



Everything You Need to
Know About

CLTV

(Customer Lifetime Value)



What is CLTV?

**Customer Lifetime Value
(CLTV or LTV)**

measures the total revenue a business can expect to earn from a customer throughout their entire relationship. It's a crucial metric to evaluate customer profitability and long-term business success.





Why is CLTV Important?

CLTV is a powerful tool for:

- **CEOs:** Understanding long-term revenue potential and aligning business strategies for profitability.
- **CFOs:** Evaluating ROI on customer acquisition and retention efforts to ensure a sustainable business model.
- **CMOs:** Assessing marketing campaign effectiveness and optimizing spend based on customer value.
- **Sales & Marketing Leaders:** Prioritizing high-value customer segments and tailoring efforts to maximize returns.





How to Calculate CLTV

Here's the formula:

$$\text{CLTV} = ((\text{Average Purchase Value}) * (\text{Purchase Frequency}) * (\text{Customer Life Span})) - \text{CAC}$$

- **Average Purchase Value (APV):** The average amount a customer spends per transaction.
- **Purchase Frequency (PF):** The number of purchases a customer makes in a given period (e.g., annually).
- **Customer Lifespan (CL):** The average duration (in years) that a customer remains with your business.
- **Customer Acquisition Cost (CAC):** Total spend to acquire 1 customer





Healthy CLTV vs. Unhealthy CLTV

Healthy CLTV:

High CLTV relative to CAC ($>3x$). Indicates customers are bringing significant revenue compared to acquisition cost.

Unhealthy CLTV:

Low CLTV relative to CAC ($<1x$). Signals that the business is spending too much on acquisition or not retaining customers effectively.





How to Analyze Results

1. Compare CLTV to CAC Ratio:

Aim for a ratio of 3:1 or higher for healthy unit economics.

2. Segment Analysis:

Analyze CLTV by customer segments to identify high-value customers and focus resources on retaining them.

3. Churn Rate:

High churn leads to reduced CLTV. Invest in retention strategies to improve this.





Course Correction Tips

1. Increase Purchase Frequency:

Use loyalty programs or personalized marketing to encourage repeat purchases.

2. Enhance Average Purchase Value:

Upselling, cross-selling, or bundling products/services.

3. Extend Customer Lifespan:

Build trust, offer excellent customer service, and create long-term engagement strategies.

4. Reduce CAC:

Streamline acquisition channels and focus on high-ROI campaigns.





What CLTV Means for Business Leaders

- **CEOs:** Align CLTV-driven strategies with overall business objectives and ensure sustainability.
- **CFOs:** Use CLTV as a guiding metric for budgeting and financial forecasting.
- **CMOs:** Optimize campaigns to attract customers who offer higher CLTV.
- **Sales & Marketing Leaders:** Develop customer-centric strategies to nurture relationships and improve retention.





Pro Tips

- Use predictive analytics to forecast CLTV for better decision-making.
- Combine CLTV with Net Promoter Score (NPS) to measure customer satisfaction alongside value.
- Keep an eye on customer churn as it directly impacts CLTV.





How Vyugh Marketing Can Help

At Vyugh Marketing, we specialize in data-driven strategies to boost CLTV by:

- **Customer Segmentation:** Identifying and targeting high-value customers.
- **Retention Strategies:** Crafting personalized campaigns to improve engagement and loyalty.
- **Cost Optimization:** Streamlining acquisition and retention efforts to improve the CLTV-to-CAC ratio.
- **Comprehensive Analysis:** Leveraging advanced analytics to continuously monitor, measure, and improve CLTV.





**Boost your CLTV and drive
sustainable growth
with
Vyugh Marketing.**



**Let's grow smarter,
together!**