



DIGITAL MARKETING

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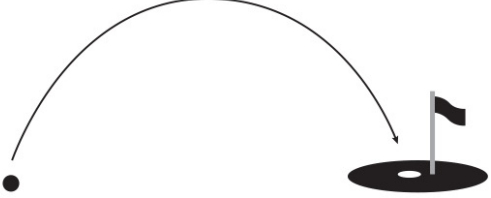


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CHAPTER 1

A Crash Course in Marketing Concepts

fig. 1













FEATURE	BENEFIT
 <p>A golf ball is made from a new type of shell and has a unique dimple pattern on the surface.</p>	 <p><i>What this means for you is that your shots will go farther and fly straighter.</i></p>
 <p>A new running shoe has a unique foam core in the sole.</p>	 <p><i>What this means for you is less shock to your ankles and knees when running on hard surfaces.</i></p>

People buy benefits, not features.

fig. 2



fig. 3

INBOUND MARKETING TACTICS	OUTBOUND MARKETING TACTICS
 PODCASTS	 PRINT & BROADCAST ADVERTISING
 WEBINARS	 BILLBOARDS
 FREE EBOOKS	 PPC ADVERTISING
 VIDEOS	 DIRECT MAIL
 FREE COURSES	 TRADE SHOWS
 SEO	 NEWSLETTERS

Examples of common inbound and outbound marketing tactics

fig. 4

STAGES OF THE PRODUCT LIFE CYCLE

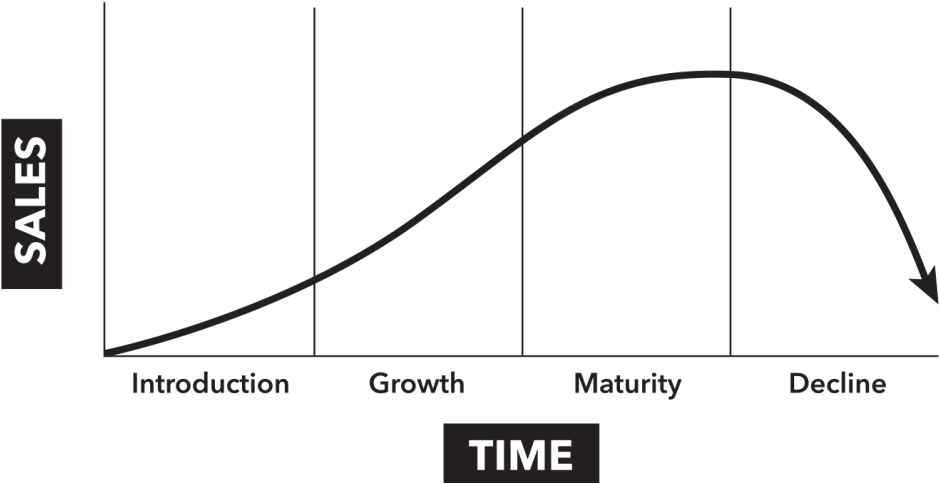
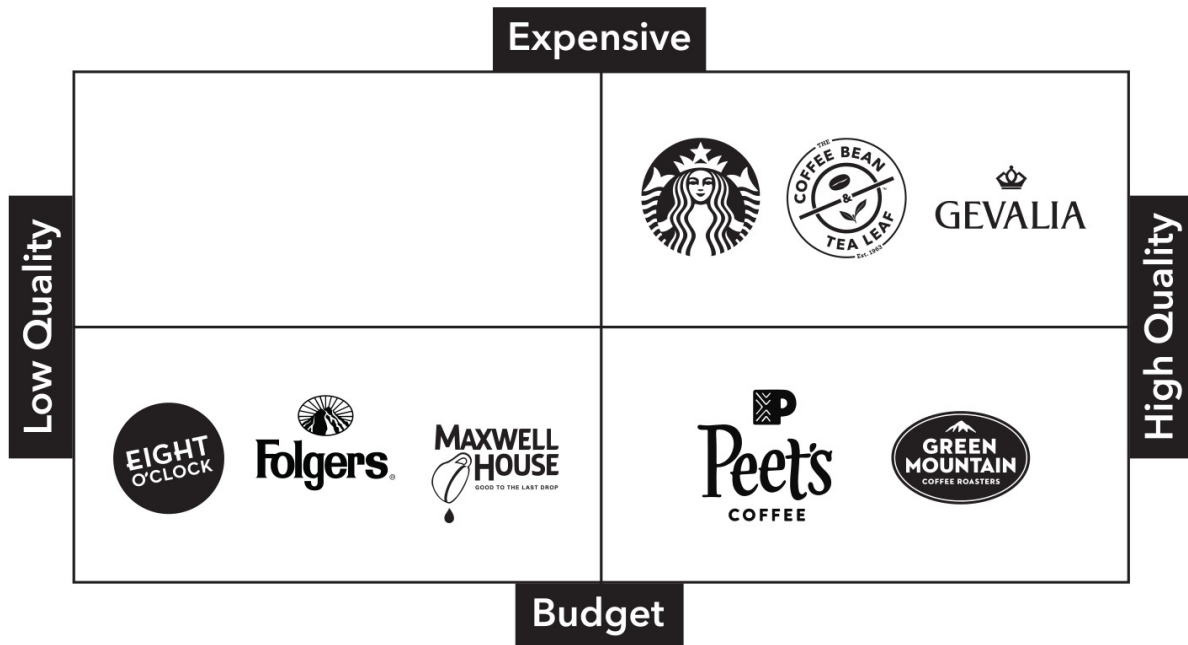


fig. 5



A brand positioning matrix showing various pre-ground coffee brands.

fig. 6



What you are selling determines your brand positioning elements, which in turn inform your marketing formula.

CHAPTER 2

Core Digital Marketing Concepts

fig. 7

AVERAGE TRANSACTION SIZE
x
LIFETIME AVERAGE # OF TRANSACTIONS

$$\begin{aligned} & \$59 \\ & \times \underline{21 \text{ weeks}} \\ & = \$1,239 \text{ Customer Lifetime Value (CLV)} \end{aligned}$$

fig. 8

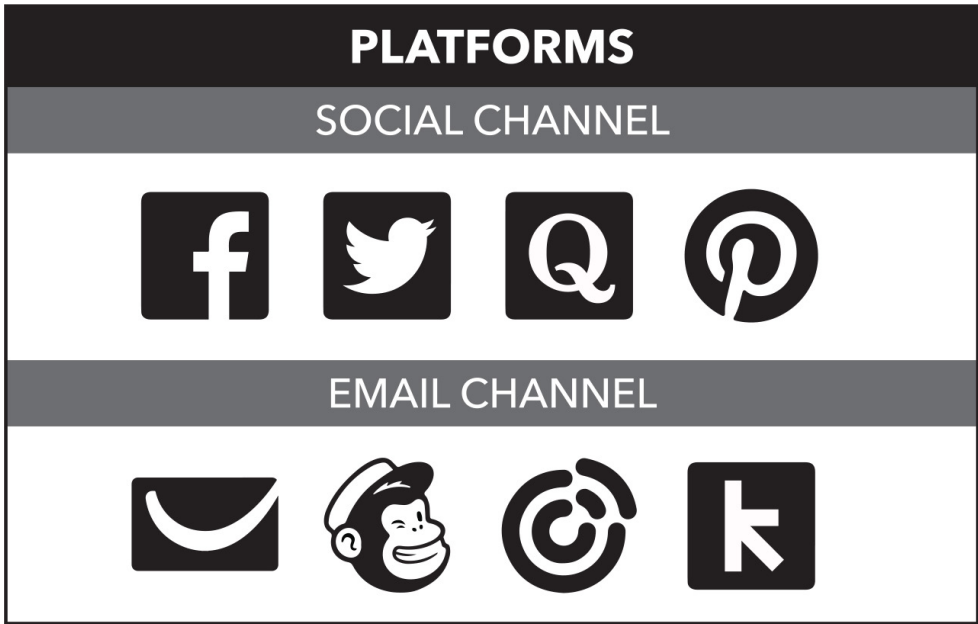
$$\text{CUSTOMER LIFETIME VALUE (FOR OUT OF THE BOX GIFTS)} = \left[\frac{\text{AVERAGE ORDER VALUE}}{(1 - \text{REPEAT PURCHASE RATE})} \right]$$

fig. 9

$$\text{CUSTOMER LIFETIME VALUE (FOR OUT OF THE BOX GIFTS)} = \left[\frac{\$89}{(1 - 0.14)} \right]$$

$$\text{CUSTOMER LIFETIME VALUE (FOR OUT OF THE BOX GIFTS)} = \$103.49$$

fig. 10



Channels are made up of the platforms that best suit the needs of marketers.

fig. 11

MEDIA MIX		
Paid Media	Earned Media	Owned Media
Advertisements or any kind of messaging with paid placement	Unpaid exposure that is a result of paid and owned media efforts	Messaging channels that you own and that directly reflect your brand's voice

The media mix consists of paid, earned, and owned media.

fig. 12

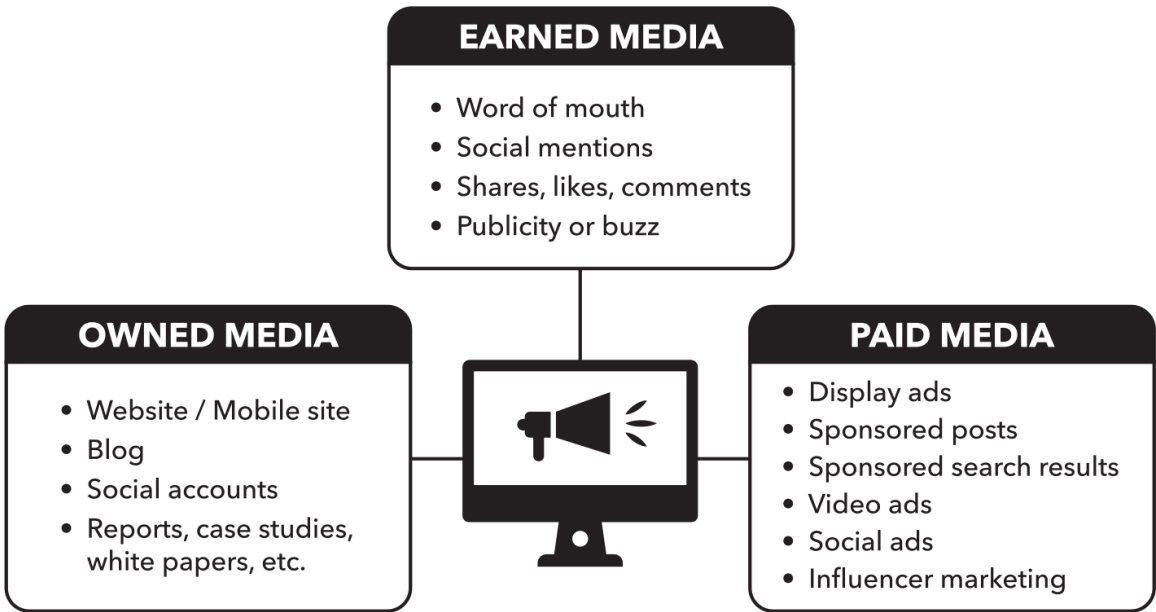


fig. 13

PAID MEDIA	
+ Benefits	– Obstacles
<ul style="list-style-type: none"> • Scalable • High degree of control • Lots of creative freedom • Numerous ways to reach your audience 	<ul style="list-style-type: none"> • Diminishing returns • High-competition environments • Credibility

fig. 14

EARNED MEDIA	
+ Benefits	– Obstacles
<ul style="list-style-type: none"> • Highest degree of credibility • Does not directly incur cost • Can convert customers into brand ambassadors 	<ul style="list-style-type: none"> • No level of control • Difficult to scale • Can be damaging • Hard to measure and improve

