

**MODULE 2**

VIDEO LESSON 3– CLIENT LIFETIME VALUE

WORKSHEET

Summary:

Did you know that it costs a business about 5 times more to acquire a new customer, than to sell again to an existing one? Interesting, isn’t it?

It makes sense though, because once a person decides to buy from you, and you do the right thing by them, they won’t feel the need to go through the whole process of evaluating all their options again, which is part of the consumer buying behaviour process. They just automatically come to you because you’ve already met their needs and they’re confident that you’ll do it again!

For those of you who are interested in the geeky marketing psychology part of things, the basic outline of the consumer buying behaviour cycle is as follows:

Need recognition & Problem awareness - When the person realises they need something or have a problem they need to address by purchasing something

Information Search The person researches how to solve the problem

Evaluation of Alternatives The person looks at and analyses various options (especially for high-ticket purchases) to see what they believe will be the best solution for them

Purchase Decision The buyer decides on the option they believe to be best suited to solve their problem and makes the purchase.

Post-Purchase Evaluation The buyer analyses whether they believe the purchase was indeed the right choice for them (this is where buyer’s remorse comes from).

Today, we’re going to calculate the Client Lifetime Value to our business.

Based on the fact that (ideally) clients come back a certain amount of times and spend a certain amount of money with us, we can calculate how much, on average, any given client is worth to us, over the course of their “lifetime” with our business.

**Example:**

You’re selling a subscription service for $100 per month, and you’ve noticed that on average, people stay with your subscription for 18 months.

Your Client Lifetime Value is $100 x 18 => $1,800

You now know that any given prospect could be worth $1,800 to your business.

The reason that knowing this is important to you, is because now you can make educated decisions on how much you’re open to invest to get the client over the line.

**Example:**

A painter offers a free bathroom refresher paint-job. This costs him approx. $200-$300 in paint and labour, but he also knows that if the prospect likes his work, they’re going to call HIM when they need someone for the big jobs (costing them $1000’s)!

Action Items:

1. **Calculate the Lifetime Value of your Ideal Client to your business.**

Average monetary spend each time they purchase, multiplied by the average amount of times the purchase occurs.

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1. **Based on your CLV, what offer could you create for new prospects that would demonstrate your abilities, quality of work, etc?**

**A free consult? Free trial? Gift with purchase?**

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