Key Terms – Theme 1

Key Term	Definition
Adapting existing products	Finding new products based on the original ones.
Added value	The increase in a product's value as a result of a business producing that product.
Aim	A general statement of what a business wants to achieve in the long term.
Bias	Not representative of the population.
Branding	A distinct identity for a product or business that sets it apart from other businesses and is easily recognisable by consumers.
Breakeven point	The output level where revenue and total costs are equal.
Business failure	The collapse of a business, probably leading to its closure.
Business plan	A detailed document setting out the business objectives and how they aim to be achieved. Includes marketing and financial information.
Capital	The initial money put into setting up a business. e.g. used to purchase machinery or premises
Cash	The amount of money a business has available to spend at any one time.
Cash-flow	Money flowing into or out of a business over a period of time.
Cash-flow forecast	An estimate of cash flows into and out of the business over a period of time.
Closing balance	The total cash a business has available at the end of a time period.
Competition	Other businesses that produce the same or similar goods or services.
Competitive	Being as good or better than other businesses offering similar products.
Competitive environment	The strength of competition between businesses in the same market.
Consumer	A person that uses (consumes) the product.
Consumer income	The amount of money households or consumers have to spend on their needs and wants.
Crowd funding	A small business makes an online appeal for lots of investors to each invest small amounts of money.

Key Term	Definition
Customer	A person who buys or uses goods and services.
Customer needs	What a customer requires when purchasing a product. The four main customer needs are price, quality, choice and convenience.
Demographics	Population factors such as gender or age.
Differentiation	A business making products different to its competitors' products.
Digital communication	Any form of communication that takes place electronically, such as email, text or social media.
e-commerce	Using the internet to carry out business transactions. e.g. promote and sell goods or services
Economy	The system by which money is produced.
Economic climate	The overall state of the economy.
Employees	People who are paid to work for a business.
Enterprise	Entrepreneurial activity or the different skills an entrepreneur needs to possess to be successful. May also mean a business or organisation.
Entrepreneur	A person who takes financial risks, creating a business with the aim of making a profit.
Exchange rate	The value of one currency in relation to another country's currency.
Exports	Goods and services sold to businesses or consumers in other countries.
Fixed costs	Costs that do not change with outputs. (e.g. insurance or rent)
Focus group	A group discussion about a product or market with a small number of existing or potential customers, led by an interviewer.
Franchise	The right given by one business (franchisor) to another business (franchisee) to sell products using its name.
Franchising	Where a business (franchisor) allows another business or person (franchisee) to trade under its name.
Goods	Physical or tangible products businesses produce for customers to buy. May be grown (e.g. fruit) or manufactured (e.g. televisions).
Government taxation	Charges the Government places on goods, imports, individuals and companies to obtain money to fund public expenditure.
Gross profit	The amount of profit a business makes after direct cost of sales have been deducted.

Key Term	Definition
Import	Goods and services purchased from other countries.
Inflation	An increase in the general level of prices.
Insolvency	When a business does not have sufficient cash to pay its debts.
Interest	The cost of borrowing or the reward for saving.
Interest rate	The annual cost of borrowing or reward for saving expressed as a percentage.
Internet	A global system of interconnected computer networks that facilitates a range of services, such as the world wide web and email.
Interview	A meeting of people face to face, often between two people.
Investment	Money used to purchase new machinery or premises to start or run a business.
Labour	Actual or potential workers or workforce of a business.
Legislation	Laws, set by Parliament, that businesses and individuals must adhere to.
Limited liability	Shareholders of the business can only lose the amount they originally invested in the company.
Loan	An amount of money borrowed from a bank for a specified period of time. Repayment of loan and interest over loan period.
Loss	The amount by which a business' costs exceed their revenue.
Managers	Senior employees within a business.
Margin of safety	The amount by which actual or budgeted sales exceed breakeven sales. Shows by how much sales can drop before a loss is made.
Market map	A diagram that shows products in a market, against two features (e.g. quality and price). Used to identify competitors and gaps in the market.
Market mapping	The process of creating a market map to position own business against competitors and identify any gaps in the market.
Marketing mix	The elements (the '4Ps') that a business should use to encourage customers to buy from them. Comprises product, price, place and promotion.
Market research	The process of gathering information about a market (e.g. from existing and potential customers) to inform business decisions.
Market segment	Part of a market where consumers share a particular need, interest or characteristic.

