NATO); and some are dedicated to a specific purpose (e.g., the UN Centre for Human Rights, UNESCO).

intermediaries. Businesses or individuals who help a product move through the distribution channel from the manufacturer to the customer.

intermediate-term loans. Loans for three to seven years, which are used for permanent expansion of working capital or to acquire equipment. These loans are generally at a fixed interest rate, and may include a penalty for early repayment of the principal.

internal controls. The policies and procedures a business establishes to assure reliability of its accounting records, to safeguard its assets, and to promote its objectives.

internet. A global network of linked computers that share information using agreed-upon communication standards.

internet service provider (ISP). Commercial companies that provide access to the World Wide Web, often for a monthly fee.

interruption marketing. Marketing methods that require the subject to interrupt an activity or experience in order to view an advertising message. See also permission marketing.

inventory. The raw materials, work-in-process, and finished goods (including merchandise purchased for resale) intended for internal consumption or sale; an asset listed on a business's balance sheet.

inventory turnover ratio. This tells you the average number of times inventory is sold during the year.

investment bankers. Bankers who arrange long-term financial transactions for their clients, often guaranteeing the sale of securities within a certain amount of time and at a specific price.

IPO. See *initial public offering*.

ISDN. See *integrated services digital network*.

ISP. See *Internet service provider*.

JIT. See *just-in-time delivery*.

joint liability. Where one debtor has the right to insist that a co-debtor be joined in the liability. The liability is required to be apportioned among the debtors.

joint venture. A business entity comprising two or more active business partners. Also known as "strategic alliances" or "partnering agreements."

just-in-time delivery (JIT). The practice of producing the exact amount of products needed by customers and delivering them at the exact time they are needed. Businesses that buy from JIT suppliers minimize inventory holding costs and decrease their turnaround time.

key-person insurance. Life insurance taken out by a business on an essential or very important employee, with the company as beneficiary.

LAN. See *local-area network*.

L/C. See *letter of credit*.

leasehold improvement. Any improvement made to leased property. Such improvements become the property of the lessor at the end of the lease, and are categorized as an intangible asset to the lessee.

letter of credit (L/C). A method of payment for goods in which the buyer establishes credit with a local bank, clearly describing the goods to be purchased, the price, the documentation required and a limit for completion of the transaction. Upon receipt of documentation, the bank is either paid by the buyer, or takes title to the goods itself and proceeds to transfer funds to the seller.

liabilities. A business's short- and long-term debts.

liability. Legal responsibility for injury or damage to a person or property.

liability insurance. Insurance covering losses arising from injury or damage to another person or property.

licensing agreement. A legal contract in which a licensor grants the use of specific property rights to a licensee in return for royalty payments.

limited liability company (LLC). A business entity that is a hybrid between a partnership and a corporation. They are highly flexible, provide limited liability to their members, and are not subject to double taxation.

limited partnership. A partnership that allows for general and limited partners; limited partners are usually liable for debts only to the extent of their investment, and have limited or no control over management.

line of credit. Short-term financing (usually from a bank) that is available for a business to borrow against as needed, and that must be repaid within a specific time.

local area network (LAN). A computer network that spans a relatively small area (e.g., a building or group of buildings).

locality-based searching. The ability to search the Internet by geographical location.

localization. The process of adapting a Website, marketing effort, or product to the cultural, linguistic, and political environment of another country.

log files. Files that list actions taken by visitors to a Website. They reveal where visitors are coming from, how often they return, and how they navigate through the site.

liquidated damages. Consequences of breaching the terms of a contract, as set out in that contract.

liquidity. The readiness and ease with which assets can be converted to cash without a loss; generally describes the degree of solvency of a business.

list price. The price that appears on a product line sheet or a catalog, or is quoted by a salesperson. This is a business's official price before any discounts. This is also known as the final selling price.

LLC. *See limited liability company.*

long-term debt. Loans scheduled to be paid back over a period longer than one year.

long-term liabilities. Debt that will not mature within the next year.

long-term loans. These loans are for ten or more years, and are usually for real estate transactions or equipment purchases.

loss leader. Merchandise or services sold at a loss to increase customers, sales of related items, or customer awareness.

machine-to-machine communication (M2M). A system in which machines communicate via wireless sensors, in order to regulate their operations.

