

# How to Calculate (and use) Customer Lifetime Value (LTV)

Customer Lifetime Value (LTV) is an often overlooked metric that directly impacts profit and your marketing strategy. Simply defined, LTV is the amount of money a customer will spend at your business in their lifetime.

## HOW TO CALCULATE LTV

### STEP 1: Collect the following figures from Clover Insights

- A. What is the average customer's number of **visits per month**?  **a**
- B. What is the average amount a customer **spends per visit**?  \$ **b**
- C. How many **years** does the average customer shop at your business?  **c**

### STEP 2: Calculate average customer value per year

D.  **a** ×  **b** = \$  **d**

### STEP 3: Calculate average customer lifetime value

E.  **d** ×  **c** =  \$

## HOW TO USE CUSTOMER LTV

### Boost LTVs by raising any (or all) of parts of the equation (A, B, C).

#### INCREASE VISITS PER MONTH:

- Learn your customers' specific needs and tailor offerings accordingly.
- Expand services to boost sales.
- Offer incentives to increase frequency of purchases.

#### INCREASE AVERAGE SPENT PER VISIT:

- Research what customers will pay a premium for. Then cater to their tastes.
- Keep them lingering (and buying more) at each visit. Use special events or personal shopping assistance.

#### INCREASE AVERAGE CUSTOMER LIFESPAN:

- Learn about customer life cycles, problems, and needs. Provide the solution that prolong lifespans.

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