



NATIONAL CENTER FOR
THE MIDDLE MARKET

September 18, 2024

Middle Market Update

Latest Data and Insights from the NCMM

Doug Farren, Managing Director

IN COLLABORATION WITH



CHUBB[®]

VISA

Today's Plan

- I. About – NCMM, Middle Market, and the MMI Report
- II. Technology and AI
- III. Wrap-Up
- IV. Q&A

The National Center for the Middle Market

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, Chubb, and Visa. It exists for a single purpose: to ensure that the vitality and robustness of Middle Market companies are fully realized as fundamental to our nation's economic outlook and prosperity.

The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector.

Middle Market Research & Data



Quarterly Middle Market Indicator



Research and Expert Perspectives



Interactive Benchmarking Tools

Expertise & Outreach



Share Research & Discuss Trends

Education



Executive Programs



Webinars and Podcasts

The Mighty Middle Market

U.S. MIDDLE MARKET DEFINED



Annual Revenues Range from
\$10MM - \$1B



Accounts for
60% of All New
Private-Sector
Jobs



Nearly
200,000 in All Industry
Businesses Segments and
Geographies

Equivalent to the
5th LARGEST
global economy



Represents
1/3 of Private Sector
GDP and Employment



85%
of Companies
Are Privately Held



More than
\$10 trillion in annual revenue

Mid-Atlantic Middle Market



Kriya



FURNITURELAND SOUTH
the world's largest furniture store®



BobBarker

Velocity
CLINICAL RESEARCH

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insightsoftware



FIRMS: 33,000+ (17%)

EMPLOYEES: 4.9M (11%)

REVENUES: \$132B (13%)

Middle Market Indicator

What...

National Survey of C-Level Executives

How...

Self Administered Online Survey

Insight Areas

Past year growth
Current state of the business
Short-term and Long-term outlooks and challenges
Confidence in the economy
Detailed corporate profiling

Who...

Financial decision makers
Private and Public Organizations
\$10 million-<\$1 billion in Gross Revenue

When...

Annual
Field Periods

Part 1

June

Part 2

December

Study was conducted 4 times per year until 2019 and is now conducted 2 times per year

What's New?

