**GLOSSARY OF RETAILING TERMS**

**Specialty Shop Retailing 4th Edition**

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**A/O:** Abbreviation for *at once*.

**account number:** A code number assigned by a vendor to each of its retail accounts.

**accounts payable:** In bookkeeping, the account showing the amounts owed to others, usually for goods and services.

**accounts receivable:** In bookkeeping, the account showing any funds due to the store, usually from customer charge accounts.

**accrual:** In advertising, the amount of advertising allowance available based on a percentage of accumulated purchases during a certain period. In accounting, tracking expenses in advance of the date they are due, as opposed to cash accounting.

**acid-test ratio, quick ratio:** A rough indication of a business’s ability to meet its financial obligations, determined by dividing current liabilities by current assets, such as cash, inventory, and receivables.

**actual cost:** On invoices, the billed cost less any discounts.

**ad (**or **advertising) allowance:** Reimbursement, in the form of cash or merchandise credit, for a portion of the cost of advertising a vendor’s product.

**ad slicks:** Advertisements and illustrations for ads provided to retailers by the vendor, usually on glossy paper and camera ready.

**add-on sale:** Suggested additional items to go with the ones being purchased.

**adjacencies:** Placing related items near each other to encourage impulse purchases.

**advance order:** A purchase order placed far in advance of the ship date. These orders help vendors forecast their needs, so incentives such as *early buy* discounts are sometimes offered. See also **program order**.

**advisory board:** A voluntary group of business peers, customers, and other mentors willing to assist you in making major business decisions.

**affiliates:** On the Internet, two web sites with a mutually beneficial arrangement linking them together. For example, a nonprofit organization might show a banner connected to the site of a retailer agreeing to give back a percentage of all resulting sales.

**allocation**: An amount of scarce merchandise assigned to a retailer.

**allowance:** See **ad allowance; freight allowance**.

**anchor store:** A department or discount store large enough to draw a significant number of customers to a shopping center.

**angel investor:** Someone who invests funds in a business without interest in short-term gain or active participation.

**anticipation:** A discount for early payment offered on a vendor’s invoice. Invoices sometimes specify *no anticipation* to prevent stores from taking discounts not authorized by the vendor.

**as ready:** On a purchase order, specifies that the merchandise should be shipped when available.

**ASAP**: Abbreviation for *as soon as possible*.

**assets:** In accounting, any goods and money owned by an individual or company. See also **liabilities**.

**BO:** Abbreviation for *back order,* merchandise not available when the initial portion of the order is shipped.”

**back order:** Merchandise not available when the first part of an order is sent, to be shipped separately at a later date. Abbreviated as *BO*.

**bait and switch:** An illegal advertising tactic in which customers brought into the store by a low-priced offer are intentionally steered toward a more expensive product.

**balance sheet:** A financial statement showing the total assets and total liabilities of the business, totaled to give the business’s net worth.

**banner:** An ad across the top or bottom of a web site, usually able to serve as an instant link to the advertiser’s site.

**bar code:** A universal product code that can be machine read, showing the distributor’s number, as assigned by the Uniform Product Code Council, and identifying the individual item so that a price can be assigned to that item in the store’s point of sale system.

**beginning of month (BOM):** The inventory at the beginning of a month.

I agree with moving B2B, but I think BOM should stay listed under BOM. Auth.

**big box store:** large, no-frills discount store.

**big-ticket, large-ticket items:** Expensive products.

**bill of lading:** A receipt given by a trucking company to the shipper, stating the nature and quantity of the goods being shipped.

**book inventory:** The dollar value of the inventory, as stated in accounting records.

**BOPIS**. Buy online, pick-up-in-store. An option that allows shoppers to complete a purchase on the Internet and then come to the store to pick up the merchandise. Also called *click and connect*.

**bottom line:** The profit or loss line on the income statement.

**branding:** Visual images and other components that contribute to how a consumer identifies a product or store. Cobranding is putting a company’s brand on a secondary item (the Coke logo on a Christmas ornament, for example).

**bread and butter merchandise:** Basic items that should never be out of stock.

**break-even point:** When expenses equal income; the business is neither earning nor losing money.

**breakage insurance:** A cost added to the invoice for insurance against breakage in shipment.

**bricks and mortar:** Internet term for an actual retail store, as opposed to an on-line site. A brick and click business sells both in a traditional retail setting and on a web site.

**bulk rate:** (1) Lower rates on ads earned by agreeing to purchase a certain amount of advertising; (2) lower postal rates available when mailing a large number of pieces at the same time.

**bundling:** Pricing two or more items together as a unit. Can be used to offer customers a savings or to add markup without customers noticing.

**business plan:** A written budget and statement of intent outlining a plan for creating and sustaining a new business.

**business to business (B2B):** A web site or service marketing to businesses, rather than consumers. For example, a vendor’s B2B web site might require a password so that access is exclusive to wholesale buyers.

**buyer’s remorse**: A feeling of regret or guilt after making a purchase.

**buying group:** Independent stores banding together to purchase merchandise in quantity in order to get better prices, terms, and selection.

**buying offices:** Professional buyers located in major market centers, or overseas, who place wholesale orders on behalf of client stores. These companies provide *buying service*.