MACRS. *See modified accelerated cost recovery system.*

malware. A generic term for any form of malicious software that damages computers or computer files (e.g., viruses, Trojan Horses, and worms).

manufacturer's export agent. A firm that acts as an export sales agent for several noncompeting manufacturers. Business is transacted under the name of the agent firm.

manufacturer's representatives. These are independent salespeople who operate as free agents, representing a large assortment of similar or complementary products.

market. A population segment comprising actual or prospective buyers of a particular product or service.

market analysis. Gathering of data that tell how attractive a given market is for a business.

marketing. All activities meant to influence the sale of goods and services to consumers.

marketing mix. The balance of product, price, placement, and promotion that a business uses to achieve a competitive advantage and sell to a target customer. See also Four Ps.

marketing plan. A document describing how a business will market its products or services; contains information on target markets, product positioning, competitive advantage, and the marketing mix.

market intelligence. Any information that refers specifically to a business's external environment, and affects the demand for old or new products.

market research. The process of gathering information needed in order to make strategic business decisions.

market segment. A unique, homogenous sub-market of a larger market, comprising groups of customers with similar needs and characteristics.

market segmentation. Examining the target market in order to find the market segment that is most likely to generate profitable sales.

market share. The percentage of a market's total sales (in units or dollars) that a business receives.

mark-up. The percentage by which a product's price is increased to achieve a desired profit margin. This is used with cost-plus pricing, and is expressed as a percentage of the price of the product.

mass merchandisers. Stores that sell at lower prices than department stores and specialty boutiques, and offer a broad assortment of products.

materials substitution. Sourcing alternative raw materials in order to reduce one's use of hazardous, toxic, polluting, or unsustainable compounds.

MBDC. *See Minority Business Development Centers.*

mediation. A nonbinding means of settling a contractual dispute through mediated negotiation.

merchandising. The planning and promotion of sales by presenting a product to the right market at the right time.

merchantability. An implied warranty stating that goods are fit for normal use and are of the same quality as similar items produced by others.

merger. A combination of two or more businesses into one.

merger clause. A contractual clause that nullifies any and all existing agreements between the parties to a contract, and affirms that the contract itself is the only valid description of the agreement.

metatags. HTML (hypertext markup language) descriptions of the contents of pages on the World Wide Web. Their purpose is to assist search engines in locating the pages when keywords are entered.

minority business development centers (MBDC). Established to increase the number of minority-owned businesses, help existing firms expand, and minimize business failures.

minority-owned business. For the purposes of the Bureau of the Census's 1987 Characteristics of Business Owners (CBO) survey, businesses owned by Blacks, Hispanics, Asians, American Indians, Alaska natives, and other minority groups.

mission statement. A written statement broadly describing what a business hopes to achieve.

MNCs. See *multinational corporations*.

modem. A modem (MOdulator-DEModulator) is a device that allows computers to communicate using telephone lines. Computer information is stored digitally, but information is transmitted over telephone lines in the form of analog waves. A modem converts digital signals to analog signals.

modified accelerated cost recovery system (MACRS). The system of calculating depreciation used for income tax reporting.

multinational corporations (MNCs). Multinational corporations are large companies that conduct their business operations in several countries. Although transnational corporations (TNCs) are commonly thought to be synonymous with MNCs, they are in fact different in several regards. The primary difference is that TNCs tend to keep their financial headquarters offshore to protect them from taxes. Thus, they lack financial accountability to the states in which they conduct their primary operations.

net present value. A calculation of what future dollars are worth today.

net profit. Sales minus variable costs and fixed costs. Net profit is used as a starting point to measure return on investment for specific products or businesses.

networking. Making contact with a variety of people in related fields to foster communication with additional contacts, or to provide information that goes beyond the reason for the initial contact.

net worth. The total assets of a business minus its total liabilities.

