

The European mid-market in 2013:

Voices from the boardroom



ESSEC
BUSINESS SCHOOL

Contents

Foreword	4
Executive Summary	6
1. EU-4 mid-market: An updated profile	7
2. EU-4 mid-market: A major global economy	8
3. EU-4 mid-market: Focused on growth	9
4. Growth Champions	11
5. Manufacturing – the heartland of the EU-4 mid-market?	13
6. Innovative growth	14
7. Challenges – keeping the costs down	15
8. Conclusion: Finding growth in challenging markets	18
About the Author	20
Overview of research approach	20

Foreword



Looking back over the past year economies across Europe have continued to look for growth in less than ideal economic circumstances. Against this tough climate, one segment of the economy – the mid-market – punches well above its weight surpassing average national growth to make a substantive economic contribution.

Following our foundational study of the European mid-market in 2012, over the past year we have continued to track and assess this crucial segment of the economy in order to understand the business environment that they operate in as well as some of the challenges that they face. This year's report is based on updated data from 2,200 interviews with mid-market executives. It shows how critical these businesses are to the European economy. The mid-market accounts for just 1.5% of companies, yet contributes over a third of economic activity.

But these businesses are not completely immune to market realities. They are focused on reducing their costs and overheads to ensure that profit margins are robust in uncertain times. They face tough challenges - exporting to new markets, finding the skills required to plan for the future and the ability to overcome ever-changing regulation, which can sometimes impede ambitions to grow.


At GE we seek to provide meaningful responses to these challenges and pride ourselves on offering our customers more than just financial solutions. As one of the largest industrial companies in the world we are able to offer mid-market companies access to our deep industrial heritage and manufacturing know-how, helping them grow. Through our Access GE programme, our customers can tap into our expertise and global network, offering them practical solutions for many challenges.

Championing mid-market companies, raising awareness of their role, making sure that they are well understood amongst policy makers, business leaders and the media is critical to realising these companies' growth prospects, and helping them achieve their full potential.

A handwritten signature in dark ink, appearing to read 'Richard A. Laxer'.

Richard A. Laxer

President & CEO, GE Capital, EMEA



Our conclusion from last year's research was that the EU-4 mid-market is a "silent miracle worker," that creates more jobs than small firms and value comparable to largest firms. In 2013 this remains the case.

As a collective, the mid-market across these four nations continues to drive growth in its respective national economies... continued focus and championing the strengths of the mid-market is as important as ever.

Executive Summary

Over the past year economies across Europe have continued to search for growth and have somewhat struggled to find compelling answers as to where this growth will come from. A year on from our foundational study looking at the mid-market in the UK, Germany, France and Italy (termed together as the EU-4) both France¹ and the UK² lost their prized AAA credit ratings and Italy, with a triple-B-plus rating, sits only three places above junk rating³. The German economy, which has been the healthiest of the EU-4, grew by just 0.7% in 2012⁴. Austerity measures undertaken by policymakers dominate the economic agenda in these countries where we see businesses of all sizes struggling with weak currencies and challenging economic environments.

The mid-markets of the EU-4 have shown themselves not to be impervious to these pressures, but still demonstrate a resilience and confidence about the future.

Our research found that EU-4 mid-market firms grew sales last year – the UK by an average of 2.3% - only marginally slower than firms in the much lauded German mid-market (2.4%). For mid-market firms in France (1.7%) and Italy (0.2%) sales growth was less robust but still outgrew the pace of GDP growth in each of its national economies.

However beneath these punchy headlines are barriers to growth and strategic challenges facing mid-market businesses across the EU-4. The continuing economic crisis and lack of confidence in national economies is stifling ambition as is regulation and access to finance which hamper growth.

Across the EU-4 cost reduction in the face of market uncertainty is the key challenge facing businesses and this is also true for mid-market firms in the U.S. This year's report includes, for the first time, a unique comparison of the EU-4 mid-market with that of the U.S. mid-market. This interesting analysis will be expanded upon in the future as it allows us to understand global trends and learn valuable lessons from across the pond. We have also taken a step further in our research, analysing the EU-4 by region (as well as country) allowing us to produce a more detailed regional analysis. This exercise provides greater insight into the potential the mid-market has to rebalance economies both geographically and sectorally.

We have continued to track the progress of the mid-market analysing macro data provided by millions of companies and a comprehensive survey of over 2000 senior mid-market executives. Our conclusion from last year's research was that the EU-4 mid-market is a "silent miracle worker," that creates more jobs than small firms and value comparable to larger firms. In 2013 our report shows that this remains the case. As a collective, the mid-market across these four nations continues to drive growth in its respective national economies. With the European economy continuing to struggle, the continued focus and championing the strengths of the mid-market is as important as ever.

1. The EU-4 mid-market: An updated profile

Last year’s research identified the mid-market as a critical engine for growth across the EU-4. It highlighted that this segment accounted for less than 2% of total companies but contributed to over a third of economic activity. This year we have continued to track mid-market progress, and using data sets from millions of publicly available company data records, we can track how the mid-market is evolving.

The definitions for the mid-market are as follows for each country:

Germany: €20m - €1bn in annual turnover

UK: €20m - €1bn in annual turnover

France: €10m - €500m in annual turnover

Italy: €5m - €250m in annual turnover⁵

There are 144,172 mid-market firms, constituting 1.46% of total companies in the EU-4. These companies contribute nearly one-third of private sector GDP (33%) and support nearly 29 million jobs⁶. The total revenue of EU-4 mid-market firms is €7.8 trillion, 31% of total EU-4 revenue (Figure 1).

fig 1.
The EU-4 mid-market profile

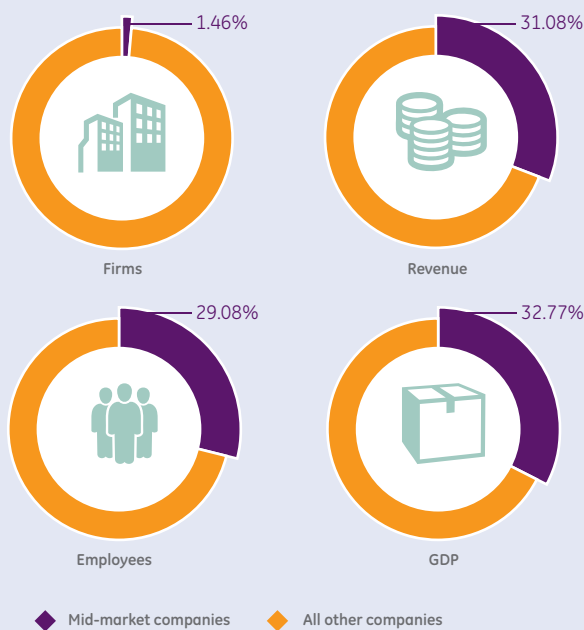


Fig 1. Source: Eurostat, BVD

The UK mid-market emerges as a particularly strong contributor to total UK employment, with nearly 39% of total jobs in the UK derived from this segment. Likewise the UK mid-market seems to be reaching for growth and achieving above average contributions to the EU-4 economy, starting to match the performance of Germany – the standard bearer for the mid-market.

