



LESSON CONTENT TEMPLATE



Erasmus+

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Lesson 4 Cost structure

The Cost Structure is that structural element of the Business Model that describes all the types of costs incurred to make the business model work.

The cost structure includes the basic costs of all those processes which are important for handling and maintaining the business model. Basic costs for most companies are payroll. Also the continuous maintenance and upgrade of the platform but also the supplies related

The support of all functions is included in the cost of the company.

This component describes the most important types of costs incurred in operating (the company) under a particular business model. Creating and Providing Value, Maintaining Customer Relationships and Generating Revenue, all come at a cost. Such cost types can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships. Some business models, however, are more cost-driven than others.

The main cost categories are:

- Fixed assets (eg equipment)
- Initial costs (eg costs for product certification, costs for patent filing)
- Advertising and Promotion Expenses (e.g. expenses for visiting an exhibition, costs for setting up a corporation image)
- Operating costs (eg costs staff, rents)

Cost Structure And Operational Scalability

The cost structure is one of the building blocks of a business model. It represents how companies spend most of their resources to keep generating demand for their products and services. The cost structure together with revenue streams, help assess the operational scalability of an organization.

