

SaaS Customer LTV Analysis

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Overview

- 1) Expected Lifetime Value (LTV) of a new user
- 2) Platform-based Customer Behavior Analysis
- 3) Importance & Utilization of LTV

1) Expected Lifetime Value (LTV) of a new user

LTV of A New User = \$31.62 per New Account

Time scope of this analysis: 12/1/2013 to 11/28/2015

Among all 5000 accounts, 441 have purchased premium service (Subscription Rate = 8.82%)

318 premium subscribers have renewed their services (Churn Rate = 27.89%)

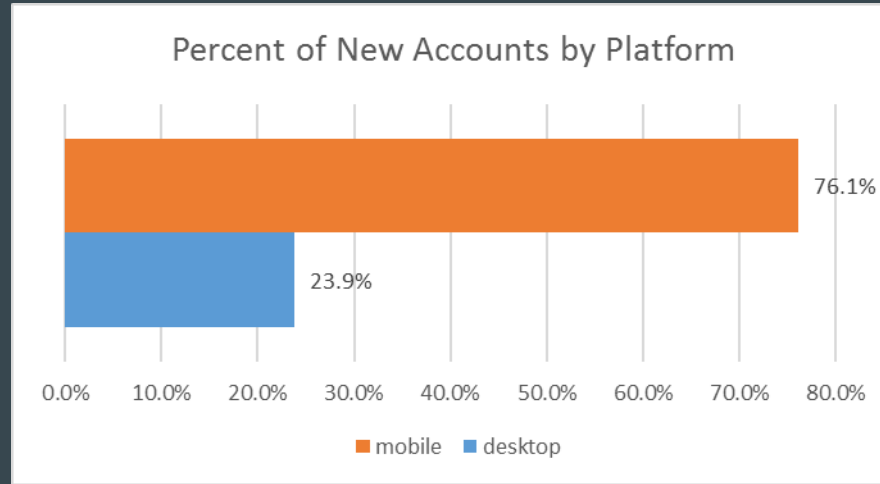
Expected LTV of each new account

= Subscription Rate * Premium Subscription Price / Churn Rate

= \$31.62 per new account

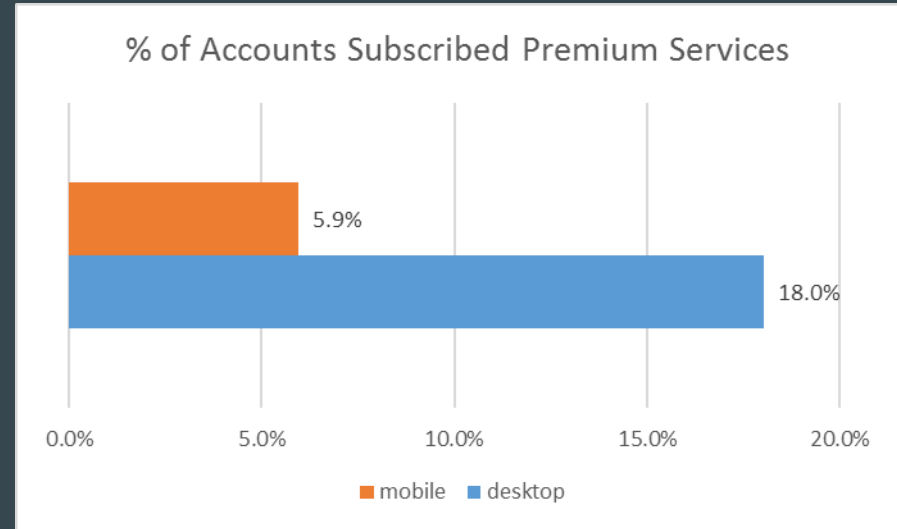
However, this is a very broad estimation of LTV, which can be improved based on user platform

Mobile Platform Has Brought 76.1% Of The New Accounts.



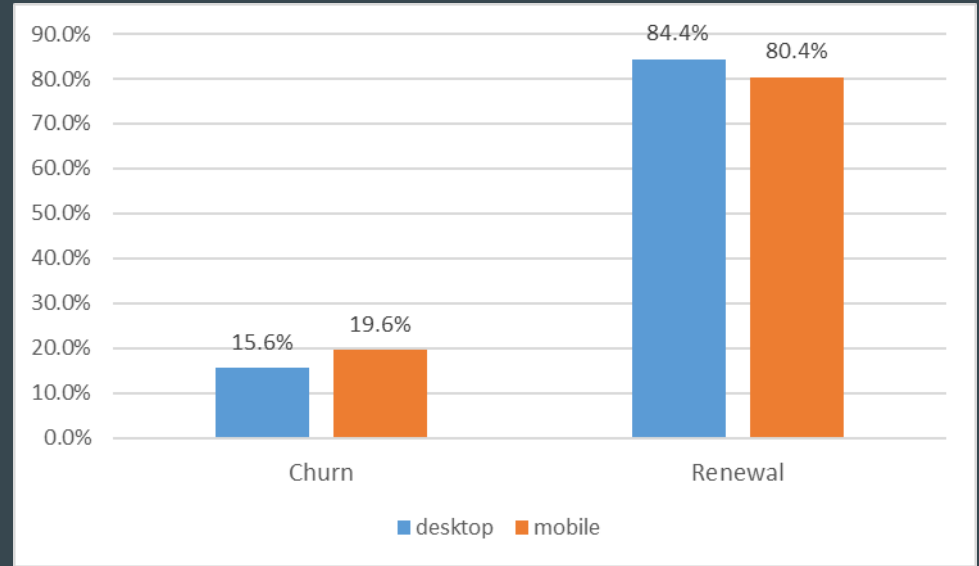
Desktop Users Are Much More Likely To Subscribe Premium Services

- Only 5.9% of mobile users have purchased the premium services (whether it is still active), while 18% of accounts from desktops have tried premium subscriptions.



Desktop Users Have Lower Churn Rate

- Desktop Platform: 15.6%
- Mobile Platform: 19.6%



Conclusion

Users from Desktop and Mobile platforms show different preferences for the premium subscription, therefore, their LTV should be estimated separately.

Importance & Utilization of LTV

- LTV is an important business metric because it provides an estimate of the financial value of each customer.
- The management can use LTV as the business break-even point to estimate the acceptable level of customer acquisition cost.
- LTV can also be used to evaluate the performances of different customer acquisition channels. For example, by comparing the LTV of customers with different subscriptions, the management can discover the most profitable plan and adjust promotion resources accordingly.