Definitions

1.Entrepreneurs Entrepreneurs are individuals with a flair for business and risk taking. Typically, they display the traits of being hard-working, resilient, creative and self-confident. Commonly, they are motivated by profit, although some are driven by other motives, such as, an ethical stance.

2. Autocratic Leadership These leaders engage mostly in one-way communication, down the chain of command, offering few, in any opportunities for subordinates to discuss ideas or offer opinions. There is minimal delegation or decentralisation, with expectations of complete compliance by subordinates.

3. Democratic-Paternalistic Leader The leader includes staff in discussions to make them feel valued but always intends to make their own decision. Leaders here take the decisions, but these are made in the best interests of employees. Leaders may well choose to explain their decisions, but with authoritative style. They do not offer as much two-way communication as the democratic-consultative style.

4. Democratic-Consultative Leadership Democratic leaders may consult, to help make their decision. In the other extreme, the democratic leader may allow the majority view to prevail.

5. Laissez-Faire Leadership This leadership style is absolutely minimal. The leader may initially help define loose boundaries but essentially withdraws to allow the group to determine for themselves the decisions to be taken.

6.McGregor's Theory X & Y Management can take one of two approaches to their workers, and this has a direct effect on how workers behave. Theory X managers believe workers are lazy and need to be tightly supervised. This leads to a negative response from workers, such as poor productivity. Theory Y managers believe workers do enjoy their work and want responsibility. Hence managers adopt a much more positive approach, providing workers with more opportunities. This leads to a strongly motivated workforce with higher productivity.

7. Supply is the quantity of a product or service producers are prepared to sell at a particular price. It is influenced by changes in the cost of inputs, changes in technology and changes in taxes or subsidies.

8. Demand the desire of consumers to buy a product or service, when backed by the ability to pay. It is influenced by price, incomes, competitor behaviour, marketing activity and seasonal factors.

9. Equilibrium Price is the price at which producers are prepared to supply and consumers are prepared to buy.

10. Excess demand where prices are set at a low level and consumers are prepared to buy more than suppliers are prepared to supply.

11. Excess supply where prices are set at a high level and producers are prepared to supply more than consumers are willing to buy.

12. Inferior goods	products that consumers turn to when they have less discretionary income and thus choose not to buy their preferred choice.
13. Normal goods	products for which sales change broadly in line with the economy, i.e. economy grows 3%, sales rise 3%.
14. Luxury goods	products that consumers buy more of when they have more discretionary income.
15.Disposable income	the amount an individual receives after tax and statutory deductions have been subtracted from gross pay.
16.Discretionary Income	Disposable income minus any interest commitments, such as a mortgage. The funds an individual can choose to spend how they prefer.
17.Market Orientation	this occurs when a firm analyses what the market desires and then attempts to supply it. Essentially, it is, 'making what sells'.
18.Product Orientation	this occurs when the firm focuses on the product and its superiority, expecting it to sell itself. Customer requirements are ignored.
19. Primary Market Research (Field Research)	This is new or original market research that has never been collected before. Therefore this involves the collection of information for the sole use by the firm itself, enabling the research to be tailored to the exact needs of the firm.
20.Quantitative Market Research	This is numerical data which can easily analysed and summarized.
21.Qualitative Market Research	This is non-numerical data such as individuals' opinions, attitudes and suggestions. This data is often more in-depth and hence more difficult to summarise and draw conclusions.
22.Experiments	these involve the firm conducting a trial/test with a real market situation. Often a firm may engage in a small-scale experiment, whereby some marketing change is introduced, and then the impact on the market is monitored.
23.Test Market	This involves the firm selecting a region of its market, (e.g. a store, town, county, etc) and altering marketing factors in this test region.
24.Observations	these are usually undertaken by highly trained market researchers watching the behaviours of consumers, e.g. buying products in a retail outlet or footfall passing a row of shops on a street.
25.In-Depth Interviews	these are one-to-one discussions conducted by skilled researchers with target market consumers to obtain their opinions and general attitudes.

26.Consumer Panels/Focus Groups These are small groups of target market consumers that are interviewed by skilled researchers in order to ascertain their opinions and general attitudes.

27.Surveys these use questionnaires to primarily obtain quantitative information from a sample of the market. There are three survey techniques; face-to-face, telephone, and postal.

