

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.

Brown goods	A trade term covering a wide range of consumer electronic products chiefly for entertainment, communications or information technology purposes. The four 'reference brown goods' are televisions, video cassette recorders, hi-fi systems and camcorders. Other important brown goods are telephones, computers and cameras.
Built-in (appliances)	Reference white goods intended for incorporation in domestic kitchen units.
Cash-and-carry (business)	See Warehouse club .
CFCs	Chlorofluorocarbons. Chemicals formerly widely used as refrigerants in CFS products but now replaced by other chemicals because of their effect on the ozone layer of the upper atmosphere.
CFS (products)	See Cold food storage equipment .
Charm prices	See Price points .
CIH	Combined Independents (Holdings) Ltd. A retailer buying organization.
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.
Cold food storage equipment	Machines designed to store food at a temperature near or below the freezing point of water, and intended primarily for the use of consumers within the meaning of section 137 of the FTA . Machines for shop, hotel, restaurant or institutional use are outside the scope of our inquiry, as are machines designed to be connected to a gas supply.
Consumer	A person to whom reference 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).
Dealer	A person carrying on a business of selling reference white 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.
Dishwashers	Machines designed to wash cutlery, crockery, cooking equipment and similar items, and intended primarily for the use of consumers within the meaning of section 137 of the FTA . Machines for hotel, restaurant and institutional use are outside the scope of our inquiry, as are machines designed to be connected to a gas supply.
Displayed price	A retail price displayed in a shop, or advertised elsewhere, but not necessarily charged in practice. See Transaction price .
Distributor	A person supplying a manufacturer's or importer's branded goods to retailers or installers, either as a wholesaler or as an agent of the manufacturer, particularly built-in white goods required by builders and kitchen fitters.
Diverter	A person trading outside the normal supply chain for the reference 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 .
ECJ	European Court of Justice.
Effective RRP	The retail price suggested or recommended by a supplier as the actual selling price of a product. See Nominal RRP .
EPOS data	Retailers' sales data recorded on electronic point-of-sale equipment.
Exclusive model	Model of a reference white 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 the resulting sales.
FTA	Fair Trading Act 1973.
Fuzzy logic	An electronic monitoring system that automatically adjusts the operations of a washing machine or a tumble drier to meet different load requirements.
GfK	GfK Marketing Services Ltd.
Grey market	The expression generally used in the trade to describe the action of buying or selling a reference 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 , or net sales , less cost of sales.

Guide price	The retail price that a supplier suggests a retailer should set for a reference good. A term used by some suppliers for the RRP .
Herfindahl-Hirschman index	A measure of market concentration.
Independent (retailers)	An expression used within the trade to mean reference 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 goods ordered from a catalogue, delivered through the mail by the 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 good, usually designated by a code number.
MORP	Mail order recommended price.
MMRRP	Manufacturer's maximum recommended retail price. See RRP .

MRP	Manufacturer's recommended price. See RRP .
MRRP	Manufacturer's recommended retail price. See RRP .
Multiple (retailer) Net buying price	A retailer with five or more retail outlets. 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 .
Nominal RRP	The retail price suggested or recommended by a supplier to position a product in the market. Its main use is for promotional purposes. See Effective RRP .
Off-invoice discount	An expression used by 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.
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 goods trade to describe the way in which suppliers or retailers , or both, would wish to see a reference goods market operate, usually implying that price-cutting and other competitive behaviour is constrained.
Out-of-town	A retail location, usually on the fringe of an urban area, but always with easy access by car.
Own-label brand	Brand owned by a retailer , or group of retailers, or supplied exclusively to a single retailer in the UK.
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 good should command, having regard to competing goods and all other relevant factors. See Repositioning .
Price points	Retail prices for reference goods, 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 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 .
Promotional price	A price for a reference 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.
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.
Reference brown goods	See Brown goods .
Reference white goods	See White goods .
Repositioning	The revision of an earlier 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 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 .
RPA	Resale Prices Act 1976.
RPI	Retail prices 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 good. See Nominal RRP and Effective RRP .
RTPA	Restrictive Trade Practices Act 1976.
Secondary brand Selective distribution	See Primary brand . A distribution system adopted by a supplier in which it selects dealers to be supplied with one or more of the reference 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.
Settlement discount	Discount given by a supplier for prompt settlement of invoice.
Small retailer	A retailer with fewer than five retail outlets.
SOP	Suggested offer price. An expression used by some suppliers to mean a reduced RRP for a model during a sale period.
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 white goods .
SRP	Suggested retail price. See RRP .
Subsidized credit	Credit, usually financed by suppliers , provided to consumers by retailers at low or nil interest, for the purchase of reference goods.
Supplier	A person carrying on a business of selling one or more of the reference goods other than a business in which these goods are sold primarily by retail.
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.
Tumble driers	Machines designed to dry clothes or other fabrics by means of heated

air blown into a rotating drum, and intended primarily for the use of **consumers** within the meaning of section 137 of the **FTA**. Machines for launderette use are outside the scope of our inquiry, as are machines designed to be connected to a gas supply.

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 .
Voucher	A claim form, printed as part of a press advertisement, or a store leaflet, in which a retailer offers to reduce the advertised price of a reference 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.
Washing machines	Machines designed to wash clothes and other fabrics (whether or not they are also designed to dry clothes or fabrics) and intended primarily for the use of consumers within the meaning of section 137 of the FTA . Machines for launderette, hotel or institutional use are outside the scope of our inquiry, as are machines designed to be connected to a gas supply.
White goods	A trade term covering a wide range of domestic electrical appliances chiefly for laundry or kitchen use. The (four) 'reference white goods' are washing machines, tumble driers, dishwashers and cold food storage equipment . Other important white goods are cookers and microwaves.
Wholesaler	A person other than a manufacturer or importer who buys reference 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 .