

# IX. COST STRUCTURE

Our cost structure encompasses Startup Costs, Operational Costs, and Human Resources Costs, each tailored to ensure that Smash Labs operates efficiently while delivering high-quality services and products. The projections provided are informed by realistic estimates for an Australian-based business, incorporating local inflation rates and market-specific costs. Below is a breakdown of each category.

## Startup Costs

Startup costs represent a significant upfront investment required to establish the foundational systems for Smash Labs. Legal and administrative expenses, such as business licensing and legal fees, align with Australian requirements for corporate registration and compliance. These fees ensure that the company adheres to local regulations and protects intellectual property. Development costs are deliberately high, reflecting the specialized nature of the product, which includes AI models tailored for tennis players and para-athletes. Custom AI development and licensing of sports data ensure accuracy and inclusivity, which are critical for user adoption and retention. Similarly, the robust app and website development costs reflect the necessity of delivering a seamless, scalable platform capable of supporting large user volumes. Rent for physical office space is positioned as a fixed cost, reflecting the need for a centralized team hub in an accessible urban location. Overall, the startup investment reflects a commitment to quality, innovation, and compliance.

Startup Costs	
Category	Costs
Legal and Administrative	
Business License	\$507
Legal Fees	\$1,022
Development	
Sport Data Collection/Licensing	\$100,000
Standard Tennis AI Model	\$100,000
Para Tennis AI Model	\$50,000
API Integrations	\$5,000
App/Website	\$200,000
Accessory Store(The Locker)	\$100,000
Rent	\$200,000
Total Startup Costs	\$756,529.00

## Justification of Inflation Adjustments

Inflation adjustments have been incorporated to reflect Australia’s economic environment and projected cost increases. Based on Reserve Bank of Australia data, inflation rates between 2% and 3.5% have been applied across salary and operational costs to ensure realistic long-term budgeting. This proactive adjustment aligns Smash Labs’ financial planning with national economic trends, minimizing unforeseen budgetary constraints and ensuring sustainability.

Human Resources					
Sectors	Year 1	#	Bonus	Total	Inflation
Marketing					
PR Marketing	\$87,663	2	\$25,000	\$200,326	0.035
Partnership Marketing	\$104,929	5	\$25,000	\$549,645	0.035
Product Marketing	\$120,398	2	\$25,000	\$265,796	0.035
Customer Service	\$67,092	3		\$201,276	0.035
Software Developers	\$112,895	1	\$12,000	\$124,895	0.035
Hardware Engineers	\$104,912	1	\$12,000	\$116,912	0.035
Totals	\$597,889	14		\$1,458,850	
	Year 2	#	Bonus	Total	Inflation
Marketing					
PR Marketing	\$90,731	2	\$25,875	\$207,337	0.02
Partnership Marketing	\$108,602	5	\$25,875	\$568,883	0.02
Product Marketing	\$124,612	2	\$25,875	\$275,099	0.02
Customer Service	\$69,440	5		\$347,201	0.02
Software Developers	\$116,846	2	\$12,420	\$246,113	0.02
Hardware Engineers	\$108,584	3	\$12,420	\$338,172	0.02
Totals	\$597,889	19		\$1,982,804	
	Year 3	#	Bonus	Total	Inflation
Marketing					
PR Marketing	\$92,546	2	\$26,393	\$211,484	0.022
Partnership Marketing	\$110,774	5	\$26,393	\$580,260	0.022
Product Marketing	\$127,104	2	\$26,393	\$280,601	0.022
Customer Service	\$70,829	5		\$354,145	0.022
Software Developers	\$119,183	4	\$12,668	\$489,401	0.022
Hardware Engineers	\$110,756	3	\$12,668	\$344,935	0.022
Totals	\$597,889	21		\$2,260,827	

## Human Resources Costs

Human resources costs grow significantly, from AUD 1,458,850 in Year 1 to AUD 2,260,827 in Year 3, as the team expands and wages adjust for inflation: **Marketing:** Teams for PR, partnership, and product marketing see yearly salary increases based on inflation (2–3.5%), aligning with Australia’s wage growth trends .

**Service:** The team grows from three to five employees by Year 3, ensuring responsive support as the user base scales.

**Development Teams:** Software developers and hardware engineers are hired in Year 2, addressing feature expansions and platform scalability. Salaries account for bonuses (AUD 12,000 per engineer), reflecting industry standards . By Year 3, the grows to 21, enabling Smash Labs to meet user demands and maintain service quality.

## Customer Acquisition Cost (CAC)

Market Cost \$320,000 / 7,000 Users = \$45.71 per user

The Customer Acquisition Cost of \$45.71 indicates that Smash Labs spends an average of \$45.71 to acquire each user in its first year. This figure reflects the emphasis on high-impact marketing strategies, such as influencer collaborations and event sponsorships, which are essential for building brand awareness in a niche market like tennis. As the user base grows in Years 2 and 3, economies of scale will likely reduce the CAC, as initial investments in brand recognition begin to pay off. This number aligns with industry standards for niche tech startups targeting a specific user demographic, ensuring a healthy balance between acquisition cost and lifetime value (calculated earlier at \$1,181.43).

Operational Costs (annual)	Year 1	Year 2	Year 3
Cloud Hosting	\$200,000	\$400,000	\$800,000
Data Collection/Licensing	\$100,000	\$100,000	\$100,000
API Integrations	\$50,000	\$100,000	\$125,000
Marketing Resources			
Event/Influencer Marketing	\$100,000	\$200,000	\$350,000
Social Media	\$60,000	\$80,000	\$95,000
Rent		\$16,667	\$16,667
Total	\$510,000	\$896,667	\$1,486,667

Operational expenses reflect scalability, with marketing and technical infrastructure expanding in parallel with user growth.