NGOs. See nongovernmental organizations.

niche market. A special segment of a market, often defined in terms of particular buyer characteristics, which a given business is particularly well suited to target.

noncompetition agreement. A contract that restricts an employee or owner from competing against a former business or employer. These contracts are permitted if they are limited in time and geographical area.

nondisclosure agreement. A contract whereby a person or company agrees not to disclose trade secrets.

nongovernmental organizations (NGOs). International organizations that take a position of advocacy on social, economic, or political issues.

objectives. The goals a business wishes to achieve.

occupational safety and health administration (osha). A federal agency under the Department of Labor that issues standards and rules for safe working conditions, tools, equipment, facilities, and processes; and conducts compliance inspections.

office of small and disadvantaged business utilization (osdbu). Located within nearly every federal department to assist minority-owned businesses with selling to the government.

offshoring. Outsourcing to workers or suppliers in a foreign country.

operating agreement. An agreement among the members of a limited liability company, or parties to a partnership, that serves much the same function as a corporation's bylaws.

operating expenses budget. A budget that estimates the amount of capital required to operate a business over a specified period of time.

operating lease. A lease that usually provides for maintenance service, is cancelable, and lasts less than the expected economic life of the asset.

operational planning. A planning process focused on short-term actions (usually one year).

opportunity costs. The cost of an activity in terms of foregone or sacrificed alternative uses of one's assets. This concept can most easily be formulated as "amount of product B one must give up to produce a unit of product A."

ordinances. Local regulations that cover zoning and building codes, requirements for business licenses, road restrictions within the municipal territory, signage regulations, and so forth.

organizational chart. A chart diagramming the managerial structure of a business, designating specific areas of responsibility.

OSHA. *See Occupational Safety and Health Administration.*

OSDBU. *See Office of Small and Disadvantaged Business Utilization.*

outsourcing. The hiring of independent contractors to assist with business operations. *See also offshoring.*

outstanding checks. Checks that have not yet been cashed by the payee.

overhead. The regular ongoing operating expenses of a business, including rent, utilities, upkeep, taxes, administrative salaries; costs not directly associated with the product/service.

owner's equity. The amount owed by a business to its owner.

part-time workers. Employees working fewer than 35 hours per week.

passive investment. An investment in which one is not actively involved in generating money, such as a savings account or the stock market.

patent. Governmental granting of exclusive rights for a specified period of time to the inventor of an invention or process.

penetration pricing. A pricing policy that sets an attractively low price in order to enter a new market, or gain market share.

performance bond. An indemnity agreement to protect against loss due to breach of contract; also called a "contract bond."

performance reports. Reports to management that compare actual results to budgeted amounts and indicate variances.

permission marketing. A form of advertising in which the subject consents to view an advertising message in return for a tangible or intangible reward. *See also interruption marketing.*

personal financial statements. Financial documents of an individual, often requested by financial institutions from the borrower or guarantor of a loan; generally includes a balance sheet and tax returns from the prior three years.

personal guaranty. A contract where the individual acts as a surety or guarantees the obligations of another. Most often used by lenders dealing with a closely held corporation, where principal shareholders must sign personally.

personal selling. An element of the promotional and sales mix that involves one-on-one communication between a sales representative and a customer.

PEST analysis. Analysis of how the political, economic, social, and technological environments affect business.

phishing. A form of cybercrime that lures victims into revealing credit card or other financial information by sending counterfeit e-mails that purport to be from a legitimate, well-known business.

piggyback marketing. An arrangement in which one manufacturer or service firm, typically a large one, distributes the product or service of a second firm, typically a smaller one.

point-of-purchase displays. Promotional displays in stores (e.g., window displays, display racks, and banners).

point-of-sale data. Marketing data obtained from cash register scanners.

political and economic union. This type of trading bloc is essentially a common market with a greater level of integration between member

states, which may include adoption of a common currency and monetary policy.

political risk analysis. A form of country risk analysis that usually focuses on such political issues as governmental stability, the likelihood that a business will be nationalized, new tax policies and their likely impact on foreign businesses, and so forth.

polluter pays principle (PPP). A concept stating that industries must pay for clean-up and disposal of their own wastes, rather than passing the task and its associated costs onto municipalities. The cost of clean-up or disposal is added to the price of the product and passed onto the consumer, thereby reflecting a more accurate cost of industrial production.

pollution prevention (P2). A program businesses can implement to reduce or eliminate generation of hazardous and nonhazardous wastes.

preferred stock. A special class of stock, often non-voting, which is given priority over common stock as to dividends.

premium pricing. Pricing above market value in order to evoke perceptions of quality and prestige.