Key Term	Definition
Market segmentation	The process of dividing up a market into smaller groups.
m-commerce	Using mobile technology to carry out business transactions. e.g. using smartphones or tablets.
Net cash flow	The difference between a business' cash inflows and cash outflows for a time period.
Net profit	The amount of profit a business makes after all costs have been deducted.
Objective	How a business will achieve its aim.
Observations	Watch customer behaviour.
Obsolete	Out of date or no longer used.
Online survey	A method to gather information by distributing questionnaires over the internet.
Opening balance	The total cash a business has available at the start of a time period.
Original idea	An idea that has not been done before.
Overdraft	An agreement with a bank to withdraw more money from their account than it holds up to an agreed limit.
Overheads	Expenses a business incurs that are not directly related to making a product. (e.g. rent, insurance, utility bills)
Partnership	A business owned by more than one person. Partners usually have unlimited liability.
Payment systems	Different ways of paying electronically or digitally, such as Contactless or PayPal.
Place	How a product is distributed from the business to the customer.
Pressure group	An organisation or group of people who join together to try to influence business or the government about a particular cause.
Price	The amount of money a business charges customers for a product. Should reflect the value customers place on the product.
Primary research	Information gathered first hand by a business, tailored to their specific needs. Also called field research.
Private Limited Company	A small business owned by family or friends. Owners have limited liability.
Product	A good or service sold to consumers.

Key Term	Definition
Product Life Cycle	The stages in the life of a product from first idea until it is removed from the market.
Profit	The amount by which a business' revenue exceeds their costs.
Promotion	Business activities to make customers aware of its products and to encourage purchases.
Public Limited Company	A large business whose shares are traded on the stock market. Shareholders have limited liability.
Qualitative data	Information collected that is descriptive and not numbers.
Quantitative data	Information collected that is numerical data.
Questionnaires	A set of written questions often with a choice of answers.
Reliable	Whether the market research is representative of the population. Whether similar results would be obtained if the market research was repeated.
Retained profit	Profit made by a business that is not paid to shareholders or owners and used as a source of finance.
Revenue	The income a business receives from sales. Calculated as selling price x quantity sold
Reward	What an entrepreneur receives in return for the risks taken. May be financial or non-financial.
Risk	The possibility that a business will not be successful. e.g an enterprise will not make a profit
Secondary research	Information that has already been collected for a different purpose. Also called desk research.
Services	Intangible activities provided by a business for customers to help them live their lives. e.g. gardening or hairdressing
Share capital	Money raised by selling shares in a company.
Shareholders	Investors who are part-owners of a company.
Social media	Electronic communication that allows users to interact and share messages, images or links online. e.g. Facebook and Instagram
Sole Trader	A business owned by one person. Sole trader has unlimited liability.

Key Term	Definition
Stakeholder	People or groups with an interest in the business or who are affected by the business' activity.
Start-up	A new business, usually with a small number of employees.
Supplier	A business that provides raw materials, components, finished goods or services.
Trade credit	A business receives goods from a supplier but doesn't have to pay for them until later.
Total costs	All costs of a business. Comprises fixed costs and variable costs.
Unemployment	When someone of working age is able and willing to work but is unable to find a job.
Unique Selling Point (USP)	A characteristic that makes a product unique and differentiates the product from competitors.
Unlimited liability	Business owners are personally liable for any business debts.
Valid	Having an accurate basis of facts. Whether the market research measures what was intended.
Variable costs	Costs that change directly with activity. (e.g. raw materials)
Venture capital	Money is given to a small new business from a large existing business or experienced entrepreneur in exchange for a share of the business.

