



Retail Terms and Acronym Guide

Average Inventory Cost:

Average inventory cost is found by adding the beginning cost of inventory for each month plus the ending cost inventory of the last month in the period. If calculating for a season, divide by seven. If calculating for a year, divide by thirteen.

B2B: Business-to-Business

Companies that sell to other businesses. Examples: Slack, Wholesale, Shopify, POS Companies

B2C: Business-to-Consumer

Companies that sell directly to consumers. Examples: Amazon, Apple, Nike, Boutiques

Back-order:

Products that have been ordered but have not shipped, typically due to a manufacturer's lack of inventory.

Bar Code:

The barcode is a machine-readable code made up of alternating dark and light bars. The spacing between these bars signals the reader what the numerical code is.

Budget:

A detailed outline of a store's plan of spending on merchandise, operation, expenses, and sales promotion.

CAC: Customer Acquisition Cost

This is your total Sales and Marketing cost. To calculate, follow these steps for a given time period

Cash Wrap:

This term is used to describe your check out area in your store

CEO: Chief Executive Officer

This person is responsible for maximizing the company's value and making high-level decisions about policy and strategy, not always the 'owner'

CFO: Chief Financial Officer

This person is the financial spokesperson of the company and typically reports to the CEO and the board of directors.

CMO: Chief Marketing Officer

This person is responsible for the marketing, new customer acquisition, and growth by communication strategies of the company.

CPC: Cost-per-Click

What it cost you to acquire a click on your paid content. Most uses in paid advertising.

CPL: Cost-per-Lead

Cost per qualified lead, that converts generally providing an email address or piece of information allowing you to follow up.

CR: Conversion Rate

At what rate visitors or traffic converts into a sale. Measures the “close” rate that a store achieves on specific foot traffic into the store. Number of sales/number of visitors

CTA: Call-to-Action

A text link, button, image, or statement that encourages a visitor to take the desired action.

CTR: Click-through Rate

The percentage of your audience that advances (or clicks through) from one step of your marketing campaign to the next.

Classification / Category:

A group of merchandise items that are non-substitutable with another group of items, e.g. day dresses would not be substitutable with evening dressing. Used when tracking inventory, sales, discounts and more.

Cost:

Price retailer pays wholesaler for goods

Cost of Goods Sold:

The price paid for the product, plus any additional costs necessary to get the merchandise into inventory and ready for sale, including shipping and handling

Consignment:

Sales agreement wherein a manufacturer will provide a product to sell in a retail store and a retailer will pay for products once they sell. Retailers do not purchase the products outright, instead, they take a smaller percentage of profit (30 – 40% rather than 50%). The retailer may return or the manufacturer may claim any unsold merchandise at any time.

CRM:

Customer Relationship Management Customer relationship management (CRM) is a business strategy designed to reduce costs and increase profitability by strengthening customer loyalty. Also known as a tech tool designed to manage all customer data for future use.

Dead Stock:

This is a term used when inventory has not sold and had been sitting in your store for a long time. Often due to poor fit or bad quality, best to take a markdown on it asap and turn it into cash.

DNS: Domain Name Server

A server that translates a web address into one or more IP addresses

Drop Shipping:

An arrangement between a retailer and manufacturer in which a manufacturer will ship products directly to the consumer. In this instance, a retailer will not keep products in stock. As orders come in, the retailer will send the details to the manufacturer who will then ship the order to the customer; common when working with online retailers.

EIN: Employer Identification Number

The number the IRS gives you for your legal entity so you don't have to share your personal social security number on professional documents.

EOD: End Of Day

The end of the business day.

EPOS: Electronic Point of Sale or POS

A system that allows you to manage inventory, ring up daily sales, track all data and reports related to the flow of your sales and inventory.

Event:

A happening. A special promotion, off-price sale, fashion show, store wide sale or merchandise import fair. Designed for you to attract customers into your space.

Exclusivity:

Some retailers may ask a manufacturer to refrain from selling single products or an entire product lines to other retailers within a specified geographic region. It is up to the manufacturer to decide if they want to offer exclusivity to a retail store. Related to zip-code protection.

