



The Middle Market Power Index: Catalyzing U.S. Economic Growth

In an exciting new collaboration, American Express and Dun & Bradstreet are combining forces to increase public understanding of the vital role that middle market enterprises (firms with between \$10 million and \$1 billion in revenues) are playing in the American economy. Drawing upon detailed information available only from Dun & Bradstreet's proprietary databases of commercially-active firms, this and subsequent reports will shed light on the number, characteristics and growth of middle market firms.

This report focuses on the characteristics and economic impact of middle market firms, and how they have fared in the years since the 2007-08 recession.

American Express and Dun & Bradstreet will release subsequent reports in the coming months, which will feature other areas of opportunity unique to middle market firms.

Middle Market Firms at a Glance

MAKING AN OUTSIZED CONTRIBUTION

Middle market firms make an outsized contribution to the U.S. economy. While representing less than 1% of U.S. businesses, they account for 21% of business revenues and employ 28% of the private sector workforce nationwide. As of 2014, they number over 136,000, employ over 50 million workers and generate nearly \$6.2 trillion in revenues.

FUELING RECENT JOB GROWTH

Of the nearly 2.3 million net new jobs added by commercially-active firms since 2008, nearly 2.1 million (or 92% of them) have come from middle market enterprises, thereby fueling the nation's economic recovery.

MIDDLE MARKET FIRMS ARE COMMUNITY-BASED ENTERPRISES

Unlike larger enterprises, the vast majority of middle market firms are privately owned, with an average of 368 workers per firm. In comparison, a 57% majority of firms with \$1 billion or more in revenues are publicly traded, employing an average of 23,226 workers each.

GROWING SMART AMERICAN EXPRESS GLOBAL CORPORATE PAYMENTS

Key Findings:

Making an Outsized Contribution

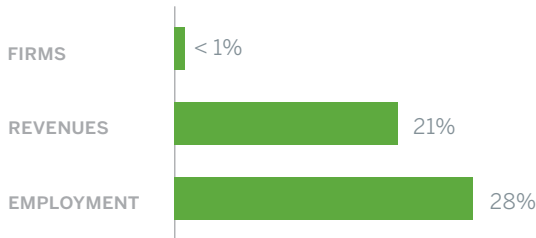
Middle market firms, while representing less than one percent of all U.S. businesses, account for slightly more than one in five dollars of revenue generated by U.S. businesses and employ over one in four U.S. workers.

According to the most recent business census, there are just over 27 million business enterprises in the United States, the vast majority of them considered small businesses. In fact, one-third of U.S. businesses (numbering 9.3 million) generate less than \$10,000 in annual revenues. Dun & Bradstreet tracks all businesses in the country that have obtained a D-U-N-S® Number, and are thus considered to be commercially-active—meaning that they are selling and receiving goods or services, and utilizing credit transactions in their business. Thus, an analysis of Dun & Bradstreet’s data—which contains records for just under 19 million business enterprises in the U.S.—provides an in-depth understanding of businesses that are actively engaged in commercial activity. Among the nearly 19 million commercially-active businesses in the United States in 2014, just under 1% of them—136,603 firms—are middle market enterprises, generating between \$10 million and \$1 billion in revenues.

MIDDLE MARKET FIRMS MAKE AN OUTSIZED CONTRIBUTION TO THE U.S. ECONOMY

Contributing Well Beyond Their Small Share of the Business Population

Percent of:



- While representing less than 1% of U.S. businesses, middle market firms account for 21% of business revenues and employ 28% of the private sector workforce nationwide.
- **Middle market enterprises collectively employ over 50 million workers as of 2014 and generate nearly \$6.2 trillion in revenues.**

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Key Findings:

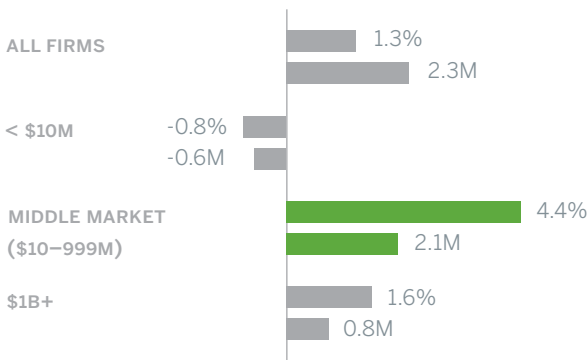
Fueling Recent Job Growth

Hiring by middle market firms since 2008 accounts for 92% of the net new jobs added since the recession.

