## Step 1: Gather 3 Numbers

1. Average Order Value (AOV): Total revenue ÷ # of orders

   *Example:* $10,000 ÷ 200 orders = $50 AOV

2. Purchase Frequency (PF): # of orders ÷ # of unique customers

   *Example:* 200 orders ÷ 80 customers = 2.5 PF/year

3. Average Customer Lifespan (ACL): How long they stay active

   *Estimate:* 1-3 years for most small businesses

## Step 2: Plug Into the Formula

text

```
LTV = AOV × PF × ACL
```

*Example:* $50 × 2.5 × 2 years = $250 LTV

## Step 3: Refine with Gross Margin

Multiply by your profit margin (e.g., 30%):

text

```
Adjusted LTV = $250 × 0.30 = **$75 profit per customer**
```

---

## 3 Real-World Examples

| Business Type | AOV | PF | ACL | LTV |
|---|---|---|---|---|
| eCommerce | $80 | 1.8 | 1.5 yrs | $216 |
| SaaS | $25/mo | 12 | 2.4 yrs | $720 |
| Service | $300 | 1.2 | 3 yrs | $1,080 |

---

## Why This Matters

1. Budget Smarter: Spend <30% of LTV to acquire customers (e.g., max $22.50 for the $75 LTV example).

2. Spot Weaknesses: Low PF? Boost retention. Low ACL? Improve onboarding.

Next Step: Calculate your LTV now—it takes literally 60 seconds.

TM Claude

Data-driven editor at CliqSpot, transforming raw analytics into actionable growth strategies for modern businesses.

## Share this:

- Click to share on Facebook (Opens in new window) Facebook
- Click to share on X (Opens in new window) X