**Formula for measuring life time value of customers**

1. Define average price per customer purchase, e.g., $100\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Average length of time customer continues buying over their life time, e.g., 10 years\_\_\_
3. Average frequency customer purchases again or upgrade over the course of the average lifetime that customer stays you're your company., e.g., every 2 years\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Average number of referrals received per customer e.g., 1\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. Divide answer from B by the answer from C, e.g.,\_10 years / 2 = 5\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
6. Multiply answer above by the answer from A, e.g., $100 x 5 = $500 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
7. Multiply answer from D by Answer from F, e.g., $500 x 1 = $500\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
8. Add answer from F to answer from G, e.g., $500 + $500 = $1000\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

See how incredibly valuable the entire lifetime of that one customer is? Rather than worth just the sales price of a single purchase, this customer is worth 10X that purchase price!

Puts the value of customer retention in a whole new light, doesn’t it?

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