The latest data shows that the German economy has expanded and that Germany continues to leverage the power created by its well-developed and world leading industrial sector, and by its well established Mittelstand (a trend that we see later on in the report). The macro data shows that France and Italy are both struggling in more challenging national economic environments and their mid-markets, like businesses of all sizes, are struggling to grow at a similar pace to either Germany or the UK. The Italian mid-market still managed to increase its revenue contribution, despite an overall downward trend of Italian turnover (Figure 2).

fig 2.
EU-4 country profiles

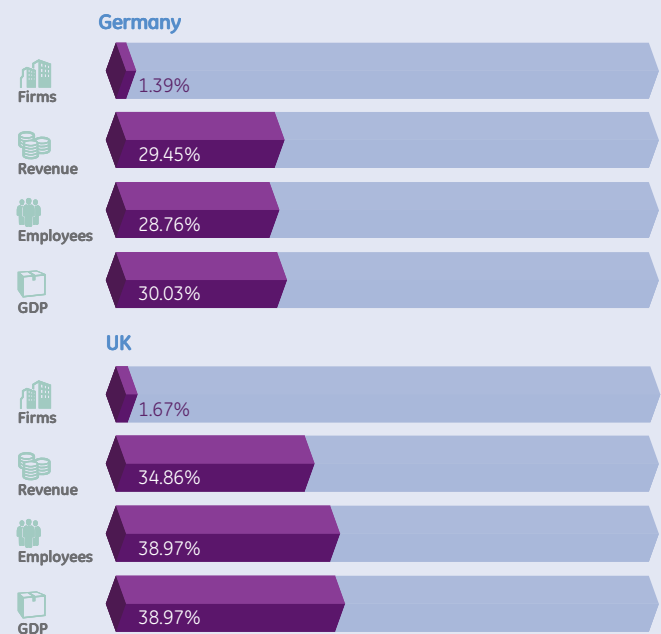


Fig 2. Source: Eurostat, BVD

2. The EU-4 mid-market: A major global economy

Mid-market firms are hugely valuable to their national economies and their impact is significant by all standards and measures. The EU-4 mid-market as a group is also significant when compared with the largest economies in the world. In the league table of global economies the EU-4 mid-market is a major player. Combined, the GDP contribution of the EU-4 mid-market in U.S. dollars is 1.64 trillion. If it were a national economy, the EU-4 mid-market would be 12th largest economy just below Canada but above Spain and Australia (Figure 3).

To provide an up to date and authoritative view of the profile of the mid-market we carried out a survey of 2,195 board level executives in mid-market firms across the EU-4. Interviewed during March and April 2013, we asked mid-market business leaders how their firms have fared over the last year and what strategic challenges they are currently facing.

There are 144,172 mid-market firms, constituting 1.46% of total companies in the EU-4. These companies contribute nearly one-third of private sector GDP (33%) and support nearly 29 million jobs. The total revenue of EU-4 mid-market firms is €7.8 trillion, 31% of total EU-4 revenue.

fig 2.
EU-4 country profiles

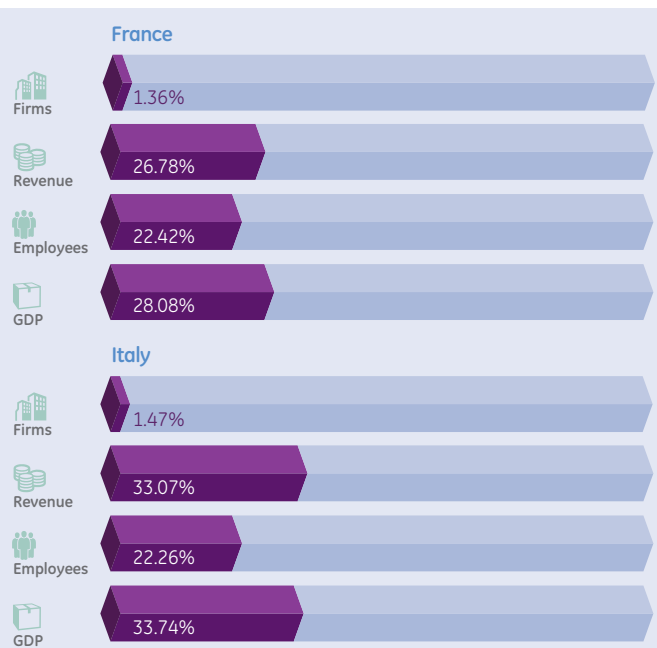


Fig 2. Source: Eurostat, BVD

fig 3.
GDP contribution of the EU-4 mid-market

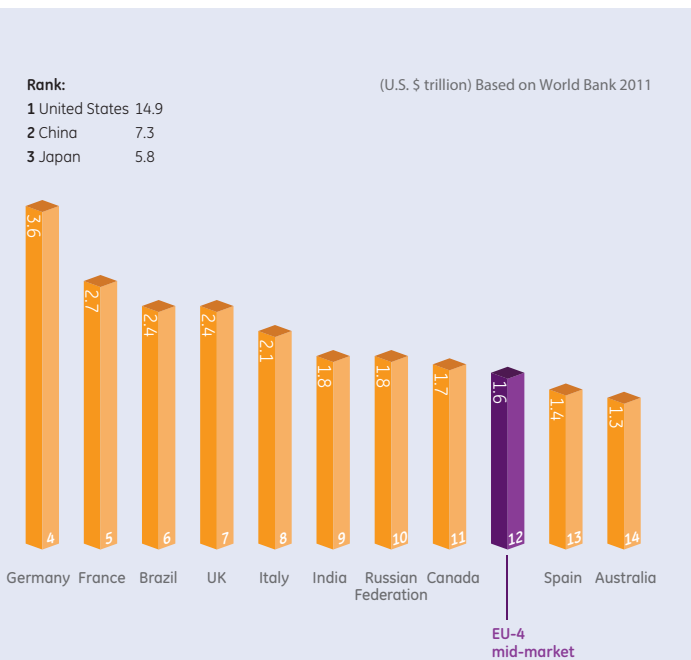


Fig 3. Source: Eurostat, BVD

3. The EU-4 mid-market: Focused on growth

The EU-4 mid-market was unable to match growth performance achieved last year but despite challenging market conditions modest net sales growth was achieved. The German mid-market experienced the highest net growth at 2.4% with the UK almost matching this performance with growth of 2.3%. France and Italy's mid-markets experienced weaker sales growth, but still achieved positive growth of 1.7% and 0.2% respectively (Figure 4).

