Jargon Buster

Investment Challenge: Retail

The words retailers use when they report their results

The Investment Challenge focuses on retailers. These are the words you will meet in their trading updates, results and news stories. For general market words, see The Basics.

Sales	
Revenue	The money a company takes from selling its goods or services, before any costs are taken off. Also called sales
Like-for-like sales (LFL)	Sales growth in the same shops this year compared with last year. New shops, closed shops and extensions are left out
Volume	The number of items sold
Price mix	Whether sales growth comes from selling more items or from selling more expensive items
Basket size	The average amount a customer spends each time they shop. Also called average transaction value (ATV)
Market share	The retailer's slice of all the sales in its sector, shown as a percentage
Golden quarter	October to December. Black Friday and Christmas fall here, and many retailers make a big part of their yearly profit in these months
Customers	
Footfall	The number of people visiting the shops
Conversion rate	The percentage of visitors who buy something
Return rate	The percentage of items customers send or bring back
Customer loyalty	How likely customers are to shop with the retailer again
Brand strength	How trusted or wanted a brand is. A strong brand can charge more without losing customers
Profit and costs	
Gross profit	Sales minus the cost of buying or making the products
Gross margin	Gross profit as a percentage of sales. A 40% gross margin means 40p of every £1 of sales is left after paying for the products
Operating expenses (opex)	The costs of running the business, such as staff, rent, energy and marketing
Operating profit	Profit after paying running costs such as staff, rent and marketing
Operating margin	Operating profit as a percentage of sales
Net profit	The final profit after all costs, interest and tax
Distribution costs	The cost of picking, packing, delivering and returning products
Capex	Capital expenditure. Money spent on long-term improvements such as refitting shops or building warehouses
Inflation impact	How rising costs, such as wages, energy and rent, affect the company's profit
Stock and pricing	
Inventory	The stock a retailer is holding. Too much may lead to discounts. Too little may mean lost sales
Inventory turnover	How quickly stock sells. Faster is usually better
Full-price sell-through	The percentage of products sold without a discount

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Markdowns	Price cuts used to clear stock. Heavy markdowns reduce profit
Promotions	Discounts used to attract customers. Heavy use reduces margins
Shrinkage	Stock that is lost to shoplifting, damage or mistakes, so it can never be sold
Where sales come from	
Channel mix	The split of sales between shops, the retailer's own website and app, and other platforms
Omnichannel	Joining up online and in-store shopping, such as click and collect or returning online orders to a shop
Retail media	Selling advertising to brands on the retailer's own website, app and in-store screens. It earns money at a high margin
Results and the share price	
Trading update	A short report on recent sales. It often moves the share price
Full-year results	The company's main yearly report on sales, profit, debt and plans
Guidance	What the company tells investors it expects to happen next, such as next year's profit
Profit warning	When a company tells investors its profit will be lower than expected. The share price usually falls

Try it: pick one of your retailers, find its latest trading update and highlight every word from this sheet that you can spot.

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