

# What is Customer Lifetime Value?

# Customer Lifetime Value:

A measure of the  
customer's revenue  
generated over their entire  
relationship with your  
business.

# 3 Components of CLV



Average Transaction Value	Average Number of Transactions per period	Customer Loyalty Year
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The average amount a customer spends with you each visit

The frequency a customer shops with you across a year.

The length of time a customer has shopped with you.

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## A Bite of Customer Knowledge

# What is your CLV?

You are a loyal customer to a luxury fashion brand for 10 years, and you spend \$10K on average each month.

Average Transaction Value: \$10K

Average Number of Transaction: 12 times / yr

Loyalty Year: 10 yrs

Your Lifetime Value =  $\$10K * 12 * 10 = \textbf{\$1.2M}$

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## Implication

Higher CLV can be achieved by:

Higher Average Transaction Value

More Average Number of Transaction

Longer Loyalty Year