These broadly positive sales growth gains were reflected in firms' confidence about future growth. When we asked them how they assess the future outlook for their company, all markets on average, expect continued growth. The UK mid-market is particularly upbeat with 47% of firms anticipating growth (up from 45% in 2012). In Italy this figure drops to 26% and is impacted further by negative sentiment from 16% of firms, leaving a slightly underwhelming positive net score of 0.5% (Figure 5).

Based on the net growth projections of mid-market firms expecting to grow over the next year, we estimated that across the EU-4 mid-market, these firms are forecasting €124bn in sales increases in the coming 12 months.

Confidence in future growth is underscored by strong investment intentions for the future. On average, across seven different investment categories 88% of EU-4 mid-market firms are planning to either increase their investments or maintain investment at existing levels over the next year. Just 12% aim to reduce their investments⁷.

In terms of job growth the experiences of the EU-4 mid-market are rather varied. The UK is more polarised than the other EU-4 countries and only experienced 0.6% growth, although it matched Germany in the proportion of firms creating new jobs (Figure 6).

We found that in the last 12 months these EU-4 mid-market firms added more than 214,000 jobs, with Germany accounting for the majority (116,000) of these positions. However, had the other markets kept pace with the job growth of the German mid-market, this would have resulted in an additional 188,000 jobs being created over the last year.

Based on the net growth projections of mid-market firms expecting to grow over the next year, we estimated that across the EU-4 mid-market, these firms are forecasting €124bn in sales increases in the coming 12 months.

fig 4.
Business Growth

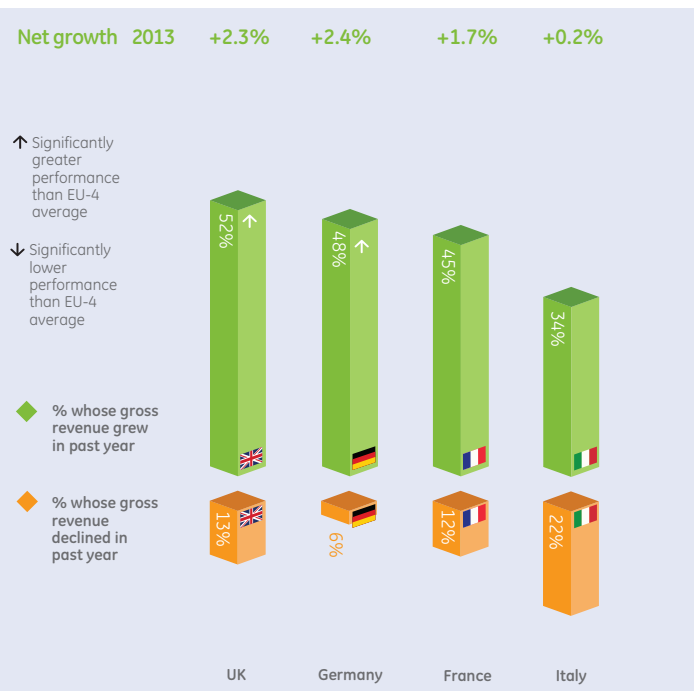


Fig 4. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013

fig 5.
Anticipated mid-market sales growth

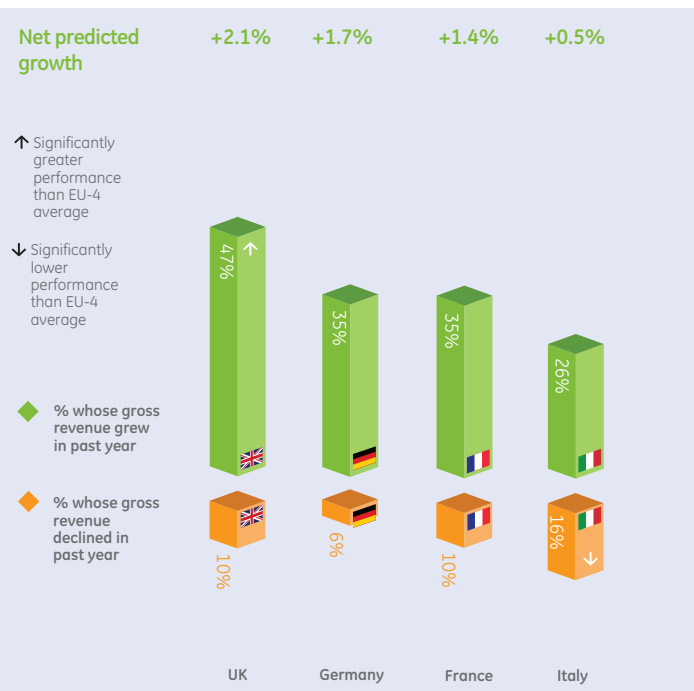


Fig 5. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013

Learning from the U.S. mid-market

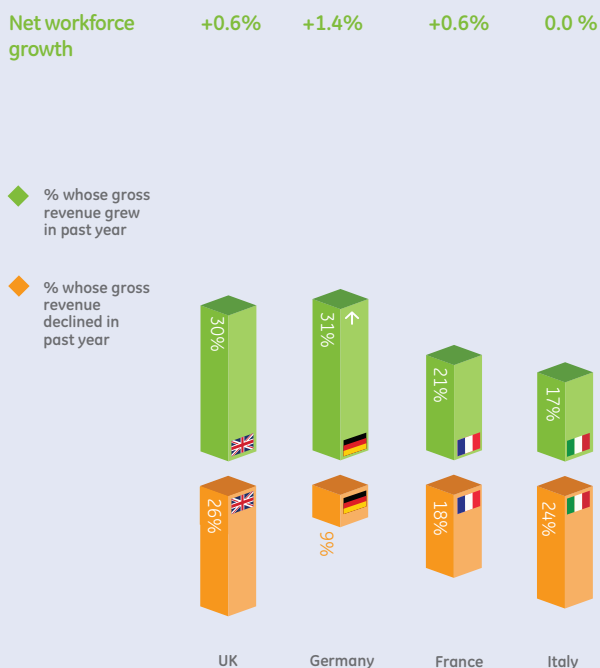
The difference in the performances of U.S. and EU-4 mid-markets depends, to a large extent, on the performance of their respective national economies since the recent financial crisis. The EU-4 economies, except Germany, have been slow to recover from that crisis. The U.S. on the other hand, has shown more steady growth. U.S. GDP grew 2.4% in 2010, 1.8% in 2011 and 2.2% in 2012⁸.