**COGS:** Abbreviation for *cost of goods sold.*

**CPM**: Abbreviation for *cost per thousand*.

**C-store**: Short for convenience store.

**call system, up system:** In stores with salespeople on commission, a way of rotating who serves the next customer.

**call tag:** Authorization to return merchandise, with the receiver, usually the vendor, paying the freight. For example, a manufacturer might send a UPS or FedEx call tag for the return of some defective merchandise. When the goods are boxed and ready, UPS or FedEx picks up the parcel and returns it to the supplier.

**camera-ready art:** Ads or other items to be printed that are already assembled in a form that can be printed without further alteration.

**cancel date, cancellation date:** The date after which you no longer want a merchandise order to be shipped. You have the right to refuse any goods sent after that date.

**cancellation notice:** Notification from a vendor that products unavailable to ship will not be held on back order.

**capital:** (1) The money raised to invest in a business; (2) the equity the owners of a store have in their business.

**carrying charge:** Interest on unpaid balances.

**carrying cost:** The expense of having money tied up in inventory items as well as providing storage and display space for them. An item purchased at wholesale for $100 may have a much higher carrying cost if it remains unsold for a long time.

**carryover**: Merchandise left after most of an order has been sold or after a season has ended.

**case pack:** A full carton of a single item, sometimes specified as the minimum quantity that can be ordered of that item. Vendors allowing less than case pack orders (broken case packs) sometimes give a lower price on full case packs.

**cash against documents (CAD):** An importing term, referring to the payment for goods being due when proof of shipment documents are presented.

**cash and carry**: A trade show that allows merchandise to be purchased on the spot and carried out rather than being shipped. Credit cards are more common than cash for payment.

**cash discount:** A discount on an invoice when the bill is paid on receipt of the goods or earlier than the due date. Somewhat of a misnomer as payment is almost always made by check.

**cash flow:** The need to generate enough cash from sales to pay the bills.

**cash wrap, cashwrap counter:** The checkout area where customers conduct transactions and have their purchases put in bags or boxes or gift wrapped.

**category killer:** A single store or chain large enough to dominate the market in a certain category of merchandise, such as toys or books, discounting prices and selling in quantities that saturate the marketplace.

**category management:** A recent approach to buying, used by large chains, in which product groups are managed as a unit, using extensive computerized data and with the active cooperation of major vendors, customized on a store-by-store basis.

**channel**: The means by which goods are sold to the consumer, that is, via the Internet, through a catalog, or in a retail store. **Multichannel** operations use two or more of these approaches.

**charge-back:** Retailer deductions from a vendor’s invoice for breakage, freight allowance, advertising, shortages, and so on. Some stores try to take advantage of suppliers by taking unauthorized, and unjustified, charge-backs.

**chart of accounts:** In bookkeeping, the breakdown of expenses and income into various categories.

**cherry-pick:** Carefully selecting choice items from a line of merchandise, usually ordering just these few items instead of a broad assortment.

**classification:** An assortment of related merchandise grouped together within a store. Also called a *category* or *department*.

**click and connect**: see *BOPIS*

**clip art:** Graphics, symbols, or other illustrations that may be used for some purposes without paying for the rights or obtaining permission from the artist.

**closeouts:** Discontinued merchandise sold by wholesale vendors at a discount. Closeouts often represent a good opportunity to add greater markup as well as offer the goods to customers at a more attractive price.

**CMS, content management system**: software that allows the user to create and manage digital content on a website.

**COD charges, cash on delivery (COD):** A payment method whereby the shipping company collects payment for the merchandise when delivering the goods. An extra fee, called a *COD charge,* is almost always added for COD service and is usually paid by the recipient.

**collectibles:** Merchandise limited in its availability, which sometimes increases in value if later resold by the customer on what is called the *secondary market*.

**column inch:** The unit on which print advertising rates are based. The width of a column inch varies from one publication to the next, but the height is a standard inch.

**commission:** A salary paid to a salesperson based on a percentage of the sales made.

**common area:** Shared public areas in a shopping center, such as the hallways, restrooms, and parking lot.

**common area maintenance:** A lease term referring to paying for the upkeep of sections of the mall or shopping center shared by all tenants.

**common carrier:** Long-haul trucking company using semi trucks to transport large shipments of goods to various delivery points. Also called a less than truckload (LTL) shipper.

**concept store**: A store where the merchandise is focused on a select, targeted customer.

**confirmation copy:** An acknowledgment of the receipt of a purchase order, confirming the prices and quantities ordered.

**consignee**: The recipient of a shipment of merchandise.

**consignor**: The company shipping the merchandise to the consignee.

**consignment:** Goods displayed in the store but not paid for unless sold. The ownership of consignment goods does not pass to the shop until the items are sold.

**contactless payments**: a system of payments powered by near field communication (NFC) that allow customers to complete transactions without physically touching a payment terminal.

**container:** A large, standardized shipping unit for overseas freight shipments by boat or plane.

**contract rate:** The rate charged by a publication for its advertising, depending on the amount of advertising to be purchased over a period of time.

**cooperative:** A business owned and controlled by its users.

**cooperative advertising:** Advertising costs shared by a vendor and the retailer.

**copy:** The verbal text of a print or broadcast advertisement.

**corporation:** A form of business, with one or more shareholders forming a state-chartered organization that functions as an independent entity.

**cost:** The wholesale price of merchandise.

**cost averaging:** Basing the retail price on the median of two different wholesale prices, usually the standard price and a promotional or discounted price.