price elasticity. The extent to which changes in price affect consumer demand. When demand is affected by a price change, demand is elastic. When demand stays the same despite a price change, demand is inelastic.

price promotions. Short-term discounts offered by manufacturers or retailers to encourage customers to try a product.

primary data. These are data collected directly by a market researcher for the purpose of answering questions about customers or markets. This may involve observing customer behavior, or designing questionnaires and surveys to learn more about a representative customer population. See also secondary data.

prime contract. A contract awarded directly by the federal government.

principal. The dollar amount originally borrowed or financed, on which interest is paid; also referred to as the “face amount” of a loan.

product. All of the tangible and intangible features and benefits offered by a business. This can be a physical product or a service.

product diversification. Producing new products in order to compete in new markets.

production budget. A budget that estimates the amount of capital and labor needed to produce a specified amount of goods over a specified amount of time.

product life cycle. The phases a product or service goes through as a result of changes in consumer demand and competition. Phases include introduction, growth, maturity, and decline. These affect the marketing strategy a business uses.

product line. The collection of products or services that a business offers.

product orientation. A focus on product or production methods instead of customer needs. This can lead to producing products that customers reject. *See also consumer orientation.*

product positioning. The way a product is priced, promoted, and placed in the market. Businesses use positioning strategies to maximize their competitive advantage and differentiate their offerings from those of competitors. Products are frequently “repositioned” to highlight a new feature, or to target a new market niche.

profit. Total revenue, minus total costs.

profit margin. The amount of each sales dollar that represents net income, usually stated as a percentage; net income divided by sales.

promotional allowance. Price discounts offered by a manufacturer to retailers in exchange for advertising the manufacturer’s products. See cooperative advertising.

promotional mix. The strategies and tactics a company uses to communicate the benefits of its products or services to target customers. These include advertising, personal selling, public relations, networking, sales promotions, and direct mail.

psychographic data. Data dealing with the activities, interests, and opinions of a target population; in marketing, such data are valuable in understanding target consumers’ buying decisions. *See also demographic data.*

publicly held corporation. A corporation whose stock is traded publicly, and is therefore registered with the Securities and Exchange Commission.

pull strategy. A marketing strategy in which consumer demand “pulls” the product through distribution channels.

push money. A cash premium, prize, or commission offered for increasing sales of a particular item or type of merchandise.

push strategy. A marketing strategy in which manufacturers “push” a product through distribution channels, towards the end user.

qualitative data. Marketing data that cannot be quantified or counted, such as political beliefs, preferences, and experiences.

quantitative data. Marketing data that can be measured and subjected to statistical analysis (e.g., monthly earnings, number of children, amount of rent paid).

quick ratio. “Quick assets” (cash and other assets immediately convertible to cash) divided by current liabilities. Lenders use this ratio to measure the ability of a business to meet current debt obligations.

quote. An offer to sell goods at a stated price and under stated terms.

responsibility accounting. A method of accounting that associates business activities and costs with the individual responsible for those costs.

radio frequency identification (RFID). A method of wireless identification and tracking using small integrated circuits (“tags”) connected to an antenna, which can respond to an interrogating radio signal. Among other things, RFID tags can be used to locate or track merchandise, materials, and packages.

raw materials. All the materials used in the manufacture of a product for resale.

receivables turnover. This ratio indicates the average number of times receivables turn (are collected) during the year.

retained earnings. A corporation’s accumulated, undistributed earnings.

revenue. The money generated by such earning activities as selling a product, charging rent, or receiving interest on a loan.

RFID. *See radio frequency identification.*

rule of entry. A formal policy by which a family member must have gained a certain amount of work experience with other companies before he or she may join the family business.

sale and leaseback. An arrangement in which a business sells an asset while simultaneously leasing the asset back from the purchaser.

sales agents. Extensions of a manufacturer’s sales force. These intermediaries have more authority to set prices and terms of sale than manufacturer’s agents, and may even take over a manufacturer’s entire marketing effort. Sales agents specialize in specific types of products, and operate primarily in industrial goods markets.

sales forecast. Predicts how much of a product or service will be sold over a period of time.

sales representative. Sales representatives use the company’s product literature and samples to present the product to prospective buyers. A representative usually handles many complementary lines that do not compete. He or she usually works on a commission basis, assumes no risk or responsibility, and is under contract for a definite period of time.

