

PODCAST TRANSCRIPT

## EPISODE 004

### *Understanding your Numbers, KPI's and Why you are in Business*

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**Announcer:** Welcome to *Travel Agent Achievers*! The place to learn how to grow your travel business and have fun with it. Join Roslyn and her guests as they walk you through proven steps to a fulfilling and profitable business.

**Roslyn Ranse:** This is going to be a great chat today with Jeff Banks. He is an accountant and also a business structural specialist. He deals with the 'why' we're in business and also the 'how' it affects how we look at the success of our business.

Now that models are really pretty big and I can guarantee you a chat today, it is going to be all about keeping it simple just for you.

His goal is to educate people about the best practices to minimize their taxation burden.

At present, he's been accomplishing this vision as a business, structural and strategy planning specialist at *MWL Financial Group* in Sydney, Australia. He's one of the go-to guys for business owners who have an accounting or business issue, and basically, he eats business strategies for breakfast. This has allowed him to help hundreds of entrepreneurs achieve financial success.

Throughout his long and prosperous career, he has also run a practice called '*The Bank's Consultancy*.' It ran under the tagline "Not your ordinary accountant." He assisted with the taxation needs of businesses, investors, property owners and individual taxpayers all over Australia within the ideals of speaking in words and terms clients understand and taking a more than silent partner approach to their requirements.

Basically, he cares, and he is so helpful when it comes to business.



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**EPISODE 004:** Understanding your Numbers, KPI's and WHY you are in Business

<https://travelagentachievers.com/podcast/004/>

So I'd love to be able to welcome Jeff today. He also has a beautiful partner, Robyn Banks, who has her own business "[Food Labeling Experts](#)". A wonderful couple, and a wonderful partnership they have. And in building a business, he is your go-to guy. Thank you so much for joining me today, Jeff Banks. I'm really proud to have you here.

Thanks, Jeff, for coming in and having a chat with me today. I appreciate it. You have a very long background in accounting, taxation and business strategies of over 40 years.

**Jeff Banks:** Yes, Unfortunately, the great here is shocking, but one of the things that we've found over the years and it's very easy to get lost in accounting speak.

So hopefully today we could make things nice and simple that people can understand here in a podcast where they have to imagine what we're trying to talk about rather than create pictures and have them download the free beer at the end, which is going to probably not even possibly probably help them even understand more what we're trying to achieve here today.

**Roslyn Ranse:** Wonderful. Thank you so much. I completely agree with a 'kiss' principle. Now you and I say "KISS" a little bit differently. Your version is:

**Jeff Banks:** *Keep it Supremely Simple.*

**Roslyn Ranse:** Wonderful. Well, we'll go in that way. Keeping everything as simple as possible means it's much easier to understand. Coming from a travel agent's perspective, and I have not worked in a storefront before but running a mobile travel business, I know how to sell travel, and that's who's actually listening today.

Mobile consultants or travel agents, who know how to sell travel. We know how to talk to our clients. We know how to process bookings. We know how to take the money. But, when you're actually working on your own, sometimes understanding the numbers can be a little bit difficult. We know what we make, as we get paid each month. But we actually need to understand what the overall goal is and then how to actually reach that goal.

Two things that we're going to talk about today, are *Key Performance Indicators and how to get them.*

**Jeff Banks:** Don't be scared about KPI's. When we think about, we talk about the WHY. We're trying to understand why we want to do things. I know you're a brilliant travel agent, but when it comes to the



numbers behind that, I know that they don't really matter to you because it's all about the people that you think about.

It's all about talking to people, it's all about giving them that great experience when it comes to their travel.

**Roslyn:** Correct.

**Jeff Banks:** So if we can 'KISS' the back end of accounting for you by understanding why we're doing things and what comes and goes with our businesses, I think we can come up with a very simple way to track things in the short term. Now, I'm not talking about simplifying your taxes and what have you. That's just something that has to be done.

**Roslyn Ranse:** We have to pay taxes, end of the story, have to pay taxes. Move on.

Is it about the profitability of a client? Because we do, we love our clients and we want to do the most we possibly can for them.