**cost of goods sold (COGS):** A calculation of the total wholesale cost of merchandise that has been sold, taking into account shipping costs and markdowns.

**counter cards:** (1) Freestanding in-store signs, often with easel backs; (2) greeting cards sold individually.

**credit memo**: A form showing the amount being credited to a store’s account by a vendor, usually in compensation for defective or missing merchandise.

**credit references:** Data provided to new vendors by a store in order to apply for an open account with favorable payment terms.

**cross merchandising:** Displaying complementary but unrelated items in one place, such as red striped mugs, towels, and hats, in order to prompt multiple purchases.

**customer relationship management (CRM):** Developing good customer relations by maintaining a dossier of current and potential customers’ contact information, purchase history, and preferences.

**D & B:** Dun & Bradstreet, a credit reporting firm providing ratings based on statistics provided by the business and its vendors.

**DBA:** A term used to identify the business name an individual is using to *do business as* (e.g., “Joe Smith, DBA Smith’s Florals”).

**DOI:** Abbreviation for *date of invoice*.

**dated order:** A purchase order with a specific ship date required.

**dating:** Delayed payment terms, usually a special arrangement in which seasonal goods are not paid for until close to the time the merchandise will be sold.

**dead merchandise:** Items no longer selling well.

**debt service**: The amount of money needed to meet periodic loan payments of principal and interest.

**deep and narrow:** To order a small selection of items, but in large quantities. The opposite is *shallow and broad,* meaning to carry a broad selection with only a few of each item in stock.

**deferred billing:** For customer charge accounts, an offer to delay the payment due date in order to encourage immediate purchases.

**delivery date:** The date merchandise ordered should arrive in the store.

**demographics:** Statistics describing various features of a group of people, such as where they live and how much they earn.

**depreciation:** The decline in value of major assets, such as furniture and fixtures.

**destination store**: A retail shop that customers are willing to make a special trip to visit.

**direct imports:** Merchandise imported by a store directly from the country of origin.

**direct mail:** Advertising and promotions mailed or faxed to a targeted group.

**discount:** Selling merchandise at a price reflecting less than standard markup. A *discounter* is a store selling merchandise below normal price levels and usually offering reduced customer service.

**discounting (of an invoice):** Taking a cash discount, often 1 to 2 percent, in exchange for paying an invoice earlier than the usual due date.

**display ad:** A print advertisement that uses graphics or pictures.

**distributor:** See **middleman**.

**domain name:** The officially registered name (address) of an Internet site.

**double-entry bookkeeping:** A system of checks and balances in which every entry is listed as both a credit and a debit. Single-entry bookkeeping is like a personal checkbook register, without the balancing of debits and credits, which helps ensure accuracy.

**drop ship:** To have merchandise sent directly from the supplier to the customer, bypassing the store.

**dump:** A disposable freestanding display provided by the vendor, usually featuring a single type of merchandise.

**DYI (do it yourself):** A product requiring the consumer to build or finish it.

**ECR**: Abbreviation for *electronic cash register.*

**ecommerce:** Using the Internet to sell merchandise or services.

**electronic article surveillance (EAS):** Shoplifting prevention tags or devices.

**electronic data interchange (EDI):** Sharing data electronically, rather than on paper. A direct link between the store’s POS and the computer of a major vendor allows for automatic reorders when the store’s inventory falls below a predetermined level. May also be used for tax filing.

**electronic funds transfer system (EFTS):** A processing of a financial transaction in which there is an immediate transfer of money from one account into another.

**EMV:**  An abbreviation for Europay, MasterCard and Visa, this is the global standard for credit cards that using computer chips. i.e. chip cards

**end cap:** The short end of a freestanding gondola display, often used for rotating displays highlighting certain products. In large stores, the end cap displays are at the end of the aisles, attracting customers’ attention to the products in that area.

**end of month (EOM):** (1) An invoice payment term that means the bill is due at the end of the month in which the shipment was made; (2) EOM inventory refers to the inventory value at the end of a month.

**endless aisle**: A means by which a brick-and-mortar store enables customers to browse and shop the retailer’s entire catalog of products, for example by using a kiosk or iPad.

**escalator clause:** A lease term referring to a clause that raises the rent as the building owner’s costs, such as real estate taxes, increase.

**equity, equity financing:** (1) The value owned in a business or property, beyond the amount owed to other parties; (2) financing a business by giving a certain amount of interest, or ownership, in the business in exchange for the investment.

**etailing or e-tailing**: selling goods online; short for electronic retailing.

**exclusive:** (1) The promise that the same line of merchandise won’t be sold to a nearby competitor; (2) the promise that a certain item won’t be sold to any other store or mail order catalog during a certain time period; (3) an item available only through one supplier (as opposed to being trade goods).

**expense:** Money paid out to run the business, such as rent and utilities, but not to purchase merchandise to sell.

**extend:** To extend a purchase order is to multiply the quantity ordered times the price per item, and then to add these extensions together to get the total amount of the order.

**extended terms:** Added time before an invoice will be due.

**face out, facings**: Turning product so that it has maximum shelf exposure. If four of the same item are displayed face out, this is referred to as four facings.

**factor:** A bank or finance company that provides funds to a manufacturer or importer by “buying” please keep quotation marks here its accounts receivable. Payments from retailers are then usually payable to the factor rather than the vendor.