28.Secondary Market Research (Desk Research) this is research data that has already been collected, either internally or externally. Essentially, this data has been collected for another purpose, not specifically for the firm's needs.

29.Sample A portion of the target market selected for market research.

30.Random Sampling Everyone from the target population has an equal chance of being selected. This requires a complete list of individuals from the target population prior to choosing the sample.

31.Systematic Sampling (Quasi-Random Sampling) This overcomes the impracticalities of randomly choosing from a complete list of the target population, as every n^{th} person from the list is chosen.

32.Cluster Sampling Respondents are drawn from a relatively small area which is purposely selected to represent a particular aspect of a target market.

33.Quota Sampling This breaks down the target population into sub-groups according to their demographic profile. Researchers then survey the first 'X' number of respondents fitting the customer profile.

34.Stratified Sampling This breaks down the target population into sub-groups but then draws on respondents from one specific sub-group only.

35.Target Market the segment of the market which the firm is purposefully trying to capture sales from.

36.Market Segmentation This occurs when a firm divides the market into different customer sub-groups. Once a market has been segmented, a firm can then select which segment(s) it wishes to target, and adjust its marketing mix accordingly.

37.Differentiated Approach (to Segmentation) this occurs when a firm offers different marketing mixes to different segments of the market.

38.Undifferentiated Approach (to Segmentation) this occurs when a firm simply offers one marketing mix to the whole market

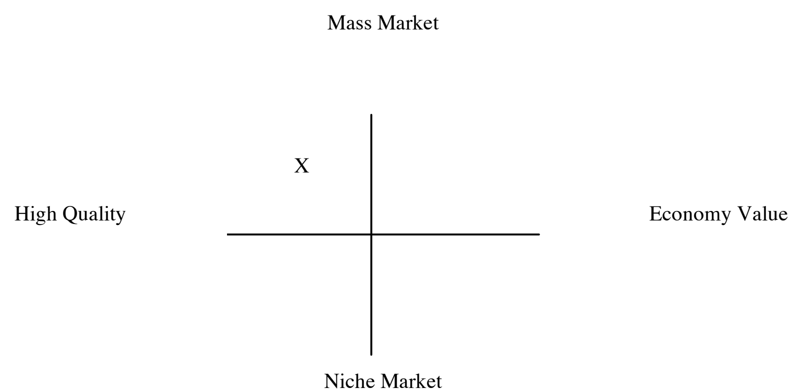
39.Concentrated Approach (to Segmentation) this occurs when a firm specifically targets a small segment of the market only.

40.Socio-Economic Classification a method of segmenting a market on the basis of individual's incomes, occupation and place in society. Categories A, B and C1 are considered to be skilled individuals in professional occupations and thus hold higher incomes than those in categories C2, D and E, who are considered less skilled or not in employment.

41.Mass Market A large, undifferentiated market, which demands standardised products at reasonable prices.

42.Niche Market A segment of a large market which is often specialised and which demands more expensive products, with a certain degree of exclusivity.

43.Market Mapping This is how a brand hopes to be perceived by its customers. Key variables that differentiate the brands within the market are used to display the position in a two dimensional diagram. For example:



(N.B. IT IS IMPORTANT TO REALISE THAT THE VARIABLES ON EACH AXIS ARE JUST EXAMPLES AND OTHERS CAN BE USED.)

44.Added Value the difference between the selling price of a product and the cost of bought-in-materials.

45.Opportunity Cost/Trade-off the cost of the next best alternative foregone. If one option is chosen then another option will have to be sacrificed.

46.The Shareholder Approach Managers see themselves as solely responsible to shareholders, so all decisions are taken in the best interests of maximising shareholder value.

47.The Stakeholder Approach Managers take into account their responsibilities to other groups besides shareholders, and believe the firm will benefit overall.

48.Economic Growth This means that real gross domestic product has increased. Therefore the total level of output produced in an economy is increasing – indicating that: firms are producing more goods, firms may be seeking to invest and expand capacity, and consumers are spending more.

49.Recession This is a period of economic contraction. In fact real gross domestic product falls for 6 consecutive months. Therefore the total level of output in the economy falls. More firms begin to shut down, others make cut backs, sales fall, unemployment rises, expansion projects are cancelled.

