💰 Customer Lifetime Value Measurement

Executive Summary

The 2024 cohort exhibits a revenue distribution primarily driven by long-term customer engagement. Approximately 77% of the revenue stems from the Long lifecycle stage (Days ≥120), emphasizing the importance of sustained retention and frequent repeat purchases. While the Early stage shows modest contributions, the Mid stage acts as a critical transition point with increased activity levels and contributions to revenue.

1. LTV Overview by Cohort

Cohort Analyzed: 2024 Acquisition Cohort

This report examines revenue distribution across different lifecycle stages for the 2024 acquisition cohort to identify critical revenue-driving phases.

- **Early Stage (Days 1–30)** accounts for $1,723,410 in revenue, representing the initial onboarding and early engagement effort.

- **Mid Stage (Days 31–119)** shows significant growth in activity, generating $5,823,650 in revenue due to increased orders per buyer and higher levels of retention.

- **Long Stage (Days ≥120)** dominates the lifecycle, generating $29,935,500 in revenue, marking it as the primary driver of LTV for this cohort.

Observations

The revenue trajectory for the 2024 cohort reflects a steady increase over time:

1. The **Early stage** acts as a foundation for activation, albeit with a smaller revenue contribution (~4% of total cohort revenue).

2. The **Mid stage** demonstrates a surge in revenue as retention improves and customers begin making more frequent and higher-value purchases (~15% of total cohort revenue).

3. The **Long stage**, however, is where customer relationships consolidate into long-term value creation, contributing ~77% of total revenue.

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2. Stage-Level Behaviour (Retention, Frequency, AOV)

To understand the customer journey, key metrics have been analyzed for each lifecycle stage.

Metric	Early Stage (Days 1–30)	Mid Stage (Days 31–119)	Long Stage (Days ≥120)
Revenue	$1,723,410	$5,823,650	$29,935,500
Revenue per Customer	$2,165.09	$7,316.14	$37,607.40
Percentage Active at End	23.6%	31%	31%
Orders per Buyer	2.7	6.59	37.25
Average Order Value	$1,488.27	$1,580.37	$1,463.91

Key Insights

- **Retention:** Retention steadily improves after the Early stage, with 31% of the cohort remaining active by the end of the Long stage. This consistent retention is a key factor driving long-term revenue.

- **Frequency:** A marked increase in orders per buyer is observed as customers progress from the Early (2.7 orders) to Mid (6.59 orders) to Long stage (37.25 orders), indicating that repeated purchases heavily contribute to LTV.

- **AOV:** Average Order Value (AOV) slightly improves in the Mid stage ($1,580.37) compared to the Early stage ($1,488.27), but declines marginally in the Long stage ($1,463.91). This signifies that while frequency drives revenue in later stages, individual transaction values stabilize.

3. Interpretation & Strategic Implications

Business Implications

1. **Acquisition Budget:** The strong LTV of the 2024 cohort, driven by long-term retention and high purchase frequency, suggests that the company can afford to allocate more budget towards acquiring new customers, especially if similar retention strategies are applied.

2. **Retention Focus:** The Long stage dominates value generation, underscoring the importance of retention efforts post-Day 120. Retention strategies should aim to maintain or even increase activity during the Long stage.

3. **Lifecycle Optimization:** The drop in AOV during the Long stage indicates potential to boost revenue by encouraging higher-value product purchases. Focus could be placed on upselling or bundling strategies.

4. **Early Activation Priority:** While the Early stage contributes the least to overall revenue, it lays the groundwork for subsequent value creation. Strengthening early onboarding and engagement processes could yield better Mid-stage performance.

5. **Mid-Stage Expansion:** The Mid stage serves as a critical growth phase, with higher activity levels and revenue per customer. Efforts to maximize re-engagement and repeat purchases in this phase should be prioritized.

4. Follow-up Analyses

To refine the insights and enhance strategy, the following analyses are recommended:

1. **LTV Improvement Planning:** Design and test strategies focused on boosting retention and frequency during the Mid and Long lifecycle stages. Use these findings to set specific improvement targets.

2. **Acquisition Cohort Comparison:** Compare the 2024 cohort with other acquisition cohorts to identify trends and benchmarks that can inform customer acquisition strategies.

3. **AOV Analysis:** Delve deeper into the factors influencing AOV across lifecycle stages to design targeted upselling or cross-selling campaigns.

4. **Channel Attribution Analysis:** Assess how acquisition channels contribute to LTV to align marketing investments with high-performing channels.

Visuals

Visual plots accompanying this analysis include:

1. Cumulative revenue growth by lifecycle stage.

2. Active customer retention curve for the 2024 cohort.

For further insights or additional breakdowns, feel free to request an expanded analysis.

Data Visualizations & Tables

Revenue over the Lifecycle (Cohort 2024-01-01 → 2024-12-31)

Cumulative LTV per Customer (Cohort 2024-01-01 → 2024-12-31)