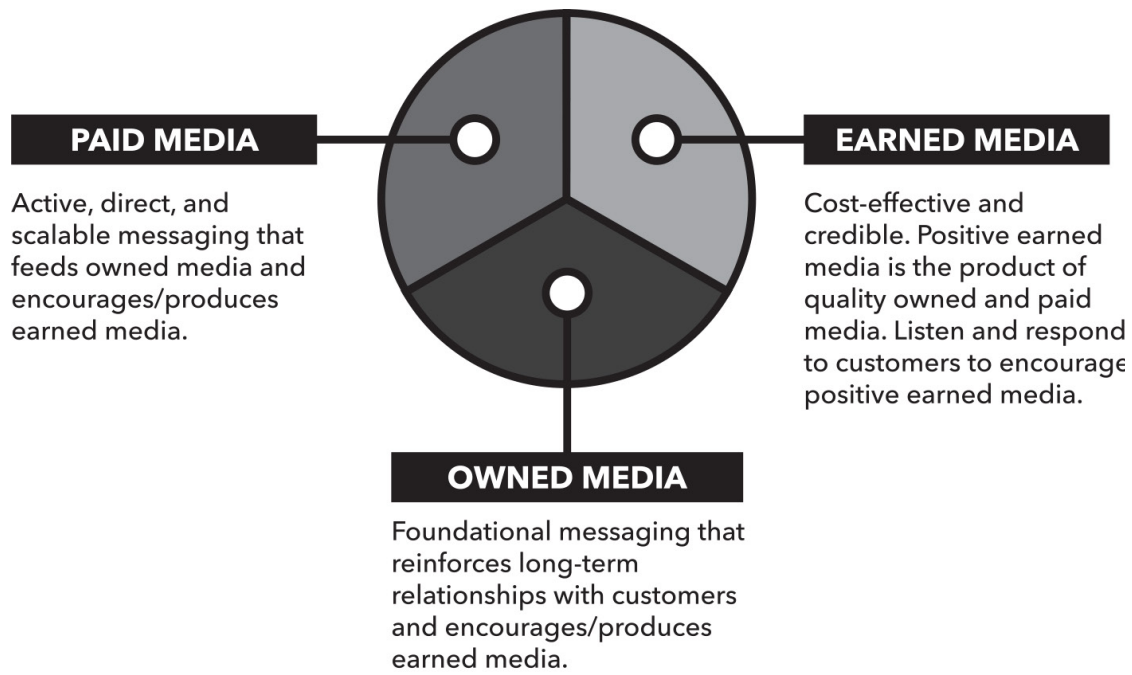
fig. 15

OWNED MEDIA	
+ Benefits	– Obstacles
<ul style="list-style-type: none"> • Highest level of control • Cost-effective • Long-lived • Versatile • Highest level of creative opportunity 	<ul style="list-style-type: none"> • Low level of credibility • Takes time to scale • Does not have inherent reach

fig. 16

PAID MEDIA → **TRAFFIC YOU CONTROL**
EARNED MEDIA → **TRAFFIC YOU DON'T CONTROL**
OWNED MEDIA → **TRAFFIC YOU OWN**

fig. 17



Marketers find the most success when using all three aspects of the media mix.

CHAPTER 3

Who Are You Selling To?

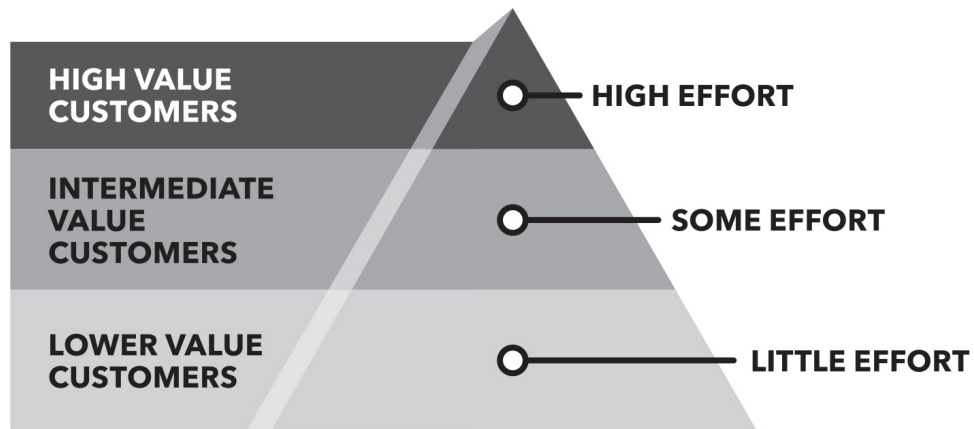
fig. 18



fig. 19



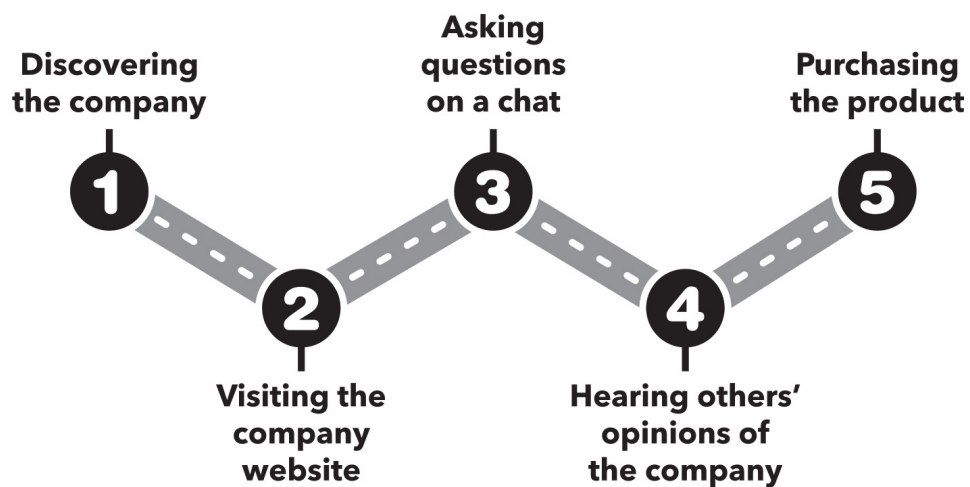
fig. 20



The tiering method of segmentation matches the value of potential customers with the appropriate effort to reach and convert those customers

fig. 21

A B2C CUSTOMER JOURNEY



CHAPTER 4

What Are You Selling?

fig. 22



A visual representation of a value ladder. As a customer ascends the ladder, they should be offered more value at a correspondingly increasing price.

fig. 23

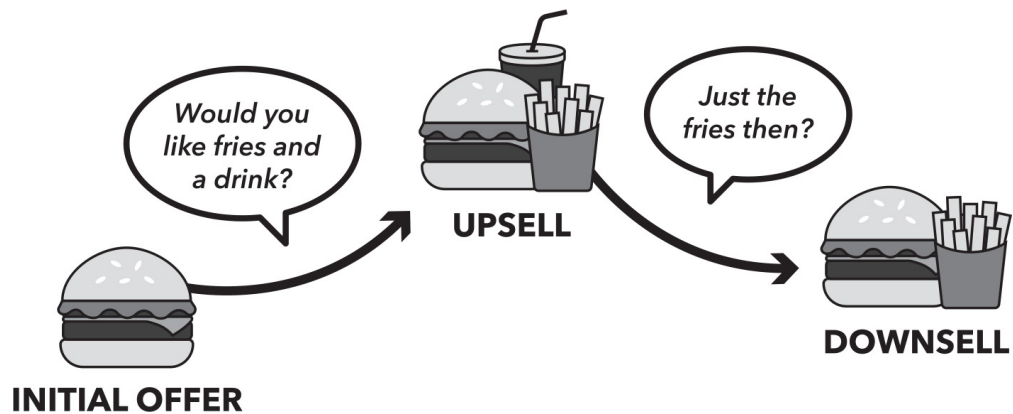


fig. 24

BUSINESS #1	BUSINESS #2
<p>Free E-book: \$0</p> <p>Exercise Plan: \$99</p> <p>Meal Plan & Subscription: \$299+</p>	<p>Recipe Book: \$29</p> <p>Weights: \$19</p> <p>Home Gym: \$1,499</p>

A well-organized value ladder will produce a more repeatable—and more profitable—customer experience.

fig. 25



CHAPTER 5

What Are Your Objectives?

fig. 26

SPECIFIC

What exactly are you trying to achieve?

MEASURABLE

How will you measure your progress and your results, and how will you know when you are done?

ACTIONABLE

Is this something you can act on? Is the result achievable?

RELEVANT

Will completing this goal solve a problem you are facing?

TIME-BOUND

What is the deadline for completing this goal? What is a reasonable time frame for this goal to be completed in?

fig. 27

SALES

Increase sales to new and existing customers

EXCHANGE

Foster a two-way channel of communication between marketers and their audience

REDUCE

Reduce the overall marketing cost through optimization and reduced customer acquisition costs (CAC)

VALUE

Increase the value conveyed to customers to ascend them along the value ladder

CHAPTER 6

Coming In for a Landing

fig. 28



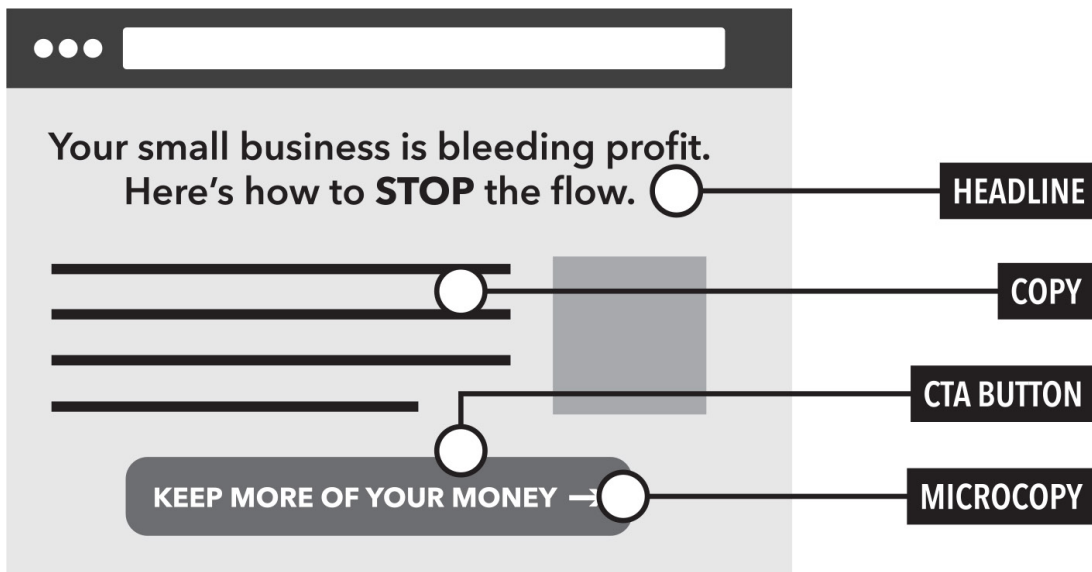
fig. 29

LANDING PAGE FEATURES	
HEADLINE	Summarizes the content of the page, acts as a reader hook, and encourages page visitors to continue reading.
COPY	Sales or marketing text that accompanies a call to action. Used to communicate the value and benefit the page visitor will receive if they take action.
CTA BUTTON OR FORM	The literal action you want the page visitor to take. Use a button to navigate to a purchase page, enter personal information into a checkout form, or opt in to your mailing list—whatever action will deliver value to them and help you achieve your goals.
GRAPHICS, IMAGES, AND VIDEOS	Used to increase the visual appeal of your landing page and entice page visitors. Video is the holy grail of engagement, but it is also pricy and can backfire if poorly executed.
SOCIAL PROOF	Used to convince page visitors they should take action to avoid missing out on the value others have already received. This can be communicated with social proof from a number of sources such as experts, celebrities, or customers.
OPT-IN FORM	Used on squeeze pages to collect contact information from your audience. This information is used to ascend your new contacts along your value ladder and convert them into customers.

fig. 30



fig. 31



An example of a CTA form

fig. 32



An example of a video sales page

fig. 33

The image shows a mockup of a webinar registration form within a browser window. The form is divided into two main sections. The left section contains a headline, details about the webinar, and a video player. The right section contains a sign-up form with input fields for name, email, and company name, followed by a 'REGISTER NOW' button. Callout boxes with lines pointing to specific elements are labeled: 'HEADLINE' points to the main title, 'DETAILS' points to the descriptive text, 'VIDEO WITH PERSUASIVE COPY' points to the video player, and 'SIGN-UP WINDOW' points to the registration form area.

HEADLINE — **LEARN HOW TO
CREATE EFFECTIVE
OPT-INS!**

DETAILS — This webinar presented by Jill covers opt-in trends, best practices and tips for creating effective opt-in that converts.