SBA. *See Small Business Administration.*

SBDC. *See Small Business Development Centers.*

SBIC. *See Small Business Investment Company.*

SBIR. *See Small Business Innovation Research Program.*

SCOR. *See Small Corporate Offering Registration.*

secondary data. These data comprise information that has already been gathered and published by someone other than the market researcher. This information might come from academic research studies; articles in magazines, trade journals, or newsletters; census reports; or contact with distributors, middlemen, customers, competitors, or other knowledgeable people in the industry. *See also primary data.*

secured loan. A loan for which the borrower has pledged assets as collateral to the lender.

secure socket layer (SSL). A standard that encrypts all data between a Web browser and a Web server. This enables consumers to submit credit card data and other private information to

an Internet business, without fear of the information being intercepted and misused by a third party.

seed capital. Funding required in the early or growth stages of a business to finance market research, strategic planning, technical research, and product development.

selective distribution. The practice of distributing goods or services through a limited number of intermediaries and outlets. This enables manufacturers to have greater control over the way their products are sold.

settlement range. In negotiations, a range of acceptable possibilities between the best-case scenario, and a minimally acceptable outcome.

shareholder. One who owns shares of stock in a corporation. Along with this ownership comes a right to vote on certain company matters, including election of the board of directors.

short-term debt. Loans that are due within one year.

short-term interest rates. Interest rates for short-term borrowing, usually for a term of one year or less.

SIC Code. *See Standard Industrial Classification Code.*

sight draft. A draft that is payable upon presentation to the drawee.

simple interest. Interest paid on the principal of a loan only, rather than on the principal plus accrued interest.

single-source data. These market research data are integrated from multiple sources to monitor the effect of marketing efforts on a particular customer group over time.

situation analysis. A preliminary look at the market data available, which tells one whether additional information is needed.

skimming. Entering a market with a high price until one satisfies demand or attracts competitors, then gradually lowering the price.

slotting fee. A fee required by a retailer for stocking an item.

small business administration (sba). A federal agency established to provide prospective and existing small businesses with advocacy, financial assistance, management counseling, and training.

small business development centers (sbdc).

Established by Congress in 1980 to join federal, state, and local governments; the educational community; and the private sector in making management assistance and counseling available to existing and prospective small business owners.

small business innovation research program (sbir). A grant program for small businesses that are working to meet the research and development needs of the federal government.

small business investment company (sbic). A federal venture capital program that uses private venture capital firms and SBA-guaranteed financing.

small corporate offering registration (scor).

A program in which security offerings that are exempt from registration with the Securities Exchange Commission can meet state registration requirements with a minimum of cost and regulation.

sole proprietorship. An unincorporated one-owner business, farm, or professional practice.

spam. Unwanted e-mails sent by mass marketers; the digital equivalent of junk mail.

specification buying. Buying products customized to one's own specifications, rather than selecting from a manufacturer's existing product line.

spyware. Computer software that gathers information about Internet users' online activities without their knowledge.

squeeze-out. Techniques employed by one or more owners of a business to remove another owner.

standard industrial classification code (sic code). A numerical code that identifies a business based on its type of business or trade activity.

strategic partnerships. These are much like alliances, but are characterized by more informal arrangements. There is no legal contract between the partners, although an implied contract may exist.

strategies. Plans devised in order to achieve objectives.

stream of earnings. A method of business valuation that derives a company's value from its profit, earnings, or cash flow (or their multiples or present values).

subcontract. A contract between a prime contractor and a subcontractor, or between subcontractors, to furnish supplies or services for performance of a prime contract or a subcontract.

succession. The passing of legal authority over a business to new leadership (which usually—but not necessarily—consists of family members in the next generation), along with the transfer of ownership interest (equity) in the business.

succession plan. A plan, preferably formal, whereby the controlling owners arrange to pass on authority and assets in the family business to the next generation, or to non-family buyers of the business.

supply chain. Comprises all the interdependent business processes and activities involved in the flow of goods from the producer to the consumer, from sourcing of raw materials to distribution of the product.

supportive leading. A management style based on two-way communication, in which employees are encouraged to contribute ideas and participate in decision-making. *See also directive leading.*

surety bond. Bonds providing security from claims filed against a business.

