

Glossary

Note: In the context of this report the terms, expressions and abbreviations below have the meanings attributed to them. They may have different meanings in other contexts.

Audio system		A trade term for hi-fi system , as defined here.
Back projection		The application of liquid crystal display technology to facilitate the projection of images for a large-screen television .
Brown goods		A trade term covering a wide range of consumer electronic products, chiefly for entertainment, communications or information technology purposes. The 'reference brown goods' are televisions , VCRs , hi-fi systems and camcorders . Other important brown goods are telephones, computers and cameras.
Camcorder		A machine, intended primarily for the use of consumers within the meaning of section 137 of the FTA , designed to record sequences of live visual images on to video cassettes, and to be carried about easily while being used.
Cash-and-carry (business)		See Warehouse club .
Cash-back		The payment of a specific sum by a supplier to a consumer if the consumer purchases certain goods from the supplier. See Voucher .
Catalogue sales		Sales of reference brown goods to consumers who choose them from a catalogue, normally at the point of sale , but generally with no opportunity of inspecting them before purchase.
Charm prices		See Price points .
CIH		Combined Independents (Holdings) Ltd. A retailer buying organization.
Combined model	TV/VCR	A television and a VCR supplied, and sold by retail, as a single model.
Comfort letter		A letter to a supplier from DGIV of the European Commission, following a formal notification to DGIV of that supplier's restrictive and selective criteria applied in its distribution agreement, whereby the European Commission indicates that, on the basis of its information at the time of writing, the notified criteria would appear to pose no problem in terms of the competition rules.
Consumer		A person to whom reference brown goods are supplied in the course of a business carried on by the person supplying or seeking to supply them, and who does not receive the goods in the course of a business carried on by him (see section 137 of the FTA).
Covar		Coefficient of variation. A measure of the distribution or spread of observations, eg of prices, defined as the standard deviation divided by the mean value expressed as a percentage.
Dealer		A person carrying on a business of selling reference brown goods whether by wholesale or by retail. See section 24(1) of the RPA .

DGIV	Directorate General IV (the Competition Directorate) of the European Commission.
Dealer discount	Discount given off RRP (excluding VAT) or the trade price , if quoted, to arrive at the invoice price . Commonly referred to by suppliers as 'off-invoice discount', 'built-in discount', 'invoice discount', 'standard discount' and 'basic margin'.
Discount	A deduction or abatement from the nominal value or price given by a seller to a buyer.
Displayed price	Retail price displayed in a shop, or advertised elsewhere, but not necessarily charged in practice. See Transaction price .
Diverter	A person trading outside the normal supply chain for the reference brown goods concerned, generally by selling to retailers and to warehouse clubs . Diverters obtain goods chiefly from suppliers , either in the UK or abroad, selling goods that they are unable or unwilling to move through their normal distribution channels, and from retailers who have surplus goods. Dealers who cannot obtain direct supply may rely substantially on purchases from diverters. See Grey market .
Dolby Pro-Logic	See Dolby surround sound .
Dolby surround sound	A stereo sound system applying Dolby Pro-Logic technology to televisions , VCRs and hi-fi systems . See Home cinema .
ECJ	European Court of Justice.
EPOS data	Retailers' sales data recorded on electronic point-of-sale equipment.
Exclusive model	Model of a reference brown good supplied exclusively to one retailer.
Free riders	An expression used by some retailers to describe a competitor, but particularly a warehouse club , which provides little or no pre-sales advice on, or other pre-sales services relating to, the reference goods it sells, thereby gaining a cost advantage over retailers who incur the expense of providing this advice or these services but who do not have the benefit of some or all of the resulting sales.
FTA	Fair Trading Act 1973.
GfK	GfK Marketing Services Ltd.
Going price	An expression used by some suppliers to describe the price at which a reference brown good is usually sold by a retailer . See Typical going price .
Grey market	The expression generally used in the trade to describe the action of buying or selling a reference brown good other than through supply channels approved by the manufacturer or importer of those goods. See Diverter .
Gross margin	Gross profit expressed as a percentage of a selling price (excluding VAT) or of turnover, often referred to as margin.
Gross profit	Turnover less direct cost of sales.
Guide price	The retail price that a supplier suggests a retailer should set for a