This national economic growth is reflected in positive sentiment from the survey of U.S. mid-market firms. When looking at sales growth, the EU-4 market is surpassed by the U.S. which charted 5.8% growth in revenues⁹. Revenue growth for the EU-4 mid-market ranged from 0.2% in Italy to 2.4% in Germany. This trend continues into anticipated sales growth where U.S. mid-market firms are confidently expecting to grow at 4.9%¹⁰ over the

coming year. In comparison, EU-4 mid-market growth estimates range from 0.5% in Italy to 2.1% in the UK. This confidence is matched by outlook for national economic performance, where the U.S. mid-market is much more optimistic than the rest of the EU-4 (Figure 16). Interestingly U.S. and EU-4 mid-market firms are experiencing similar cost-cutting related challenges. EU-4 firms reported that keeping the costs of doing business down was their major challenge as did U.S. firms, with rising healthcare costs featuring prominently.

Attracting, training and retaining talent is also one of the top 10 challenges facing the U.S. mid-market. Other top challenges include the rising cost of healthcare reform and navigating an uncertain regulatory environment.

fig 6.
Mid-market jobs growth



We found that in the last 12 months these EU-4 mid-market firms added more than 214,000 jobs, with Germany accounting for the majority (116,000) of these positions. However, had the other markets kept pace with the job growth of the German mid-market, this would have resulted in an additional 188,000 jobs being created over the last year.

4. Growth Champions

The EU-4 mid-market is a formidable segment with significant revenue, employment and GDP contributions to their national economies. Within the mid-market we have identified a set of high-performing, fast growing firms who we term as “Growth Champions”— companies that achieved revenue growth of at least 10% over the previous year. The distribution of Growth Champions is, to a degree, relatively uniform across the individual EU-4 mid-markets. However, with 17% of its constituent firms categorised as Growth Champions, the UK mid-market is the best performing while with just 11% Growth Champions, the French mid-market is home to the least amount of fast growing firms. The German and Italian mid-markets each have 13% of their mid-market firms classified as Growth Champions (Figure 7).

Declining sales demand represented one of the top-five barriers to mid-market growth and, more broadly, the national economies of France, Germany and the UK achieved less than 1% growth in 2012 whilst the Italian economy contracted by 2.4%¹¹. Against this backdrop, the mid-market Growth Champions emerge as a highly successful cohort (Figure 8).

Interestingly the strategic emphasis of Growth Champions differs quite starkly from other mid-market firms - specifically those that sit in the marginal and flat/declining categories. We compared the strategic focus of mid-market firms (Figure 9) and discovered that Growth Champions are more likely to:

- Have dedicated funding for research and development, invest in innovation and new product development
- Invest in training and development of existing staff
- Exploit new opportunities in fast-growing foreign markets.

Firms in the marginal and flat/declining categories struggle to pursue such an ambitious growth agenda and are much more likely to experience basic operational challenges and difficulties. They are more likely to be focused on keeping cost down, accessing finance and navigating regulation.

fig 7.

EU-4 Growth Champions

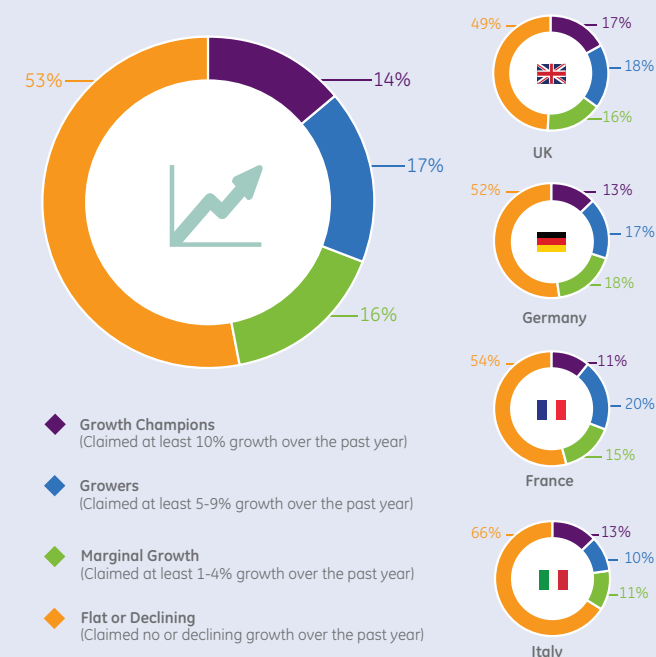


fig 8.

EU-4 Growth Champion's strategic vision



European mid-market league table

Position	Market	Region	Net Revenue Growth (actual) last 12 month - %	Net Revenue Growth (forecast) next 12 months - %	Combined Total - %
1	UK	South	3.0	2.6	5.6
2	Germany	North	3.1	2.4	5.5
3	Germany	East	2.6	2.5	5.1
4	UK	Central	2.6	2.1	4.7
5	Italy	South	2.0	2.2	4.2
6 –	France	North	1.9	1.6	3.5
6 –	France	South	1.9	1.6	3.5
8 –	Germany	South	2.1	1.0	3.1
8 –	Germany	West	1.7	1.4	3.1
10	UK	North	1.2	1.7	2.9
11	France	Central	1.3	1.0	2.3
12	Italy	Central	0.9	1.1	2.0
13	Italy	North	-0.4	0.0	-0.4

Regional deep dive

In order to better understand the relevance of geographic positioning of the mid-market, we compared how regions fared against each other across the EU-4. Based on actual sales growth over the last two years, and forecast sales growth in the coming year, this league table demonstrates the might of the UK South – as well as the German industrial centres in the North and East¹².