Key Terms – Theme 2

Key Term	Definition
Advertising	A promotional method where a business pays to place an advert in some form of media.
Average rate of return (ARR)	A measure of expected average annual profit as a percentage of the amount initially invested.
Application form	The means by which an applicant provides information to the business when applying for a job. Maybe through online system or document.
Autonomy	The independence or freedom an employee has within their job. e.g. to make own decisions
Bar gate stock graph	A diagrammatical way of managing and monitoring stock levels.
Batch production	Producing a limited number of the same item are produced together as a batch.
Bonus	An amount of money paid to an employee in addition to their salary or wages. Often linked to employee or team meeting set targets.
Branding	A distinct identity for a product or business that sets it apart from other businesses and is easily recognisable by consumers.
Buffer stock	The lowest amount of stock a business should hold to avoid running out of stock.
Business operations	The activities that enable a business to produce and deliver products to customers.
Centralised organisation	Decisions are made by senior managers at head office.
Chain of command	Who is in charge of who within a business' organisational structure.
Commission	An amount of money paid to employees in addition to their (often low) salary. Usually earned based on number of sales made.
Communication	Exchanging information or messages between a sender and receiver.
Competitive advantage	An advantage that a business has that makes their products more appealing to customers than their competitors' products.
Cost of sales	The direct costs of generating sales.
Curriculum Vitae (CV)	A document summarising an individual's details, qualifications and experience. Used for some job applications.

Key Term	Definition
Decentralised organisation	Decisions are delegated to local levels.
Delaying	Reducing the number of layers within a business, making the organisational structure flatter.
Delegation	Managers give tasks to more junior members of staff.
Demand-based pricing	Product prices are based on real-time market demand with prices raised when demand is high.
Differentiation	A business making products different to its competitors' products.
Digital communication	Any form of communication that takes place electronically. e.g. through email, text or social media
E-commerce	Using the internet to carry out business transactions. e.g. promote and sell goods or services
E-newsletter	A regular publication distributed electronically to customers informing them of new products, special offers and other news.
E-tailing	Selling to customers through the internet.
Employee motivation	The desire and reasons for working hard and doing a job well.
Ethics	The moral standards or principles that guide an individual's or business' behaviour.
Exports	Goods and services sold to businesses or consumers in other countries.
External (inorganic) growth	A business grows by joining with another business. e.g. merger or takeover
External recruitment	A vacant job is filled by someone from outside the business.
Financial data	Past, present and future information about the financial health of a business, used to help inform and justify business decisions.
Fixed costs	Costs that do not change with outputs.
Flow production (mass production)	A large number of identical items are produced through continuous movement along an assembly line.
Formal training	Official training programme organised by a business. Structured and organised with clear objectives.
Freelance contract	Self-employed individual contracted by business to work for set number of days or for a certain project.
Fringe benefits	Benefits offered by a business that financially benefit employees but employees do not receive actual money.

Key Term	Definition
Globalisation	The process of increased trading between world economies with businesses trading internationally.
Gross profit	The amount of profit a business makes after direct cost of sales have been deducted.
Gross profit margin	A measure of how profitable a business is at making and selling the goods or services.
Imports	Goods and services purchased from other countries.
In-product pricing	Product costs set and promoted directly within the user experience.
Informal training	Employees learn by observing and talking with colleagues. Unstructured and often takes place 'on the job.'
Interest	The cost of borrowing or the reward for saving.
Internal (organic) growth	A business grows naturally by increasing their production and sales.
Internal recruitment	A vacant job is filled by an existing member of the business. The job is only advertised to the business' existing employees.
Job description	A document setting out the duties and responsibilities of the role.
Job enrichment	Employees are given tasks with greater responsibility.
Job production	Making one unique product at a time. e.g. bespoke items
Job rotation	An employee does several different tasks during the working day.
Just In Time (JIT)	A stock management system where the business orders stock to arrive 'just in time' for when it is needed. No buffer stock is held.
Layers	The levels of different job roles within an organisational structure.
Lead time	The time between placing an order and receiving the stock.
Logistics	The organisation and management of goods and resources within a business to ensure the right resources are at the right place at the right time.
Loss	The amount costs exceed revenue.
Market data	Information relating to the market in which a business operates.
Marketing data	Marketing data is information collected by a business via primary or secondary research and used to help make business decisions. Often a business' internal data.
Maximum stock level	The maximum level of stock that a business can hold at any one time.

