

Calculating Customer Lifetime Value

The Challenge

Our client, a major online poker room, was acquiring lots of customers but found it difficult to predict their lifetime value. The rapidly evolving nature of the market made historical comparisons difficult if not impossible. Nevertheless the requirements for business and financial planning meant that a robust measure of customer lifetime value was essential.

The Solution

Building on the behavioural segmentation already delivered, we concentrated on establishing a model that would not only predict tenure but would also factor in segment migration (i.e. changes in customer behaviour), the differing churn rates according to lifecycle phase and the effect of customer dormancy.

Only by considering all of these factors could a reliable model be constructed.

The Results

Our work provided the client with a unified benchmark measurement against which retention, acquisition, cross-sell and up-sell activity could be assessed. In addition, financial forecasts and business cases could be modelled against improvements in lifetime value, providing a more accurate reflection of expected return on investment.