

Theme 1 – Key Terms

Key term	Definition
Adapting existing products	Finding new products based on the original one.
Aims	An overall or long-term target for an individual or a business.
Aims/Objectives	A clear, measurable goal, so success or failure is clear to see.
Asset	Any item of value that a business owns, such as its machinery or premises.
Branding	The process of creating a distinct identity for a product or business which highlights how it is different from competing products or businesses, through using a logo, name or creating a personality.
Break-even level of output	The point where revenue received meets all of the costs of a business.
Business decisions	Choices that have to be made by a business, usually within a short time period.
Business failure (insolvency)	The collapse of a business, probably leading to its closure.
Business plan	A detailed document setting out the marketing and financial thinking behind a proposed new business.
Cash flow forecast	Estimating the cash inflows and outflows of a business over a future time period.
Cash-Flow	The money coming into and going out of a business within a period of time.
Competition	The rivalry that exists between businesses selling products.
Competitive Advantage	A feature of a business that helps it to succeed against competitors.
Competitive environment	The strength of competition between companies in the same market.
Consumer	The person who ultimately uses (or consumes) a product.
Consumer Income	The amount households have available to spend after income taxes have been deducted.
Consumer Law	Acts of Parliament that are intended to protect customers from misleading or dangerous practices by companies.
Consumer rights	Laws that empower the consumer to demand certain minimum standards from every business supplier.
Convenience	The ability of a product to fit in with a customer's lifestyle or routine.
Crowd funding	Raising capital online from many small investors (but not through the stock market).
Customer needs	What customers require when they purchase a product. There are four main customer needs: price, quality, choice and convenience.
Data	Information, particularly statistics, that can be collected and analysed.
Demographics	The characteristics of a population, such as age, gender, race, nationality, disability, and occupation.
Digital Communication	Messages or conversations conducted via email, text, or social media.
Discrimination	When someone is treated differently to someone else because of a particular characteristic, such as a disability, their ethnicity, or their sex.

Dynamic nature of business	The idea that business is ever-changing because external factors, such as technology, are always changing.
e-Commerce	Using the internet to carry out business transactions.
Economic climate	Like the weather, the economy can run cold or hot, the economic climate is a measurement of the level of economic activity within a country, which might be promising or worrying.
Economy	The system by which money is produced.
Enterprise	Entrepreneurial activity (can also mean a business or company).
Entrepreneur	A person who sets up a business and takes on financial risks in the hope of profit.
Ethics	Moral principles or standards that guide the behaviour of a person or business.
Exchange rate	The value of one currency expressed in terms of another.
Exports	Goods and services that are sold to other countries.
Fixed costs	Costs that do not change when output changes.
Focus group	A group discussion among people selected from the target market; it draws on psychology to provide qualitative insights into consumer attitudes.
Franchise	The right given by one business to another to sell goods or services using its name.
Franchising	Paying a franchise owner for the right to use an established business name, branding, and business methods.
Globalisation	The process of businesses increasingly operating on an international scale, buying, and selling in different countries to exploit lower costs and identify new markets.
Goods	Any physical product a consumer can buy (natural or manufactured).
Government Taxation	Charges placed by the government on goods, imported goods, and the incomes of individuals and companies.
Gross Profit	The amount of profit that a business makes before the cost of sales are deducted.
Independence	The need by many business owners to make their own decisions and be their own boss.
Inflation	An increase in the general level of prices in an economy over time.
Innovation	The act of creating new products or processes.
Insolvency	When a business lacks the cash to pay its debts when they fall due.
Interest	The charge made by banks for the cash they have lent to a business or individual, as a fixed cost.
Interest rate	The annual cost of borrowing money from a bank and the annual return of saving money with a bank.
Labour	Workers or the workforce.
Legislation	Laws passed by Acts of Parliament which must be adhered to by businesses and individuals.
Limited Liability	Where shareholders of the business can only lose the amount they originally invested in the company because the owners and the company are treated as legally separate.
Loans	A fixed sum of money lent by a bank to an individual or a business for a specific purpose, which must be repaid with interest in set payments over an agreed period of time.

Margin of safety	The difference between the planned level of output and the break-even level of output
Market map	Measuring where existing brands sit on a two-factor grid, for example young/old compared with high price/low price.
Market research	The process of gathering information about the market and customers' needs and wants in order to help inform business decisions, including product design and marketing.
Market segment	A part of a market where consumers share similar characteristics such as; age, gender, geographical location, occupation.
Market Segmentation	The dividing up of a market to meet the needs of consumers with similar preferences.
Market share	The percentage of a market held by one company or brand.
Net cash-flow	The difference between cash inflows and cash outflows, in a period of time.
Obsolete	A good or service which has become out of date.
Opening balance	The closing balance at the end of the previous time period.
Original ideas	Ideas that have not been done before.
Overdraft	The ability for a business to go into a negative balance on their current account.
Partnership	A business which is owned by more than one person which has unlimited liability.
Payment systems	Different ways of paying for goods and services digitally/electronically.
Place	The method by which the business distributes the good or service to the consumer, it includes selling products to retailers and getting the products displayed in prominent positions.
Pressure groups	An organisation that tries to influence the decision making of a business or government.
Price	The amount a business charges consumers for a good or service.
Primary research	Research conducted first hand, it is tailored to a company's specific needs.
Private limited company Ltd	A business that has limited liability whose shares are not traded on the stock exchange.
Product	A good or service sold to consumers.
Product differentiation	Where a product has unique features that makes it stand out from other similar products in the market.
Profit	The difference between revenue and total costs. If the figure is negative, the business is making a loss.
Promotion	Methods used to encourage potential consumers to purchase a good or service from a business.
Public limited company Plc	A business that has limited liability whose shares are traded on the stock exchange.
Qualitative data	Research that involves collecting opinions from potential consumers.
Quantitative data	Research that involves collecting numerical information.
Resources	The factors of production such as labour that are required to successfully run a business.
Retained profits	The profit made by a business that is not paid to shareholders and is used as an internal source of finance.

Revenue	The income that a business receives from its sales (selling price multiplied by quantity of goods sold).
Revenue/Sales Revenue	The amount of money that comes in from a business's sales.
Risk and reward	The balance between potential profit in the future and the initial costs of setting up an enterprise.
Secondary research	Research that a company does not collect for a specific purpose itself and can be found in places such as the internet.
Services	Providing useful ways to help people live their lives, for example shops, restaurants, and hospitals.
Share Capital	The raising of capital by selling new shares in a company.
Shareholders	Investors who are part-owners of a company.
Social media	Any form of electronic communication that allows users to share content.
Social objective	Business goals that are non-financial and designed to meet a social/community need.
Sole Trader	A business owned by one person which has unlimited liability.
Stakeholder	Anyone who has an interest in the activities of a business, such as its workers, its suppliers, its directors, the local community, and the government.
Start-up	A new business, usually with only a small number of employees.
Target market	A particular group of consumers at which a business aims its products and services.
Total costs	All the costs of a business, found by adding fixed and variable costs. (Fixed plus variable costs for a time period)
Trade credit	Where a business buys raw materials from its suppliers, but pays in cash at a later date.
Unemployment	When someone of working age wants a job but cannot get one.
Unique Selling Point (USP)	Something that makes a product stand out from its competitors
Unlimited liability	A situation where the business and the owner are treated legally as one and the same. Thus, any debts incurred by the business have to be settled by the owner(s).
Value added	The difference between the selling price of the product and the cost of the factor inputs.
Variable costs	Costs that change when output changes.
Venture Capital	Investment of cash from individual or groups of individuals into a private limited company.