SWOT analysis. A process of examining your business's strengths, weaknesses, opportunities, and threats, and comparing them to those of your competitors.

tactics. Specific actions that support strategies.

tangible assets. Those assets that can literally be touched (e.g., equipment, buildings, inventory).

target market. The market segment whose needs a business tries to anticipate and satisfy.

target return. An established level of financial return on an investment, usually expressed as a percentage of total costs. This guides price setting.

tariffs. Taxes on imported or exported goods.

term loan. A loan having a due date for repayment of longer than one year; most commonly used for equipment, real estate, or other fixed asset purchases.

terms. Conditions or provisions specified for repaying loans or paying invoices; terms usually include the time limit, amount to be paid, and any discount.

test marketing. A way to experiment with a new product or marketing strategy before attempting to act on a larger scale. Test marketing is used for short periods of time.

time series analysis. A type of market research that tracks the responses of a single group of subjects over time.

tort. A wrongful act causing injury to a person, for which a civil action may be brought to recover damages.

total cost analysis. A decision-making approach that aims at minimization of total costs, and recognizes the interrelationship between such variables as transportation, warehousing, inventory, and customer service.

total revenue. Unit price, multiplied by the number of units sold.

trade associations. Organizations formed by members of an industry to advance and protect their interests.

trade discounts. Discounts offered to wholesalers or retailers who perform certain marketing functions on behalf of the manufacturer.

trade promotions. Incentives that businesses offer to retailers and wholesalers for stocking their product.

trademark. A symbol, letter, device, or word that identifies a product; it is officially registered, and grants exclusive legal use to its owner or manufacturer.

trading blocs. Regional agreements that allow for less restrictive trade between member nations, which are usually contiguous (or at least geographically close).

uniform resource locator (URL). The addressing scheme used to link resources on the Web. Just as the post office must have addresses to deliver mail, Internet users and their computers need addresses in order to send and receive messages. A URL has two parts, separated by `://`. The portion before the `://` is the Web protocol. The portion after is the name of the computer the person is using (the host). The name of the host computer may consist of several parts, each separated by a period. The last part tells you what kind of organization owns the computer. For example, gov stands for government, com for commercial organizations, edu for educational institutions, mil for the military, and so forth.

unsecured loan. An uncollateralized loan backed only by the borrower's signature.

URL. *See uniform resource locator.*

value-based pricing. Setting a price based on the perceived value of the product to the customer.

value in use. The overall savings and other benefits a product delivers, which may justify paying a higher price than one would for a similar product without those benefits.

variable rate. An interest rate that changes during the term of the loan.

variable costs. Costs that change significantly in direct proportion to the volume of output or sales. *See also fixed costs.*

venture capital. Money used to finance new or unusual business undertakings.

vertical integration. The strategy of controlling many or all of the sourcing, manufacturing, and distribution tasks required by a business.

viral marketing. A form of online marketing in which an offer or incentive is so attractive that Internet users spread it to one another through word of mouth.

virtual organization. Structure in which organization members in different locations work together using e-mail, phone, fax, and other communication methods.

VoIP. *See voice over Internet protocol.*

voice over internet protocol. A technology for transmitting ordinary telephone calls over the Internet.

warranty. A promise or representation made about goods that becomes part of the deal, and creates an expectation that the goods will conform to that promise.

Web. *See World Wide Web.*

Weblog. *See blog.*

win-win negotiations. A style of negotiation in which one or both parties seek an outcome that will maximize the benefit to each party. *See also zero-sum negotiations.*

work done for hire. A doctrine stating that ideas created while employed or commissioned are owned by the employer or commissioner.

working capital. Resources available to cover short-term expenses, as determined by subtracting current liabilities from current assets.

work-in-process. Materials that are in the process of being made into a finished product.

world wide web. A user-friendly portion of the Internet that allows the use of "pages" featuring graphic displays, fonts, colors, animation, audio, and the like; and permits users to jump instantly from one page to another.

zero-sum negotiations. An adversarial type of negotiations in which one party seeks a total victory at the expense of the other. The term comes from game theory, and is based on the formula $1 + -1 = 0$. In other words, one party's gain (+) is canceled out by the other's loss (-). *See also win-win negotiations.*

zoning. The division of an area into zones that restrict the number and types of buildings and their uses.