Overview—Past Performance and Forecasts

REVENUE GROWTH

12.9%

PAST 12 MONTHS

Mid Atlantic: 12.1%

0.2%

S&P 500

8.8%

NEXT 12 MONTHS

Mid Atlantic: 9.8%



EMPLOYMENT GROWTH

10.3%

PAST 12 MONTHS

Mid Atlantic: 9.2%

0.5% **2.6%**
SMALL BUSINESS LARGE BUSINESS

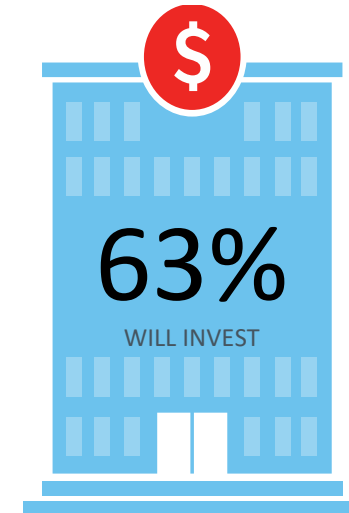
9.5%

NEXT 12 MONTHS

Mid Atlantic: 6.9%



CAPITAL INVESTMENT



Mid Atlantic: 64%

CONFIDENCE

76%

GLOBAL ECONOMY



78%

NATIONAL ECONOMY



85%

LOCAL ECONOMY



Mid Atlantic

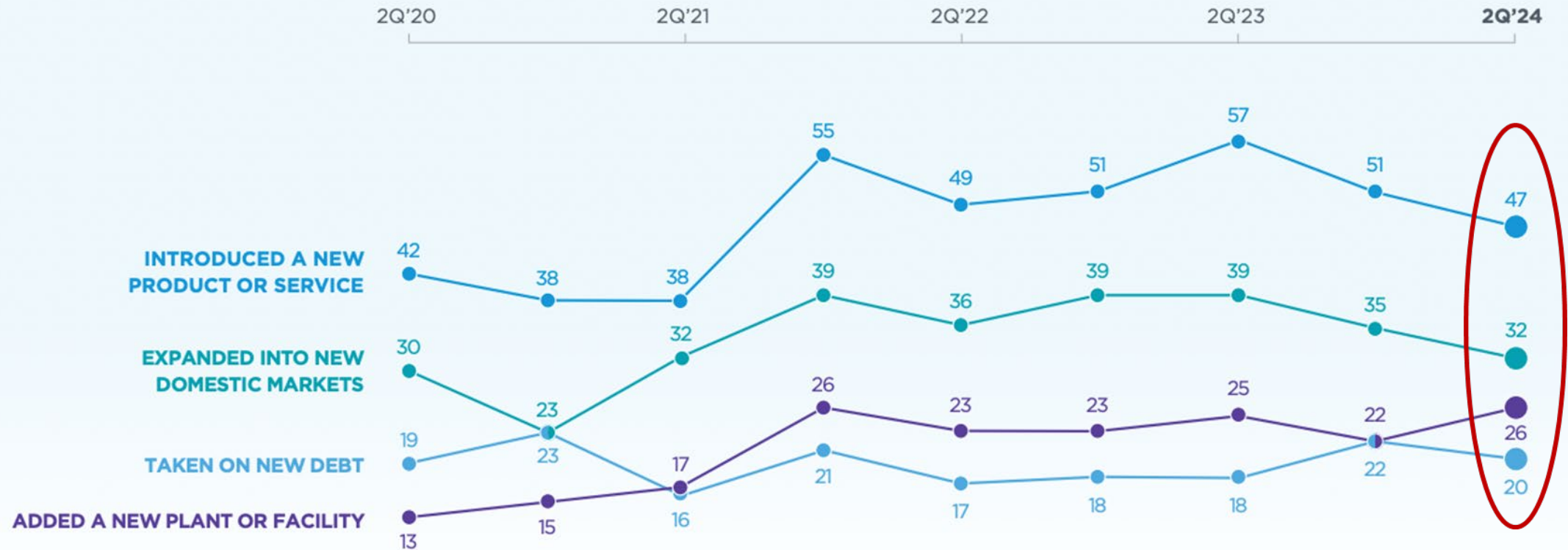
74%

81%

83%

Expansionary Activity Continues to Decline

Percent of middle market companies engaging in expansion activities over the past 12 months