MIDDLE MARKET FIRMS HAVE FUELED POST-RECESSION EMPLOYMENT GAINS

Showing Greatest Gain in # and % of Employment Since 2008

Change in percent and numbers of employees (millions), 2008–2014



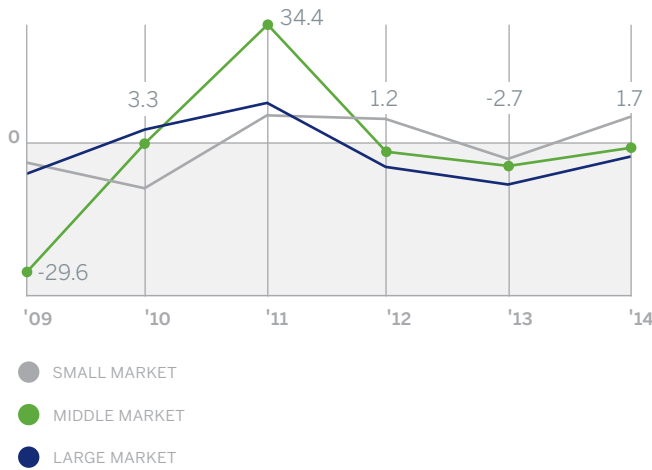
- Jobs, jobs, jobs: Middle market firms have fueled post-recession employment gains.** While smaller commercially-active firms employ the largest share of the country's workforce (42%, compared to 28% in middle market firms and 30% in the largest enterprises), the greatest increase in hiring has come from middle market firms. Since 2008, private sector employment among all commercially-active businesses is up just 1.3%. However, **among middle market firms employment has grown by 4.4% over the past six years**, compared to a significantly lower 1.6% increase among larger enterprises and a 0.9% decline among smaller businesses. **Put another way, fully 92% of the nearly 2.3 million net new jobs added by commercially-active firms since 2008 have come from middle market enterprises.**

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MIDDLE MARKET REVENUE GROWTH RECOVERING AFTER SEVERE RECESSIONARY HIT

Middle Market Firms Took Biggest Revenue Hit in 2009 but Have Seen Positive Gains Since Then

Percent change in revenue from previous year



- Middle market firms appear to have borne the brunt of the impact of the 2007–08 recession on business revenues. In a year-over-year analysis of revenue growth over the past six years, middle market firm revenues declined nearly 30% between 2008 and 2009, recovered well by 2011, and have seen modest growth since then. Changes in year-over-year revenues have been much less variable among firms with less than \$10 million in revenues and firms with \$1 billion or more in revenues.
- Over the entire 2008 to 2014 period, middle market firm revenues are down 2.2%—compared to a strong 17.2% increase among firms with \$1 billion or more in revenues. So, while middle market firms have fueled employment gains in recent years, this new hiring has not yet yielded higher firm revenues.

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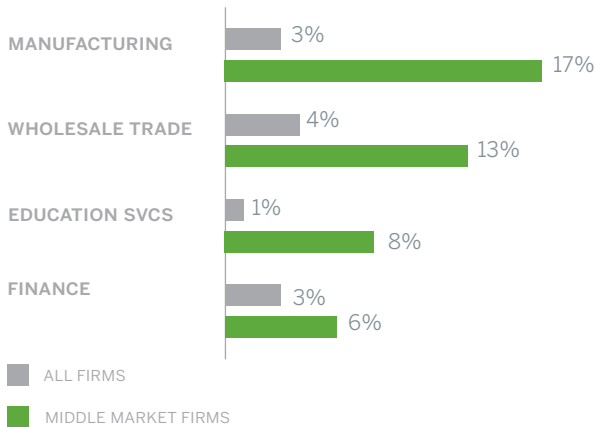
Key Findings:

Middle Market Firms Are Community-Based Enterprises

Unlike larger enterprises, the vast majority of middle market firms are privately owned, employing an average of 368 workers. In comparison, a 57% majority of firms with \$1 billion or more in revenues are publicly traded, employing an average of 23,226 workers each.