Regional analysis demonstrates the might of the UK South, as well as the German industrial centres in the North and East.

fig 9.

EU-4 Strategic Emphasis



Fig 9. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

5. Manufacturing – the heartland of the EU-4 mid-market?

Manufacturing is traditionally a crucial industrial sector for mid-market growth. Much of the success of the German Mittelstand is rooted in manufacturing and it drove growth during the financial crisis. The manufacturing sector of the German mid-market, known for its superior product quality and technological advances, contributes more than one third of mid-market GDP, generating 28.6% of the German mid-market revenues.

Italy, which has limited natural resources for sectors such as mining, quarrying and agriculture, also focuses on manufacturing, traditionally, in high value luxury products and mid-market firms contribute close to 40% of GDP and revenues. The French mid-market manufacturing sector contributes 27.2% to the mid-market revenues but only 20.4% GDP (Figure 10).

In contrast to the rest of the EU-4 mid-markets, the UK mid-market is relatively less manufacturing focused. It generated less than one fifth of the UK mid-market revenues and employed 18.5% of mid-market workforce. The UK is a more service-orientated economy with professional business services providing 19.3% of mid-market employment.

fig 10.
Manufacturing contribution to the EU-4 mid-market

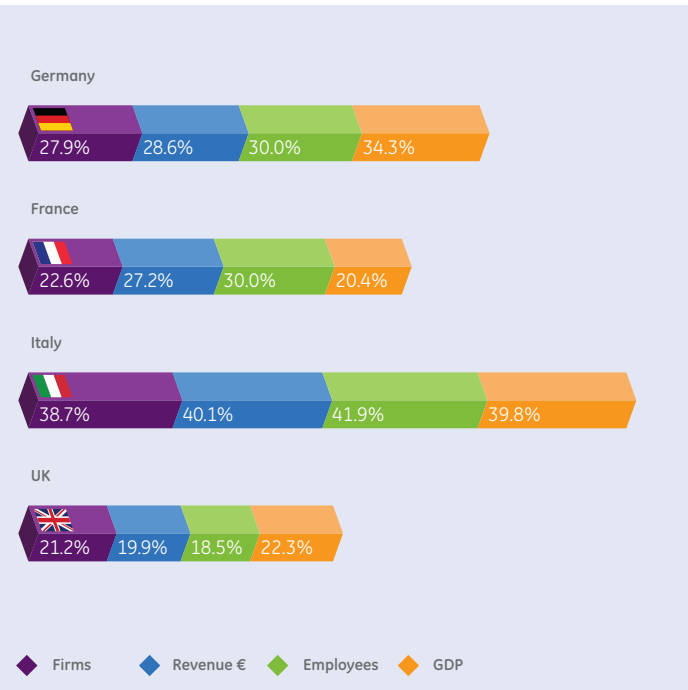


Fig 10. Source: Eurostat, BVD

In our survey of mid-market executives, manufacturing and construction businesses reported a marginal increase of 1.3% in revenues. However, this was much smaller than the 3.1% growth they reported the last year. This sentiment is consistent with the macro analysis where, except for in Germany, the manufacturing mid-market firms in the rest of the three countries reported declining revenues. Only 44% of the EU-4 mid-market manufacturing and construction firms experienced revenue growth compared to 54% in the previous year.

Their sentiment about the future growth partly reflects the less than desirable performance across the previous year. Over a third (36%) of mid-market manufacturing and construction firms anticipate positive sales growth in contrast to 47% last year. Other industries including IT, financial services and retail were more optimistic about their future outlook (Figure 11) with net predicted growth all above 2%.

fig 11.
EU-4 anticipated growth by sector

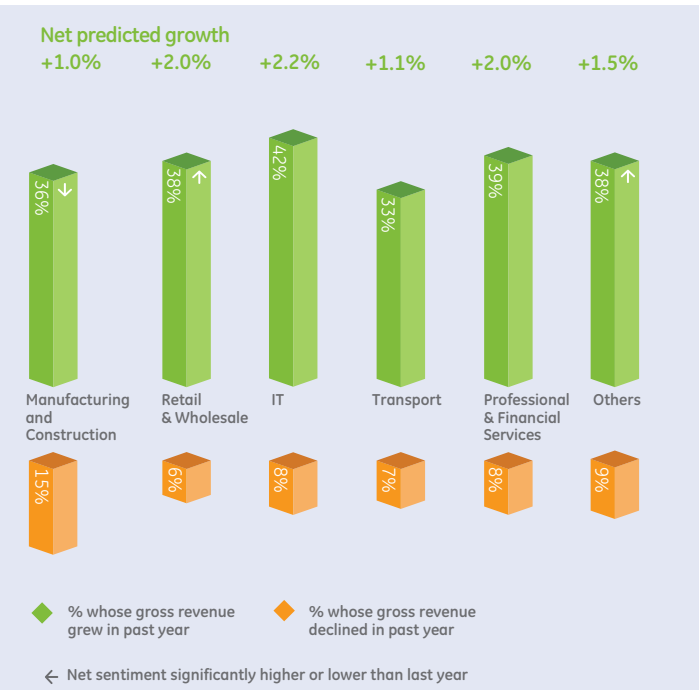


Fig 11. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

6. Innovative growth

In our report last year we emphasised the importance of innovation¹³ in the EU-4 mid-market. Mid-market R&D spend as a percentage of revenue tends to match the national average of 5% and in 2011 equated to over one billion euros across the EU-4 mid-markets. The UK mid-market accounted for 37% of the EU-4 R&D spend.

Furthermore the EU-4 mid-market holds a considerable proportion of the total patents in these economies. Although patent ownership is not a wholly sufficient way of measuring innovation, it can provide a useful insight into firm’s interest in innovation and long term strategic planning. The mid-market across the EU-4 collectively owns over a third of all patents (35.3%). In Italy and the UK the number of patents held by the mid-market is nearly as many as that held by small and large companies combined. Also noteworthy is patent ownership in France which has risen from 31.7% to 37.4% (Figure 13).