Economic Confidence Remains Strong

Confidence in Economy



GLOBAL ECONOMY

76%

+2% vs. 2023



NATIONAL ECONOMY

78%

+4% vs. 2023

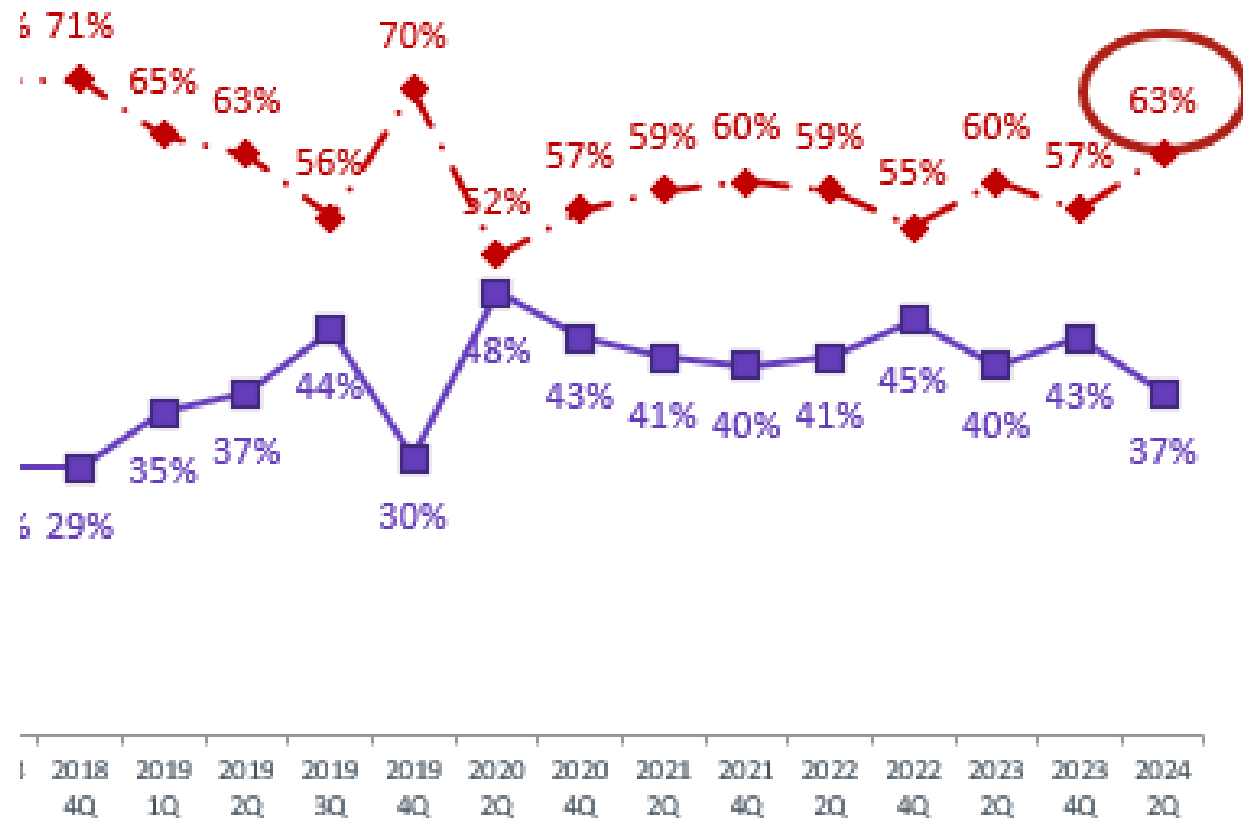


LOCAL ECONOMY

85%

-2% vs. 2023

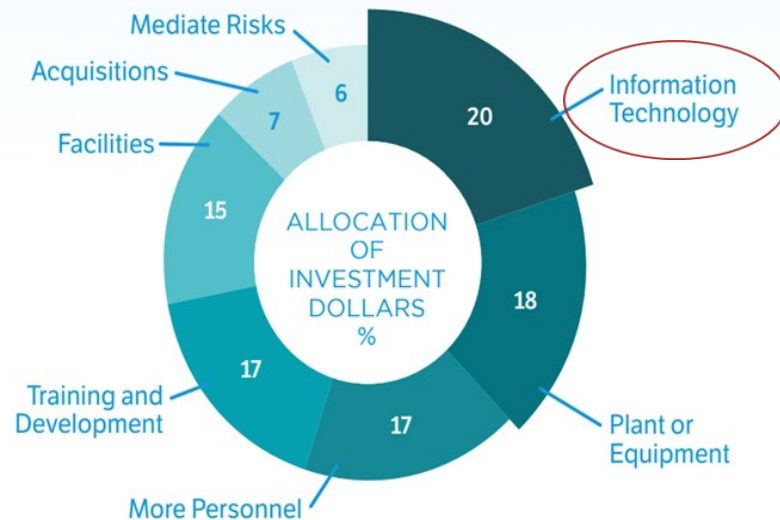
Investment Plans Start to Rebound



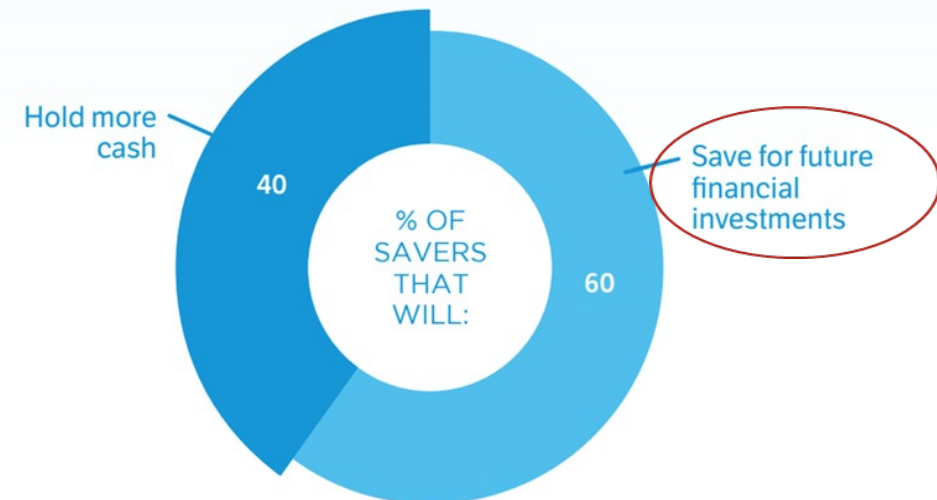
IT and Plant/Equipment are Top Targets for Investment Dollars

WHAT WOULD YOU DO WITH AN EXTRA DOLLAR TO INVEST?

Technology, people, and capital expenditures are key areas for investment.



