Customer Revenue Analysis

- Cohort Analysis & Customer LTV
- Average Revenue Per User – ARPU

Cohort Analysis

- 120,000 orders from 40,000 customers were recorded from Oct 2020 – Nov 2021
- Each customer is split into a cohort based on their month of initial purchase: **c1**, all customers whose first purchase was in Oct 20; **c2**, Nov 20; **c3,** Dec 20 etc.

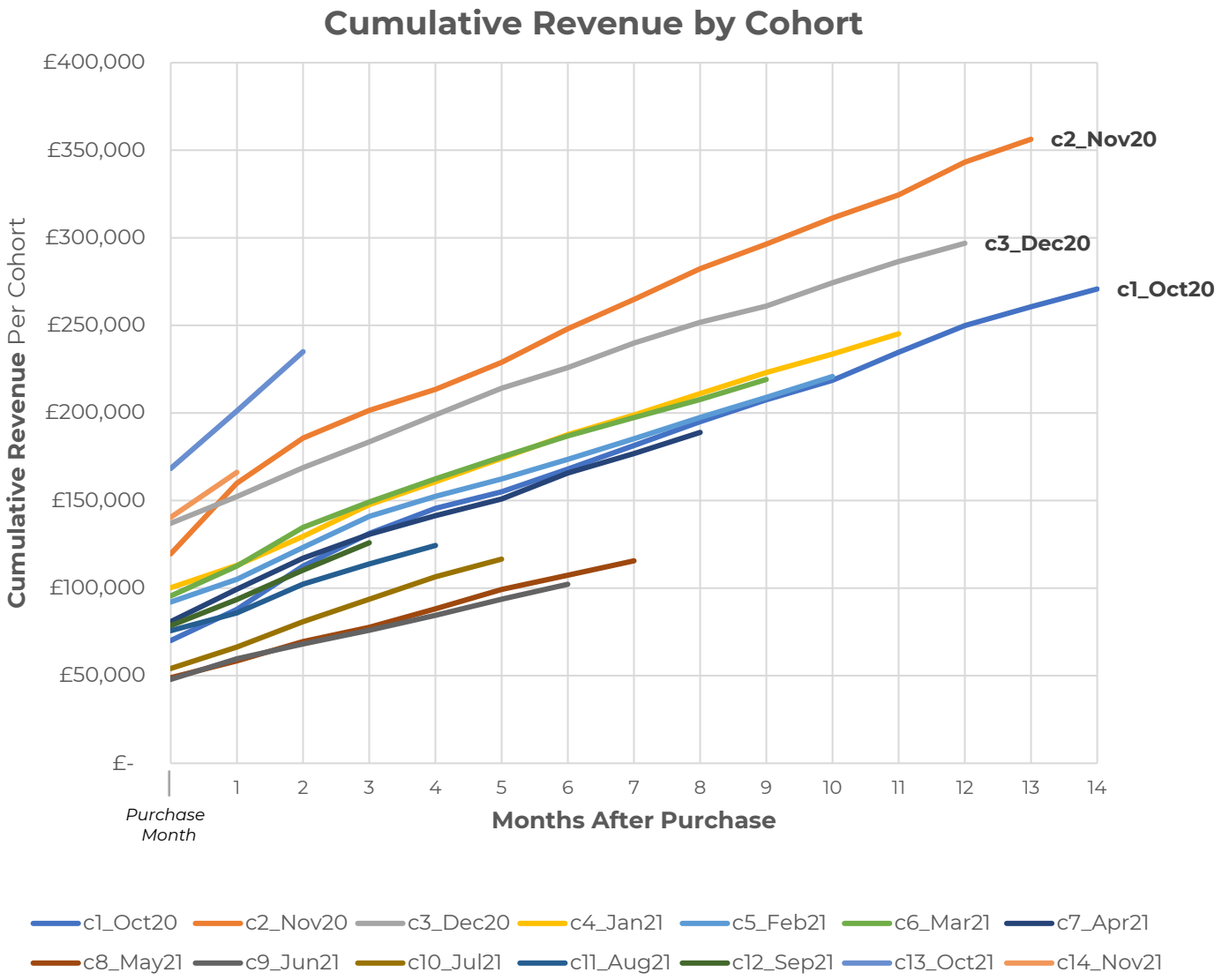
The graph shows the **Cumulative Revenue** generated from each cohort X months after their month of purchase. These lines usually plateau due to churn.

Takeaways :

1. The revenue lines for all cohorts do not plateau, even for older cohorts (c1, c2, c3).

→ This indicates that **Revenue Churn is Low,** and the brand is still young.

→ It's too early to determine the true Lifetime Value / Revenue of customers yet.



ARPU:

Average Revenue Per User

- As a proxy for LTV – we can use ARPU which tells us the **Average Revenue Per User** X months after a customer's initial purchase.
- ARPU can be measured against CPA or **CAC** (Customer Acquisition Cost) to estimate the time to reach an ROI.
- ARPU is found by dividing the Cumulative Revenue lines in the previous slide by the number of Users in their respective cohort.

The resulting graph on the right shows the distribution of ARPU by each month. **The average ARPU is given by the line in blue (median).** The Yellow and Orange lines are the upper and lower quartiles.

Takeaways :

1. For any given cohort, the **Average Revenue generated by a user** at X months will likely lie within the Yellow and Orange Bands.*
2. The **3-month ARPU** is usually **between £47 and £62**

* 50% probability