

Customer Lifetime Value

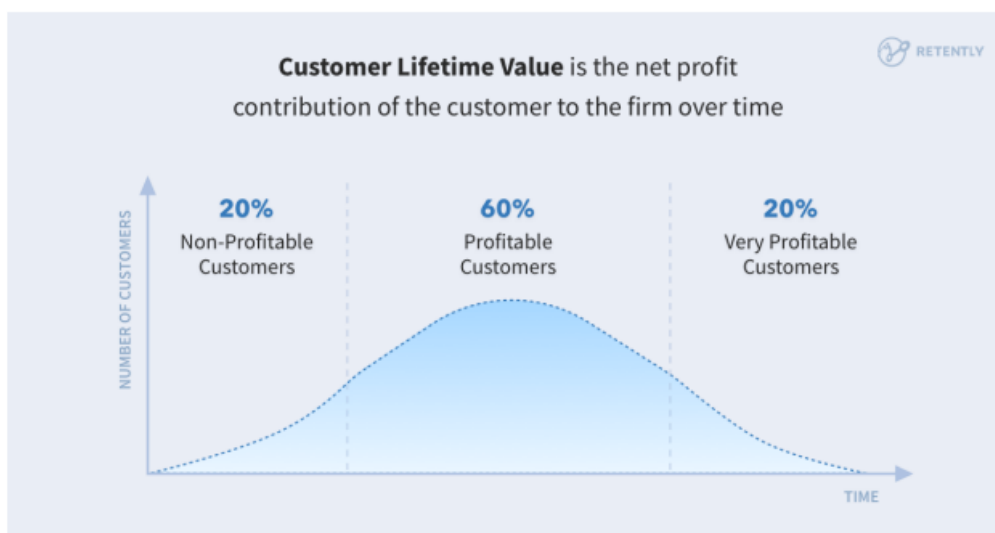
Customer lifetime value (CLV) is a business metric that measures how much a business can plan to earn from the average customer over the course of the relationship. Differences in products, costs, purchase frequencies and purchase volumes can make customer lifetime value calculations complex.

Customer lifetime value (CLV) is a measure of the total income a business can expect to bring in from a typical customer for as long as that person or account remains a client.

When measuring CLV, it's best to look at the total average revenue generated by a customer and the total average profit. Each provides important insights into how customers interact with your business and if your overall marketing plan is working as expected.

We must obtain a positive value in the equation (**Lifetime Value > 0**) to determine that the client is profitable

In terms of time, the Lifetime Value:



Calculating CLV

Customer Lifetime Value (CLV)		
What is CLV?	Customer lifetime value equates to revenue an average customer will provide a company before they discontinue their patronage. There are a few different equations used to calculate CLV, but for our purposes, we'll be using the simple CLV formula to multiply average annual revenue by the average lifespan of a customer.	
Read More Here	https://blog.hubspot.com/service/how-to-calculate-customer-lifetime-value	
Calculator	Average Annual Revenue Per Customer	\$ 100,000.00 Per Year
	Average Lifetime of Customer	5 Years
	Customer Lifetime Value	\$ 500,000.00

Use the below reference links to understand how to calculate CLV and write a report on visiting Tim Hortons.

You started drinking coffee from Tim Horton's since January 2020 an average you spend \$6.45 each visit 3 time during the week to Tim Hortons till now. Calculate CLV.

1. Write down the step involved in solving the above question.
2. Use the data and calculate the CLV by adding the profit margin of 25%.
3. Evaluate the CLV for following customer, whose purchases for two year is more than 2000.
- 4.

Solution:

Build the Formula to calculate Customer Lifetime Value.

How do you approach Lifetime Value Prediction questions?

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References

<https://medium.com/swlh/5-simple-ways-to-calculate-customer-lifetime-value-5f49b1a12723>

<https://www.zoho.com/subscriptions/guides/what-is-customer-lifetime-value-clv.html#:~:text=Customer%20Lifetime%20Value%20is%20calculated,frequency%2C%20and%20average%20customer%20lifespan.>

<https://clevertap.com/blog/customer-lifetime-value/>

<https://blog.hubspot.com/service/how-to-calculate-customer-lifetime-value>

<https://www.netsuite.com/portal/resource/articles/ecommerce/customer-lifetime-value-clv.shtml>

Submission

On Moodle. Submission Data on or before 27th March.