**fair trade:** A trading partnership in which the goal is improved conditions and sustainable development for disadvantaged producers.

**FICA (Federal Insurance Contributions Act):** Social security taxes.

**first cost:** On imported goods, the cost before shipping and customs fees are added.

**fiscal year:** The 12 months that make up the business’s financial year for tax purposes; often, but not always, the same as the calendar year.

**fixed assets:** Long-term assets, such as buildings, furniture, and fixtures.

**fixed costs:** Costs that don’t change from month to month, such as rent. Other expenses, such as utilities, are *variable*.

**flash sale**: A discount event that is limited to a few hours or a day in order to create a sense of urgency.

**flyer, flier:** In advertising, a single-page handout or circular.

**FOB (free on board):** The point at which shipping costs begin to be the responsibility of the store rather than the supplier. Usually used to designate the city or town the shipment will originate from (e.g., FOB New York).

**focus group:** A small group of current or potential customers willing to get together for a discussion about one or two specific issues relating to the business, such as marketing plans and merchandise selection.

**foot traffic:** The daily average of pedestrians passing by the store

**franchise:** A licensing agreement in which the franchisee buys the rights to own and run a store in a specific geographic area based on a concept developed by the franchiser.

**freight allowance:** Credit from the vendor toward the cost of shipping goods to a store. *Full freight allowance* means that the supplier will pay the entire shipping cost up front or reimburse the store for all shipping fees. A *percentage freight allowance*, such as 2 percent, is figured on the value of the goods, not including the freight costs.

**freight claim:** A request for reimbursement from the shipping company for merchandise lost or broken while in transit.

**freight collect:** The trucking company collects payment for the shipping fee on delivery.

**frequency:** The number of times a potential customer may hear or see an advertising message.

**frontage**: The length of the part of a store facing a public street.

**fulfillment**: Receiving, shipping, and tracking orders received over the Internet or by mail or phone.

**full freight allowed (FFA):** See **freight allowance**.

**furniture and fixtures:** The display fixtures, office furniture, and other major furnishings of a store.

**future dating:** See **dated order** and **dating**.

**gift with purchase (GWP):** A free item (often provided by the manufacturer) given to a customer with the purchase of a specific piece of merchandise.

**gondola:** A freestanding, rectangular display with shelves or hooks on the two long sides and room for special displays on the ends, or *end caps.*

**goodwill:** An amount paid in purchasing a business that is usually based on the consistent profitability, or earning power, of the business.

**green retailing**: Taking environmental factors into account in merchandise buying and store practices.

**gross:** (1) The gross profit, or gross margin, is the net sales less the cost of goods sold. This is the profit before operating expenses are deducted; (2) a gross of an item is 12 dozen, or 144 pieces.

**guaranteed sale:** A vendor’s offer of merchandise with a promise to take back unsold goods, usually after a specific time, in exchange for a refund or credit toward other merchandise.

**GWP**: See gift with purchase

**half-shell:** A lease term referring to a structure with added doors, wallboard, and concrete floor, and possibly heat and plumbing.

**hard goods, hard lines:** In housewares, major appliances.

**header:** A sign for the top of a display or fixture highlighting its merchandise.

**high design:** Stylish, contemporary products. Similar to **high fashion**.

**hold, hold slip, on hold:** To put an item aside, without a layaway arrangement, for a customer to pick up at a later date. The *on-hold slip* is a form used to tag the merchandise.

**home page:** The introductory page of a website.

**hot item:** Merchandise that is currently popular and selling quickly.

**impulse item**: Inexpensive merchandise that customers buy without intending to.

**in the black, in the red:** Terms referring to whether a store’s financial reports show a profit (in the black) or a loss (in the red).

**integrated supply chain**: A collaborative effort in which shared information systems make possible a seamless process from product development through the retail sale.

**inventory:** (1) The merchandise a store has on hand to sell; (2) a physical inventory is a tally of every item in the store, a merchandise census. Inventory can be referred to at its retail or wholesale (cost) value. Also, as a verb, counting the merchandise.

**inventory turns:** A mathematical calculation of how many times a store’s merchandise stock is sold and replaced in a given period. An *inventory turn* equals sales divided by inventory value. Annual sales of $200,000 at retail, with an inventory averaging $100,000 at retail, means the store is averaging two inventory turns per year.

**invoice:** A bill for merchandise or services.

**job lot:** A grouping of assorted items of merchandise, often from different sources, sold wholesale as a unit. A **jobber** is a middleman who markets job lots.

**KD (knocked down):** Merchandise sold unassembled, especially furniture.

**key account**: A national or major retailer with extensive buying power.

**keystone:** 100 percent markup of the wholesale price (e.g., an item wholesaling for $50 would sell for $100 retail at keystone markup).

**keyword**:  a word or phrase identified as one which potential customers would use when searching for something online.

**L/C:** See **letter of credit**.

**landed cost:** On imported merchandise, the wholesale cost, including shipping.

**landing page:** The part of a website, usually the home page, accessed by clicking on a hyperlink.

**layaway, lay-by:** Holding merchandise for a customer to purchase at a later date, usually with an initial down payment and additional payments made over time to complete the purchase.