VIDEO WITH PERSUASIVE COPY — **Jill Davis**
Creative Director
at ESPN

SIGN-UP WINDOW — **SIGN UP**
for our free
webinar today!

Name *

Email address *

Company name *

REGISTER NOW

An example of a webinar registration form

fig. 34



Source: www.sensodyne.com

An example of expert proof

fig. 35



Source: www.coca-cola.com

Musician Taylor Swift lends celebrity proof to Diet Coke.

fig. 36



A fictionalized Amazon review of snowboarding boots

fig. 37



A classic example of the “proof in the wisdom of the crowd” style of social proof

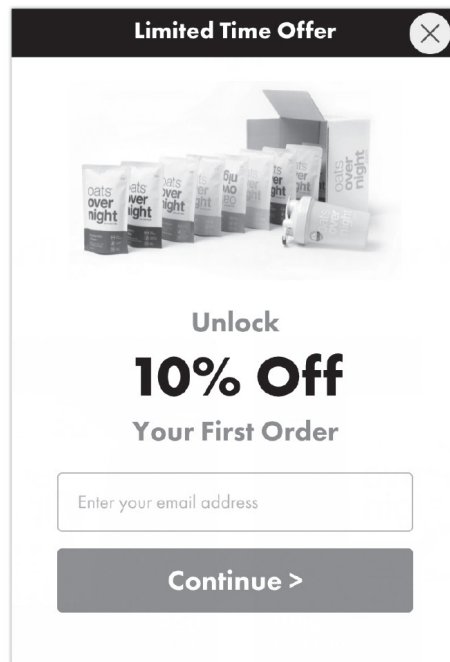
fig. 38



Source: www.peteandgerrys.com

Proof through certification example of eggs bearing the “certified organic” and “certified humane” seals

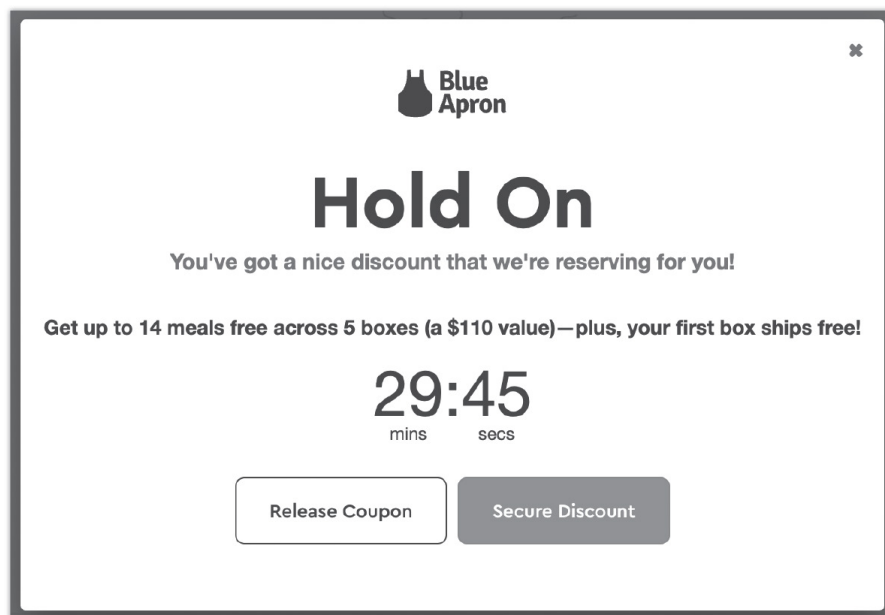
fig. 39



Source: www.oatsovernight.com

A limited-time promotion from food subscription company Oats Overnight. New members save 10% on their first order, but only for a limited time.

fig. 40



Source: www.blueapron.com

A pop-in from Blue Apron that very effectively pairs a countdown timer with a compelling discount

fig. 41

$$\text{CONVERSION RATE} = \frac{\text{CONVERSIONS}}{\text{TOTAL VISITORS}} \times 100$$

CHAPTER 7

Capturing Traffic

fig. 42

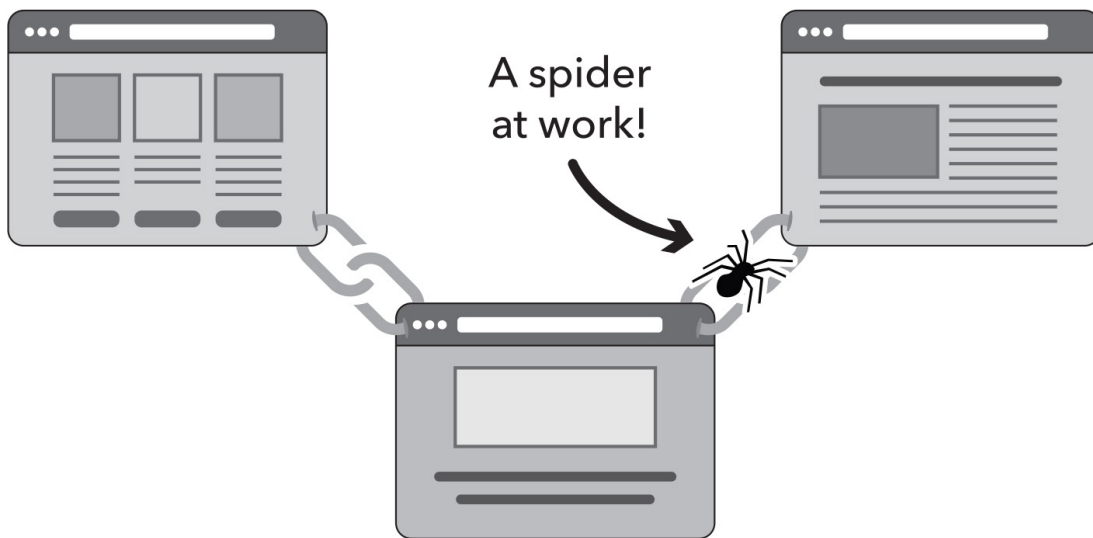


fig. 43

TECHNICAL SEO	
SITE STRUCTURE	<ul style="list-style-type: none">• Working internal links• URL structures that make sense• Hierarchal site structure
SITE SPEED	<ul style="list-style-type: none">• Compressed images• Optimized hosting• Video hosting services
MOBILE EXPERIENCE	<ul style="list-style-type: none">• Pages load quickly• Responsive design provides flexible layouts• Text is readable and the overall experience is smooth

fig. 44

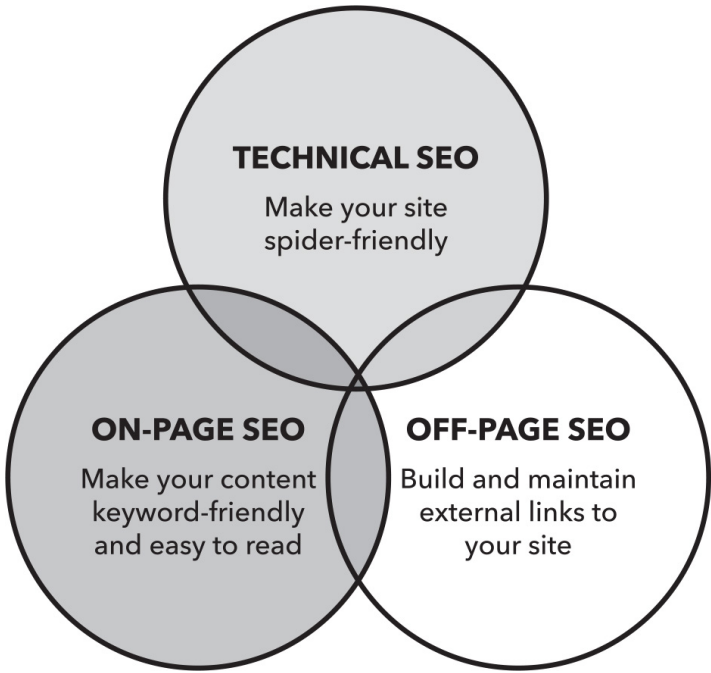
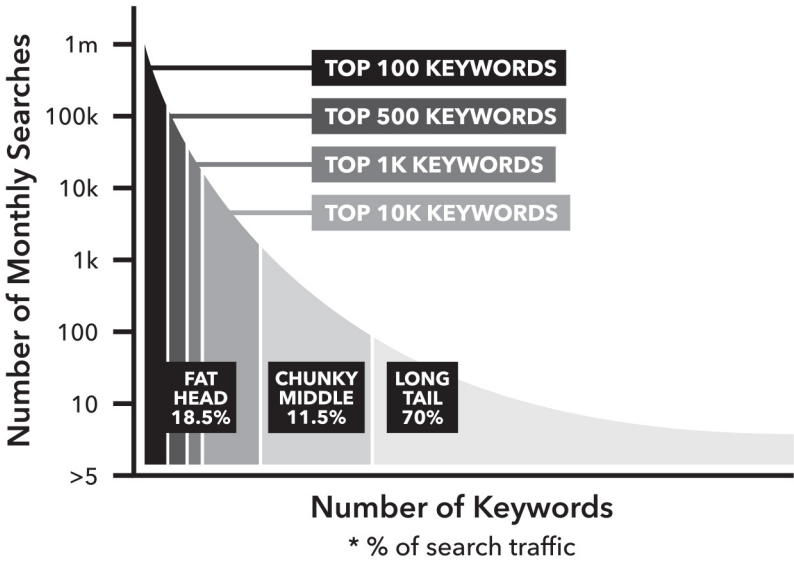


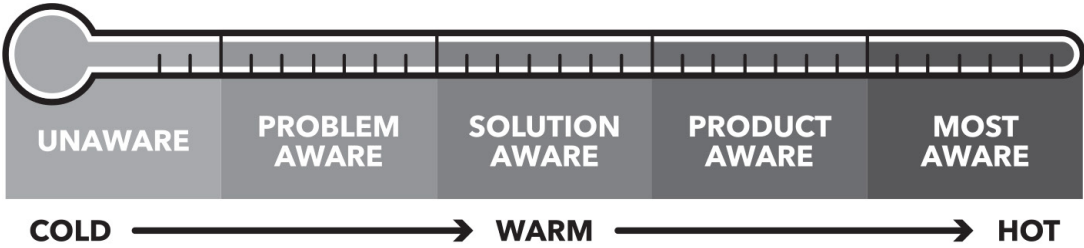
fig. 45

THE SEARCH DEMAND CURVE



Source: BrightLocal.com

fig. 46



Customers advance across a continuum of awareness as audience temperature—and product or solution awareness—increases

fig. 47

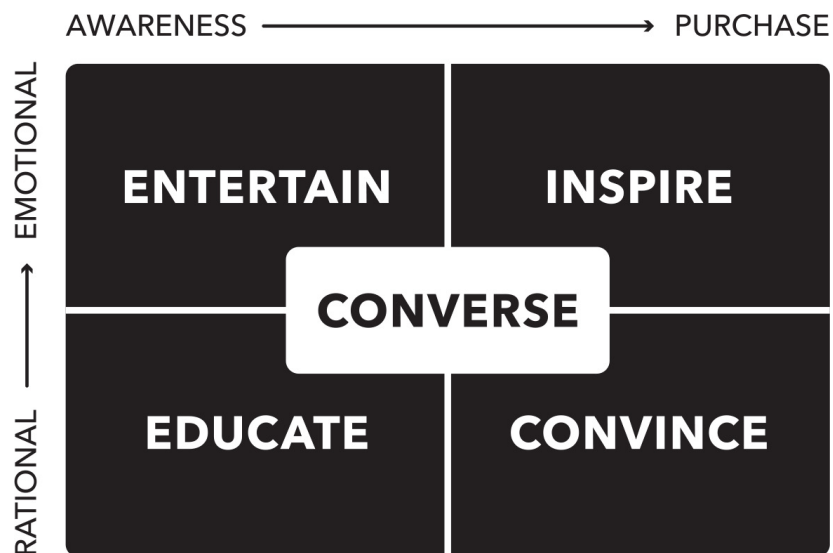
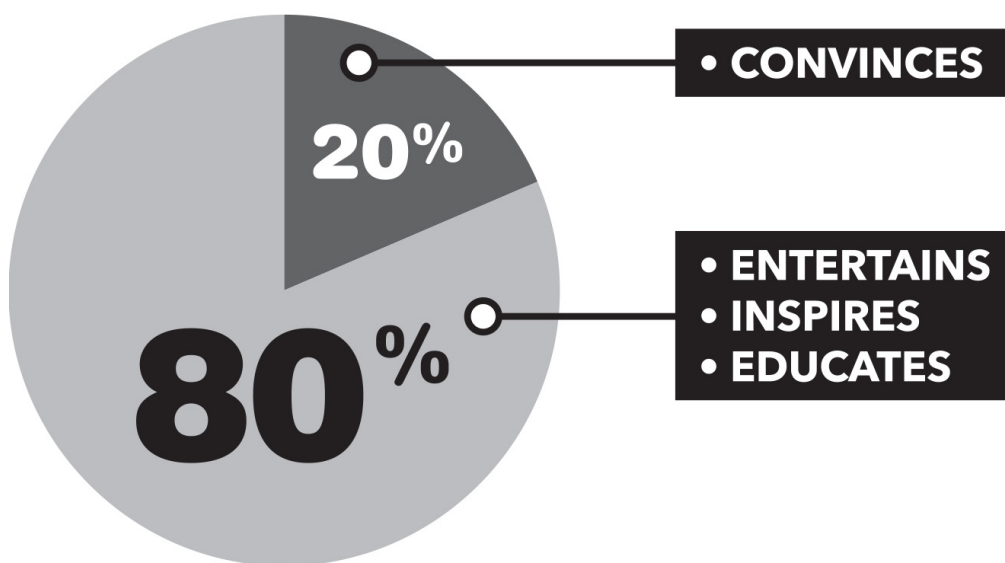


fig. 48



An example of inspirational content

fig. 49



Ratio of content that convinces to content that entertains, inspires, or educates