The mid-market across the EU-4 collectively owns over a third of all patents

fig 12.
EU-4 R&D spend



Fig 12. Source: Eurostat, BVD

fig 13.
EU-4 patent ownership



Fig 13. Source: Eurostat, BVD

fig 14.
Manufacturing patents as a % of all mid-market patents

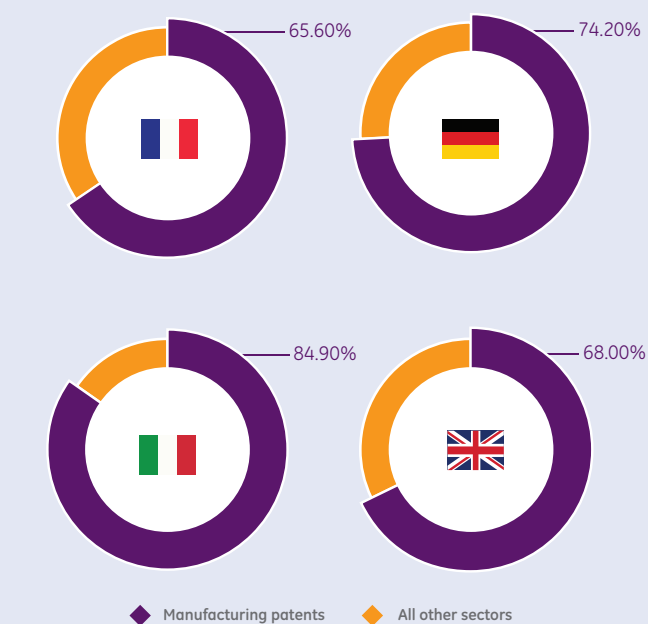


Fig 14. Source: Eurostat, BVD

Interestingly a significantly large proportion of mid-market patents are held by manufacturing firms, suggesting a highly innovative and technology-driven manufacturing sector across the EU-4 (Figure 14).

Patent data does come with limitations and we must be cautious when drawing any definitive conclusion. When innovations are related to processes and designs, they are not always patentable. Even if they are, the long-term benefits of patents are limited due to the perishable nature of such inventions. For example, many firms in Italy, where the manufacturing focus is on luxury and lifestyle products, don’t necessarily patent their innovations. Therefore, although Italian mid-market owns only 15.5% of the EU-4 mid-market patents, we can’t conclude that Italian mid-market is less innovative. In fact their R&D intensity at 4.9% of the annual revenues is comparable to the rest of the EU-4 (UK: 4.8%, Germany: 5%, and France: 4.7%).

7. Challenges – keeping costs down

Each of the EU-4 economies have experienced a downturn in recent years. It is therefore not surprising that when we asked companies about the single most critical barrier to growth, the top five barriers that emerged were, to a large extent, external barriers; economic crisis, regulation and government policy, financial barriers, increased overheads, and declining sales, rather than internal or operational issues (Figure 15).

The economic crisis is cited as the key barrier to growth and this is to some extent borne out by a lukewarm response to the question on confidence in national markets. The UK and Germany are net positive about their national economies, France is neutral and Italy is negative in sentiment about the Italian economy (Figure 16).

UK mid-market firms have much less positive views of future European growth. In particular, while UK firms see positive growth in the global, UK and regional economies over the next year, they anticipate the European economy to shrink by around 0.7% (Figure 17). Germany, France and Italy are all more positive (although not overly-enthusiastic) about the European economy. For UK mid-market firms this implies that the impact of the continuing economic crisis is likely to be felt most keenly through their exposure to European markets.

Confidence in the European economy is reflected in attitudes towards the importance of EU membership for business growth. In each country the largest proportion of mid-market executives believe that remaining a part of the European Union is vital for business growth. However, only 44% of UK firms agreed in comparison with 58% of German firms, 63% of French and 67% of Italian mid-market companies (Figure 18). This shows the vested interest that those operating in the Eurozone, benefitting from a common currency, with significant exposure to a single market, have in the strength of the European economy and the importance of remaining part of the Euro.

After the economic crisis and regulatory concerns, financial barriers are the third biggest barrier to growth. Over a quarter of the mid-market cited access to finance as presenting the highest degree of challenge to their business. Of the regulatory challenges access to finance was the highest challenge, followed by cost of compliance (24%) and dealing with corporate taxation (21%) (Figure 19).

fig 15.
Top five barriers to growth across the EU-4

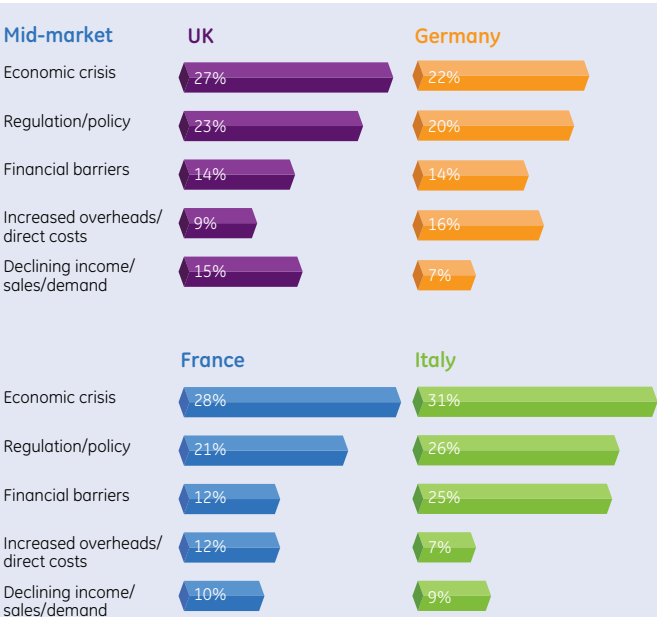


Fig 15. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

fig 16.
Confidence in national economy

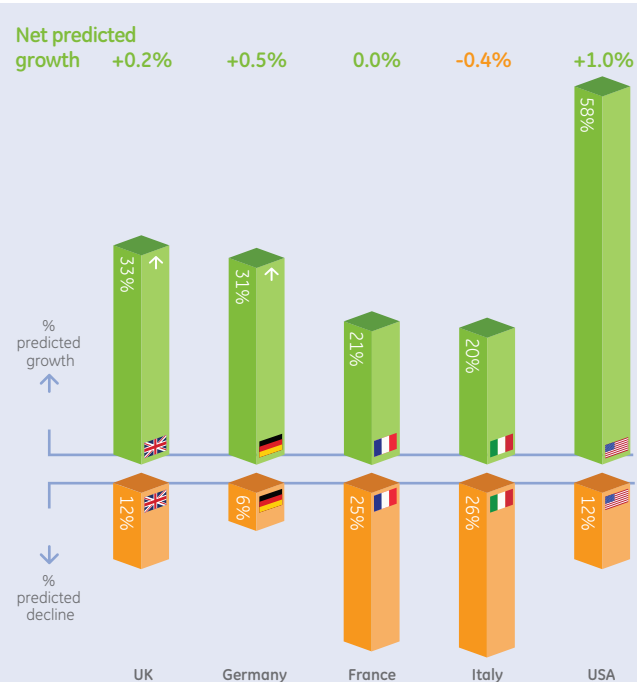


Fig 16. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.
National Center for Middle Market, Middle Market Indicator, Q1 2013.

