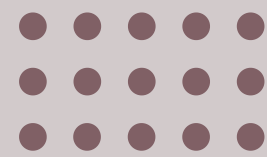
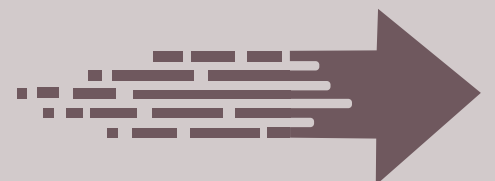


# Flipside Finance



CUSTOMER LIFETIME  
VALUE (CLTV)

**blueprint**



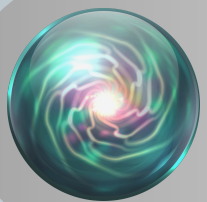
# CUSTOMER LIFETIME VALUE



## WHAT DOES IT TELL YOU?

It is a metric that measures the total **revenue** a **business can expect** from a single customer account throughout the business relationship.

## WHAT ARE THE TYPES OF CLTV?



### PREDICTIVE

When you use customer's purchasing behavior and other external factors to forecast the future life time values of your customers.

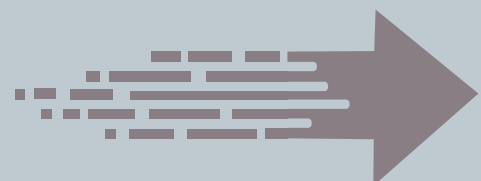
When you use historical data to find the value of a customer without considering if they will continue to do business with you or not.

### HISTORICAL



**-VS-**

Predictive CLV models are more **complex** than historical models and require **more data** to be accurate.



# HOW TO CALCULATE IT?

## FORMULAS



**BASIC CLV =**  $\text{Average Purchase Value} \times \text{Purchase Frequency} \times \text{Average Customer Lifespan}$

**WITH GROSS % =**  $(\text{Average Purchase Value} \times \text{Purchase Frequency} \times \text{Average Customer Lifespan}) \times \text{Gross Margin Percentage}$

**WITH RETENTION RATE =**  $\frac{\text{Average Purchase Value} \times \text{Purchase Frequency}}{\text{Churn Rate}}$

$\text{Churn Rate} = 1 - \text{Retention Rate}$

PS.: higher int rates / lifetime high; you should disc your cashflows by relevant disc rate.

EXAMPLE

## HELP ME



**\$ 50** **2** **10 %** **30%** **\$ 300**

**Average Purchase Value**  
Average expenditure per purchase by a customer.

**Purchase Frequency per month**  
Average frequency of customer purchases during a given period.

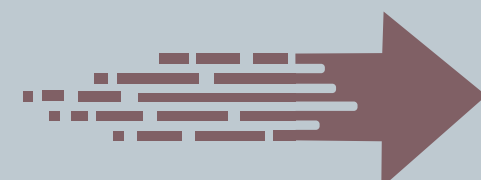
**Churn Rate per month**  
Measures how quickly customers **discontinue** their **business** with you.

**Gross Margin**  
Profit margin: **revenue percentage** exceeding COGS.

**= CLTV**

## WHY IS IT IMPORTANT?

Because it measures the total **revenue expected** from a customer throughout the business relationship. Unlike NPS and CSAT, CLV is directly tied to revenue, offering **insights** to increase revenue, enhance loyalty, and improve products.



# BENEFITS OF CLTV



## APPLICATIONS OF CLTV

### Improve customer retention

You retain more high-value customers if you know what they value.

### Increase revenue

The longer your shoppers stay loyal to you, the more business you make.

### Target ideal customers

You target the most awesome customers by personalized marketing.

### Optimize acquisition costs

You focus more on serving the existing clients, than acquiring new ones

### Improve products and services

Through CLV, you shape your products and services to meet your customer's need in longer run - choosing what they love



## HOW TO INCREASE YOUR CLTV?

Warm welcome, attentive service, build loyalty.

**Delight from the Start**

Personalized campaigns boost customer value.

**Personalize your marketing efforts**

Loyalty programs drive purchases and leaves your buyers with satisfaction.

**Implement loyalty programs**

Boost value with upsell/cross-sell, like a free upgrade!

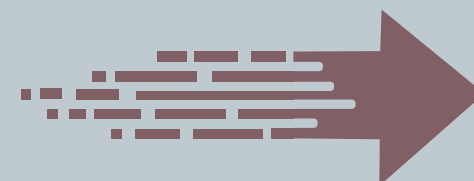
**Upsell and cross-sell offerings**

Create a bond with your clients – treat them like Royalty.

**Forge lasting connections**

Match products with the ideal audience for profit efficiency.

**Smart Product Match**



Keep the wisdom flowing

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