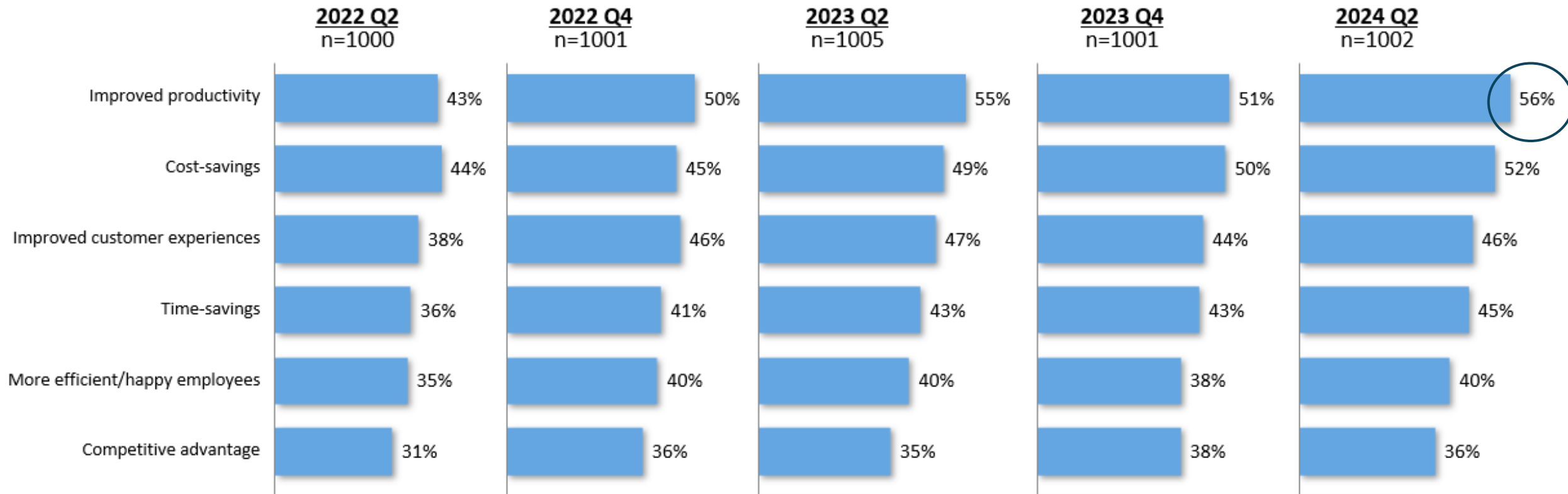
Most savers intend to put the dollars toward future investments.