50.Economic Slowdown/ Downturn A period when the economy is still growing but at a much slower rate. The effects are similar to a recession, (such as an increase in unemployment) but not as severe.

51.Downsizing This is when excess capacity is cut in order to meet a new, lower level of demand. This may mean plant/factory closure and redundancy - labour is permanently shed.

52.Unemployment Those individuals who are seeking a job but do not have one.

53.Inflation A sustained increase in the general price level. It literally increases the cost of living.

54.Interest Rates Interest rates represent the cost of borrowing money. If interest rates fall, then it becomes cheaper to borrow and more individuals and firms will be tempted to borrow more. This may be in the form of mortgages for houses, personal loans and credit card spending or business loans. If interest rates rise the opposite occurs, firms and individuals will cut back on the amount of borrowing they undertake as it has become more expensive to borrow funds.

55.Discretionary Income Discretionary income represents an individual's disposable income (income after tax and statutory deductions) less any interest commitments.

56.Exchange Rates The price of one currency in comparison to another. The exchange rate can move in two directions. Appreciation or strengthening of a currency, (e.g. sterling) refers to the value (of sterling) rising on the foreign exchange market e.g. £1 = $ 1.50 rising to £1 = $ 1.65. Depreciation or weakening of a currency, (e.g. sterling), refers to the value (of sterling) falling on the foreign exchange market e.g. £ 1 = 1.70 euros to £ 1 =- 1.46 euros.

57.Retained Profit is profit left after all additions and deductions from sales revenue have been made, including the payment of dividends. It is an important source of long-term, internal finance for the business.

58.Sale & Lease Back this occurs when a firm decides to raise cash from the sale of asset it still needs to use. A specialist finance company will purchase the asset for cash and then allow the firm to continue using it in return for a (monthly/annual) fee. Thus the firm loses official ownership but retains the use of the asset.

59.Loan medium to long-term finance usually acquired from banks,which has to be paid back with interest.

60.Debenture these are basically the same as loans, in the fact that they are an example of long-term borrowing. It carries a fixed rate of interest, is normally secured against property and usually for a period of 25 years.

61.Venture Capital high-risk capital invested through a combination of loans and shares into small, dynamic businesses. Venture Capital is normally provided by merchant banks and private equity firms.

62.Business Angels are rich individuals looking for opportunities to invest capital into small, dynamic businesses.

63.Share Capital long-term business finance that has no guarantee of repayment or of annual income, but gains a share of the control of the business and its potential profits.

64.Overdraft a current liability; banks provide these to allow a firm to temporarily spend more than is in their account. It is also referred to as bridging finance.

65.Leasing a method of acquiring an asset without the need for using a lump sum to purchase it. Essentially, this is achieved by renting the equipment by paying a monthly fee.

66.Trade Credit providing business customers with time to arrange for the payment of goods they have already received. This period is one of interest free credit, which helps the customer's cash flow at the cost of the supplier's.

67.Cash Flow this is the sum of cash inflows in the firm minus the sum of cash outflows over a specific period.

68.Working Capital this is calculated by, current assets – current liabilities. It indicates the short-term liquidity of a business, e.g. the finance available to pay their short-term debts from their short-term assets. The amount of working capital can increased by reducing prices, chasing up customers or delaying paying suppliers.

69.Overtrading this occurs when a firm becomes too ambitious/seeks to expand without securing the necessary long-term finance, thereby placing too great a strain on working capital. Increased demand creates the need for cash to finance extra raw materials. In the absence of long-term fiancé, a firm is

forced to apply pressure to debtors and creditors. If creditors cannot be paid within an appropriate time, then the firm may be forced into liquidation.

70.Insolvency this occurs when a firm does not have enough cash to meet its financial obligations. It will be taken to court and forced to liquidate its assets.

71.Unincorporated Businesses do not have any separate legal identity. This means that in the event of the business being taken to court the owners are directly liable.

72.Incorporated Business has a separate legal identity, entailing owners are not directly liable for the business's debts.

73.Limited Liability means that the owners of a business are not personally financially responsible for the debts of the business.

74.Unlimited Liability means that the owners of a business are personally financially responsible for the debts of the business.

75.Sole Trader a business with one owner. They are usually small businesses and have unlimited liability.