MIDDLE MARKET FIRMS MUCH MORE LIKELY THAN AVERAGE TO BE IN MANUFACTURING OR WHOLESALE TRADE

Percent of firms

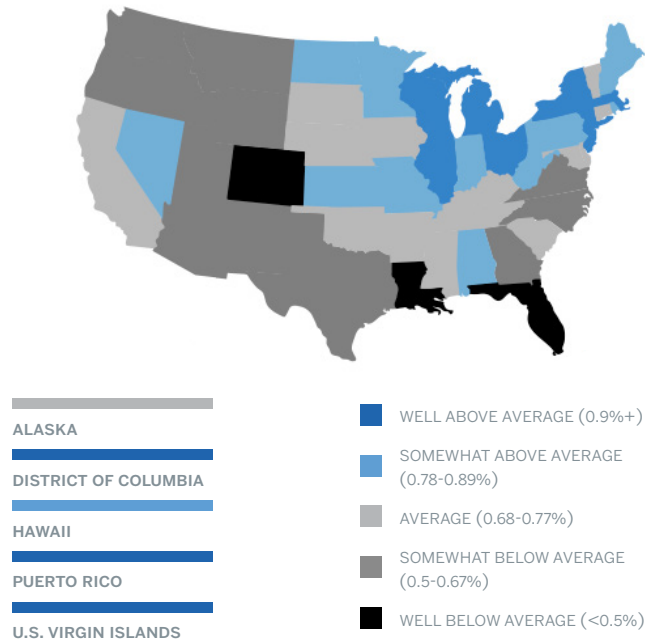


MIDDLE MARKET FIRMS GENERATE
\$45.1M
 IN REVENUE PER FIRM ON AVERAGE

- Middle market firms are dominant players among privately held enterprises. While the majority of firms with \$1 billion or more in revenue are publicly traded, fully **98% of middle market enterprises are privately owned** (as are 100% of smaller firms). They employ an average of 368 workers, while enterprises with \$1 billion or more in revenues employ, on average, 23,226 workers and those with under \$10 million average just 4 employees per firm.
- **Middle market firms generate, on average, \$45.1 million in revenues per firm.** In contrast, small firms average just under \$276,000 in revenues per firm, while large enterprises average \$7.7 billion in revenues per firm.
- Middle market enterprises are found in every industry, though are most likely to be found in the services sector, which includes business services (12%), educational services (8%) and health services (7%). In addition, 25% are in either wholesale or retail trade, 17% are in manufacturing and 8% in construction.
- **When compared to firms of other revenue size categories, more middle market firms are found in the wholesale trade sector than either firms with less than \$10 million in revenue or firms with \$1 billion or more in revenues.** Both middle market and larger firms are more likely than smaller firms to be in manufacturing. Conversely, middle market and smaller firms are more likely than the largest, multi-billion dollar enterprises to be in the non-business services sector—with the greatest difference being in education services.

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SEVEN STATES (PLUS DC, PR, VI) ARE HOME TO A GREATER THAN AVERAGE SHARE OF MIDDLE MARKET FIRMS



