

How VMS and MSP Fees Affect Staffing Margin

A VMS or MSP program fee is the price of access to a large client's business, run through a third-party vendor management layer. It's rarely optional if you want the account, but it's also rarely priced into a bill rate as precisely as it should be, which is how a program fee quietly erodes margin on an account that otherwise looks healthy.

What the fee is actually for

A Vendor Management System is software the client uses to manage multiple staffing suppliers, requisitions, timekeeping, invoicing, all centralized. A Managed Service Provider goes further, actively managing the client's contingent workforce program, often including supplier selection. Either way, the fee funds that layer, and it's typically charged as a percentage of billings, deducted before the fee reaches you, on every invoice for that account, indefinitely, not a one-time cost.

Isolating the dollar impact

VMS/MSP Fee Impact takes billings and your contribution before the fee, applies the program fee rate, and shows both the actual dollars the fee costs and the resulting margin after it's subtracted. Running this separately from your general margin calculation matters because it isolates one specific lever: if a VMS account's margin is thinner than a comparable direct account, this confirms whether the program fee itself explains the gap, versus some other factor in how the account is priced or serviced.

Building the fee into the rate from the start

The mistake this most often causes isn't miscalculating the fee, it's forgetting to price for it before quoting. Staffing Bill Rate takes a variable fee rate as a direct input specifically for this reason: solve for the rate that clears your target margin *after* the program fee, not before it, so the fee is baked into the quote rather than discovered as a shortfall once invoices start clearing through the VMS.

This is a case where the order of operations in the formula matters. Subtracting a percentage fee from your target margin additively, "I want 20% margin plus I'll absorb a 2% fee, so quote for 22%," understates the rate actually required, because the fee also applies to the margin dollars themselves, not just the cost base. The correct calculation subtracts both the target margin and the fee rate from 1 in the

denominator, which is exactly what the bill rate engine does; see [How Staffing Bill Rates Work](#) for the full formula.

When a program fee changes the whole account's viability

On a thin-margin account, a program fee that looked like a minor line item can be the difference between a marginal account and a losing one. Run [Account Service-Cost Profitability](#) alongside the fee impact for VMS accounts specifically, since program fees and internal servicing cost both erode the same contribution dollar, and an account can fail on the combination even when it would have cleared either cost in isolation.

Related

- [VMS/MSP Fee Impact engine](#)
- [How Staffing Bill Rates Work](#)
- [Account Service-Cost Profitability engine](#)



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