

ASK THE EXPERTS

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25 retail terms every owner and manager should know

Q AFTER A FEW YEARS IN RETAIL, I'M STILL STUMPED BY SOME OF THE LINGO. CAN YOU HELP TRANSLATE?

A Sure! Even retailers who have been around for a long time can get hung up on retail terminology. Here's a quick reference guide:

1 Add-on sale. Items customers buy in addition to items they originally came in to purchase because a store associate suggested they buy them. Add-ons are an easy way to increase average sales and store profits.

2 Allowance. Price reductions that are taken for numerous reasons, including damaged or discontinued merchandise, floor samples or late delivery of product.

3 Big data. Large amounts of data that is analyzed to reveal patterns and trends that relate to human behavior and interactions. Data may include online consumer behavior such as clicks, open rates, the length of time spent on a website, income and census info, as well as what happens on social media. Big data is often referred to as "analytics on steroids."

4 Branding. A brand is not your logo or slogan, or merely the name of your store. A brand is the emotional connection—the physical reaction—customers feel when they hear your store name, see your logo, visit your website or walk in your front door. It's the concept you own in the mind of the customer; it's the experience they can get only from you.

5 Break-even point. The point where your sales are equal to

your expenses. In other words, when your store has no profit and no loss.

6 Charge-back. A deduction taken by a retailer on an invoice to account for instances such as freight allowances, short orders or damaged merchandise.

7 Cash flow. Money that comes into your store and goes back out again, resulting in available cash.

PROFIT MARGIN
THE AMOUNT
OUT OF EVERY
DOLLAR
OF SALES A
BUSINESS
ACTUALLY
KEEPS AS
EARNINGS.

8 Customer relationship management (CRM). A business strategy utilizing techniques designed to build profit by keeping customers loyal to your store.

9 Demographics. The population categorized in groups by age, gender, income, occupation, education, religion, race, family size, lifestyle, and more. Understanding demographics is helpful in determining which products and services to offer to the consumers who live in your community.

10 Drop-ship. Items not stocked by a retailer that are shipped to the consumer directly from the manufacturer or distributor.

11 Factor. A bank or finance company that buys the receivables from a manufacturer. Retailers pay the factor for goods purchased instead of paying a vendor directly.

12 Flow. How shoppers move through your store. People shop your sales floor according to how you set your fixtures, creating flow.

13 Gross margin return on investment (GMROI). An inventory profitability evaluation ratio that analyzes your store's ability to turn inventory into cash above the cost of the inventory.

14 Inventory turnover. "Turn" is the amount of times in a specific time period that your inventory is sold and replaced with fresh product.

15 Keystone. The retail price charged for an item that is double the wholesale price.

16 Loss leader. An item that is sold at a loss to attract more shoppers to the store.

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

18 Markdown. The permanent lowering of the price of a product because it didn't sell at full price. Markdowns are necessary to clear your inventory to make room for new items.

19 Omni-channel retailing. Establishing a presence on several channels and/or platforms. For example, by having a brick-and-mortar store, online store, mobile ordering capabilities and online services that enable customers to engage and interact with your store across several channels.

20 Open to buy (OTB). Merchandise that is budgeted for purchase during a specific period of time that has not yet been ordered. OTB helps

you budget and plan your future purchases.

21 Profit margin. The amount out of every dollar of sales a business actually keeps as earnings.

22 Purchase order (PO). The form retailers use to place orders for goods and/or services. POs list the type, quantity and agreed-upon price for goods and/or services the seller will provide to the buyer. (Note: Always use your own PO when placing an order.)

23 Radio-frequency identification (RFID). A chip that is embedded in an item's label or packaging that contains important information about the product. It is used primarily for tracking purposes.

24 Shrinkage. The difference between the amount of merchandise you have on paper and the physical stock in your store. This difference is generally caused by shoplifting, employee theft and administrative errors.

25 Stock-keeping unit (SKU). An item's identification code that can be found on tags and/or bar codes that helps the retailer track the item for inventory. A SKU lists the important attributes of an item, such as style number, vendor, size and color.

There are many more retail terms, and more are added all the time as new technologies are introduced. Remember, you can always give us a call or drop us an email if you have a question about retail jargon. We're happy to help!



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