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**
```

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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**.

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