CHAPTER 8

Directing Traffic

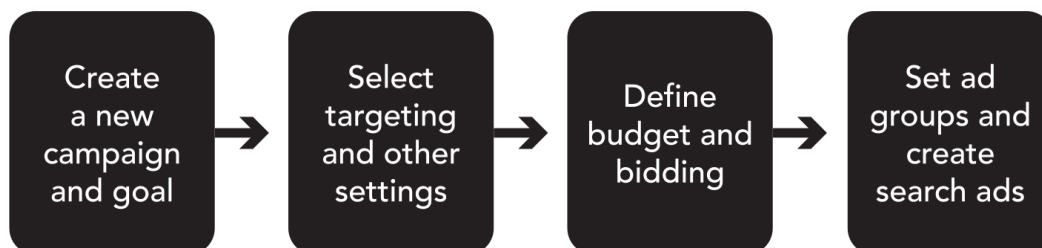
fig. 50

	CPC BID	AD SHOWN?
ADVERTISER 1	\$1.40	✓
ADVERTISER 2	\$0.91	✗
ADVERTISER 3	\$0.78	✗

fig. 51

The screenshot shows a search engine results page for the query "adidas shoes". At the top, there are two text ads. The first ad is from DSW, with the URL "https://www.dsw.com/" and the title "Adidas Shoes | DSW". The description mentions "Shop the Latest Sandal Styles From Your Favorite Brands at DSW®. Available Online or for Curbside Pickup! Find Your Perfect Pair Today. Free Shipping Over \$75. Shop DSW® Boots · Shopping Made Easy @ DSW® · Become A VIP (For Free!) 221 Wade Rd Extension Suite 113, Latham, NY". The second ad is from Famous Footwear, with the URL "https://www.famousfootwear.com/" and the title "Adidas Shoes For Men, Women & Kids, Famous Footwear". The description says "Sale Ends Soon! Use Code READY4MORE For \$10 Off \$50, \$15 Off \$75, & \$20 Off \$100." To the right of these ads is a black box labeled "SERP TEXT ADS". Below the ads are organic search results. The first organic result is from "https://www.adidas.com" with the title "Men's Shoes & Sneakers | adidas US". It features a row of six images of different styles of men's sneakers. Below the images, the text says "Shop our collection of men's sneakers, shoes & slides at adidas.com. Find your fit for the field or the street at the official adidas online store. New Arrivals · Superstar Shoes · Ozellia Shoes · Boost - Shoes". To the right of this result is a black box labeled "ORGANIC RESULT". Below this is another organic result from "https://www.adidas.com" with the title "adidas Shoes, Sneakers & Slides". The description says "Shop adidas shoes for training, sport, and casual lifestyle at the official adidas online store. Browse all the hottest styles like UltraBoost, NMD, ... MenMen · Originals Shoes · Running Shoes · Adidas Soccer Shoes".

fig. 52



Paid search campaign creation process

fig. 53



An ad promoting AT&T Internet as it first appeared on HotWired.com on Oct. 27, 1994. Its design exemplifies the intrusive and annoying nature that has contributed to display advertising's reputation.

fig. 54

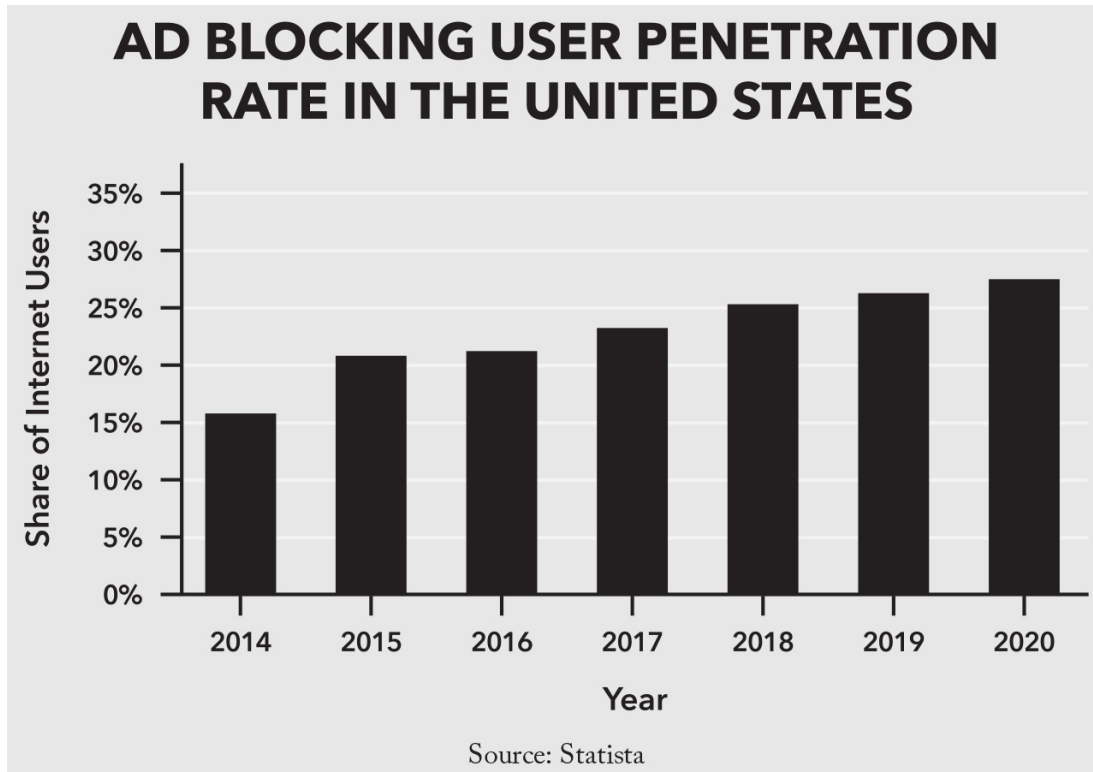


fig. 55

THE GATOR™ XUV835
with 4WD at the
flip of a switch

Nothing Runs Like A Deere™
EXPLORE MORE

JOHN DEERE

HOW TO MAKE CHOCOLATE CHIP COOKIES

Let's walk through how to make chocolate chip cookies step-by-step, and don't forget to watch the video.

A display ad featuring a tractor, placed in the middle of a blog about baking cookies. The ad doesn't relate to the content, it relates to you!

fig. 56

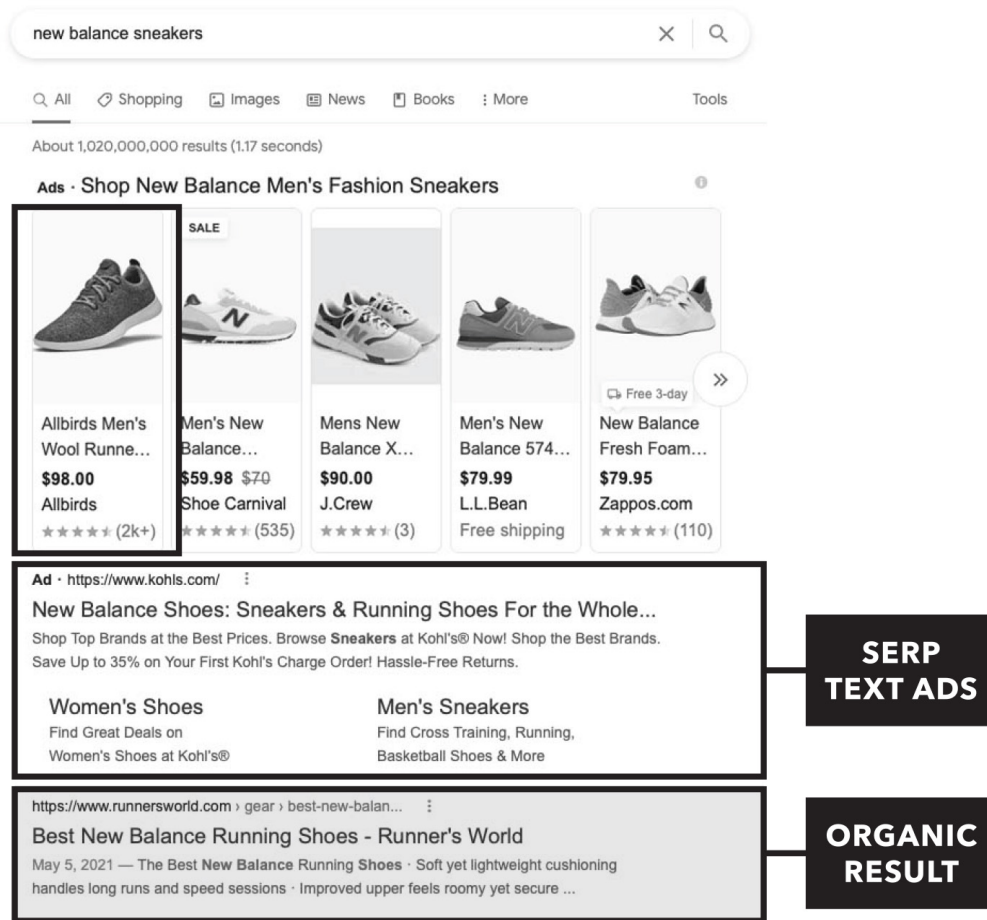


fig. 57

United States
English
Google

Broaden your search:
 + shoe
+ running shoe shoes
+ nike shoes
+ name brand shoes
+ athletic shoes
+ footwear
+ sneakers

Exclude adult ideas
ADD FILTER
2,954 keyword ideas available

<input type="checkbox"/> Keyword (by relevance)	Avg. monthly searches	Competition	Ad impression share	Top of page bid (low range)	Top of page bid (high range)
Keywords you provided					
<input type="checkbox"/> new balance shoes	100K – 1M	High	–	\$0.33	\$6.05
Keyword ideas					
<input type="checkbox"/> new balance	1M – 10M	High	–	\$0.87	\$16.15
<input type="checkbox"/> new balance 327	10K – 100K	High	–	\$0.36	\$1.23
<input type="checkbox"/> new balance 574	100K – 1M	High	–	\$0.22	\$13.06
<input type="checkbox"/> new balance 530	10K – 100K	High	–	\$0.43	\$1.28
<input type="checkbox"/> new balance 990	10K – 100K	High	–	\$0.29	\$1.25
<input type="checkbox"/> new balance 550	10K – 100K	High	–	\$0.41	\$1.25

A sample of keyword suggestions based on the key phrase “new balance shoes.” Google recommends nearly 3,000 related keywords based on this seed phrase, along with some bid range information.

