



4-Step Guide

How To Figure Out Your Customer Lifetime Value

Full article:

<http://www.marketingforowners.com/s-lifetime-value-customer-heck-figure/>

1

Determine Your Average Customer Expenditure

For example, if you have 5 orders that each spend: \$12, \$23, \$150, \$45 and \$60, you would do this:

$12 + 23 + 150 + 45 + 60 = \$290 / 5 = \mathbf{\$58}$ is your average order.

2

Determine Your Average Customer Purchase Cycle

How often do your customers come back to spend money with you again. Is it a week? A month? A year?

Maybe they bought 8 times, 6 times, 12 times, 3 times and 7 times per year.

$8 + 6 + 12 + 3 + 7 = 36$

$36 / 5 = \mathbf{7.2}$ times per year is your average purchase cycle.

3

Determine Your Average Customer Value Per Year

Now put those two individual customer numbers together and let's get a firm average customer value per year.

So if Mr. \$12 buys from you 8 times a year (12×8), he's worth \$96 per year. Say the rest of your customers are worth \$138, \$1800, \$135, and \$420.

$96 + 138 + 1800 + 135 + 420 = \$2589 / 5 = \mathbf{\$517.80}$ is your average customer value *per year*.

4

Determine Your Average Lifetime Customer Value

How many years you think your average lifespan is. Is it 5 years? 15? 25?

Let's say your average customer stays with you and reorders your birdseed for 10 years. That brings **your average customer LTV to \$5,178**. You now have your LTV.