How to Measure Staffing Client Profitability

"Is this client profitable" gets answered with a gross-margin number more often than it should, because gross margin only counts the most visible cost, worker pay and burden. A client can look like your best account on gross margin and be your worst account once servicing time, payment-term cost, and credit risk are actually counted.

Start with the real economic contribution

Staffing Client Profitability is the anchor calculation: full economic contribution once worker cost, program fees, funding cost, servicing cost, and credit risk are all counted against billings for that specific client. This is deliberately more than a gross-margin figure, because gross margin alone systematically favors clients that look good on paper while hiding exactly the costs that make some accounts genuinely worse than others.

The cost that's easiest to undercount: servicing time

Account management and recruiter attention aren't free, and they don't scale evenly across accounts, a demanding client with frequent replacement requests and heavy reporting needs consumes real hours that a low-maintenance client of the same size doesn't. Account Service-Cost Profitability subtracts account manager and recruiter servicing cost directly from a client's economic contribution, which is often where a client that "looks fine" on gross margin turns out to be marginal or worse once the real servicing burden is counted.

What payment terms actually cost

A client on 60-day terms costs you more than an identical client on 30-day terms, even at the exact same bill rate and margin, because you're financing that extra month somehow, whether through cash you'd otherwise deploy elsewhere or through a factoring or credit cost you're explicitly paying. Client Payment-Term Cost makes that financing cost explicit and attributable to the specific client whose terms are driving it, rather than absorbed into a general working-capital line that doesn't trace back to any one account.

Credit risk, honestly

Client Credit / Bad-Debt Exposure adds expected credit loss into the picture, either a simple loss rate or a probability-times-severity model, using your own historical write-off experience or a credit-insurance quote, never a fabricated credit score. A client with a thin but real default risk should show a lower risk-adjusted contribution than an otherwise identical client with negligible credit risk, and this is the calculation that makes that difference visible instead of implicit.

When a client needs repricing or is worth losing

Once you know a client's true contribution, two decisions follow naturally. Client Repricing / Margin Recovery computes the rate increase needed to bring an underperforming account back to your target margin, the number to bring into a renewal conversation rather than an arbitrary ask. And Client Retention Financial Impact quantifies what retaining, or losing, a specific client is actually worth, which matters because "just walk away from unprofitable accounts" is only the right call once you've confirmed what walking away actually costs against what staying costs.

Concentration and capacity, the two structural checks

Two more questions round out a full client-economics picture, both covered in depth elsewhere: how dependent you are on this client relative to your whole book (see How to Evaluate a New Staffing Contract), and whether your account management capacity actually supports your current client count, which Account Manager Capacity / Hire Trigger checks directly.

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