fig. 58

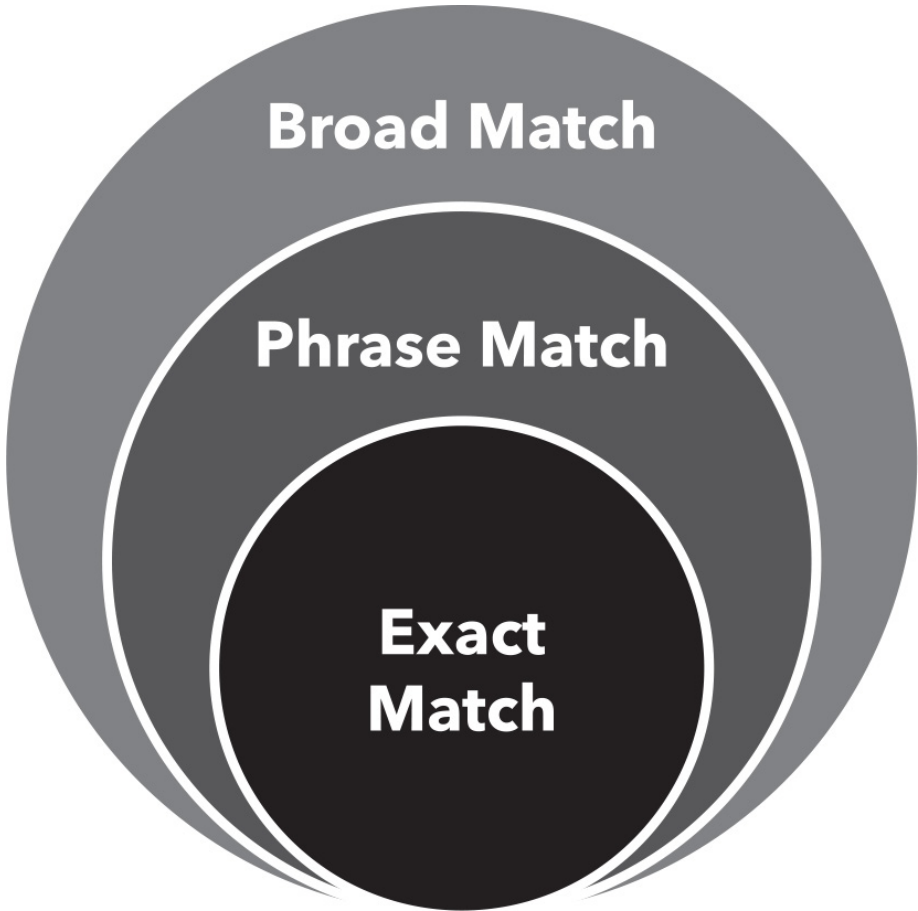


fig. 59

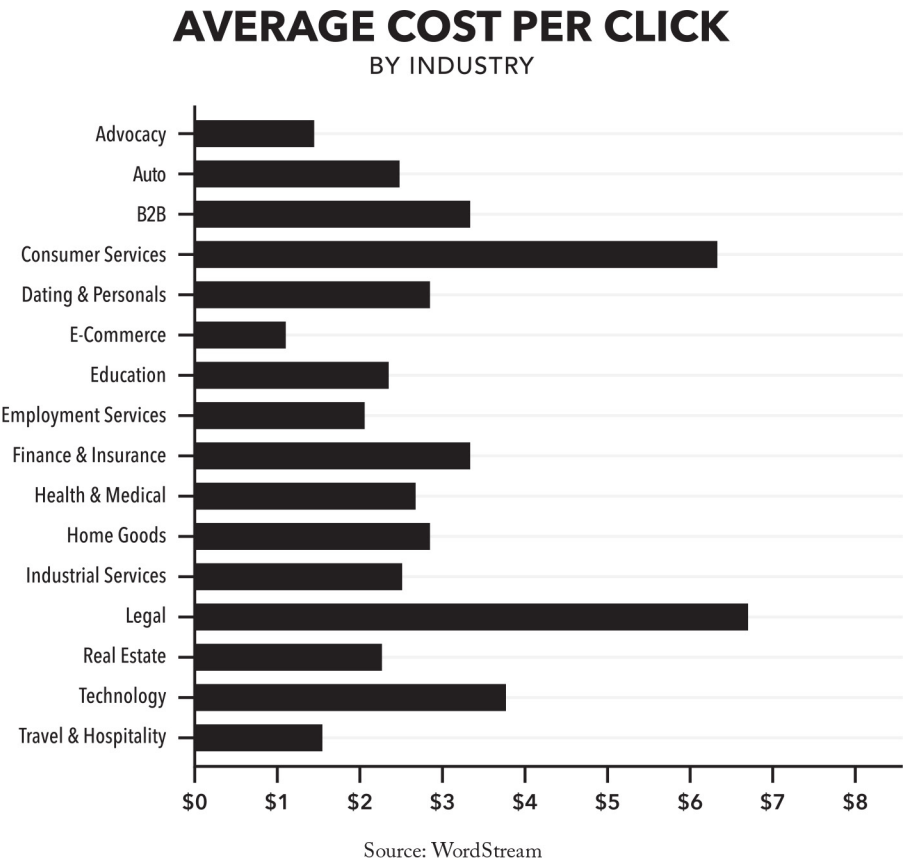


fig. 60

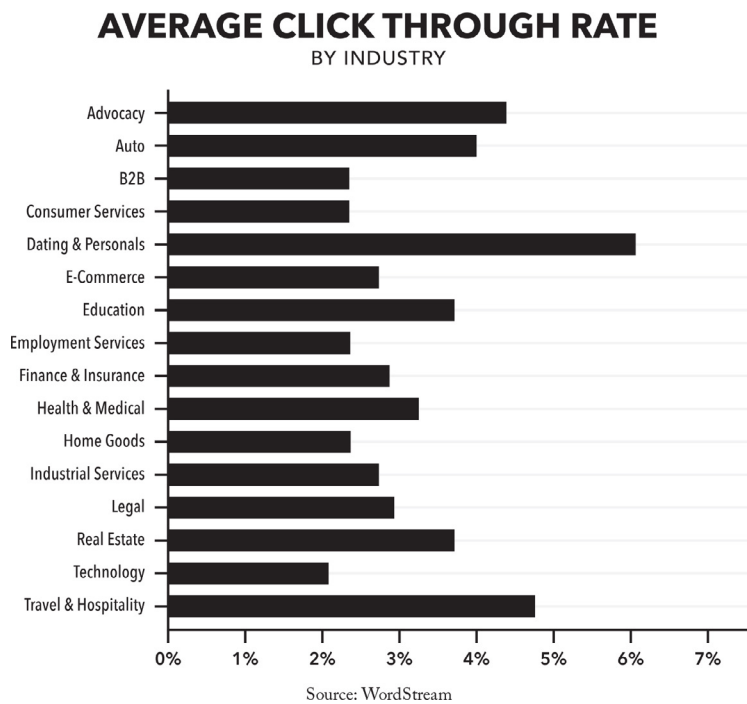


fig. 61

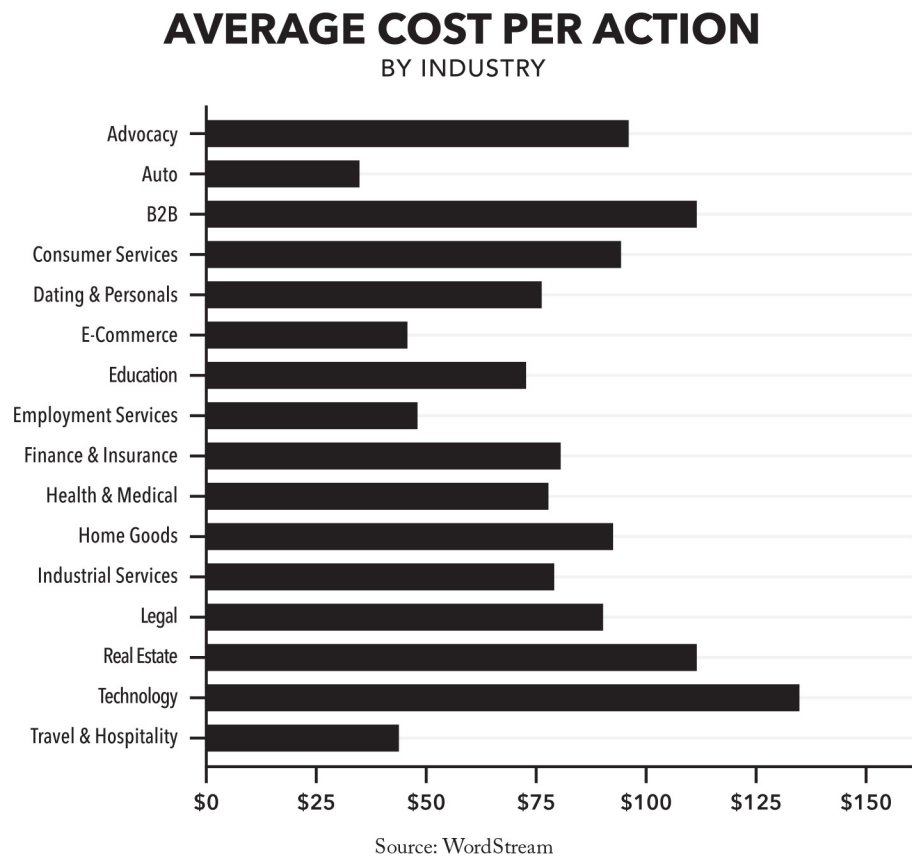


fig. 62

COST PER ACQUISITION = $\frac{\text{TOTAL COST OF CONVERSIONS}}{\text{TOTAL NUMBER OF VISITORS}}$

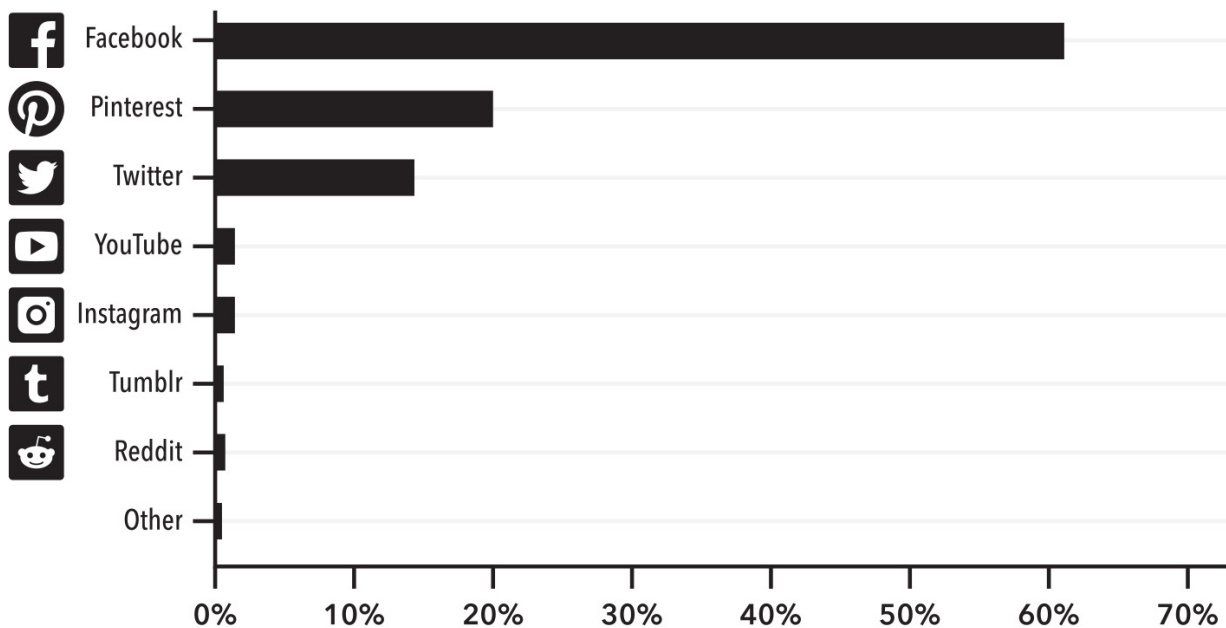
CHAPTER 9

Social

fig. 63








LEADING SOCIAL MEDIA WEBSITES IN THE UNITED STATES IN JAN. 2021

BASED ON SHARE OF VISITS TO EACH SITE



Source: Statista

fig. 64

	<p>FACEBOOK: Facebook is head and shoulders above other social sites regarding number of MAUs, which, according to Statista, is about 2.9 billion. More than 65 million businesses use Facebook pages, and more than 3 million advertisers promote their businesses there. Facebook's sophisticated ad targeting platform makes it extremely easy to target users based on activity (both online and off), demographic attributes, preferences, and interests. Facebook is a brand advertiser staple and a great place to tinker with campaigns and learn the ropes of social and programmatic advertising—even campaigns with relatively small budgets can find success.</p>
	<p>TWITTER: Twitter is a site where there's a lot going on. Statista puts their MAU count at around 330 million, and it's well suited to organizations related to sports, politics, entertainment, or marketing. Twitter provides the opportunity to push out a high volume of timely messages and to piggyback onto existing trends. A well-crafted tweet that takes advantage of a trending hashtag can produce instant and widespread exposure for your brand or message. Exercise caution: there is no shortage of stories of brands and individuals who saw their reputations tarnished from a poorly conceived tweet. Twitter users are quick to criticize brands they see as overstepping and inserting themselves where their voices don't belong.</p>
	<p>PINTEREST: The digital pinboard social site Pinterest is pushing back at the idea that it is primarily frequented by women, touting increasing diversity among its 400 million MAUs reported by Statista. Pinterest claims the number of men using the site has increased by 48 percent and that it'd making big gains among Gen Z and millennials. Increased diversity among users, of course, means better advertising opportunities for businesses.</p>
