Marketing Strategy 17: Lifetime Value

In this lesson I am going to teach you about the most important number in business.

This number determines how much you can spend on marketing. It predicts what your profits will be and also allow you to plan for future growth.

This number is the *Lifetime Value Of Your Client* - or LTV for short.

In simple terms the LTV is the total profit produced by a client.

For example, if an average client stays with your business for 4 years and generates $250 profit each year, then the LTV is $1,000.

This is incredibly valuable information.

First of all, you now know that you can spend $1,000 to get a client and still break even. So you can easily work out which marketing strategies to use in your business.

Secondly, it allows you to estimate with reasonable accuracy how much money you will be making over the next 4 years; important information when you are planning and budgeting for the future.

Now that you understand the value of this figure, let's look at how to calculate it…

TODAY'S TASK: See Next Page…

Calculate Client Lifetime Value

A. Average sale on carpet cleaning	
B. Number of years' customers buy	
C. Number of sales per year	
D. Number of referrals per customer.	
E. Percentage of referrals that become customers.	
F. Gross sales per year (A x C)	
G. Gross sales over life of customer (F x B)	
H. Number of referrals that become customers (D x E)	
I. Gross sales for total referrals (G x H)	
J. Total value of satisfied customers (G + I)	
K. Total value of 10 satisfied customers (J x 10)	
L. Total value of 25 satisfied customers (J x 25)	
M. Total value of 100 satisfied customers (J x 100)	
N. Total value of 1000 satisfied customers (J x 1000)	

That $_____ (A) customer is actually worth $_____ (J) in sales to your cleaning business over the next _____ years.