	reference brown good . A term used by some suppliers for the RRP .
Herfindahl-Hirschman index	A measure of market concentration.
Hi-fi system	<p>A system (whether or not it includes a radio receiver) sold as a single package, ie not as 'separates':</p> <p>(a) which is designed, when connected to an electricity supply but without otherwise being linked to apparatus not forming part of the system, to reproduce sounds recorded on both:</p> <p>(i) compact or vinyl discs or both; and</p> <p>(ii) digital or analogue tapes or both;</p> <p>which is intended primarily for the use of consumers within the meaning of section 137 of the FTA,</p> <p>but does not include a system which is designed:</p> <p>(b) to reproduce recorded visual images; or</p> <p>(c) to be carried about easily while being used; or</p> <p>(d) for use in a motor vehicle.</p> <p>See Audio system and Separates.</p>
Home cinema	The application of Dolby Pro-Logic technology to large-screen televisions , giving the viewer the impression in a domestic setting of being surrounded by sound.
Independent (retailers)	An expression used within the trade to mean reference brown goods retailers other than Dixons, Comet, the RECs , the catalogue and mail order companies, the department stores and co-operative societies. It therefore includes all those businesses that we define as ' small retailers ' and some of those that we define as ' multiple retailers '.
Inter-brand competition	Competition between retailers selling different brands, or between suppliers selling them, in either the same retail outlet or competing outlets.
Intra-brand competition	Competition between retailers selling the same model .
Invoice price	The price that appears on a supplier's invoice. It is not necessarily the dealer's net buying price , since settlement and retrospective discounts may be given.
Mail order	The sale of reference brown goods ordered from a catalogue, delivered through the mail by an agency mail order company or directly by the supplier , commonly bought on extended credit through part-time commission-paid agents of the company, many of whom buy exclusively on their own account. In this report we use the name 'mail order companies' to designate only those companies that sell through agents.
Manufacturers' price	See Trade price .

Margin	An abbreviation for gross margin.
Margin maintenance	The practice whereby a supplier agrees to maintain a retailer's gross margin from the RRP following the supplier's changes in that RRP . Referred to by some suppliers as ' margin support '.
Margin support	Financial assistance given by a supplier to a retailer at the latter's request to prevent or mitigate the reduction in the retailer's gross margin which a fall in the retail price would otherwise bring about.
Mark-up	Gross profit expressed as a percentage of the net buying price .
Modal price	See Mode .
Mode	The most frequently occurring observation, eg of a price, in a group of observations of the same class; hence ' modal price '.
Model	A specific design of a reference brown good , usually designated by a code number.
MORP	Mail order recommended price.
MRP	Manufacturer's recommended price. See RRP .
Multiple (retailer)	A retailer with five or more retail outlets.
Net buying price	The price paid by a retailer for supply after all discounts have been taken into account.
Net margin	The ratio of net profit to turnover or net sales .
Net profit	The financial gain made after allowing for all expenses including interest and tax.
Net sales	The amount receivable from the sale of products or provision of services after deduction of trade discounts , VAT , sales returns and allowances and, usually, cash discounts and quantity discounts.
NICAM	The acronym for ' near instantaneous compounded audio multiplexes ': a stereo sound system now in extensive use.
Off-invoice discount	An expression used some suppliers to mean the discount from the trade price (if used) or from the RRP excluding VAT (if no trade price is published) which establishes the invoice price .
ONS	Office for National Statistics.
Open distribution	An expression used by a supplier to mean that the supplier's authorized dealers are free to supply its products to non-authorized dealers (Canon and Panasonic); or that the supplier has complete discretion about which dealers to supply (Mitsubishi); or that the supplier stipulates certain supply criteria that dealers must meet (Pioneer).
Operating margin	The ratio of operating profit to turnover or net sales .
Operating profit	Profit before interest and tax.
Orderly marketing	An expression widely used in the reference brown goods trade to describe the way in which suppliers or retailers , or both, would wish

to see a reference **brown goods** market operate, usually implying that price-cutting and other competitive behaviour is constrained.