When we investigated further and asked what specific financial management issues they faced, the key priority for the EU-4 mid-market firms is bank loans with 40% saying that they would like more access to this form of financing in the future. More equity investment was cited as desirable by over a third of firms (35%) with 21% wanting more commercial leasing or structured finance (Figure 20).

Compounding the EU-4's challenges surrounding access to finance, mid-market executives also cited "keeping down business costs and overheads" as the single-most critical challenge to future business growth. 46% of Italian and 42% of UK mid-market executives found this to be a high degree of challenge as did a third of German and French mid-market executives. With the revenue growth expected to remain relatively flat, businesses have to control their costs in order to protect margins (Figure 21).

fig 17.
Confidence in European economy

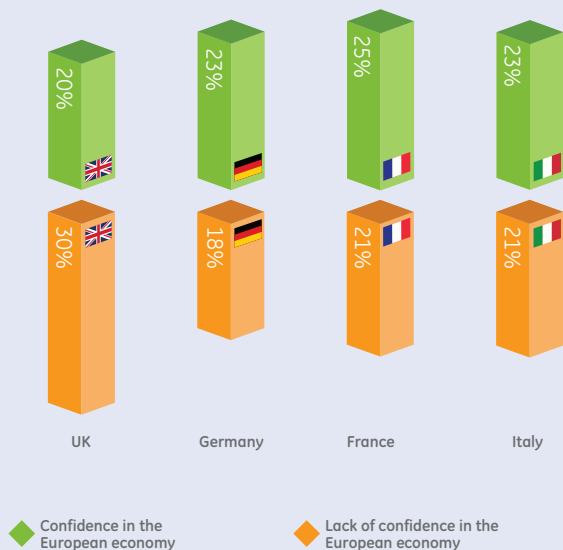


Fig 17. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

HR-related challenges appeared frequently among the top five challenges to future business growth. In particular, retaining talented employees, attracting top managerial talent, and providing competitive wages and benefits are critical personnel challenges. This was similarly the case last year however, their relative importance varies across EU-4 with personnel challenges being more prevalent in France and Italy.

In 2013, UK mid-market firms are finding it easier to retain talented employees compared to last year. Similarly, German mid-market firms find attracting top managerial talent and retaining talented employees less challenging this year. In contrast, 25% of French mid-market firms find providing competitive wages challenging, reflecting an increase of 7% such firms from the previous year. Similarly, 37% of Italian mid-market firms find attracting top managerial talent challenging this year, up by 13% on last year.

fig 18.
Mid-market views on the importance of EU membership



Fig 18. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

fig 19.
EU-4 regulatory challenges

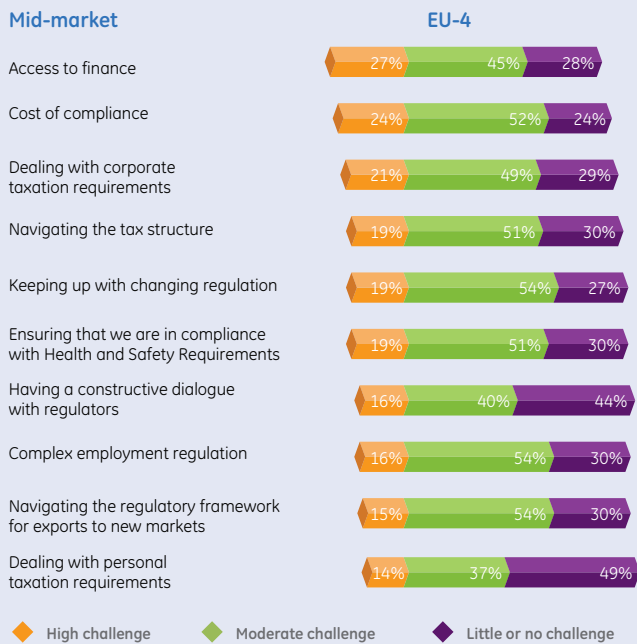


Fig 19. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

fig 20.
Financial management

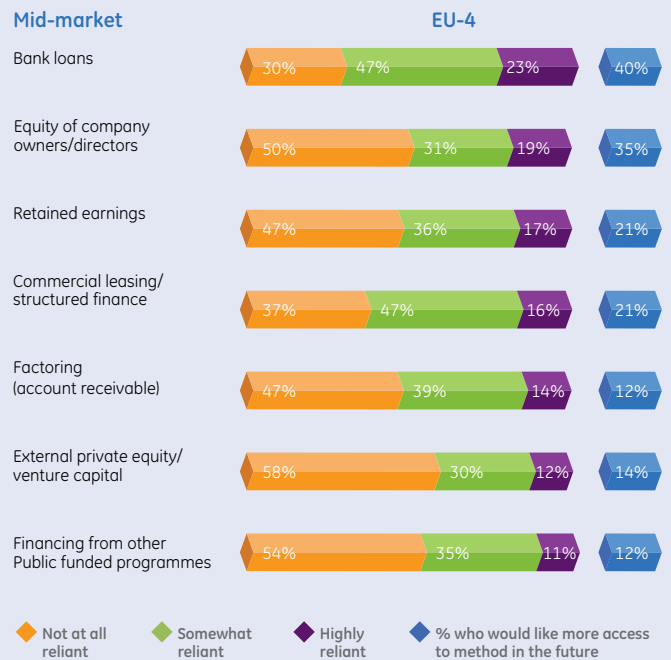


Fig 20. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

fig 21.
Challenge faced by the mid-market





UK mid-market 		German mid-market 	
Keeping business costs down	42%	Keeping business costs down	33%
Retaining talented employees	26%	Attracting top management talent	30%
Cost of compliance	23%	Retaining talented employees	30%
Access to finance	23%	Access to finance	26%
Competitive wages	22%	Corporate tax	24%
French mid-market 		Italian mid-market 	
Keeping business costs down	33%	Keeping business costs down	46%
Providing competitive wages	25%	Access to finance	43%
Retaining talented employees	23%	Cost of compliance	38%
Cost of compliance	22%	Attracting top management talent	37%
Corporate tax	22%	Financial agreements	34%
Access to finance	22%		

Fig 21. Source: Millward Brown and GE Capital EU-4 mid-market Survey, 2013.

