Customer Lifetime Value

Whether your organization uses a subscription model or direct e-commerce, repeat customers are the ultimate goal. But when comparing the revenue generated over the lifetime of your customer versus the costs required during that period, there are three missteps we often see:

1. **Failing to account for customer service costs.**
   You need to account for the time customers spend interacting with your help desk, which requires a set staff and hourly commitment to meet demand. This metric is especially vital in SaaS businesses. If a customer makes 50 calls to customer service, you must account for the resulting expenditures to ensure those calls are answered and satisfied over the life of the customer.

2. **Improperly accounting for differences in customer lifetimes when comparing behavior between cohorts.**
   If your business is relatively young, you may only have two years' worth of data for a small population of customers. When comparing this population with the habits of more short-term users, you have to ensure your conclusions are drawn from equivalent periods. We recommend comparing different cohorts along specific benchmarks: first 30 days of activity, then followed by 60 days and 90 days. By establishing a shared day zero for each customer and comparing their behavior, you generate more reliable conclusions.

3. **Not fully burdening customer acquisition costs.**
   Recognizing users that click on a given digital ad then make a purchase from your website or application is easy. However, your customer's decision may also have been impacted by offline marketing or other factors. Taking into account multi-touch attribution modeling draws a better picture of the full lifecycle of a customer versus the last click that was made before conversion. In these instances, taking a holistic view of your marketing budget and applying it over all your customers is more effective.

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