But it is understanding the numbers at the end of the day, how much time you spend with a client and how much return you're actually getting for that. So we don't want to see anybody earning \$5 an hour.

**Jeff Banks:** No, exactly right. And knowing what you're worth is one of the prime things we want to be able to start with so that we can set targets to, work out what we need to sell in order to get to our target.

**Roslyn Ranse:** So let's talk about that then. How do you we know what we need to sell?

**Jeff Banks:** In accounting terms, that's where we need to understand what we call our fixed costs. What are those costs that happen anyway? And the big one in that is your salary.

What you expect to earn out of your business. So here we talk about, do I want to earn what I would have earned whilst sitting behind a desk in a shop front or am I willing to sacrifice a little bit of income for being able to stay home with the kids or do the things. If that number we're talking before that, you thought that a shop front type Travel agent would earn about \$80,000 a year.

**Roslyn Ranse:** It could be anywhere from \$30,000 to \$100,000 but we picked the number to let's go \$80,000. For simple numbers, let's go with \$80,000.



**Jeff Banks:** So it's not just the \$80,000 we need to cover because it costs money to run a business. There are your phones, there are your computers, there's your car. There's marketing, all that sort of stuff.

**Roslyn Ranse:** Tax?

**Jeff Banks:** And the tax. Yes, don't forget the tax.

**Roslyn Ranse:** Rent?

**Jeff Banks:** And the rent. Yes, if we're renting a room in our house, we should have input that into our cost base so that we can then come to a total fixed cost.

**Roslyn Ranse:** Fixed cost? So the fixed cost.

**Jeff Banks:** Yes, they are the costs that happen regardless.

**Roslyn Ranse:** Right. So that is your phone, that is your computer, that is your car, that is your marketing documents, that's your Travel wallets, that's any of your printing and stationary, any gifts that you give to your clients when are you taking them out for coffee? Those are your fixed costs.

**Jeff Banks:** I wouldn't put the last two in the fixed costs.

**Roslyn Ranse:** Oh Coffee, that's not a fixed cost?

**Jeff Banks:** In essence, you're right and using the KISS principle. So we're going to stick with that for the moment. Once we've got that number because we know what our margin is on the sale of our tickets. We can then use a calculation backward to work out how many tickets we have to sell in order to be able to get to that number.

We've got a giveaway that you're going to give people who listen to the podcast.

If we can work that number out and then say OK, well, \$80,000 is what I want to earn. I've got \$20,000 where the fixed costs that mean I've got \$100,000 worth of total fixed costs?

If my margin is 10% and I hope you're doing a bit better than 10% of everyone. Then I need to sell \$1,000,000 worth of tickets in order to make that 10% to get to that. Therefore my KPI is \$1,000,000 worth of sales to get the income that I want to earn.



**Roslyn Ranse:** Correct. So that's all just in basic numbers for everybody working off an \$80,000 salary, you pay yourself. Plus \$20,000 worth of fixed costs which would equal your total fixed cost of \$100,000. So working off 10% commission that you would then earn or your margin, you need to sell \$1,000,000 worth of travel in order to get your \$80,000 salary and cover your \$20,000 worth of expenses.

**Jeff Banks:** Just a throw left curve in there. An \$80,000 salary is only \$60,000 in your pocket because there's \$20,000 worth of tax in there.

**Roslyn Ranse:** Potentially, depending on where you are in the world.

**Jeff Banks:** True!

**Roslyn Ranse:** We are here in Australia, so we do talk in Australian dollars. So for everybody that is in America or the UK. Shoutout, hi to you all.

These numbers might be slightly different but what we want to do is give you a break down and give you the basic information so that you can then work out what's going to be there, KPIs, profitability for yourself and we're going to share with you a spreadsheet and PDF download at the end of this episode.

It'll be in our show notes so that you can actually work out what's going to be your perfect number. Some people may not need to earn \$80,000.