**layout:** The allocation of merchandise and fixtures on the floor plan of the store.

**lead time:** The time between when an order is placed and when it arrives.

**leaning on the trade:** Solving cash flow problems by delaying payment to vendors—in essence, borrowing money from them without their permission.

**lease line**: the outer edge of a leased space, such as the store entrance

**lease terms:** See **common area, common area maintenance; escalator clause; half-shell; turnkey; net lease; shell; triple net; will divide to suit.**

**leased department:** A department within a store under separate ownership but operated as part of the rest of the store.

**leasehold improvements:** Major improvements made by the tenant to a leased space. Leasehold improvements are considered assets and can be depreciated.

**letter of credit (L/C):** In importing, a system of international credit that is, in effect, a short-term loan from a bank to an internationally recognized bank, assuring a foreign supplier it will be paid for a shipment.

**leverage:** Using borrowed funds to generate a return from a business venture. A highly leveraged store has a great deal of borrowed debt.

**leveraged buy-out (LBO)**: The use of borrowed funds to purchase a business, using the company’s assets as collateral and the sales income to repay the loan.

**liabilities:** In accounting, anything that is owed by an individual or company. See also **assets**.

**licensed product:** Merchandise for which a licensing fee has been paid to the individual or company owning the rights to that image. The cost of Mickey Mouse mugs, for example, includes a licensing fee to Disney.

**lien:** A claim made on a property or business as security for a debt.

**lifestyle center**: A shopping center made to look like a public street, with outdoor shop entrances and amenities such as benches and plazas.

**lifestyle merchandise:** Goods selected because they reflect certain living habits; often used to refer to affordable, contemporary merchandise.

**limited partnership:** A business format in which the partners are investors only, with liability limited to the amount of their investment. They are prohibited from participating in the operation and management of the business.

**line of credit:** A loan preapproved for a set amount, to be drawn on as needed.

**liquidity:** The ease with which assets can be converted into cash.

**list price:** The manufacturer’s suggested retail price.

**LLC (limited liability company):** A corporation in which the responsibility of the shareholders is limited to the amount each has invested in the company.

**logo:** A symbolic representation of the business or the business name written in a certain typestyle.

**loss leaders:** Goods advertised at low markup in order to attract customers into the store.

**lower of cost or market:** A method of valuing inventory as conservatively as possible. *Cost* refers to the amount actually paid for the goods when purchased, whereas *market* is the value if purchasing the goods at the time of the valuation.

**MOQ**: Abbreviation for *minimum order quantity*, referring to the lowest quantity that a supplier is willing to sell.

**maker**: small scale producer or craftsperson

**margin:** The difference between the total cost of an item and its retail price. Also called the gross margin. See also **markup**.

**markdown:** The difference between the original retail price and a reduced price, but not just for a time-limited sale. Vendors occasionally offer a markdown allowance on older merchandise in order to get a new order.

**markup, or markon:** The amount added to the wholesale price to make up the retail price. Markup can be looked at two ways: Some people say an item purchased for $50 and sold for $100 has a 100 percent markup (or markon); others call this a 50 percent markup (or margin).

**mass merchandisers:** Big stores aimed at a broad segment of the population, usually featuring large quantities of each item and low prices.

**massing:** Displaying large quantities of a single item.

**megastores:** Giant stores, often discount operations.

**merchandising:** Buying and displaying goods for sale. Also used as a verb, as in *to merchandise* a store.

**meta tag:** An HTML (hypertext markup language) document not displayed on a web site, which provides search engines with a coded description of the site’s content.

**middleman:** A distributor who buys merchandise from one or more sources and sells it at a profit to a retailer, who will add more markup before selling it to the consumer.

**minimum order:** The lowest dollar amount a vendor will accept for a wholesale order without adding a small order penalty.

**minimum wage:** The lowest hourly salary allowed by state or federal law, whichever is higher.

**mobile payments**: Technology that allows customers to pay using mobile funds, for example through apps such as Apple Pay or Google Wallet.

**mobile shopping**: Making an online purchase via a smartphone or tablet.

**multi-channel marketing**: Using a variety of platforms, such as social media and email, to reach consumers

**mystery shopper**: An individual hired to make regular consumer purchases and then to give feedback to the retailer on the experience.

**NA:** Abbreviation for *not available* or *not applicable*.

**NR:** Abbreviation for *not received*.

**NSF:** Abbreviation for *nonsufficient funds*.

**near field communication (NFC)**: see *contactless payments*

**net:** (1) The lowest possible amount. In wholesale pricing, the net is the price after any deductions are taken; (2) in financial statements, the net profit is the gross profit less all operating expenses; (3) on invoices, *net* refers to when the entire amount is due (e.g., *net 30* means the invoice is payable 30 days after the invoice date).

**net lease:** A rental agreement in which the retailer pays for some other costs, such as taxes, insurance, and maintenance, in addition to the base rent.

**net/net:** The wholesale price after all discounts have been taken.

**niche store:** A shop aimed at a small, focused segment of the market, preferably one that is underserved by the competition.

**notes payable:** Outstanding loans, debts.

**OH:** Abbreviation for *on hand* (in stock).

**OS:** Abbreviation for *out of stock*.

**OTB:** Abbreviation for *open to buy*.

**occupancy cost:** The total amount paid to the landlord to lease a commercial space, including such items as rent, utilities, and a percentage of sales.

