The Crossover Number

Renter chairs pay rent. Employee chairs pay a share of every service. This worksheet finds the exact revenue where one starts beating the other — for every chair you own.

Here's the idea. Renters versus employees isn't a staffing preference — it's two different businesses sharing a front door. A renter chair sells **space**: predictable, capped, nearly zero management. An employee chair sells **time**: the house keeps a share of every service, uncapped — but you carry payroll, no-shows, and management. The crossover number tells you where the money side of that choice flips.

> **Market rent for the chair ÷ House share of revenue = Crossover revenue / month**

A worked example

Say renters in your market pay **$1,200 a month** per chair. Your commission is 45% and product costs run about 5%, so the house keeps **50%** of service revenue. Then:

$1,200 ÷ 50% = $2,400 a month.

Below $2,400 in services

The renter chair wins on money. The rent cheque beats the house's share, and you carry no risk to earn it.

Above $2,400 in services

The employee chair wins — and the gap grows with every booking. At $8,000 a month, the house keeps $4,000: more than triple the rent.

Illustrative figures. Rental rates, commission structures, and product costs vary widely by market — use yours.

Accountant's honesty clause: the employee side still has to absorb payroll costs, benefits, no-shows, and your management time, while renter income is nearly pure margin. So the true crossover sits somewhat higher than this napkin version. Do the napkin math anyway — it tells you which conversation you should be having about each chair.

My Crossover Audit

1. Market rent

What would a renter pay monthly for one chair in your market?

2. House share

100% − commission % − product % = what the house keeps

3. Crossover

Box 1 ÷ Box 2 = monthly revenue where employee beats renter

CHAIR / ROOM	ACTUAL MONTHLY REVENUE	CROSSOVER NUMBER	ABOVE OR BELOW?

What your audit is telling you

- **Chairs well above crossover, rented out anyway:** you're leaving money on the table every month — and tomorrow's issue (control and brand) makes the case even stronger.
- **Chairs below crossover, staffed with employees:** the question isn't automatically "convert them" — it's "why is this chair under-producing?" Revisit your Revenue Per Hour Menu Audit (No. 1) and your booking density before you change the model.
- **A mixed floor:** fine — if it's deliberate. A mix you can explain is a strategy. A mix you inherited is an accident.

Before you convert anyone, in either direction: renter vs. employee is a worker classification, and tax authorities take it seriously. A "renter" who works your schedule, follows your protocols, and uses your products may not be a renter in their eyes, regardless of what the agreement says. Rules differ by country and province or state. This worksheet is education, not advice — review your situation with your own accountant first.

Money is only half of this choice. Tomorrow, No. 5 of 7: **control is the product** — why renters can build you rent, but only employees can build you a brand.

All figures in this worksheet are illustrative examples used to demonstrate the calculation. This is financial education, not advice specific to your business.

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