Technology.....and AI

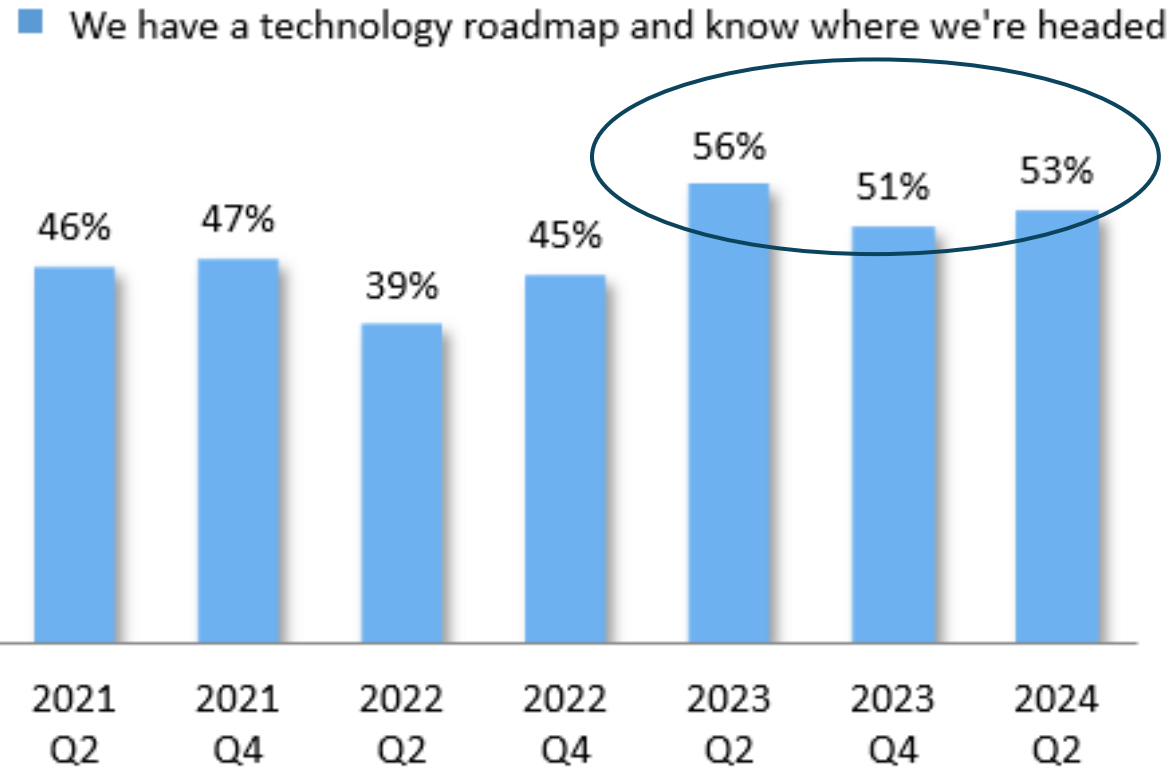
Goals of Digitization

Advantages Hoping To Get From Investing In Digital Solutions

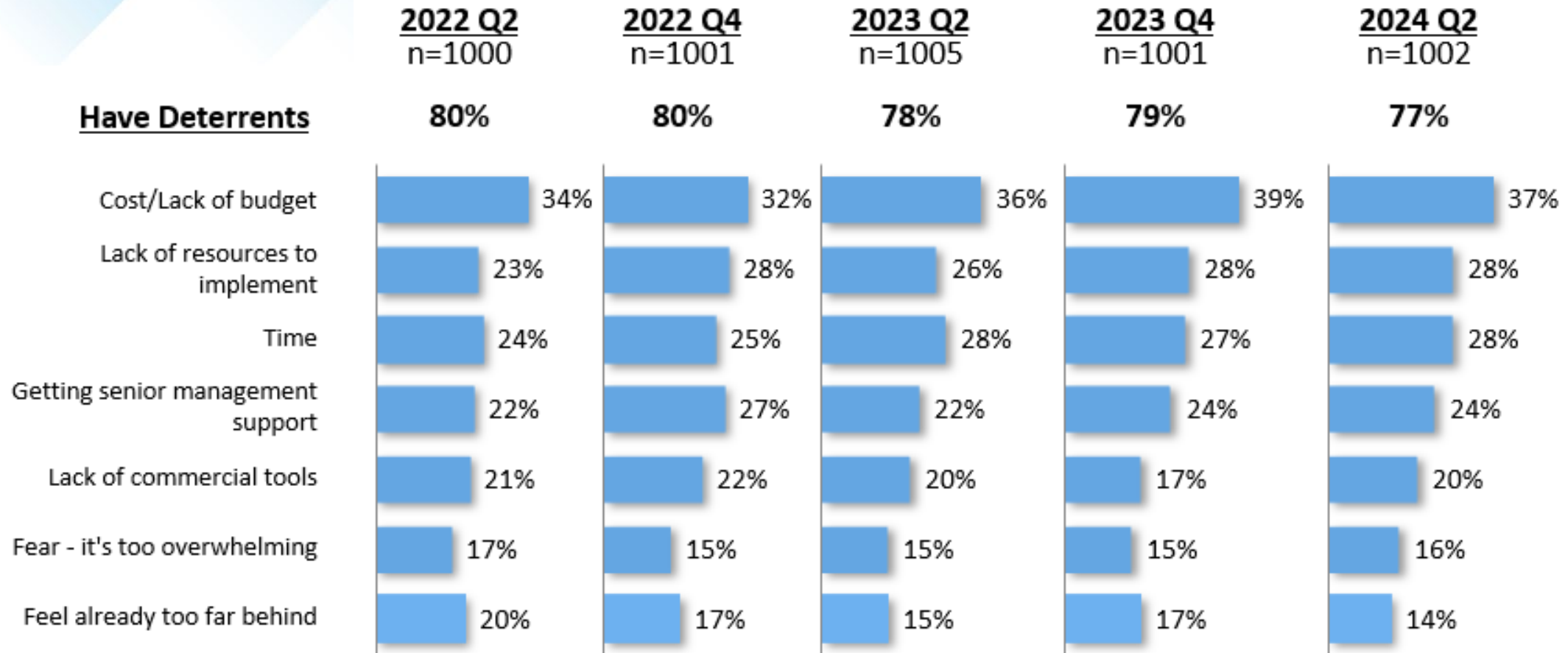


Digital Strategy

How Digital Innovation Incorporated As Part Of Overall Strategy

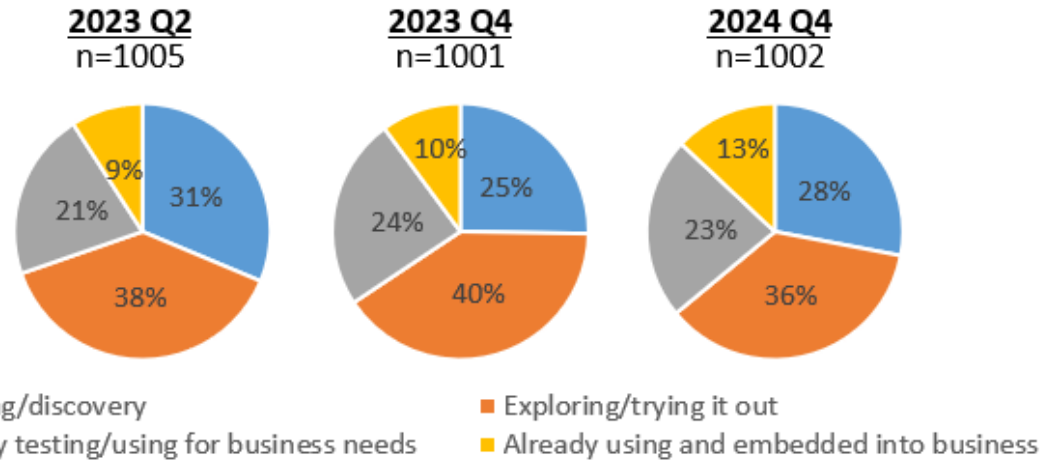


Barriers to Digitization



Artificial Intelligence

Adoption Journey Of New Technology Like AI

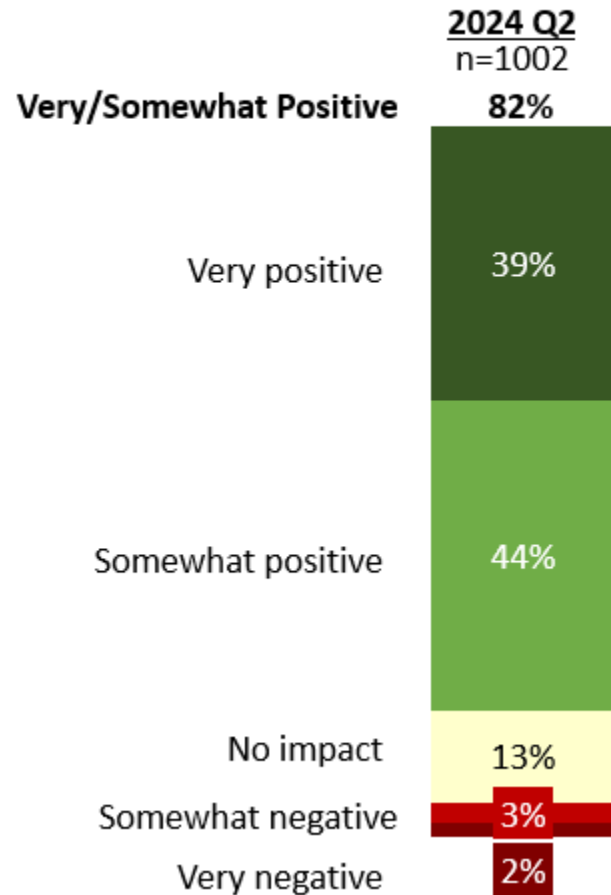