Out-of-town store	A retail location, usually on the fringe of an urban area, but always with easy access by car.
Own-label brand	Brand owned by, or supplied exclusively to, a single retailer .
POA	Price on application. A term used by retailers advertising reference brown goods , apparently intended to imply that they might be willing to negotiate selling prices lower than could be found elsewhere. Under the Price Marking Order 1991 an advertisement for a specific article that refers to its price must show that price. Hence the term POA should not be used in relation to a specific model of a reference brown good , but only generically.
Point of sale	An expression commonly used to describe practices adopted, equipment employed, forms of display used, and facilities provided, by retailers , in or close to the area where sales are made.
Positioning	The appraisal by a supplier , often in consultation with retailers , of the retail price that a reference brown good should command, having regard to competing goods and all other relevant factors. See Repositioning .
Price points	Retail prices for reference brown goods , usually expressed to the nearest penny below a figure of any size, but for the more expensive models commonly a multiple of £50 or £100, and so thought to be more attractive to the customer than the greater figure.
Price transparency	The condition that results from the retail price for a reference good being set at a level that excludes any charge for anything else.
Price visibility	The condition that results from the retail price for a reference good being declared or displayed clearly and prominently.
Primary brand	An expression in general use in the reference brown goods trade, intended to categorize the position that a brand is seen (by suppliers , retailers and consumers) as holding in the market; it necessarily implies superiority to brands described as secondary , just as the latter are implicitly superior to those described as tertiary .
Pro-Logic	See Dolby surround sound .
Promotional price	A price for a reference brown good set temporarily at a lower level than the price at which the good has previously been offered to consumers, and to which it may revert.
Reference brown goods	See Brown goods .
Reference white goods	See White goods .
RECs	The electrical goods retailing operations owned by one or more of the 12 privatized regional electricity companies in England and Wales, the two privatized Scottish electricity companies and Northern Ireland Electricity plc, and Powerstore (Trading) Limited, Homepower Stores Limited and Powerhouse Retail Limited, which bought retail operations from certain regional electricity companies.

Respositioning	Revising a positioning judgment. See Positioning .
Retail park	A site designated for planning purposes as suitable for retail operations, usually in large units, often located on the fringe of an urban area, and always with easy access by car.
Retail price	The price set by a retailer : includes both displayed and transaction prices .
Retailer	A person engaged in retail sales of one or more of the reference brown goods , selling them other than for use or resale in the course of a trade or business (reflecting Sunday Trading Act 1994).
Retailer's net buying price	See Net buying price .
Retrospective discounts	Volume, or advertising and promotion, discounts given retrospectively by the supplier .
RMAP	Recommended maximum advertised price. An expression used by Mitsubishi. See RRP .
RPA	Resale Prices Act 1976.
RPI	Retail price index, published by the ONS .
RPM	Resale price maintenance. The practice whereby a supplier specifies the minimum price for goods which a dealer must charge when selling them.
RRP	Recommended retail price, any retail price (including VAT) that a supplier recommends or suggests that dealers (other than mail order companies) should charge, advertise or display for a reference brown good .
RTPA	Restrictive Trade Practices Act 1976.
Sales-out allowance	A lump sum allowance, paid retrospectively by a supplier to a retailer , for each reference brown good sold during a sales period.
Secondary brand	See Primary brand .
Selective distribution	A distribution system adopted by a supplier in which it selects dealers to be supplied with one or more of the reference brown goods by taking into account criteria that it deems appropriate (though for our purposes we have disregarded creditworthiness and minimum turnover). The most important respect in which this differs from the European Commission's concept is that the latter also encompasses suppliers stipulating that authorized dealers may resell only to other authorized dealers or to end-users.
Separates	The trade description of components of a hi-fi system (eg amplifiers, tuners, cassette decks and compact disc players) when sold separately and not as a package. Separates are not within the scope of our hi-fi systems inquiry.
Settlement discount	Discount given by a supplier for prompt settlement of invoice.