**Jeff Banks:** Exactly right.

**Roslyn Ranse:** Some people may need to earn more than \$80,000.

**Jeff Banks:** Exactly right. That then just move the line of the fixed cost and then moves the line on the number of tickets that are going to sell. So if we've got an average sale off \$5000 that would be nice wouldn't it?

**Roslyn Ranse:** Yeah

**Jeff Banks:** Then we only have to sell 200 tickets, don't we? To get to our number.

**Roslyn Ranse:** Do I need to bring in a calculator? *\*\*laughs\*\**



**Jeff Banks:** But then you can split and divide it by 12. And work out how many you have to sell per month.

**Roslyn Ranse:** How many bookings. How many tickets.

**Jeff Banks:** There's your KPI, nice and simple. If we're doing that, then we know where to our fixed costs at least. If we're doing more than it, we're making more money.

If we're and this is the one we're talking about because we started if I want to start from scratch and build it to a point, you could put some milestones in place and say, well okay, I'm not going to sell 1000 tickets month 1, I might say, well over time and I'm moving my arms when I shouldn't be, that I want to build to a thousand. I can set KPIs or milestones to say well, hey in three months I want it to be a 100. Then in 6 months, I want to be to 200.

That way you can say, well, okay, I'm not earning \$80,000 straightaway, but I can earn \$80,000 we're getting to the \$160,000 locked within my first 12 months so that if I use a straight line, when we talked about straight lines, if we use a straight line and nothing ever happens uniformly, there are picks and traps in demand. And that's another thing.

**Roslyn Ransee:** Absolutely in travel, there's always bookings go up, bookings go down. There's season's, there are different things that are sold at different times of the year. It really does go up and down. If you're on a straight line or an incremental curve, then fantastic to you.

But I know from my own experience and from another a number of consultants that I worked with, that it does go up and down, and that's OK.

It's just as long as you're prepared for that and you know what your overall goal is that you can be ready for it.

**Jeff Banks:** Exactly right. You've your KPI of the number that you have to sell. Well if you sell or hit the month before we can actually have an alone month or we can keep kicking goals.

**Roslyn Ranse:** Absolutely, so we don't want it to be scary for everybody. You don't want your goal to be completely unreachable. And if you are, actually, if you are starting out right now, then don't feel as though \$100,000 is something that's completely unachievable or amazing. Yes, I could do this tomorrow because it does take time.



And that's something that I really want to reiterate that *this isn't an overnight success. It's not something that you may necessarily achieve straight away.* It is a goal to work towards, and this is about understanding why and also set a goal or a KPI that's going to be appropriate for you.

**Jeff Banks:** Exactly, right. And your goal might be different from somebody else's. And don't think that that's a problem. It certainly isn't.

**Roslyn Ranse:** So travel agents as I said earlier, we understand and are very knowledgeable of the products that we sell and we're skilled in terms of customer service.

We know how to laugh with our clients and sometimes to our own detriment that we could be working 24/7. We can be doing everything that we possibly can for them hand-holding to a point that it can reduce our profitability on a booking when you look at these numbers, so if you're looking at even \$1000 or \$100 that you make on a booking.

So if it's \$1000 ticket, use it make \$100. You might need to give some of that to your host provider. You've got to pay tax on it. So at the end of the day, really, you might only be making \$50 or \$60.

How much time are you spending on that booking to then work out your profitability and this is where you talk about your break-even point, right?

**Jeff Banks:** Exactly, Right. So if we go back to our original numbers, and we say that I want to \$80,000 I've got \$20,000 with expenses, then I'm looking to try and make \$100,000. If I need to work 24/7 to make that \$80,000. The \$80,000 isn't right, is it?

**Roslyn Ranse:** That's right.

**Jeff Banks:** Like I said, everyone's goals are different. It's just a matter of getting it right for yourself and inside. Like, I am willing to work 24/7 doing \$80,000 or I'm willing to work three days a week for \$80,000. It just changes the time. And there's no hard and fast rule other than I come back I need to sell X amount of tickets to make that amount of money. And if that takes me three days, all well and good. But if it takes me eight days, I've got a problem.