**off-price retailing:** Buying merchandise, often closeouts, at lower than usual wholesale prices in order to sell the goods at attractive prices.

**offset:** Compensation for the cost of a display fixture, usually given in merchandise. *Offset at retail* means the free goods are valued at their suggested retail price. *Offset at wholesale* means the free goods are valued at wholesale.

**omnichannel retailing**: Offering integrated online and in-store shopping options, as well as BOPIS.

**on the water:** En route from overseas.

**open account:** An established relationship with a vendor allowing merchandise to be shipped to the retailer on credit.

**open order:** A purchase order that has not been shipped.

**open rate:** The higher advertising rate paid by a one-time advertiser in a magazine or newspaper.

**open stock:** Merchandise sold by the piece rather than by the set.

**open to buy (OTB):** The budgeted amount available for new merchandise to arrive during a certain time period for a specific department. For example, June’s *open to buy* in jewelry might be $5,000. This figure is based on that department’s starting inventory and projected sales for that month.

**opportunity cost:** The fact that money used to purchase certain inventory could have been used for some other purpose.

**optimization**: Maximizing the efficiency of a web page’s visibility to search engines (see SEO).

**outsourcing:** Paying an outside company to handle a task that could also be done in house, such as payroll.

**overhead:** The costs involved in operating a store, such as payroll, rent, and utilities.

**overtime:** Hours worked in excess of 40 hours during a seven-day period.

**PO:** Abbreviation for *purchase order*.

**packing slip, packing list:** A receipt listing merchandise included in a shipment. Often shows what merchandise has been back ordered or canceled. Packing lists can usually be distinguished from invoices by the fact that they do not show the total amount owed at the bottom of the page. Also called a *picking list*.

**partnership:** A legal form of business in which two or more individuals assume responsibility for the assets and liabilities of a business, reporting the taxable income of the business as their personal income.

**perceived value:** The price of an item believed by the purchaser to be the fair market price.

**percentage of sales:** Rent based in part on the store’s total sales.

**permission-based marketing**: Sending promotional information to a customer who has requested to be on your mailing or e-mail list

**perpetual inventory:** A current inventory dollar value arrived at by continuously adding purchases to the starting inventory and subtracting the cost of goods sold.

**physical inventory:** See **inventory**.

**placemaking**: the design and management of public spaces to create places capitalize on a community’s assets to create places where people want to work, shop, live and play.

**plan-o-gram:** A suggested layout from a vendor for a line of merchandise, usually based on the use of a section of slatwall, shelving, or pegboard.

**PLU (price look up):** A computerized method of checking prices by programming code numbers or bar codes into a point of sale cash register system.

**POP (point of purchase):** Selling materials, such as a display or sign, provided by the vendor to help sell a certain product.

**pop-up-store**: A short-term retail shop, sometimes set up in a vacant store or even in a park or public area.

**POS (point of sale system,** **terminal):** A computerized, or automated, cash register system that compiles data about merchandise sold and also sometimes information about customers.

**positioning:** How you want your store to be perceived by your customers, especially in relation to your competitors.

**prepaid:** (1) Merchandise paid for before being shipped, either at the time the order is placed or when it is ready to ship; (2) an order for which transportation costs have been paid by the shipper, sometimes to be reimbursed by the recipient as part of the invoice total.

**press release:** A notification of coming events or new products sent to the media in the hope of free publicity.

**pre-ticketing:** Putting a store’s retail pricing and codes on merchandise before shipping it.

**price code:** A symbol on a price tag encoded with the name of the vendor, date of arrival, or other pertinent data.

**price gun:** A hand-held printer and dispenser of self-adhesive price tags.

**price point:** A specific price or general price category. For example, a store might want to have a good selection of toys at the $5 price point.

**private label:** Merchandise manufactured for different stores but custom labeled with each store’s name and logo.

**pro forma invoice:** An invoice to be paid in advance when the merchandise is ready to be shipped. Same as *prepayment*.

**profit and loss statement (P&L):** A financial statement showing the store’s income and expenses. Same as an income statement.

**product life cycle:** A theory that products go through a predictable cycle of popularity, from introduction to market saturation to decline.

**program order:** A dated purchase order with multiple ship dates. As the later dates approach, portions of the order may be canceled or increased depending on needs.

**promotion:** An advertising program, such as a 20 percent off promotion on cookbooks.

**proof:** A copy of an ad or other printed material provided for correction before going to press.

**proprietary credit card program:** In-house charge accounts for customers, with special credit cards featuring the store name.

**public relations (PR):** Communication with the public through unpaid media coverage.

**purchase order:** A listing of products being ordered, stating the item numbers, quantity desired, a brief product description, payment terms, special specifications for delivery, and the quoted wholesale prices.

**purchase order number:** A number assigned to a purchase order by the store, and sometimes also by the sales rep or the vendor. The order date is often used as the purchase order number.

**purchase with purchase (PWP):** An item offered at a discount with the purchase of another product.

**quick ratio:** See **acid test ratio**.

**rate card:** A price list for advertising rates, often including information about the audience that the advertising will reach.

**receivables:** Money owed to the store, for example, by customers buying on credit. Receivables are considered assets.

**receiving**: The location in a retail operation where shipments arrive and are processed.

**reconciliation:** (1) Cash register reconciliation: making sure the daily total of cash, checks, and charges matches the register’s totals; (2) bank statement reconciliation: the balancing of the store’s checking account.