	Total MM (1002) %	\$10M – <\$50M (306) %	\$50M – <\$100M (220) %	\$100M – <\$1B (476) %
Learning/discovery	28	33	25	20
Exploring/trying it out	36	37	36	35
Actively testing/using for business needs	23	19	23	30
Already using and embedded into business	13	10	16	15

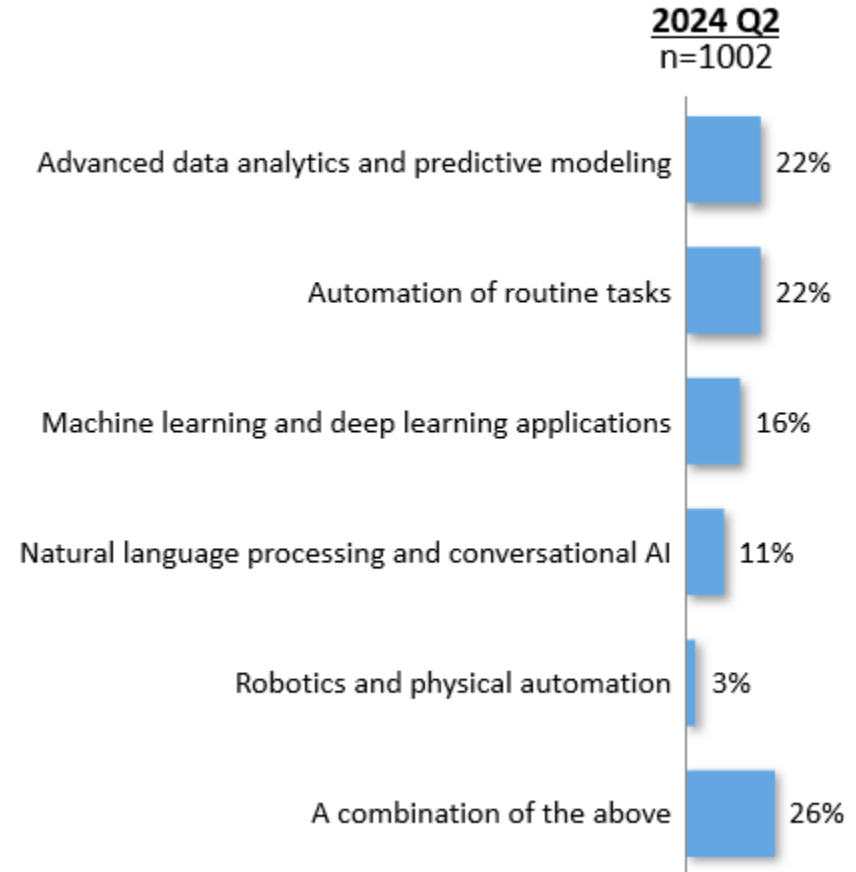
20% of firms in the Business Services Industry indicate they are already using and it is embedded into their business