Flash Sale:

Flash sales can last anywhere from several hours to a couple of days and entice consumers with huge bargains (usually 50% and up). The catch is, shoppers have to complete the purchase ASAP.

GA: Google Analytics

A service by Google that generates detailed statistics about a website's traffic and traffic sources, and measures conversions and sales.

Gift with Purchase:

A promotional technique that includes giving a gift with the purchase of a specific item.

Green Retailing:

Retailing that is environmentally friendly - packaging, recycling, even using green energy sources within the store.

Gross Margin:

Gross margin is the difference between what an item costs and what it sells for.

Gross Margin Return on Investment (GMROI): Gross Margin Return On Inventory Investment measures the impact of both stock turnover and gross profit. "For every dollar invested in inventory, how many dollars were returned?"

IP Address:

Internet Protocol Address A numerical label assigned to each device participating in a computer network that uses the Internet Protocol for communication.

Items Per Transaction:

Often referred to as "lines per ticket." Also units per transaction.

Inventory:

Inventory is the merchandise a retail store has on hand. The term also refers to the act of counting, itemizing and recording in-stock merchandise or supplies.

Inventory Turnover:

The number of times during a given period that the average inventory on hand is sold and replaced.

KPI: Key Performance Indicator

A type of performance measurement companies uses to evaluate an activity's success.

Keystone:

Also known as keystone pricing; the act of doubling the wholesale cost to determine the retail cost. This is a standard mark-up in most industries but there are some instances where retailers will more than double wholesale pricing – mainly geographic areas with high overhead.

Layaway:

Agreement between the retailer and the customer in which the retailer puts an item on hold for the shopper until it is paid for in full. The consumer pays for the product in installments (interest-free), and will only receive the item once the payments are complete.

Line Sheet:

Typically a 1 – 2-page document that details all of the products in a manufacturer's product line. A line sheet is an abbreviated version of a catalog, with all the pertinent details a retailer would need to order.

Loss Prevention:

Loss prevention is the act of reducing the amount of theft and shrinkage within a business.

LTV: Lifetime Value

A prediction of the net profit attributed to the entire future relationship with a customer.

Loss leader:

An item that's sold at a loss in order to attract more customers into a store. Once they're inside, the retailer counts on the customer to buy other things together with the loss leader, thus generating profits for the business.

Manufacturer:

A person or company that makes goods for sale. Also known as maker, producer, creator or designer. A manufacturer may sell to the wholesale market and / or direct to consumers.

Margin:

The amount of gross profit made when an item is sold.

Markup: A percentage added to the cost to get the retail selling price.

Markdown:

A markdown is a devaluation of a product due to its inability to be sold at the intended price. The price of the merchandise is permanently reduced to move inventory and make room for new products.

Minimum Order Quantity:

Also known as MOQ; refers to the lowest quantity of a certain product that a retailer must order. In addition to meeting Order Minimums, a retailer must also purchase a certain number of each SKU to meet ordering requirements. Each industry has different MOQ standards, do your homework to make sure you know what they are.

Mystery Shoppers:

Or Watchdogs - The mystery shopper acts like a regular consumer, they ask questions, complain, look around or buy something. They act as normal customers would. After they complete the experience they report back to the person who requested they get the "inside scoop" on the other retailer.

MTD: Month-to-Date

A time period starting at the beginning of the current month and ending at the current date.

Net Payment Terms:

Pre-approved payment terms that enable a retailer to pay for the product after they've received it and had an opportunity to sell it. Offering Net Terms is most common when working with reps and/or with repeat wholesale customers.

Niche Retailing:

The practice of selling only to a specific market segment. An example: The Sunglass Hut - they only sell sunglasses or products related to sunglasses. It is a niche market.

Off Price:

Part of the product life cycle, once wholesale items are no longer 'new' or unsold, they become off-price or discounted. Some wholesale brands will offer off-price items, other items will be sold off to third party wholesalers to resell.

Omni-Channel Retailing:

Omni-channel means establishing a presence on several channels and platforms (i.e. brick-and-mortar, mobile, online, catalog etc) and enabling customers to transact, interact, and engage across these channels simultaneously or even interchangeably. You must fuse all those channels together so they give customers a seamless experience.

