



Entrepreneurship 101

Session 15. Cost Structure



Learning Objectives of the Session

1. Distinguish between a cost-driven and value-driven business.
2. Understand different categories of costs.
3. Define the cost structure of your business.



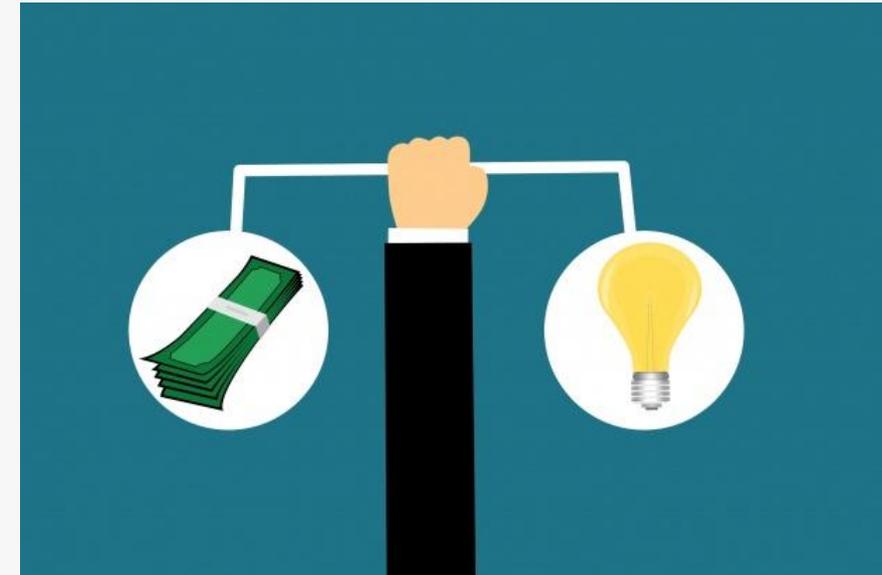
Two Main Types of Cost Structure

1. Cost-driven businesses

- Keeps costs low.
- Delivers affordable product/service.
- E.g., supermarkets and economies of scale.

2. Value-driven businesses

- Delivering a unique/differentiated product or service.
- Higher price fetched for status, superior quality etc.
- E.g., high-end car market.



Common Business Expenses

Stock or supplies,
taxes, VAT or custom
duty

Machines and
equipment

Labour costs and
staff training

Insurance, loan
repayments or legal
costs

Renting or buying of
business premises

Renovations, fixtures
and fittings of
premises

Own website
development and
maintenance

Overheads (e.g.,
Utilities)

Outsourcing (book-
keeping, I.T.)

Categories of Cost



Fixed costs



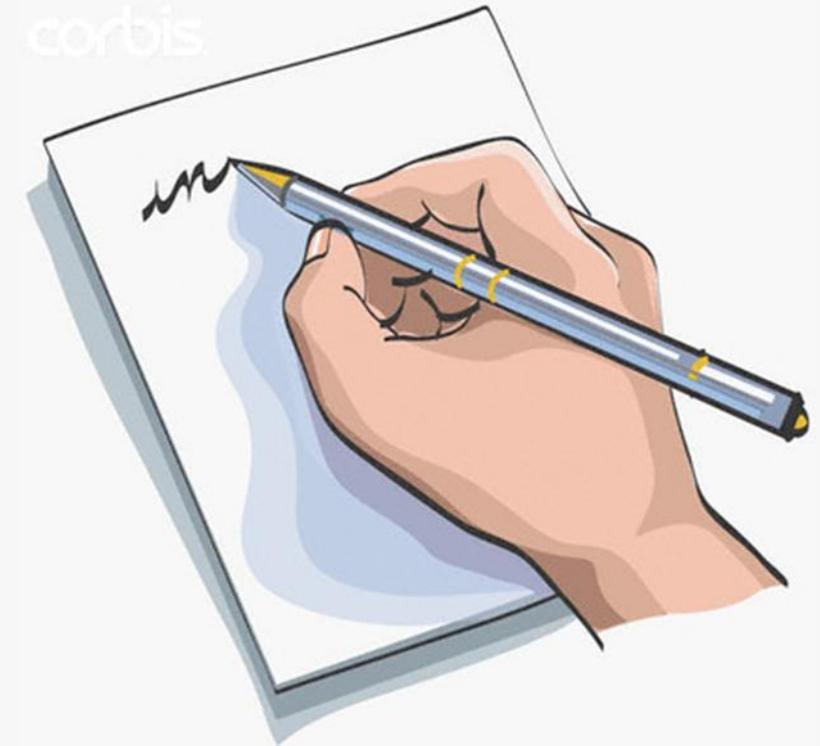
Variable costs



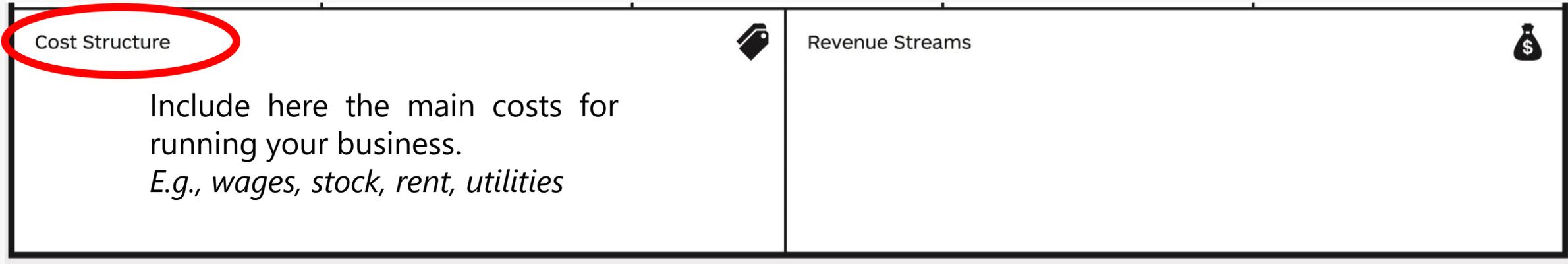
Capital Expenditure

Calculate Cost of Sale

- Define the products or services you are selling.
- Define the unit of product/service to be sold.
 - e.g., per pack, kilo or hour.
- Calculate the Cost of Sale.
 - The cost of producing 1 unit.
 - Add up all the variable costs to production.
 - Divide by the number of units produced.



Business Model Canvas – Cost Structure



Key Takeaways from the Session

Most businesses fall between cost-driven and value-driven.

Important to research:

- The costs for running your business.
- Arrive at price estimates.

Variable costs fluctuate, fixed costs are stable.

Economies of scale:

- The more units produced, the lower the cost of sale.

