

Calculating the Lifetime Value and Profit of a Customer

The Lifetime Value Of A Customer	
A. Amount of revenue from an average sale	\$
B. Number of sales per year per customer	
C. Amount of revenue per year per customer (A x B)	\$
D. Number of years a typical customer buys from you	
E. Direct Lifetime Value (C x D)	\$
F. Number of referrals a typical customer gives over those years	
G. The percentage of referrals who become customers	%
H. Number of referrals who become customers (F x G)	
I. Absolute Lifetime Value (H x E) + E	\$

The Lifetime Profit Of A Customer	
A. Amount of profit from an average sale	\$
B. Number of sales per year per customer	
C. Amount of profit per year per customer (A x B)	\$
D. Number of years a typical customer buys from you	
E. Direct Lifetime Profit (C x D)	\$
F. Number of referrals a typical customer gives over those years	
G. The percentage of referrals who become customers	%
H. Number of referrals who become customers (F x G)	
I. Absolute Lifetime Profit (H x E) + E	\$