- Given that middle market enterprises are more likely than average to be found in the manufacturing sector, it may not be surprising that there is a larger than average share of middle market firms in several “Rust Belt” states in the Midwest. Nationally, as outlined earlier, less than 1% of commercially-active private sector enterprises in the U.S. generate \$10 million or more in revenues annually, including 0.7% in the middle market. There are seven states in which 0.9% or more of firms are middle market firms: Illinois (1.1%), Wisconsin (1.1%), Massachusetts (1.0%), Michigan (1.0%), New Jersey (1.0%), New York (1.0%) and Ohio (0.9%). In addition to these seven states, 1.8% of firms in the District of Columbia, 5.1% in Puerto Rico, and 3.9% in the U.S. Virgin Islands are middle market enterprises.
- At the other end of the spectrum, there are three states in which virtually all enterprises generate less than \$10 million annually. In Colorado, Florida and Louisiana, less than one-half of one percent of firms are middle market or large enterprises.
- Among commercially-active firms in the U.S., 7% are identified as majority women-owned,¹ and 24% are identified as having a female CEO. Seven percent (7%) of small firms are women-owned and 24% have a female CEO, 6% of middle market firms are women-owned and 13% have a female CEO, and just 1% of large firms are majority women-owned, with 8% having a female CEO.
- Two percent (2%) of commercially-active firms in the U.S. are identified as being majority-owned by a person or persons of color.² Two percent (2%) of firms with less than \$10 million in revenue are “majority minority,” 5% of middle market companies are, and just 1% of firms with \$1 billion or more in revenues are majority-owned by a person or persons of color.

¹This number under-identifies the share of women-owned firms in the U.S. economy, as it consists primarily of firms that self-identify as women-owned when receiving a D-U-N-S® Number or when registering in the U.S. government’s System for Award Management (SAM) database of firms interested in federal procurement opportunities.

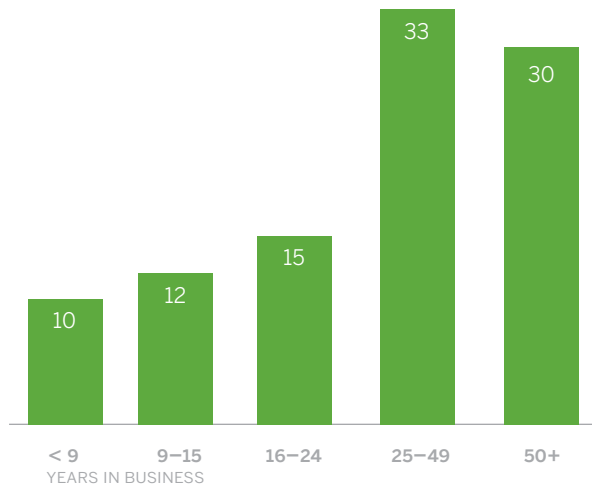
²This number under-identifies the share of minority-owned firms in the U.S. economy, as it consists primarily of firms that self-identify as minority-owned when receiving a D-U-N-S Number or when registering in the U.S. government’s System for Award Management (SAM) database of firms interested in federal procurement opportunities.

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IT TAKES TIME TO GROW INTO THE MIDDLE MARKET

Most Have Been in Business 25+ Years

Share of Middle Market Firms



- As firms grow, the geographic scope of their markets expands. Based on Dun & Bradstreet data reporting, just 1% of small businesses are involved in international trade, **while 17% of middle market firms either import or export their products or services.** Just over half (51%) of the largest corporations trade internationally.
- It takes time to grow a business to scale. **On average, commercial-ly-active small firms have been in business for 12 years, middle market firms for 42 years, and firms with \$1 billion or more in revenue have been in business an average of 52 years.** Among middle market firms in particular, 37% have been in business for less than 25 years (and hence are likely to be first-generation firms), 33% have been in business between 25 and 49 years, and 30% have been in business for 50 years or more (and thus are on their second or even third generation of owners).

Subsequent reports will be released in the coming months, which will feature these and other areas of opportunity unique to middle market firms.

This view of the characteristics and contributions of middle market firms finds them to have played a significant role in the nation's post-recession economic recovery. Middle market firms have provided nearly all of the net new jobs since 2008. In addition, middle market companies play an outsized role in economic vitality by contributing significantly to business revenues despite comprising less than 1% of the business population. Finally, they are doing so largely from a community-based perspective—being overwhelmingly privately held with an average of less than 400 workers per firm. Middle market firms are indeed catalyzing U.S. economic growth.