**references:** Companies with a history of selling to the store on credit, willing to share credit history with other suppliers.

**relationship retailing**: A focus on building loyalty and long-term relationships through personalized customer service and rewards programs.

**remainders:** Discontinued items sold by suppliers at a discount, especially books.

**resale number:** A state-issued identification number that allows a store to buy merchandise to resell without paying sales tax on it; also used to report and pay sales tax collected from customers. The resale number is assigned when the **seller’s permit** is issued.

**responsive web design** (**RWD**): an approach that allows webpages to be viewed on any size device and with any web browser.

**restocking charge:** A fee charged by some suppliers for taking back authorized returns of merchandise, usually 10 to 25 percent of the wholesale price.

**retail price:** The price of an item when offered to the consumer, based on the wholesale price of the item plus markup. See also **SRP**.

**return authorization (RA) number:** A code number indicating that the vendor has agreed to take back the merchandise being returned.

**RFID:** An acronym for Radio Frequency Identification, RFID is a chip embedded in an item’s label or packaging with information that can be used for tracking inventory.

**ROG (receipt of goods):** An invoice term used to determine the date due, as in *net 30 ROG,* which means the bill must be paid 30 days after the goods are received by the store.

**ROI (return on investment):** The financial gain from a business in relation to the amount invested in it. Calculated by dividing the net income by the total assets.

**RTA (ready to assemble):** Merchandise sold *knocked down,* or unassembled.

**S Corporation:** A subchapter S corporation, in which the shareholders report the corporation’s profits as if they were partners rather than shareholders.

**sales agency**: A company that represents multiple lines and employs sales representatives to sell them.

**sales floor, selling area:** The space in a store devoted to displaying and selling merchandise.

**sales per square foot:** A figure arrived at by dividing annual sales at retail by the number of square feet of selling space in the store.

**sales representative, sales rep:** A salesperson, usually working on commission, presenting one or more wholesale lines of merchandise to store buyers for their consideration.

**same-store sales**: Comparing the sales of a branch store with its own past sales rather than the sales of other locations.

**seasonal merchandise:** Goods that don’t sell equally well all year round because they relate to a particular holiday or season.

**secondary market:** The reselling of merchandise already purchased at retail. Some collectibles, such as figurines, are sold on the secondary market for more than their original retail price.

**sell sheet**: a printed flyer from a supplier giving product and contact information

**sell-through:** How well an item or line sells in the store. Complete sell-through in a short period of time is ideal.

**seller’s permit:** See **resale number**.

**SEO, search engine optimization**: Strategies used to increase the amount of visitors to a website through high-ranking unpaid search results.

**service merchandiser:** An outside vendor that does inventories and reorders for a store on a periodic basis.

**service retailer**: A business that does sell some products, but whose main focus is providing service (e.g., spas, hair salons, car washes, and veterinary offices). May also be a retail store that provides repairs, delivery, installation, and so on.

**shelf life:** The length of time an item can remain on display without deteriorating.

**shell:** A lease term referring to a structure with four walls, roof, and dirt floor, with no wiring or plumbing.

**ship date:** The date on which merchandise ordered is to be shipped.

**shopworn**: Describes merchandise damaged or soiled while on display.

**short, shortage, short shipment:** Items missing from a shipment that are listed on the invoice and packing list as having being sent.

**show special:** A reduced price or special terms offered on orders written during the course of a trade show in order to create urgency in ordering.

**showroom:** A permanent wholesale display of merchandise.

**showrooming**: Using a shop as a source of information about a product and then ordering it online, presumably at a lower price.

**shrinkage:** A decrease in inventory levels due to shoplifting, employee theft, donations, breakage, and other causes. Shrinkage accounts for the difference between the physical inventory and the dollar value of the perpetual inventory.

**silent partner:** An investor who does not participate in the day-to-day operation of the business.

**SKU (stock-keeping unit):** Items of merchandise of the same style, color, and size. A store with a total of 75 clocks but just 10 different styles would be said to stock 10 SKUs in that category.

**slatwall:** A sturdy surface covering with regularly spaced horizontal grooves designed to hold hooks, shelves, and other merchandise display fixtures.

**slick:** See **ad slicks**.

**Small Business Saturday**: a promotion for independent retailers, started by American Express, that takes place the Saturday of Thanksgiving weekend

**smart card:** Also called a *fidelity card,* a magnetically encoded card that deducts coupon-like specials from the customer’s total when checking out; serves as a check cashing card and encodes purchase information for the store’s database. Also, a card encoded with a cash balance, which is debited with every transaction.

**social commerce**: A broad term for applications that allow for peer input into buying decisions (Yelp), group discounts (Groupon), social network-influenced sales (Pinterest), etc.

**social media, social marketing**: Using platforms such as Facebook, Instagram and Twitter to build and reinforce relationships with customers.

**softgoods:** In housewares and department stores, merchandise made of fabric, such as clothing, linens, and towels.

**sole proprietorship:** A business owned by one individual, or in some states a husband and wife, with the taxable income reported as personal income, and all liability assumed by the owner(s).

**souvenir:** To personalize an item with the name of the location. (Also called a *name drop.*) A sand dollar paperweight, for example, might be souvenired with *Florida.*

**specialty shop or store**: A small retail store focused on a specific category or style of merchandise. May be used to describe an independent retailer or a chain store specializing in a certain market segment (as opposed to a department store or big-box retailer).