Key Term	Definition
Minimum stock level (buffer stock)	The lowest amount of stock a business should hold to avoid running out of stock.
Multinational	A business that operates in more than one country.
Merger	Two or more businesses agree to join together to make a new business.
Net profit	The amount of profit a business makes after all costs have been deducted.
Net profit margin	A measure of overall profitability of the business.
Ongoing training	Regular training for all staff. e.g. monthly
Operating expenses	Business costs not directly related to production or sales.
Organisational structure	The way employees of a business are arranged for communication and control.
Performance review	Meetings between an employee and their line manager to discuss how well the employee is doing at their job and any training needs.
Permanent contract	Contract of employment with no end date.
Person specification	A document setting out the skills, characteristics, experience and qualifications required for a role.
Price penetration	Set low price for product launch.
Price skimming	Set high price for product launch.
Pricing Strategy	The way in which a business sets the price of its product or service.
Pressure groups	An organisation or group of people who join together to try to influence business or the government about a particular cause.
Procurement	The process of obtaining supplies from a supplier including selection of a supplier.
Product trials	Free (or reduced priced) product given as a sample to potential customers.
Productivity	A measure of efficiency of converting inputs into outputs. e.g. output per person
Profit	The amount revenue exceeds costs.
Promotion	Methods a business uses to encourage potential customers to purchase their goods or services. e.g. advertising
Promotion	An employee is given a more senior post (with higher salary) within the organisation.
Quality	Meeting customer needs and expectations.

Key Term	Definition
Quality assurance	Each individual worker responsible for checking quality at their stage of the production process.
Quality control	An inspector or quality controller checks a sample of products at the end of the production line to ensure they meet the business' quality standards.
Re-order level	The point at which a business should order new stock to ensure delivery before they run out of stock.
Recruitment	The process where a business tries to attract new or replacement employees.
Remote working	Working away from the office, often at home.
Responsibilities	The tasks that the employee is required to complete to fulfil their role in the business.
Retailing	Selling products to customers.
Revenue	The income a business receives from sales.
Roles	The different jobs within a business.
Self-learning	Individual improves their knowledge and skills by teaching themselves.
Span of control	The number of employees managed by one manager.
Special offers	Short-term incentives to encourage people to purchase a product.
Sponsorship	Where a business donates money to a team, event or person in return for their name or logo being displayed.
Stock	Raw materials to make a product or finished goods waiting to be sold to customers.
Stock exchange	A place where shares in PLCs can be bought and sold. e.g. London Stock Exchange
Stock market flotation	The process of a private limited company becoming a public limited company (PLC) by issuing shares for sale on a stock exchange.
Supplier	A business that provides raw materials, components, finished goods or services.
Supply chain	The network of businesses and activities involved in getting a product from raw materials to the final customer.
Sustainability	Being able to continue in future without environmental damage.
Takeover	One business buys a controlling (majority) interest in another business.

Key Term	Definition
Target setting	A process where an employee sets goals and identifies training needs as part of their performance review.
Tariff	A tax on imported goods.
Temporary contract	Contract of employment for a set time period.
Trade bloc	An agreement between countries to trade freely.
Training	The process of increasing employee skills and knowledge to enable them to perform their jobs more effectively.
Unique Selling Point (USP)	A characteristic that makes a product unique and differentiates the product from competitors.
Variable costs	Costs that change directly with outputs.
Viral advertising	An advert is shared through social media with people spreading the message to friends and acquaintances.
Zero hours	Individual is employed on a contract but not guaranteed any hours. May be offered no hours or lots of hours each week.