Artificial Intelligence

Impact Of AI Regardless Of Current Involvement

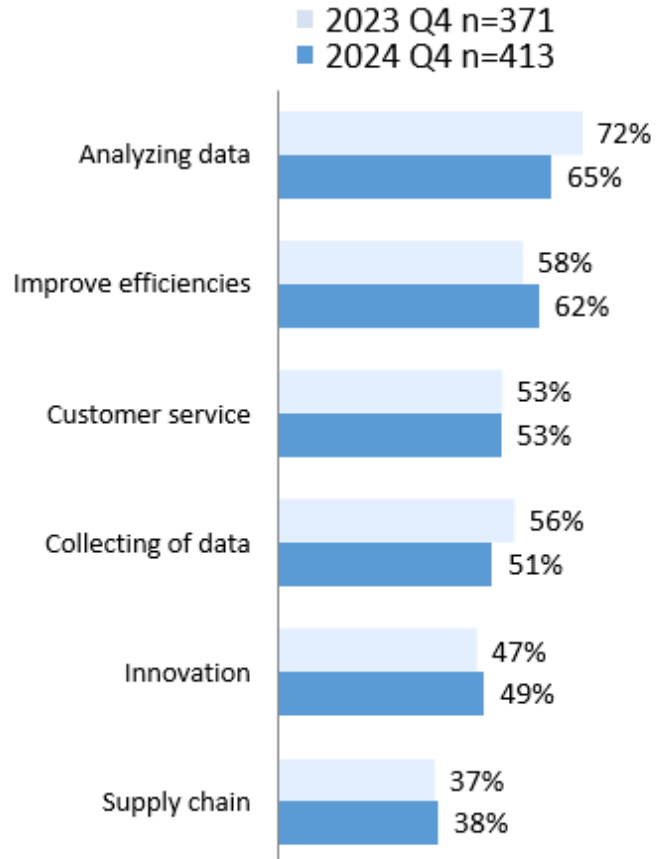


How Business Defines AI

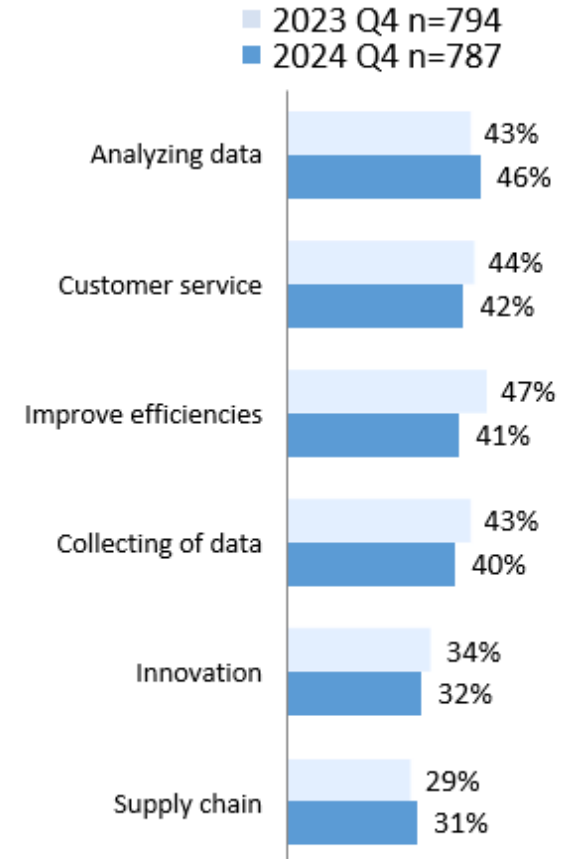


Artificial Intelligence

Functions Use AI For



Functions Plan To Use AI For



Artificial Intelligence - Concerns

Data Privacy and Security

Significant concern, seeking measures to protect/ensure sensitive information is crucial

Ethical Considerations and Bias

Issues such as algorithmic bias, fairness, and transparency in AI decision-making processes

Impact on Workforce

AI potentially displacing jobs and impacting workforce dynamics

Regulatory Compliance

Keeping up with evolving regulations and standards

Integration Challenges

Complexity of integrating AI with existing business processes and systems

Education and Training

Providing adequate training and support to employees to understand and utilize AI effectively

Costs and ROI

Balancing the investments required for AI implementation with expected returns on investment

Adaptation/Acceptance

Balance of embracing innovation while respecting traditional roles, tasks, and values

Risk Management

Strategies to handle potential AI system failures

Top Challenges

Top Tier Mentions

Inflation

Impacting costs of supplies, salaries, overall expenses, profit margins

Employee Retention and Recruitment/Talent Acquisition

Finding and retaining skilled talent, Motivating employees, Training and upskilling