76.Partnership usually a small business with between 2 to 20 owners. They have unlimited liability.

77.Deed of Partnership this specifies the rules for dissolving the partnership or for allowing new partners to join.

78.Public Limited Company PLCs have limited liability and are the only type of company allowed to be quoted on the Stock Exchange. They have a higher media profile.

79.Private Limited Company A small to medium-sized business that is usually run by the family that owns it. They have limited liability.

80.Cost-based /plus Pricing This approach is based upon adding an amount to the costs to establish the price. This amount it called the mark-up.

81.Price Skimming This method sets a deliberately high price and is ideal for price inelastic products. It is used to target the 'innovators', within the market.

82.Penetration Pricing This method sets a deliberately low price and is suitable for products entering highly competitive markets. The aim is to gain rapid market share.

83.Psychological Pricing This method attempts to sound less expensive than it actually is. Prices are quoted which are perceived to be below certain thresholds, e.g. £9,995 as opposed to £10,000.

84.Going-rate Pricing This method is used when firms are reluctant to set off a price war by lowering prices, and thus choose a price which is broadly in line with competitors.

85.Destroyer/ Predatory Pricing This method aims to eliminate competition from the market by cutting prices for a long enough period to ensure rivals go out of business. The predator firm will then raise prices once consumers have no viable alternative.

86.Loss Leaders This method prices products at a very low level compared to the market average in order to attract customer purchases. Firms use Loss Leaders in conjunction with other higher priced products to make an overall profit.

87.Promotional Pricing This method uses special discounts to re-establish interest in an interest in an existing product.

88.Premium Price A higher price is set than competitors, usually for higher quality products.

89.Sales Volume is the quantity of goods sold.

90.Fixed Costs these are costs, which in the short-run do not change with output. They have to be paid regardless of whether the firm continues to trade or not.

91.Fixed Costs per unit While fixed costs cannot be changed in the short-run, fixed costs per unit continually fall as output is increased up to the capacity level. The following calculation is used.

$$\frac{\text{fixed costs}}{\text{units of output produced}}$$

92.Variable Costs these are costs that vary directly with output.

93.Total Costs Fixed Costs + Variable Costs

94.Total Revenue Selling Price per unit X Sales Volume

95.Profit Total Revenue – Total Costs

96.Contribution this is the difference between the selling price and the variable costs, an amount of money that can be put towards paying the fixed costs. Therefore it is possible for a product/service to be making a positive contribution, whilst at the same time be making a loss. Very simply it is:

Sales Revenue (selling price) – Variable Costs

97.Break Even this means that the firm is not making a profit nor is it making a loss. It is the level of output where:

Total Revenue = Total Costs

98.Break Even Output $\frac{\text{Fixed Costs}}{\text{Contribution per unit}}$

99.Output needed to hit Target profit (units) $\frac{\text{Fixed Costs + Target Profit Figure}}{\text{Contribution per unit}}$

100.Margin of Safety this is the difference between the actual level of output and the break-even output. The higher the margin of safety, the safer the firm, as it can afford to lose more sales before its output falls below the break even point, where it will start to make losses.

101.Gross Profit This is the basic profit made on sales before expenses/other costs are deducted.

Sales Revenue – Cost of Sales (Cost of Goods Sold).

102.Operating Profit Gross Profit – Other Costs

103.Gross Profit Margin this profitability ratio measures the ability of the firm to generate a Gross Profit from its sales. The higher the %, the better the profit margin. The following formula is used:

$$\frac{\text{Gross Profit}}{\text{Turnover (Sales Revenue)}} \times 100$$

104.Operating Profit Margin this profitability ratio measures the ability of the firm to generate an Operating Profit from its sales. The higher the %, the better the profit margin. The following formula is used:

$$\frac{\text{Operating Profit}}{\text{Turnover (Sales Revenue)}} \times 100$$

105.Business Plan a report detailing the marketing strategy, production costings and financial implications of a business start-up. The plan is useful in helping the entrepreneur to think their idea through, though it is mainly constructed to persuade investors or lenders to inject capital into the business. The main sections of a business plan are: -

- product or service to be produced
- marketing plan
- production plan
- premises and equipment needed
- human resources involved in implementing the business idea
- sources of finance
- profit and loss statement
- cash flow forecast