**Roslyn Ranse:** Yeah, so we talked about the why, you need to understand your KPI's, what the outlook could potentially look like and also the profitability. So now I want to talk about what sort of KPI's should we be looking at?



**Jeff Banks:** I think from what we've been talking, I think there's only one, the ticket sales because, at the end of the day, we know what our fixed cost is going to be. So I'd review our fixed costs maybe every six, every three months in the initial stages, maybe every six months when we get going just to make sure that their bottom line numbers are right. Then we just tweak the number of sales we're going to make. I think from the kiss principle, that's all we need to do.

**Roslyn Ranse:** So you're one key performance indicator is how much you're actually selling per month.

**Jeff Banks:** Absolutely!

**Roslyn Ranse:** Terrific. And with that, we also have another download for our wonderful listeners, which is a spreadsheet on a monthly basis that you can then record the inquiries that come in. How much that booking is potentially worth. And then whether they pay in that month.

So you can then record each month how much you've actually sold, because, at the end of the day, it's what comes in and is actually paid for that you can record and that you measure yourself against because if it's an enquiry that's lost or an enquiry that may take six weeks to process. You can't actually record that in your first month until they pay your \$100,000 that you might have to sell that month.

You can't allocate that enquiry unless that's money in the bank and money in the bank is the number 1 thing.

**Jeff Banks:** Remembering that you got your fixed costs to cover in that period until that money actually does get it in the bank.

**Roslyn Ranse:** Correct. So if there's the money that goes in the bank, you may not get a commission for that for 6 months, 12 months down the track depending on when that person travels.

So it is about ensuring that you consistently have that money coming in. All those bookings being converted, the enquiry converted to booking in a sale because if those don't come in, you've got no money. That then cover your costs in six months time when you get that commission or a month time or 12 months time.

**Jeff Banks:** *Let me tell you, starving is not a good look.*



**Roslyn Ranse:** No, definitely not. Definitely not. So please download that freebie, which will be your monthly bookings tracker, and you can then track each month the number of enquiries that you get, what they're worth and whether they've actually paid. It'll also help you then with following up.

**Jeff Banks:** And also your conversion rate, because I think, yes, I said one KPI was the actual sales. I think your conversion rate is probably the next one you'd have to worry about if I'm selling 1000 tickets, but I'm getting enquiries for 2000 tickets. I'm working really hard for half the return, but if I'm getting enquiries for 2,000 tickets and selling 1,999 I'm doing really good.

**Roslyn Ranse:** That's a really good conversion.

**Jeff Banks:** Subsequently, 2,000 and I'm only getting 10. I need to have a look at what I'm doing.

**Roslyn Ranse:** One thing that I really like to see from a mobile travel agents point of views, the majority of your business comes from referrals and word of mouth and repeat business because you don't have a shop front that people are walking into all the time.

You may not have something that's out on Facebook that you getting 1,000 people like and comment and engage and book through you.

So referral, repeat and word of mouth clients are going to be where the majority of business comes from. And if you don't have a very good inquiry to booking right on those, then there is something wrong.

**Jeff Banks:** And the other side just coming back to our fixed costs versus what we would call our variable costs. You might very well say, well hang on my referral people are really important people. I'm going to spend some time with them every month.

So, I would allocate 10 cups of coffee to those in my fix costing. But my variable cost is having coffee with a potential client because that's the cost of getting a sale.

**Roslyn Ranse:** That's correct.

**Jeff Banks:** Those sorts of things when we have a look at the spreadsheet in the pdf we're going to give you, yes, we're going to put some costing for them. But we talk about the cost of actually making a sale and in counting they are called variable costs.



You might very well say *“oh Frank Smith's just walked in and bought a ticket for \$5,000 walk back out again, it cost me no time at all”*.

You thought that would be really nice but Fred Merck comes in, wants to buy the same ticket but wants to spend hours with you. That's a different thing altogether.

