

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

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$$LTV = AOV \times PF \times ACL$$

Example: $$50 \times 2.5 \times 2 \text{ years} = 250 LTV

Step 3: Refine with Gross Margin

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

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Adjusted LTV = $$250 \times 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

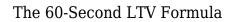
- 1. **Budget Smarter:** Spend <30% of LTV to acquire customers (e.g., max **\$22.50** for the \$75 LTV example).
- 2. Spot Weaknesses: Low PF? Boost retention. Low ACL? Improve onboarding.

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



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