	<p>LINKEDIN: What LinkedIn lacks in flash it makes up for in substance. Of its 310 million MAUs reported by Statista, more than 61 million are in senior business positions, and 44 percent have an income that's higher than the national median. Having a company page on LinkedIn enables other professionals to discover your business.</p>
	<p>INSTAGRAM: Instagram's 1 billion MAUs are young, with more than half between the ages of eighteen and thirty-four. The visual-heavy platform inspires creativity, which produces a barrier to entry for some brands. Product-based businesses, influencers, lifestyle brands, and coaches are a perfect fit for Instagram but only if they can deliver an "Insta-worthy" visual story.</p>
	<p>SNAPCHAT: Instagram users are young, but the Snapchat crowd is even younger, with the most active of its 360 million MAUs (as reported by Statista) only in their early teens.</p>
	<p>TIKTOK: This social platform has exploded in popularity. As reported by Statista, TikTok reached 1 billion global MAUs in September of 2021. The platform's audience is very skewed toward younger people and in its short life has so far presented a challenge to many marketers who aren't intimately familiar with the platform and its audience. Brands that present as inauthentic or that fumble with the visual language of TikTok will struggle to gain a foothold with the platform's audience.</p>

CHAPTER 10

Following Up with Email

fig. 65

GET FREE INSTANT ACCESS
to 3 Amazing Online Marketing Resources
(For Kicking Your Business into High Gear)

»» **The Internet Business Toolkit:**
a comprehensive list of *every tool, software, and utility*
we use to run our online businesses

»» **The Top 10 Episodes** of The Marketing Show

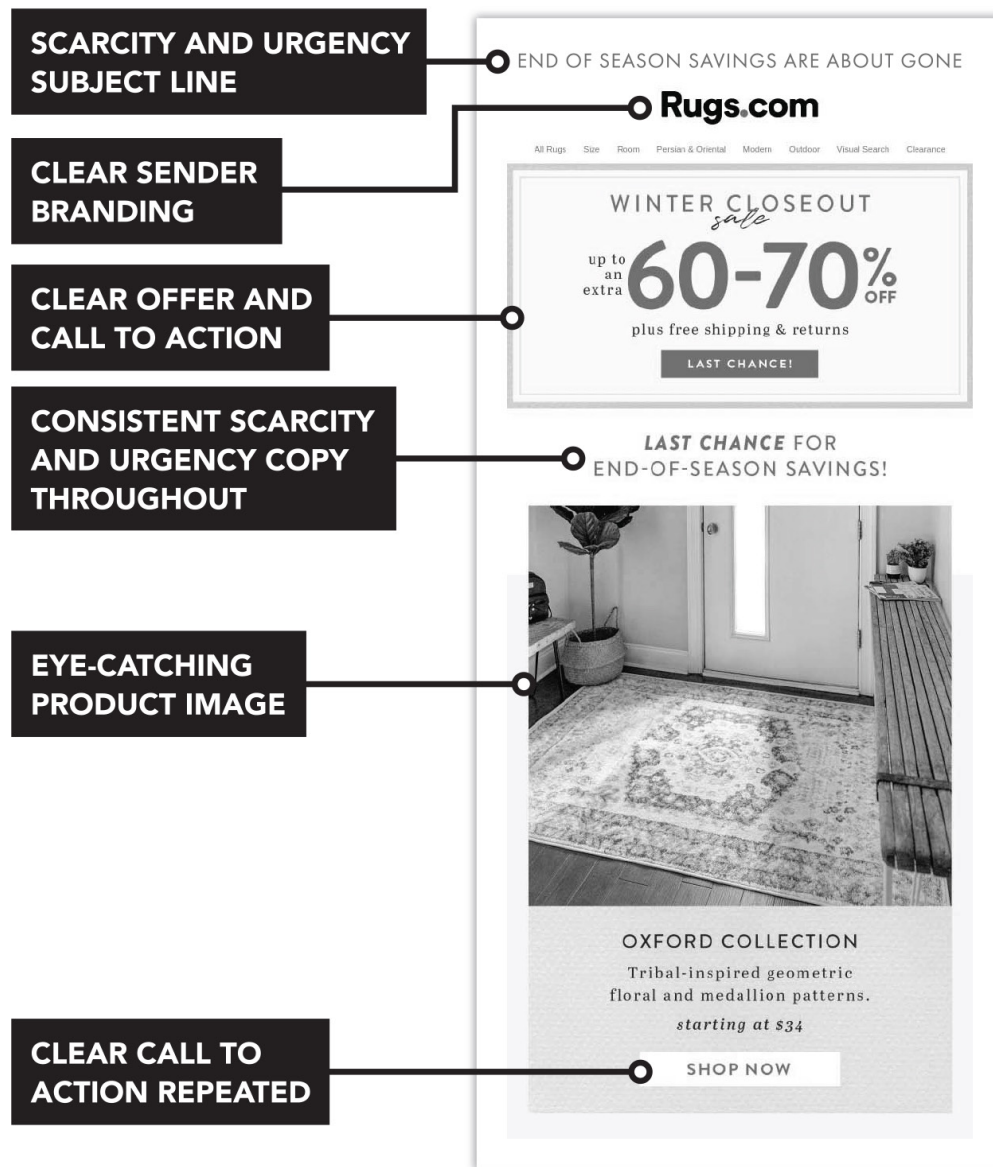
»» **10 Super Easy Guidebooks** (that inject ninja marketing
movies *directly into yo' brain*).

Enter Your Email Address Here

»»» **FREE INSTANT ACCESS**

An example of an opt-in form using lead magnets to attract potential customers

fig. 66



Email Sample

Source: www.reallygoodemails.com

fig. 67

$$\text{BOUNCE RATE} = \frac{\text{BOUNCED EMAILS}}{\text{SENT EMAILS}} \times 100$$

fig. 68

$$\text{UNSUBSCRIBE RATE} = \frac{\text{UNSUBSCRIBERS}}{\text{DELIVERED EMAILS}} \times 100$$

fig. 69

$$\text{GROWTH RATE} = \frac{\# \text{ OF NEW SIGN-UPS}}{\text{UNSUBSCRIBERS}} \times 100$$