**Roslyn Ranse:** Correct! And that's where we talk about profitability on a booking. So, as an example again a \$100 commission, you need to take out any host provider fees. You need to take out cups of coffee before you can even look at how much is going into your pocket and therefore bring it back to the \$80,000 salary that you want to pay yourself. So, it is all about the numbers at the end of the day because as an accountant, that's what you look at.

**Jeff Banks:** Yes, I don't care about what god you believe, it's in the numbers is what I believe.

**Roslyn Ranse:** In numbers is how you trust.

**Jeff Banks:** But when it comes to being a travel agent, there's a difference between being a good practitioner and being what we might call a good business person.

**Roslyn Ranse:** So, let's talk about that.

**Jeff Banks:** Being a good practitioner means I can sell lots of tickets. But if I can sell lots of tickets and lose money on them, I'm not being a good business person.

**Roslyn Ranse:** So, when you say lose money on them, that means you're spending more money on the marketing costs, your spending more money on coffees.

**Jeff Banks:** I'm serving the millions instead of coffee.

**Roslyn Ranse:** Right? Okay, so that's being a good practitioner.

**Jeff Banks:** That's being a good practitioner.

**Roslyn Ranse:** Good business owner. What would they do?

**Jeff Banks:** A good business owner would understand that ok, I might be spending an hour with this



client. I know that now with this client is what I have budgeted to do because I've got my KPIs I have to sell 1,000 tickets. So, if a 1,000 tickets take me a 1,000 hours in a week. Sorry, there isn't a thousand hours a week.

**Roslyn Ranse:** No. *\*laughs\*\**. We don't want you working more than you actually really need to.

**Jeff Banks:** Yes, exactly. You're coming back to the why and worth, working around then saying, well hang on, if I'm going to spend an hour with every client and that gives me my \$80,000, hallelujah. But if I get to the point where I'm watching myself spend two hours with every client, if that works in with what I'm trying to do, then I'm not going to make my \$80,000.

I'm not going to make \$40,000 in the short term is that am I comfortable with that in order to build my business? The answer is probably, yes.

In the long term for mature businesses, If that's happening, then the answer is probably no because I'm losing my profitability by spending too much time.

**Roslyn Ranse:** That's right but finding the balance.

**Jeff Banks:** Yeah, customer care.

*At the end of the day it's the customer who's paying your salary, right?  
So they've got to be our focus.*

The bottom line in numbers is the consequence of looking after people, properly.

**Roslyn Ranse:** That's right, and so that comes down to individual preference and individual circumstances. Whether this is your business and you need to bring it in an income, to cover the house bills or whether you are working in order to pay for the holidays for everybody.

And it, as you say, it comes back to why you're in business in the first place and why you need to sell certain things and your key performance indicators to then match the lifestyle that you actually need.

**Jeff Banks:** Absolutely, what am I worth?

**Roslyn Ranse:** What am I worth? And that's a question for everybody out there that I really want you to have a think about.



*What am I worth?  
Why am I in business?*

Because at the end of the day,  
*You need to put food on the table or you're the one that's paying for the holidays for everybody, or you are the one that is putting a roof over your own head.*

So you need to think about what am I worth and then converting those numbers into ticket sales, working off the spreadsheet and having goals every month.

**Jeff Banks:** Absolutely.

**Roslyn Ranse:** Your key performance indicator is that sales goal. We'll talk about in other episodes, marketing, and customer service and all of those wonderful things.

But right now, looking at the numbers, it's all about looking at your bottom line making sure you cover your fixed costs, making sure you pay what you're worth.

And looking at the profitability of that, your time spent.

**Jeff Banks:** And the one thing we haven't talked about is cash flow.

**Roslyn Ranse:** Cash flow. So can we touch on it briefly with sales go up, sales go down and from enquiry to booking. So when you're talking about cash flow, talk to me.

**Jeff Banks:** Okay, so if I'm starting out.

**Roslyn Ranse:** What is cash flow?

**Jeff Banks:** *Cash flow is the money in the bank each month.*

So if I'm starting a business and my first sale is for a holiday, that is in six months time. I've got seven months of no income. Haven't I?