Size (of television)	See Television size and Visible screen size .
Small retailer	A retailer with fewer than five retail outlets.
SPIVS	Sales promotion incentive voucher scheme(s). A generic description for any means whereby a supplier offers benefits to a retailer's staff, with the retailer's consent, to encourage them to promote sales of its particular brands, ranges or models of reference brown goods .
SRP	Suggested retail price. See RRP .
SSP	Suggested selling price, an expression used by some suppliers . See RRP .
Subsidized credit	Credit, usually financed by suppliers , provided to consumers by retailers at low or nil interest, for the purchase of reference brown goods .
Supplier	A person carrying on a business of selling one or more of the reference brown goods other than a business in which these goods are sold primarily by retail.
Surround sound	See Dolby surround sound .
Telerecorder	See Combined TV/VCR model .
Televideo	See Combined TV/VCR model .
Television	A television receiver as defined in section 1(7) of the Wireless Telegraphy Act 1949. Effectively a set for which a television licence is required.
Television size	The size of the cathode ray tube, or back projection screen, measured diagonally and (as a custom of the UK trade) expressed in inches. See Visible screen size .
Tertiary brand	See Primary brand .
Trade discount	The discount off the RRP (excluding VAT) which establishes the trade price . Some trade prices are published to the trade, but not all suppliers use them. See Invoice price .
Trade price	See Trade discount .
Transaction price	The price actually charged for a retail sale.
Turnover	The amount derived from the sale of products and provision of services falling within an undertaking's ordinary activities, after deduction of sales rebates and of VAT .
Typical going price	An expression used by some suppliers to mean the price at which reference brown goods are normally sold. See Going price .
VAT	Value added tax.
VCR	Video cassette recorder. A machine designed to record television programmes on to video cassettes, and to play video cassettes so that sounds and visual images recorded on them can be reproduced on a television receiver linked to it, but which does not incorporate a

television receiver as defined in section 1(7) of the Wireless Telegraphy Act 1949, and is intended primarily for the use of consumers within the meaning of section 137 of the **FTA**.

- Visible screen size** The visible screen size of a television, measured diagonally and expressed in metric terms. See **Television size**.
- Voucher** A claim form, printed as part of a press advertisement, or as a store leaflet, in which a **retailer** offers to reduce the advertised price of a reference **brown good** by a stated amount if the voucher is presented to the **retailer** within a prescribed time. The cost may be met wholly or partly by the **supplier** of the reference good.
- Warehouse club** A **dealer** that operates a membership scheme and sells only to its own members, but which does not restrict membership to **retailers**. The term includes **cash-and-carry** businesses that adopt this membership regime.
- White goods** A trade term covering a wide range of domestic electrical appliances chiefly for laundry or kitchen use. The 'reference white goods' are washing machines, dishwashers, tumble driers and cold food storage equipment. Other important white goods are microwaves and cookers.
- Wholesaler** A person other than a manufacturer or importer who buys reference **brown goods** to hold in stock in the expectation that in the ordinary course of business he will be able to sell them to **retailers**, or to other wholesalers. See **Dealer**.
- Wide screen (television)** Television sets with a ratio of screen width to height of 16:9, instead of the standard 4:3, so permitting undistorted projection of videotape images of cinema films made in the wide screen format. See **Television size** and **Visible screen size**.