

DAYMOND JOHN

THE PEOPLE'S SHARK

KEY  
BUSINESS  
TERMS

THAT EVERY ENTREPRENEUR  
NEEDS TO KNOW

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# DAYMOND JOHN'S KEY BUSINESS TERMS

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I get asked all of the time about how to excel in business. Ultimately, I believe it starts with mastering the fundamentals. After years of public speaking, publishing books and making deals in the Tank, I can truly attest to the importance of understanding and utilizing key business terms and phrases.

I have decided to put together the ultimate starter's dictionary. This glossary is a short list of general business terms and definitions that every aspiring business person and entrepreneur should know. It never hurts to go back to the basics.

Best,



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**Accrual Method:** An accounting method in which the expenses of a company are matched to the revenue at the time a transaction occurs, not when the payment is received. This method allows the company to better measure its profitability during a specific time period.

**Affiliate Marketing:** The process in which an individual or company promotes a product or service in return for a commission. The commission is received only when a customer makes a purchase as a result of the affiliate's promotion.

**Angel Investor:** An individual who invests their personal capital directly in new businesses or start-ups and gets equity in return. So, if you need cash to take your business to the next level, you'll look to find an Angel Investor with whom you can trade a percentage of your company for a monetary investment.

**Assets:** Assets are the property or equipment purchased for business use and have monetary value.

**Banner ad:** A type of advertisement found on websites, utilizing pictures, videos, audio, etc.

**Barriers to entry:** Obstacles that make it difficult to get your business started. Two of the most common sources are lack of capital or a high level of competition in the market.

**Business Model:** A proposed design for the successful operation of a business and how it will become profitable. The business model can include revenue, as well as all expenses. Businesses often create a business model to present to potential investors.

**Business Plan:** A plan that outlines the goals of the business. People make these business plans to look at their target market, their products, and plans for their next step.

**Capital:** Money in a business. In order to start a business, you need a certain amount of capital.

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**Cash flow:** The amount of cash moving into and out of a business. If a business is successful, the inflow of cash will be greater than the outflow. This is known as "positive cash flow."

**Cash Methods:** An accounting method in which sales are recognized when the cash is received, instead of when the transaction occurs. This is a popular method for small businesses due to its simplicity.

**C Corporation:** A type of business that is taxed separately from its owners. As opposed to an S Corporation, which taxes its owners personally.

**Consumer Segment:** A group of consumers with shared traits or interests, such as gender, age, or occupation.

**Convertible Debt:** When a company borrows money from an outside source (investor) with the goal of eventually turning that debt into equity.

**Costs of Goods Sold (COGS):** The cost of goods sold is the total amount of expenses that are necessary in order to make a product. These expenses can include cost of labor, cost of materials and taxes.

**Due Diligence:** Researching specific facts of a business related to a potential investment to make sure everything is in order before entering into an agreement with another party.

**Equity Ownership:** Ownership of the company expressed in the stock. An entrepreneur can own a part of a company through a certain amount of stock.

**Fixed Cost:** The total of all expenses required for a company to operate on a weekly, monthly or yearly basis. For example, salary and rent are fixed costs.

**Franchise:** A franchise is a large business with multiple locations that can each be purchased by individuals. For example, each McDonald's location in the United States is independently owned by a franchisee under the McDonald's name.

**Franchisee:** The third party or individual that buys the rights to certain franchise locations and mana. If you wanted to start a chain of restaurants, you would be the person who contacts the franchisor to start the restaurant in your town.

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**Franchisor:** The parent company who provides a licensed privilege to franchise location to be operated by a franchisee.

**Fringe Benefits:** Benefits provided by an employer to its employees in addition to their standard salaries. For example, health insurance or access to a company vehicle are fringe benefits.

**General Partnership:** The association of two or more people to run a business. The partners are personally liable for the other partners' actions and have a shared goal of earning a profit.

**Gross Profit:** A company's gross revenue minus the cost to make the product.

**Gross Revenue:** The financial gain of the company over a given period of time.

**Hard launch:** The official release of a business, product or service to the public.

**Independent Contractor:** An individual, business or corporation that provides a service to another entity for a set fee. This can be facilitated through a verbal agreement or formal contract.

**Intellectual Property:** One's knowledge or ideas that have value and are protected under copyright, trademark, or patent laws.

**Joint Venture:** A short-term business arrangement between two or more parties in which the parties combine resources for a specific project. The partners are equally responsible for both positive and negative developments.