Economic Challenges/Uncertainties and Financial Issues

Fluctuations in the economy, Global events like wars and geopolitical tensions, Interest rates and borrowing costs, Cash flow management and budget constraints

Technology

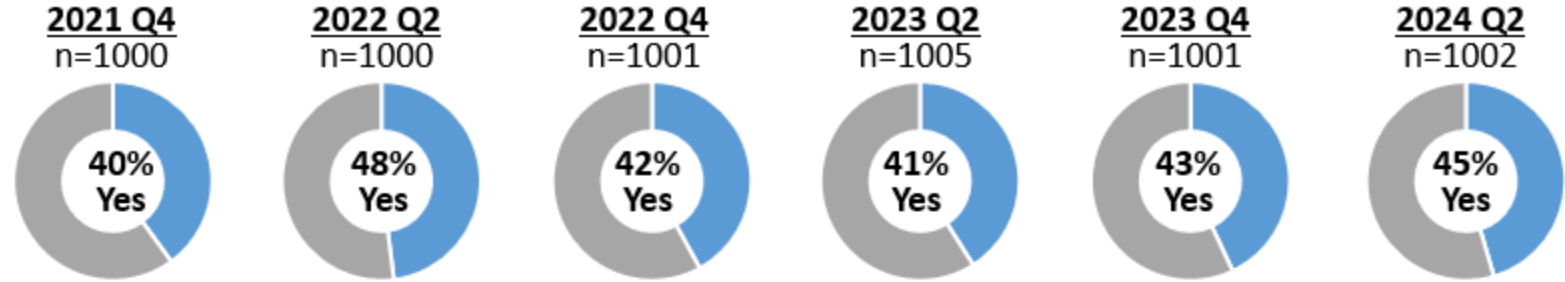
Efficiently integrating new technologies such as AI, Cybersecurity risks and data protection concerns

Operations

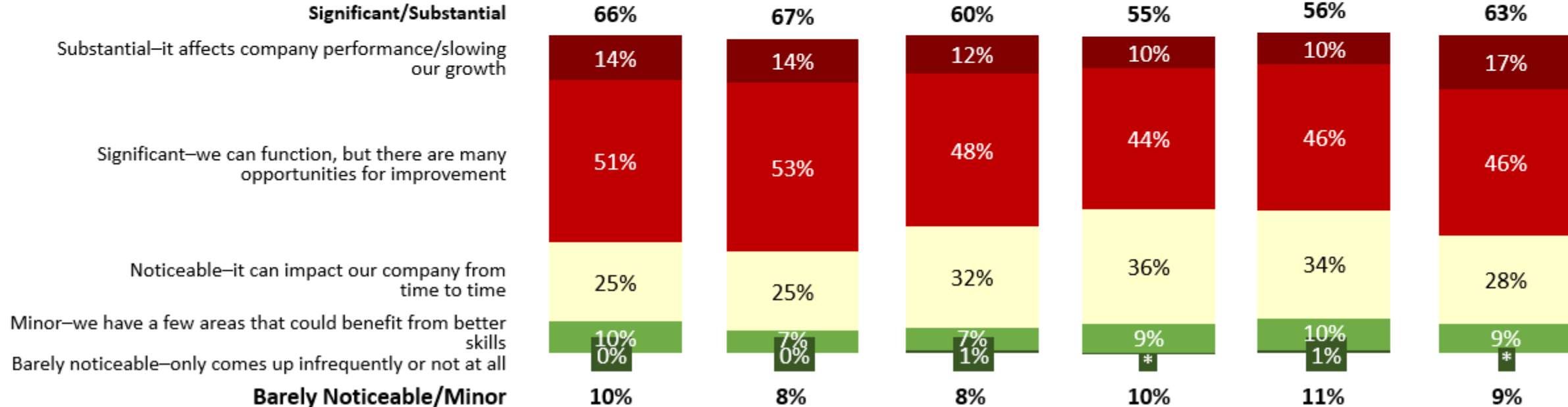
Supply chain disruptions, Inventory management and logistics

Digital Skills Remain an Issue

Company Has a Digital Skill Gap



Degree of Digital Skill Gap Impact



Summary

- The middle market remains a steady engine of growth:
 - Consistent revenue and employment growth – post pandemic surge
 - Investment plans starting to slowly rebound, mirroring high confidence levels across the board
 - Expansion plans over the next 12 months include new products/services and domestic markets
- Technology is a vital element of supporting middle market growth – through increasing productivity and managing costs, while addressing challenges around digitally skilled workforce
- AI adoption continues to be slow – and primarily adopted in the industries and functions where benefits are most acute. Risk and uncertainties remain about how and where to incorporate the technology



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