CHAPTER 11

Building a Sound Marketing Strategy

fig. 70

FOUR PHASES OF A SALES FUNNEL

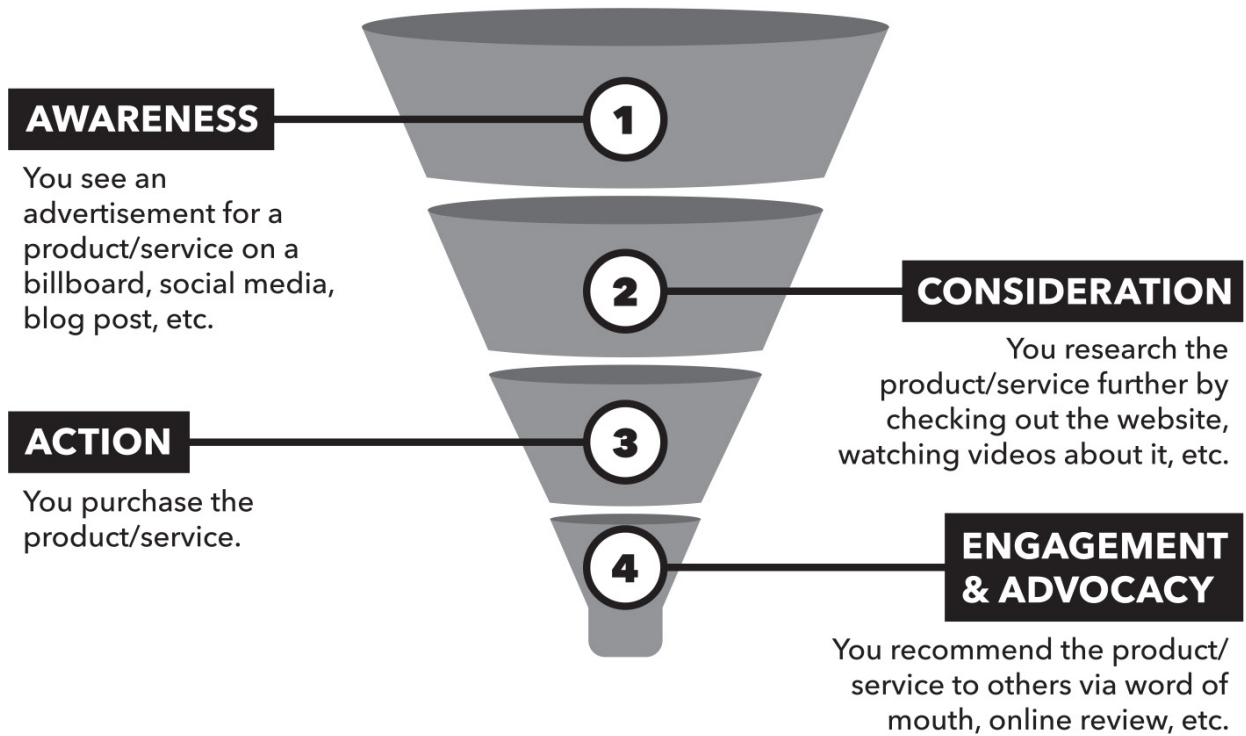


fig. 71

DIGITAL MARKETING TOOLS FOR EACH STAGE OF THE FUNNEL

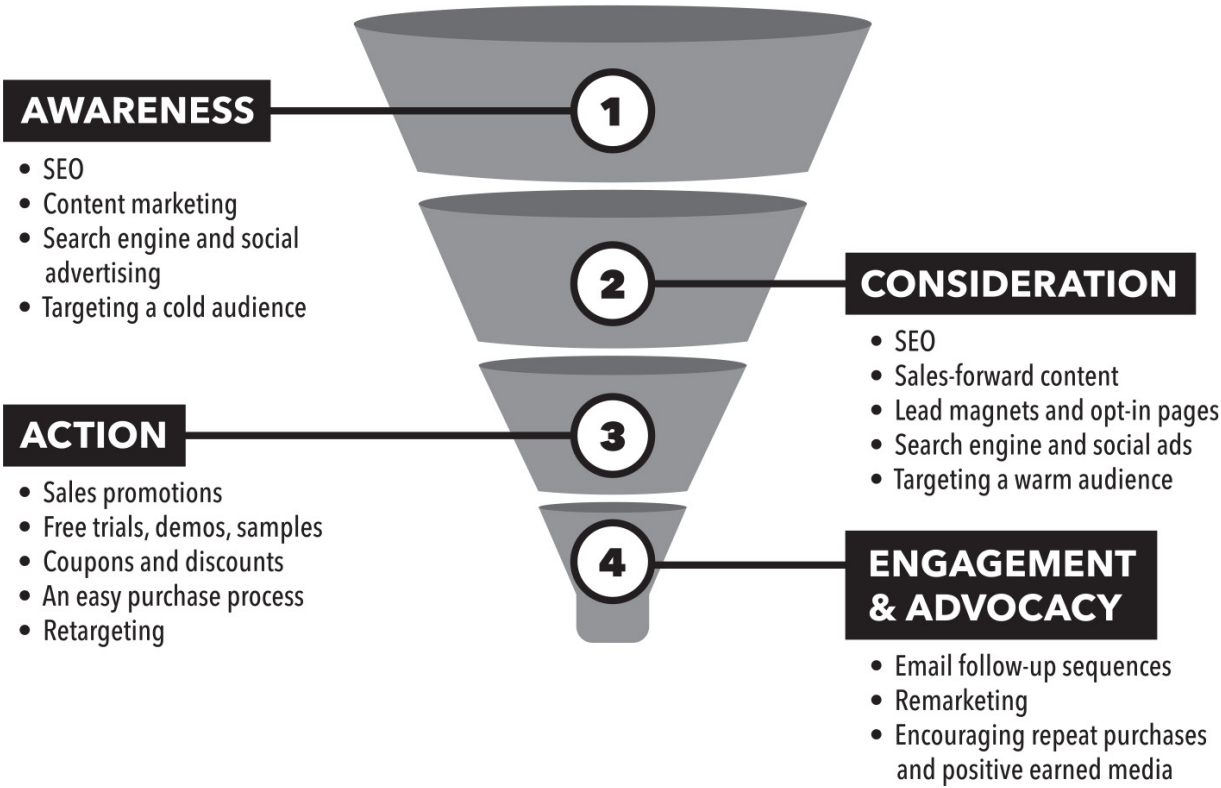


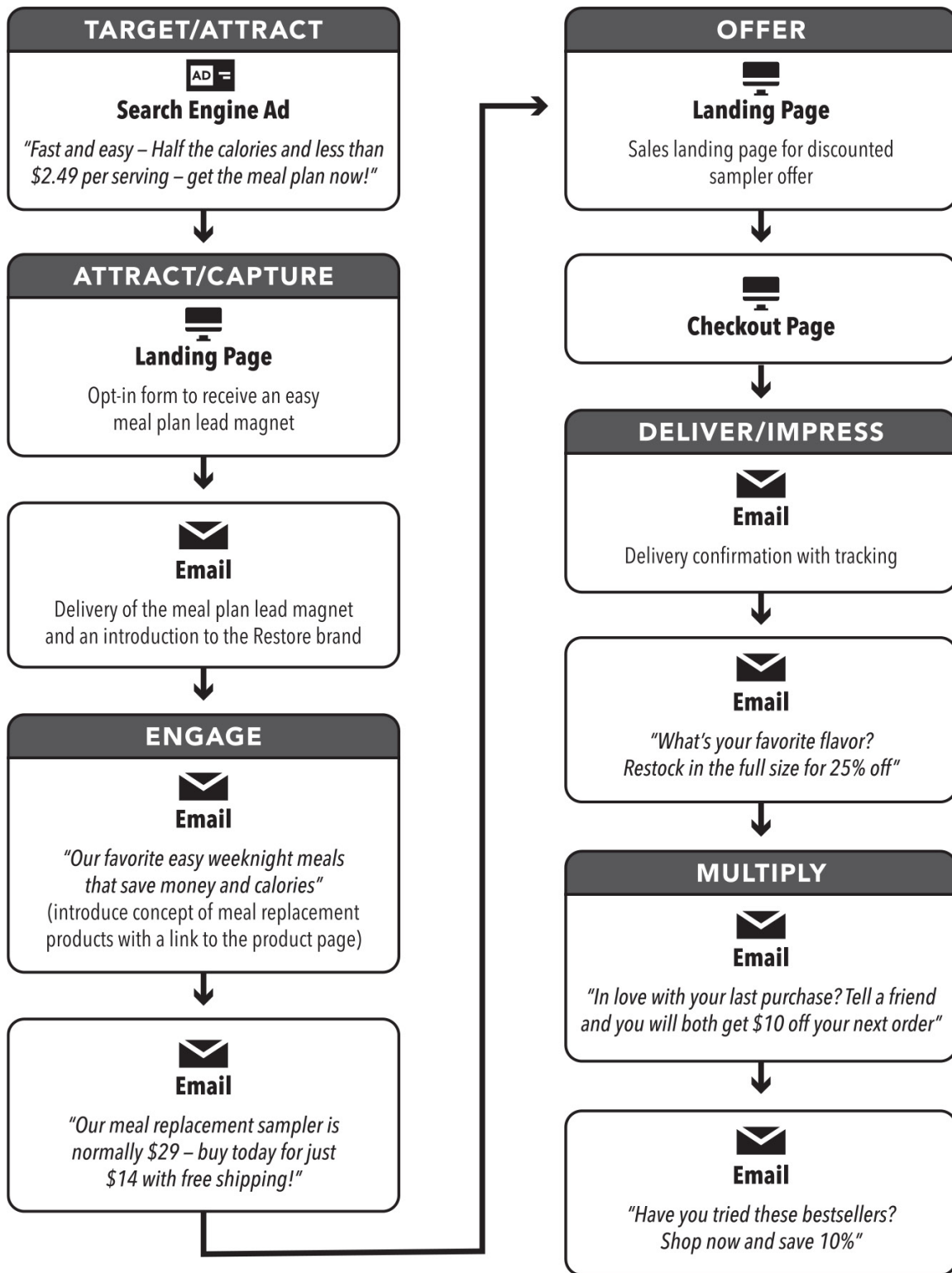
fig. 72

THE LIFECYCLE MARKETING PROCESS		
Collect Leads	Convert Customers	Create Fans
<ul style="list-style-type: none">• Target• Attract• Capture	<ul style="list-style-type: none">• Engage• Offer• Close	<ul style="list-style-type: none">• Deliver• Impress• Multiply

fig. 73

	FITNESS ENTHUSIASTS	ATHLETES	BUSY PROFESSIONALS
SPECIFIC BENEFIT	Health and balance	Performance	Convenience
SEARCH INTENT	Getting more out of my workouts	Meal replacement shakes with over 15 grams of protein	Fast and cheap lunches
	Workout-friendly meals	Best meal replacement for runners	Easy office lunches
	Easy-prep workout meals	High-performance meal replacement	Healthy takeout alternatives
CONTENT	Get more out of your workouts with these workout-friendly meals	Maximize your healthy protein intake with these high- performance meal replacements	Optimize your office lunch—these healthy meals are ready in minutes

fig. 74

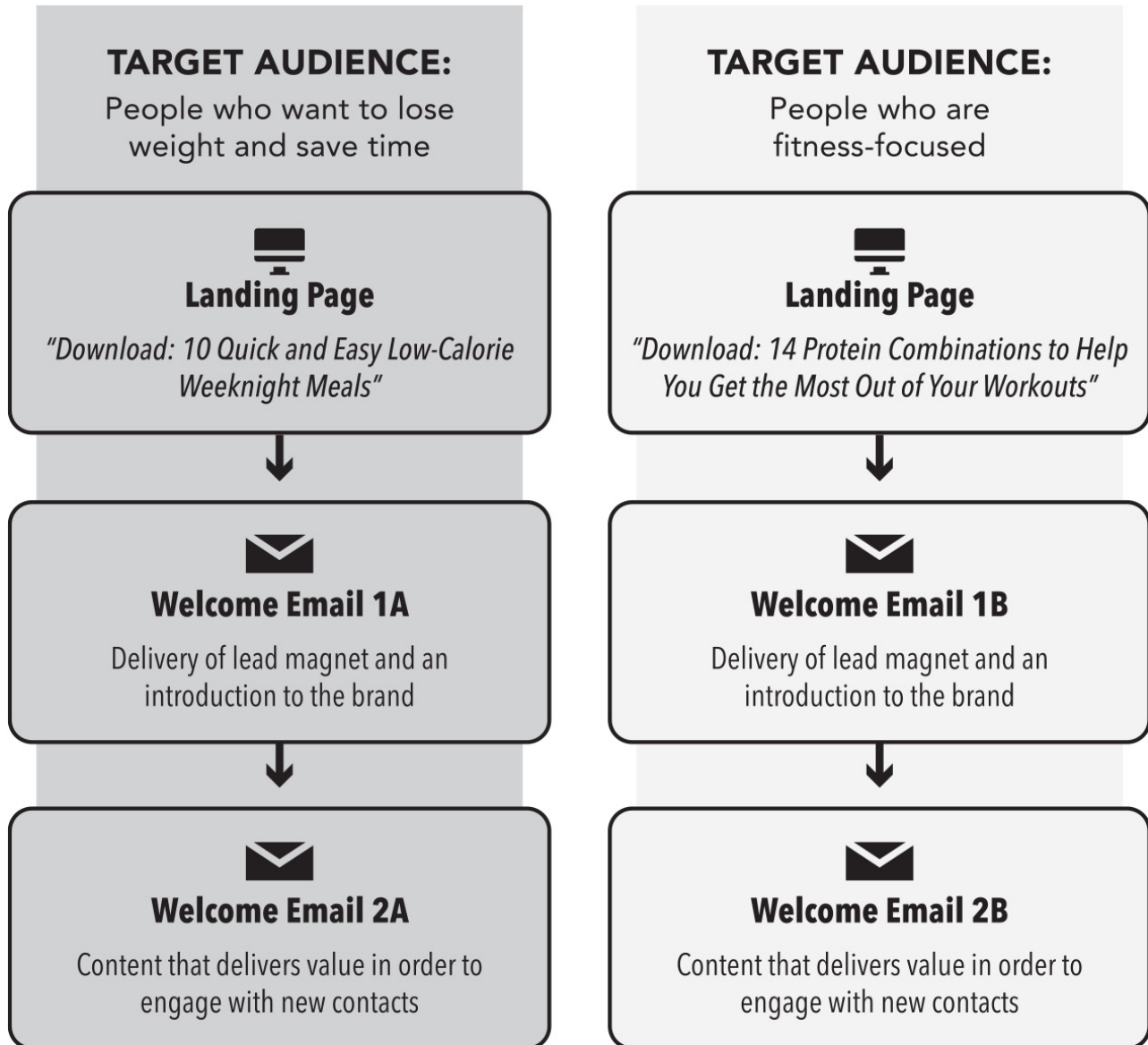


A functional example lifecycle marketing process for the fictional health-and-wellness brand Restore

CHAPTER 12

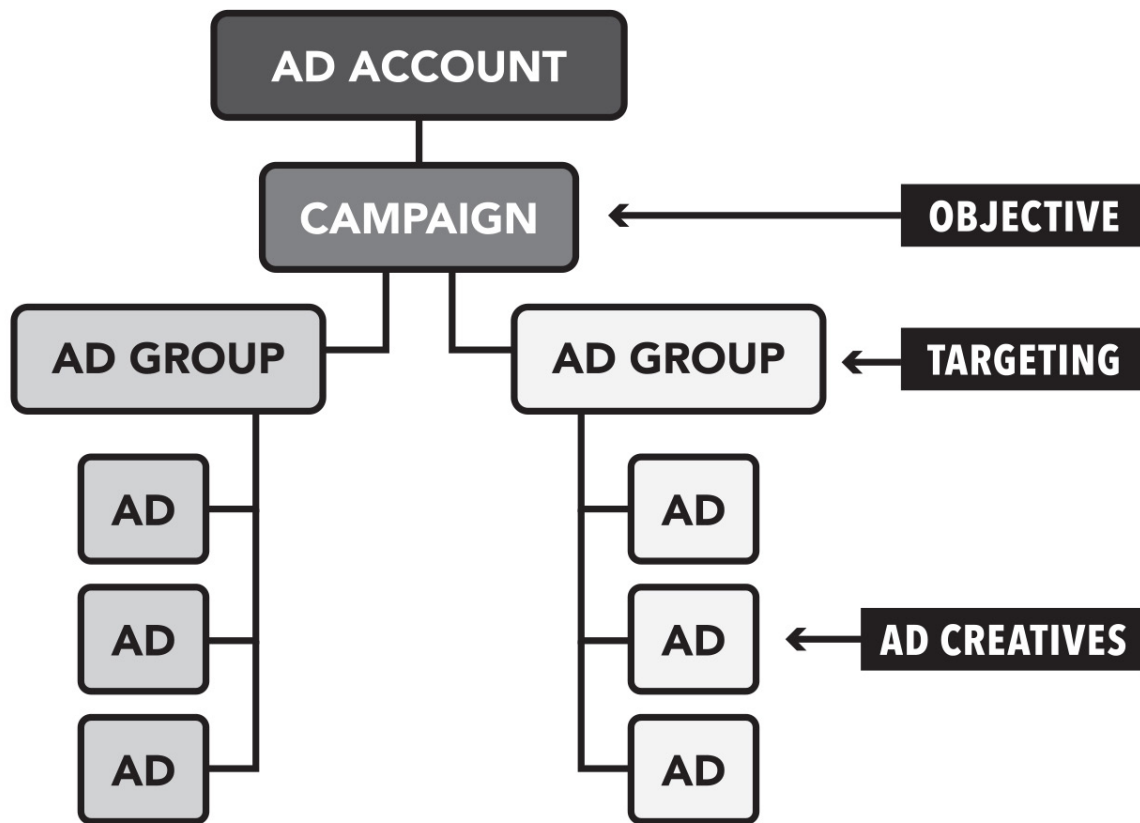
Digital Marketing Efficiency

fig. 75



Example welcome sequences designed to speak to two distinct customer avatars

fig. 76



Campaign objectives are defined at the campaign level. Each ad group can have its own targeting assigned to increase the relevancy of ads to platform users.