**spiff:** An extra incentive paid to the salesperson for selling a certain product or to a wholesale buyer for ordering a certain line. Also known as *push money*.

**spot:** A radio or TV commercial. A 30 spot is 30 seconds long.

**square footage:** The area of a store, measured by multiplying the length by the width.

**SRP (suggested retail price):** The price recommended by the manufacturer.

**statement:** (1) A vendor’s monthly recap of current invoices and credits; (2) a display of merchandise large enough to catch the customer’s attention, as in “you won’t be able to sell these if you don’t order enough to make a statement.” Also referred to as *telling a story*.

**stock rotation:** Moving older stock to the front in order to sell it first.

**stockouts:** When a supplier, or a store, is sold out of an item.

**stockroom:** An area for unpacking and storing merchandise.

**strip mall:** A shopping center with an outside entrance for each store.

**styleout:** A product assortment recommended by the vendor.

**subs, substitutions:** Vendors’ choices of items to send when those ordered are not available. It is often worthwhile to specify *no subs* if you do not wish to accept any items other than the ones ordered.

**tag line:** (1) A slogan that sums up a store’s identity; (2) the last few seconds added to a vendor-supplied radio or TV spot, describing the store or promoting an event.

**target market:** The primary group of consumers to whom a vendor or retailer aims products, services, or advertising.

**tear sheets:** Copies of printed ads torn out of the newspaper or magazine, usually by the publisher; often required when substantiating claims for advertising allowances.

**tender:** The mode of payment used by a customer, such as cash, check, or charge. A *split tender* is the use of a check for part of the sale and cash for the remainder.

**terms:** Provisions stating how and when a vendor is to be paid (e.g., COD, net 30, pro forma).

**third-party checks:** Checks made out to someone else and then signed over to the store, for example, a customer’s paycheck endorsed payable to the retailer. Not accepted by most stores.

**till:** The money in the cash register drawer.

**tonnage:** A very large amount of merchandise, sometimes displayed stacked out in its cartons, a technique called a *bulk stack*.

**trade:** (1) “Open to the trade only” refers to a wholesale show open only to qualified buyers, not the public; (2) taking something out in trade: see **tradeout**; (3) carriage trade: well-to-do customers.

**trade goods:** Merchandise, usually from China or other Pacific Rim countries, available through many different importers (not exclusive to one company).

**trade show:** A market open to qualified wholesale buyers.

**tradeout:** Swapping goods or services for advertising (e.g., getting radio spots in exchange for providing prizes for an on-air promotion).

**trading area, retail trade area**: The area from which a store derives most of its customers, usually geographically adjacent to the business.

**transshipping:** Reselling merchandise to another store, usually one not able (or authorized) to purchase the goods directly from the supplier. A discounter, for example, might get merchandise transshipped by a store that purportedly ordered the goods to sell at full price.

**trend:** Changes in customer buying habits, such as the trend toward home entertaining. Also used to refer to goods whose popularity may be extreme but transient.

**triple net, net net net lease:** A rental agreement whereby the tenant pays rent plus all the location’s operating and structural expenses, including building maintenance and repairs and property taxes.

**trunk show:** A collection of merchandise, often clothes or jewelry, presented by the designer, manufacturer, or sales representative in the store.

**turnkey, key:** A lease term referring to a finished space ready to decorate.

**turnover, turns:** See **inventory turns**.

**undercapitalized:** Not having adequate funds to operate a business from day to day.

**unified brand experience**: Making sure that a business offers a consistent identity across platforms.

**universal product code (UPC):** See **bar code**.

**uniform resource locator (URL):** A web site address on the Internet.

I’d like to keep UPC and URL listed under their abbreviations. Auth.

**upscale:** Referring to merchandise intended for the more affluent shopper.

**upselling:** Increasing the amount sold to each customer (the average sale) through customer service stressing better merchandise and add-on sales.

**value added merchandising:** Enhancing the shopping experience by offering customers an item or service for free or at a low price. Value added promotions include gift with purchase and purchase with purchase (buy one, get a second at half price).

**vendor:** A supplier of merchandise, usually a manufacturer, importer, or distributor.

**venture capitalists:** Individuals or groups of investors who finance a business in exchange for a percentage of the profits. Venture capitalists, unlike limited or silent partners, may get involved in running the business.

**vertical marketing**: A system in which the same entity manufactures, warehouses, and sells the merchandise at retail to the consumer. Can refer to a franchise, or to a company selling directly to the public through the Internet.

**visual merchandising:** Creating the impulse to buy by displaying merchandise attractively, often accompanied by appropriate signage.

**webrooming**: The practice of looking at products online before buying them in a brick and mortar store. The opposite of *showrooming*.

**white space:** An advertising term for unfilled areas in an ad, which help call attention to the graphics and text.

**wholesale price:** lower-than-retail price paid by a store for supplies or merchandise purchased in quantity.

**wholesaler, jobber, distributor:** A supplier who sells merchandise, usually as a middleman, at wholesale to a store.

**will divide to suit:** A lease term meaning the landlord will pay for structural changes in the space.

**zoned coverage:** Advertising that appears only in certain zones of a newspaper’s circulation.