Order Minimum:

The overall dollar amount a wholesale customer is required to spend. Typically there is one amount for first-time orders and a slightly lowered amount for retailers placing re-orders.

Open-to-buy:

Merchandise budgeted for purchase during a certain time period that has not yet been ordered.

Operating Expenses:

The sum of all expenses associated with the normal course of running a business.

PPC:

Pay-per-Click An internet advertising model where advertisers pay a publisher (usually a search engine, social media site, or website owner) a certain amount of money every time their ad is clicked. Planogram - It's a model that indicates the best placement and positioning of your merchandise to generate the most sales!

POS: Point of Sale System

A POS is a business tool that is both hardware and software facilitating inventory tracking, sales data, employee data, customer data, and business management. It integrates with your accounting and e-commerce software, barcoding and scanning to give you a dashboard to your business.

Pop-Up Store:

Pop-Up-Stores are short-term shops or sales spaces that come and go within a given period. These stores can be set up in empty retail spaces, mall booths, or even in the middle of a park. PR: Public Relations The ability to network and share newsworthy articles with local and national media.

Purchase Order:

A filled out order form detailing which products and quantities a retailer wants to purchase from a manufacturer.

Prestigious Pricing:

Louis Vuitton is a prime example of a retailer with a prestige pricing strategy. It is meant to attract the elite - to give the feeling of superiority! They do not run sales nor does it have any outlet stores.

Private Label:

This is a practice of removing the manufacturer's label from a garment and replacing it with your own personal label. The retailers market the goods as their own instead of as the manufacturer.

PTO: Paid Time Off

PV: Page View

A request to load a single web page on the internet. Often used as a benchmark of daily site traffic.

QR Code: Quick Response Barcode

Scannable barcodes used by marketers to bridge offline and online marketing.

Resale Tax ID Number:

In the US, wholesalers do not charge sales tax for items purchased by retailers, provided the retailer has a valid resale tax ID number. Manufacturers/wholesalers should request Resale Tax ID Numbers when selling to new retailers and keep them on file.

Retail:

Price consumer pays retailers for product.

ROI: Return On Investment

A performance measure used to evaluate the efficiency and profitability of an investment.

RFID:

An acronym for Radio Frequency Identification, RFID is a chip embedded in an item's label or packaging. This is also used to better track inventory, items that are being tried on but not purchases, etc. It tracks the movement of each garment in your store - so if that item is tried on numerous times but isn't selling this often means it is either a poor fit, not the right color or possibly poor quality.

Samples:

Physical examples of a manufacturer's products.

SEO: Search Engine Optimization

Techniques that help your website rank higher in organic search results, making your website more visible to people who are looking for your brand, product, or service via search engines like Google.

Showrooming:

This is the practice of when a customer comes into a Brick and mortar store to look around and try items on. Only to buy them from an online vendor at a cheaper price.

Shrinkage:

Shrinkage is a term used to define a reduction in inventory due to theft or damage - any reduction that is not related to sales! This is measured by looking at the amount of inventory you have on paper vs what you have on hand.

SKU:

Stock keeping unit This is the stock number issued to each individual item you sell. Think of it as an items SS#. An SKU represents all the attributes of an item, including style, brand, size, color, and more.

SM: Social Media

Digital communities connecting people around the world used to tell your story and build relationships.

Suggestive Selling:

Suggesting the purchase of related items in addition to the original purchases, like a necklace with a shirt, booties with a pair of jeans, hats with jackets and so on.

Target Market:

The group of consumers to whom you are directing your business concept.

Visual Merchandising:

Visual merchandising is the art of implementing effective design ideas to increase in-store traffic and sales volume.

Volume:

The gross amount of business a store does in a period of time. The difference between volume and the cost of doing business is profit.

Wholesale:

Wholesale is the sale of goods, generally in large quantities, to a retailer for resale purposes. Wholesaler: An individual or company that sells products to a retailer and does not sell directly to the consumer.

YTD: Year-to-Date

A time period starting at the beginning of the current year and ending at the current date.