GLOSSARY

10-K

Annual financial report that is required of publicly traded companies.

10-Q

Quarterly financial report that supplements the 10-K.

Ask price

The stock price at which a market maker can guarantee a transaction for a buyer. Think of an ask price as the amount someone is willing to immediately accept in order to buy a stock.

Bid price

The stock price at which a market maker can guarantee a transaction for a seller. Think of a bid price as the amount someone is willing to immediately accept in order to sell a stock.

Bond

An IOU issued by a government or private enterprise in exchange for cash. Bondholders (buyers) are paid interest at fixed intervals and rates and are repaid the bond's full principal amount at a future maturity date.

Bubble

When the price of stocks or other securities becomes inflated due to herd behavior and overzealous investor confidence not rooted in sound fundamental analysis.

Call option

An options contract that guarantees the option "owner" the right to purchase a stock at a specified price (strike price) before a specified expiration date.

Capital gain

A profit resulting from an investor's ownership in a stock or other investment that has increased in value and can be sold at a price higher than its original purchase price.

Capital structure

The way in which a company secures capital. The issuance of debt (bonds) and equity (stocks) are the primary methods of securing capital.

Corporate governance

The layout and functioning of a corporation's management, including a system of rules, control hierarchies, policies, values, shareholder interests, community, and other factors.

Correlation

The similar response of certain stocks to various outside factors, scored on a range from -1 to +1. Two stocks are perfectly correlated if they have a correlation value of +1. They are perfectly non-correlated if they have a correlation value of -1.

Cost basis

The cost basis for a stock is the original cost of obtaining the stock adjusted for income obtained through the stock, such as dividends, capital distribution, and any income gained from selling options on the stock.

Covered call

When a trader selling a call option owns the requisite shares in the underlying asset and is therefore able to readily produce the shares if the option is "called in."

Debt-to-asset ratio

Also known as "debt ratio," a ratio used to quantify the percentage of a company's assets that are financed by creditors.

Debt-to-equity ratio

A comparative measurement of the claims on a company's value exerted by creditors vs. the claims exerted by equity holders (shareholders).

Deflation

When fewer units of currency have the power to purchase more goods and services. Deflation results from a decline in available money supply.

Derivative

A security that derives its price from the price of other assets. Examples of derivative securities include options and commodities futures contracts.

Dividend

Cash payment issued by a company to its stockholders on a regular basis, usually quarterly.

Due diligence

The mandated inspection of a security by brokerages that must take place before the broker brings the security to market.

Earnings per share (EPS)

Total company profit divided by total outstanding shares.

Efficient market hypothesis (EMH)

The theory that all available information about a stock is reflected in its current price.

Equity

A party's ownership percentage in a business, corporation, or other property.

ETF (exchange traded fund)

ETFs are a pre-diversified, tradable security, but unlike mutual funds, ETF prices can fluctuate throughout the day. ETFs operate on the market in essentially the same manner as a stock.

Expense ratio

An annual fee charged by the managers of mutual funds or ETFs. Expense ratios account for administrative overhead and other fixed costs of managing the fund or ETF.

Foreign tax withholding

Taxes applied to investment income earned by nonresident investors.

Fundamental analysis

The evaluation of core quantitative and qualitative attributes defining the financial vitality of a security's underlying assets. In the case of stocks, the subject of a fundamental analysis would be the corporation or business that is issuing the stock.

Growth investing

Investing on the basis of a great story, inspired by companies that are making big splashes in relevant market sectors. Growth investors are open to investing in companies with higher levels of debt, higher P/E ratios, and lower earnings per share (EPS). Compare with "value investing."

Growth stock

A stock that may not have particularly competitive financials but is eagerly sought by the market nonetheless on the basis of anticipated growth rather than dividend income.

GTC limit order

A limit order that is “good till canceled.” A GTC, unlike a regular limit order (see definition below) does not expire at the end of the trading day. GTC limit orders expire only after a specified period of days has elapsed or after the investor cancels them. A 60-day GTC limit order, for example, is good for 60 days or until canceled.

Hedge fund

Speculative, actively managed fund aimed at high-net-worth individuals. Hedge fund managers pursue aggressive growth through the use of derivative securities, short positions, and other forms of complex investment strategies.

Index fund

A mutual fund comprised of stocks that reflect the composition of a specific market index.

Index investing

Investing in a mutual fund or ETF comprised of stocks that reflect the composition of a specific market index.

Inflation

The decline of a currency’s purchasing power.

Initial Public Offering (IPO)

The first open-market offering of equity shares in a newly public company.

Leverage

The application of borrowed capital for the purpose of acquiring investments for a greater return potential, albeit with a greater risk. Leverage can enhance returns and exacerbate losses.

Limit order

An order placed to buy or sell a stock if and only if the stock reaches a specified price. Limit orders are distinct from market orders in that there is no guarantee that the transaction will be executed. Unless the limit order is “GTC” (see definition above) it expires at the end of the current trading day.

Liquidity

A measure of how fast a stock or other asset can be turned into cash.

Long position

An investment whereby a return is realized if the purchased security gains value over time.

Long-term capital gain

Profit made from purchasing a security and holding it for at least a year before selling it for a gain. Long-term capital gains are taxed at the capital gains tax rate, which is generally favorable relative to the standard income tax paid on short-term capital gains.

Marketability

The ability to trade a stock or other asset at a given price at a given volume.

Market capitalization

Stock price multiplied by total shares outstanding. Market capitalization is used as a measurement of a company’s overall size and total value.

Market correction

A sudden downturn in the market due to inflated stock prices and general overestimations of the market’s strength.

Market maker

A firm that publicly quotes stock prices to the public. In order to ensure liquidity, market makers must be willing to buy and sell stock at the prices they quote.

Market order

An order to buy or sell stock whereby the broker commits to an immediate transaction at an available market price. Market orders are used when investors prioritize the immediate execution of a trade over the exact price of a trade.

Mutual fund

A professionally managed investment vehicle divided into shares and powered by investments in stocks, bonds, or other securities, and funded by shareholders.

Mutual fund load

The commission paid to an advisor or broker for researching and selecting a mutual fund on a client’s behalf.

NAV (net asset value)

Used to measure the value of a mutual fund. NAV is the aggregate per-share value of all securities that comprise a mutual fund, minus expenses. NAV values do not fluctuate throughout the day like stock values but instead are priced once at the end of each business day to reflect the day’s valuation change.

New York Stock Exchange

The largest stock exchange in the world, as determined by the combined total market capitalization values of the securities represented on the exchange.

Normal yield curve

The standard relationship between a bond’s term and its yield. In a normal yield curve, the longer the bond’s term (the more time allowed to pass before the bond’s face value is returned to the investor) the higher its yield.

Over-the-counter (OTC) market

Trading venues that are networks of dealers. OTC markets are subject to fewer standards and regulations compared to centralized exchange markets but tend to be fair in transacting securities trades.

Part B prospectus

A secondary component of a mutual fund’s prospectus that often includes important variable expense information and other data not found in the general prospectus. Part B prospectuses are usually not issued automatically. They often must be explicitly requested by the investor.

P/E (price-earnings) ratio

A stock evaluation metric that is calculated by dividing a stock’s price by its earnings per share. Stocks with lower P/Es are considered “cheap.” Stocks with higher P/Es are considered more expensive.

Prospectus

A report issued on behalf of a mutual fund disclosing the fund’s strategy, goals, fixed expenses, and risks.

Put option

An options contract that guarantees the option “owner” the right to sell a stock at a certain price (strike price) before a specified expiration date.

Realized capital gain

When an investor sells out of an investment position at a profit: receiving more cash than what he originally paid to buy into the position. Also known as a “realized gain.”

Rebalancing

The investor’s periodic portfolio checkup, ensuring that asset ownership is proportioned evenly with no undue risk resulting from an over- or underabundance of one asset type or another.

REIT (real estate investment trust)

REITs are funds devoted to the acquisition and management of real estate assets for profit. REITs allow investors to own pieces of properties without having to hire a property management company or self-manage.

SEC (Securities & Exchange Commission)

The federal regulatory agency that oversees the buying, selling, and marketing of stocks, bonds, and other financial securities.

Security

A stock, bond, mutual fund, ETF, or other financial instrument that confers financial value to an extent determined by the market's demand.

Settlement date

Regarding the purchase or sale of a stock, the settlement date refers to the date on which the transfer of cash and legal stock ownership actually takes place.

Short position

An investment transaction whereby a gain is realized if the security loses value over time.

Short-term capital gain

Profit made from purchasing a security and then selling it for a gain within a year's time. Short-term capital gains are taxed at your standard income tax rate.

Slippage cost

The difference between an investor's expected price when buying or selling a stock and the actual price paid or received for the stock. Slippage is the result of swift market changes that may transpire between the investor's placement of an order and the broker's execution of that order. Instances of slippage are usually witnessed following the execution of a market or stop-loss order.

Socially responsible investing

The selection of investments on the basis of moral values and/or positive civic, humanitarian, or environmental implications, in addition to financial return potential.

Stock

Equity shares issued by a business or corporation in exchange for capital to further fund business development and growth.

Stock market index

A measurement based on certain attributes of a qualified assortment of stocks. Stock market indexes are used to track the overall performance of various sections of the market. Examples include the Dow Jones Industrial Average, the Nasdaq, and the S&P 500.

Stock split

When a company divides its shares so that each outstanding share is suddenly worth two shares, three shares, or some other multiple. Theoretically, the stock's price will decrease in proportion to the split, but oftentimes the market will try to buoy the stock back toward its pre-split price.

Stop-limit orders

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-limit orders trigger a limit order (see definition) when the stop price is reached.

Stop-loss order

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-loss orders trigger a market order (see definition) when the stop price is reached.

Tax-loss harvesting

Refers to selling a security at a loss in order to offset income and/or capital gains from the sale of other securities.

Technical analysis

Distinct from fundamental analysis, technical analysis is the evaluation of a stock or other security on the basis of its behavior in the market. Technical analysis concentrates on the perceived trends and patterns that affect a stock's price, whereas fundamental analysis is immediately focused on the vitality (financial and otherwise) of the company itself using financial statements and other reported financial data of the company.

Term

A specified period of time that a bondholder must wait until the bond's principal (face value) is returned. The bondholder is paid interest throughout the term. (Also known as "maturity date")

Trading volume

The total quantity of stock shares being traded during a given time interval.

Unrealized capital gain

Also known as an "unrealized gain," an investment position that has appreciated in value and is still being held by the investor. An "unrealized gain" becomes a "realized gain" when the investor sells out of the position in exchange for cash.

Value investing

Investing on the basis of sound financial fundamentals. Value investors invest in companies that consistently turn profits, pay dividends, have low debt, and are undervalued compared to competitors in the same industry.

Value stock

Stock whose valuation will hold up amid the scrutiny of fundamental analysis (see definition above). Value stocks have low P/E ratios, competitive yield, and reasonable debt levels. And they are undervalued compared to competitors in the same industry.

Volatility

The degree to which a stock or other asset's price is subject to fluctuation. Measurements of volatility may also be applied to markets as a whole. Volatility encompasses not only downside market movement but upward movement as well.