

# Simple Customer Lifetime Value Formula Guide

Customer Lifetime Value (LTV) is one of the best marketing metrics you can use for your business. This guide will show you a simple formula for calculating LTV. Below, you'll find the definitions for the various aspects of the overall formula. On Page 2, follow the steps and plug in your company's numbers to calculate your customer's lifetime value.

## Formula Definitions

**a**

### **Total Revenue**

Your company's total revenue generated for a given time period (usually one year)

**b**

### **Number of Purchases**

The number of purchases made all customer in a given time period (use the same time period as Total Revenue)

**c**

### **Average Purchase Value**

The average revenue made from one customer at any given time in your business

**d**

### **Number of Unique Customers**

The number of unique (new) customers who purchased a product in a given time period

**e**

### **Average Purchase Frequency Rate**

The average amount of times one customer will buy from a product from you in a given time period

**f**

### **Customer Value**

The monetary value (revenue) of one customer in a given time period

**g**

### **Average Customer Lifespan**

The average amount of years one customer will continue to buy from your company. This depends on your industry and your product.



# Simple Customer Lifetime Value Formula Sheet

## Step #1: Calculate Your Average Purchase Value (c)

$$\text{(a) TOTAL REVENUE} \div \text{(b) \# OF PURCHASES} = \text{(c) AVERAGE PURCHASE VALUE}$$

## Step #2: Calculate Your Average Purchase Frequency Rate (e)

$$\text{(b) \# OF PURCHASES} \div \text{(d) \# OF UNIQUE CUSTOMERS WHO PURCHASED} = \text{(e) AVERAGE PURCHASE FREQUENCY RATE}$$

## Step #3: Calculate Your Customer Value (f)

$$\text{(c) AVERAGE PURCHASE VALUE} \times \text{(e) AVERAGE PURCHASE FREQUENCY RATE} = \text{(f) CUSTOMER VALUE}$$

## Step #4: Calculate Your **Customer Lifetime Value (LTV)**

$$\text{(g) AVERAGE CUSTOMER LIFESPAN} \times \text{(f) CUSTOMER VALUE} = \text{CUSTOMER LIFETIME VALUE (LTV)}$$

\*\*All numbers (a, b, c, d, e, f) are calculated for a given time period (usually 1 year)