Client Concentration Risk for Staffing Agencies

Two agencies with identical revenue and identical margins can carry very different real risk if one has its largest client at 15% of revenue and the other has its largest client at 55%. Concentration doesn't show up in a P&L. It shows up the day that one client leaves, or the day a lender or buyer asks about it.

Measuring it properly

Client Concentration Risk reports three complementary views: largest-client share (how much of your revenue depends on a single relationship), top-N share (how concentrated your top handful of clients are together), and the Herfindahl-Hirschman Index, a single number that captures how evenly or unevenly distributed your whole client base is, not just the top few. No single one of the three tells the full story on its own; a low largest-client share can still sit inside a genuinely concentrated top-five if the next several clients are also large.

There's deliberately no automatic risk threshold built into this calculation. What counts as acceptable concentration depends on your contract terms (a client on a long-term contract with real switching cost is a different risk than one on a month-to-month arrangement), the client's own stability, and your own risk tolerance. The number is the input to that judgment, not a substitute for it.

Where concentration compounds with credit risk

Concentration and credit exposure are separate risks that make each other worse in combination. A large receivable balance on a single client is a bigger problem if that client is also a large share of your total revenue, since a payment problem there hits both your cash position and your revenue base at once. Client Credit / Bad-Debt Exposure quantifies the credit side; read it alongside your concentration figures for your largest clients specifically, not just in isolation, since that's where the two risks stack rather than simply add.

Why a buyer will care, even if you don't plan to sell soon

Concentration is one of the first things a buyer, or a lender extending significant credit, will scrutinize, because it directly affects how durable your revenue looks after a change of ownership or a credit event. Staffing Agency Valuation and Value Drivers deliberately doesn't fold concentration into its enterprisevalue math, since the engine never derives or adjusts a multiple on your behalf, but it does surface concentration as explicit context alongside the value range, exactly because a buyer will price it into their own multiple even though this calculation doesn't price it into the range shown. Knowing your concentration number before a conversation with a buyer or lender, rather than being asked for it cold, is worth doing well before you actually need it.

What to do about a high number

A high concentration figure isn't automatically a signal to turn away business from your largest client. It's a signal to weigh new business decisions with that context visible: see How to Evaluate a New Staffing Contract for how a new deal's projected concentration impact factors into a go/no-go decision, and consider whether growth effort is better spent diversifying the client base than deepening an already-large relationship, especially once a single client approaches a share where its loss would be a genuine going-concern event rather than a manageable setback.

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