**Roslyn Ranse:** Correct.

**Jeff Banks:** I might need to have a stash of money. In accounting, this is called *Capitalization*.



**Roslyn Ranse:** You completely lost me. Just tell me I need money in the bank.

**Jeff Banks:** Money in the bank. If I think it's going to take me three months to get my first lot of money in. Then I need three months of cash to pay my fixed costs.

**Roslyn Ranse:** Correct. Not necessarily a salary.

**Jeff Banks:** Not necessarily but I still have a fixed cost. And my fixed cost will include some part of the salary because I've got to eat...

A lot of people going into business will say. *"Oh, yes, I've got a great idea. Let's go. I'm going to be profitable right from the start."*

Forgetting that *I buy a widget, I sell a widget.*

*I buy a widget today.*

*I've got to pay for it today.*

*I sell a widget tomorrow, but I don't get paid for 3 days later.*

Then I've got 4 out of 5 days of no money in the bank.

Or actually negative money in the bank and the same thing can be said for a travel agent. It's probably worse for you guys because people plan holidays.

**Roslyn Ranse:** That's right. And you keep planning up to two years, 18 months in advance for a trip. And you don't necessarily get the commission in some cases, not until after they've traveled. It is looking at right at the beginning, your cash flow, how much money you got in the bank, and then when that money is going to come in, correct?

**Jeff Banks:** Absolutely.

**Roslyn Ranse:** Okay, so we need to keep it on that as well. So the suggestions for travel agents that are struggling with numbers are to *keep it supremely simple*.

**Jeff Banks:** I totally agree with that. *At the end of the day, we have to make sales. We have to cover costs, and we'd love to be paid what we're worth.* It is so simple as that.



So run your KPI's around that. Do your KPI's around your conversion rates that that's not something that accountants deal with, that's more being a good business person, as supposed to being a good practitioner.

*Good practitioner sells lots. A good business person sells lots, has a look at their conversion rate and tweaks it to make it better.* A guy called Jim Rohn, I subscribe to his podcast from time to time.

He's long gone, unfortunately, subscribed to the *consent of CANI*, "constant and never-ending improvement".

*And for anybody who's in business, you learn every day.  
The day you think you stop learning is the day you start to fail.*

**Roslyn Ranse:** Constant and never-ending improvement. That's right, always looking at your numbers, keeping it simple, and so the things that you must keep an eye on are the money that's coming in, overall.

**Jeff Banks:** The money that's coming in. The sales targets, the conversion targets, and now and again, have a look at your fixed cost to make sure that your KPI is right.

**Roslyn Ranse:** Correct. Thank you so much, Jeff, I know that there'll be another step down the track that will need to discuss, which is the thing that we need to keep an eye on.

The enquiries, that are coming in, the number of bookings, the value of the bookings, the average time spent on the expenses that you had that month.

But that's a conversation for a little bit later, because the goal of this podcast is really to help mobile travel agents and travel agents with knowing their numbers, being able to structure themselves for success, having a strategy and a plan so that at the end of the day they are also profitable and successful and have a business that they absolutely love.

**Jeff Banks:** Without getting lost in the numbers. And keeping it supremely simple.

**Roslyn Ranse:** Keeping it supremely simple. Thank you so much, Jeff for your time. I really appreciate it today, and I look forward to chatting with you again.



So, everybody, I really hope you've enjoyed this chat with Jeff. We tried to keep it as simple as possible with our kiss principle.

*Keep it supremely simple* and I'd love for you to go on to our show notes, which are on this podcast show page. And that is to download your freebies and get some help with working out.

*What is your number?*

*What is your 'why'?*

And then looking at how you can track these numbers for your ultimate success.

Thank you so much, everybody. I look forward to chatting with you next time.

**Announcer:** Welcome to *Travel Agent Achievers*! The place to learn how to grow your travel business and have fun with it. Join Roslyn and her guests as they walk you through proven steps to a fulfilling and profitable business.



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