8. Conclusion: Finding growth in challenging markets

In 2013 we find the mid-market of the EU-4 continuing to strive and search for growth in a less than ideal economic climate.

The EU-4 mid-market makes an enormously significant impact on the economy as an important contributor to GDP and jobs despite accounting for less than 2% of firms. However, the mid-market is preoccupied with keeping costs and overheads down in challenging market conditions where margins become of critical importance.

Within the EU-4, the UK and Germany stand out as weathering the economic storm most effectively, with this segment reporting robust revenue and employment figures and feeling optimistic about the future. The UK has taken top spot of the mid-market Growth Champions 'league' and its cadre of firms achieving double digit growth has emerged as a key strength of the UK mid-market. These champions provide a compelling blueprint for growth from which lessons can be drawn across the EU-4.

Likewise Germany has continued to flex its mid-market muscle with strong sales and workforce growth. The French mid-market, on the other hand, has suffered a drop in confidence as a result of weaker sales figures and a more challenging national economic

environment. This is also the case in Italy where firms are suffering a lack of confidence in their national economy and sales and jobs growth are weak. Italy has the highest proportion of flat or declining mid-market firms - companies that are struggling to overcome operational challenges.

Championing the mid-market, advocating their needs and learning the lessons that can be drawn from Growth Champions across the EU-4 and in the U.S., is hugely important, if this crucial segment of the economy is going to continue grow. Advocating the growth of the mid-market can yield great results – a lesson that can be drawn from the German model where the well-established Mittelstand is serviced well by policy makers and regulators to suit its needs.

The potential is plain for all to see throughout this report. The mid-market is dynamic, innovative and confident enough to make investments in its own future. Now is the time to better support these companies to provide an environment more conducive to their growth, to enable them to reach their true potential.

Championing the mid-market, advocating their needs and learning the lessons that can be drawn from Growth Champions across the EU-4 and in the U.S., is hugely important, if this crucial segment of the economy is going to continue grow.





About the author

This report was written by Professor Ashwin Malshe of ESSEC Business School.

Professor Ashwin Malshe

ESSEC Business School

Ashwin Malshe has been a marketing professor at ESSEC Business School since 2011. He holds a PhD in marketing with special focus on finance and econometrics from SUNY-Binghamton, USA. His research is primarily focused on conceptualising and measuring the ROI of marketing strategy. Professor Malshe teaches marketing analytics and social media marketing to ESSEC Master's students and executives.

Overview of research approach

A multi-sourced, collaborative, and data-driven approach was employed which drew upon database research, primary research and local market academic expertise.

Database analyses based on data from:

- a. Eurostat
- b. BvD Orbis

The definitions of mid-market firms follow an intuitive yet objective methodology using inflection point analysis at local market level to pinpoint the section of the economy that could be described as mid-market. The inflection points emerged through a triangulation of three factors – turnover, productivity and employee numbers. We defined small, medium, and large firms when different parameters (e.g., revenue/employee) showed relatively large jumps as we move rightward on the firm size continuum.

Boardroom Survey:

- a. Four-country, nationally representative sample of 2,690 C-suite executives of private and public companies:
 - France, Germany, Italy, United Kingdom
 - Regional boost added to mid-market interviews in UK, France and Germany
 - 358 micro/small businesses
 - 2,195 middle market businesses
 - 137 large companies
 - Survey data weighted to BvD data to ensure representativeness (weighted by region, industry and revenue)
- b. Survey conducted via mix of computer assisted telephone interview (CATI) and online depending on the country and executive type
- c. Managed and executed by Millward Brown Corporate
- d. Fieldwork conducted March – April 2013

Notes

- 1 <http://www.guardian.co.uk/world/2012/nov/20/moodys-downgrades-france-credit-rating>
- 2 <http://www.bbc.co.uk/news/business-22219382>
- 3 <http://online.wsj.com/article/SB10001424127887324128504578348371705282616.html>
- 4 Eurostat
- 5 In this research we define the UK mid-market to include those companies with annual turnover between €20m and €1bn. Our definitions of UK and European mid-markets are based on a methodology originally developed in 2011 by Ohio State University and GE Capital, to examine the U.S. mid-market. Based on industrial demography data for each country, and examining discontinuities in the distribution of productivity by size band and other performance descriptors by firm size, allowed us to create a market specific definition for each EU-4 economy. In the UK and Germany the mid-market includes firms with €20m to €1bn in annual turnover; in France the mid-market comprises firms with €10m to €500m in annual turnover; and in Italy, €5m to €250m in annual turnover. This reflects the smaller average firm size in Italy. See: Malshe, A (2012) 'The mighty middle: Why Europe's future rests on its mid-market companies', GE Capital, London
- 6 BVD, Eurostat
- 7 Millward Brown and GEC EU-4 mid-market survey
- 8 U.S. Bureau of Economic Analysis
- 9 National Center for Middle Market, Middle Market Indicator, Q1 2013
- 10 National Center for Middle Market, Middle Market Indicator, Q1 2013
- 11 Eurostat
- 12 The following methodology was applied to calculate the EU-4 league table; The product of actual business growth experienced over the past year and predicted business growth over the coming year, Millward Brown and GEC EU-4 mid-market survey
- 13 Malshe, A, (2012) 'The Mighty Middle: Why Europe's future rests on its middle market companies', GE Capital, London

[illegible]

GE Capital
The Ark,
201 Talgarth Rd,
Hammersmith,
London
W6 8BJ
T +44 20 7302 6300

www.gecapital.eu/midmarket



© 2013 General Electric Company. All rights reserved.

Neither this publication nor any part of it may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of General Electric Company.

GE Capital EMEA Services Limited. Registered Address: The Ark, 201 Talgarth Road, London W6 8BJ, United Kingdom. Registered in England and Wales No. 00244759

www.gecapital.eu