**Letter of Intent:** A nonbinding document between two parties that declares the intentions of a business transaction.

**Liabilities:** A financial debt or obligation for which a business is responsible.

**Limited Liability Company (LLC):** A business structure in which the owners are not personally responsible for the debts or problems of the business.

**Limited Partnership:** A type of business in which only one partner is liable for their capital investment.

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**Marketing:** A part of a business that focuses on getting the concept of the product to the customer. This is the division of the business that uses certain tactics to entice people to buy their product or service.

**Market Share:** The percentage of a market held by a brand, product, or organization. For example, if consumers buy 100 shirts total, and 50 of the shirts are from FUBU, then FUBU holds 50% of the market share.

**Markup:** The difference between the cost to make a product and the price at which a product retails. Also known as a margin, this is how much you're making once you account for how much the product costs, and for how much it sells.

**Metrics:** An evaluation of the measurable portion of the company. Metrics can be used to measure traffic, customers, sales, etc.

**Mission Statement:** A written statement used to communicate the business's values and intentions to customers.

**Net Profit:** A company's gross profit minus deductions.

**Net Worth:** The net worth is the sum of a company's assets, such as capital, machinery, and buildings, minus any liabilities.

**Preferred Stock:** Preferred stocks pay a fixed dividend and are senior to common stock because they entitle the holder to be paid before common stockholders.

**Profit Margin:** The percentage of profits earned from the sale of a product over a certain period of time. It shows what percentage of sales remains for the business after all the costs are paid.

**Proof of Concept:** An idea or invention for a product that has business potential and has been tested in a small or non-complete level to get feedback on the concept.

**Public Relations:** The profession or practice of creating a positive image for a company by promoting certain values and efforts.

**Revenue:** The amount of money that the company makes.

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**S Corporation:** A type of business that is created through IRS tax election. The business is not required to pay corporate income tax because the shareholders file their own personal tax returns on the profits they receive from the corporation.

**Soft Launch:** Launching a business to a limited audience before launching to the general public.

**Sole Proprietorship:** A type of business that is owned by one person and taxed as a personal account.

**Strategic Alliance:** The collaboration of two or more parties working together to achieve shared goals. The parties do not create a new venture, but collaborate for mutual benefit while remaining separate.

**Supply Chain:** Individuals assisting with the production and delivery of a business. This is a division of the company that deals with how the product gets from the factory to the shelves.

**Target Market:** A specific segment of the overall market to whom a business targets their products through marketing and advertising. For example, if we wanted to sell Shark Tank T-shirts, our target market would be anyone who watches the show.

**Turnkey Operation:** A business that can be started with no additional funds or specific services. If you wanted to start a business with your own money and didn't need outside sources, you would start a turnkey operation.

**Value Proposition:** A statement that suggests the value in a product or service and gives specific reasons regarding why someone should buy the product or service they are selling.

**Variable Costs:** Costs that change based on the company's level of activity. Common examples of these are commissions, supplies, and materials.

**Vendor:** A person or company that provides goods and services to a specific business.

**Venture Capitalist:** An investor that provides capital in exchange for equity in a company that is in its early stages.

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I hope this helps you all gain a deeper understanding of the basic terms every business person should know. I am always looking for ways to help each and every entrepreneur and business minded person out there. Although this list is just a start I hope you understand the value in the information this glossary holds.

Also, in an effort to continuously drive improvement and innovation, I have set up various other tools and services that are developed to be an asset to all levels of entrepreneurs. From 1-on-1 sit downs, to curriculums, to tips and tools designed for you, I hope you find a beneficial recommendation below!



Daymond on Demand is a digital business curriculum created by Daymond John to educate aspiring entrepreneurs and provide them with the skills, tools and resources they need to start, build and scale their business. For more info on Daymond on Demand, check out: <http://bit.ly/2mOhKRM>



Daymond Success Formula is devoted to helping millions of men and women achieve their goals of becoming a successful entrepreneur and to take their business to the next level. We will not let you stand in the way of your dream, in fact, we'll help you get there. For more info, check out: <http://bit.ly/28TqZIU>



Game Changer Meetings give you the opportunity to sit down 1-on-1 with me to discuss your product and receive techniques and strategies that have helped take my companies to the next level. For more info, check out: <http://bit.ly/1UfeNCK>



Shark Tools are some of my top recommended tools, resources, and services for entrepreneurs. From different companies that will help you be more efficient, to resources and free materials, my Shark Tools are a must. For more info, check out: <http://bit.ly/1YmvTkH>

Thanks, and I wish the best for you and your business!



**@TheSharkDaymond**