Methodology Note

This report is based on an analysis of all of the firms in Dun & Bradstreet's commercial databases of nearly 19 million (18,950,877) businesses between 2008 and 2014: the first a virtual census of all of the commercially-active businesses in the United States (defined as firms that have obtained a D-U-N-S® Number and that sell and receive goods and services and utilize credit transactions in their businesses); the second their credit scoring archive database, which collects and models business commercial activity and business financial strength. All subsidiary and business establishment data are combined; only enterprise-level data (top of the business family tree, or Ultimate D-U-N-S® Number firms) are reported. Additionally, public sector entities are excluded.

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Summary of Commercially-Active Businesses in Dun & Bradstreet Database

Commercially-Active Firms

	Total	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)
2014				
Number of firms	18,950,877	18,812,008	136,603	2,266
Revenues (\$000)	\$28,760,058,177	\$5,186,886,252	\$6,167,700,725	\$17,405,471,200
Employment	178,200,150	75,371,894	50,198,490	52,629,766

Share of

Firms	100%	99.3	0.7	0.01
Revenues	100%	18.0	21.5	60.5
Employment	100%	42.3	28.2	29.5

Change, 2008-14

Firms, #	1,386,168	1,380,661	5,406	101
%	7.9%	7.9%	4.1%	4.7%
Revenues, (\$000)	\$2,600,749,781	\$191,659,852	-\$141,496,606	\$2,550,586,535
%	9.9%	3.8%	-2.2%	17.2%
Employment, #	2,279,045	-629,208	2,098,130	810,123
%	1.3%	-0.8%	4.4%	1.6%

Distribution of Firms by Industry, 2014

Natural Resources	4.6%	4.6%	1.6%	4.4%
Construction	8.3	8.3	8.4	1.9
Manufacturing	3.1	3.0	17.4	29.5
Transportation	2.8	2.8	3.2	3.5
Telecom	0.6	0.6	0.9	1.7
Utilities	0.3	0.3	1.6	4.5
Wholesale Trade	3.9	3.8	13.0	6.6
Retail Trade	10.4	10.4	11.7	10.5
Finance	2.9	2.9	5.5	8.1
Insurance	1.1	1.1	1.4	5.1
Real Estate	4.3	4.3	1.2	0.7
Business Services	33.9	34.0	11.7	9.3
Personal Services	3.6	3.7	0.3	0.4
Health Services	5.4	5.4	6.7	5.8
Social Services	1.8	1.8	2.8	0.4
Educational Services	0.8	0.7	7.7	4.7
Other Services	12.2	12.2	5.0	2.8

Number of Years in Business

<9	59	60	10	10
9-15	18	18	12	10
16-24	9	9	15	13
25-49	11	10	33	29
50+	3	3	30	37
Mean # Years	12	12	42	52

GROWING SMART AMERICAN EXPRESS GLOBAL CORPORATE PAYMENTS

Number and Distribution of Economically Active U.S. Businesses by Firm Size and State, 2014

State	Number of Firms				Share of Firms			
	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)	Total	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)	Total
Total U.S.	18,812,008	136,603	2,266	18,950,877	99.27%	0.721%	0.012%	100%
AK	50,366	339	2	50,707	99.33%	0.669%	0.004%	100%
AL	226,057	1,866	11	227,934	99.18%	0.819%	0.005%	100%
AR	146,279	1,047	12	147,338	99.28%	0.711%	0.008%	100%
AZ	395,565	2,051	37	397,653	99.47%	0.516%	0.009%	100%
CA	2,190,782	16,391	233	2,207,406	99.25%	0.743%	0.011%	100%
CO	449,818	2,168	46	452,032	99.51%	0.480%	0.010%	100%
CT	259,553	1,953	56	261,562	99.23%	0.747%	0.021%	100%
DC	42,593	768	17	43,378	98.19%	1.770%	0.039%	100%
DE	53,591	379	6	53,976	99.29%	0.702%	0.011%	100%
FL	1,884,835	6,715	91	1,891,641	99.64%	0.355%	0.005%	100%
GA	637,133	3,557	75	640,765	99.43%	0.555%	0.012%	100%
HI	62,827	518	5	63,350	99.17%	0.818%	0.008%	100%
IA	218,570	1,596	16	220,182	99.27%	0.725%	0.007%	100%
ID	92,164	546	10	92,720	99.40%	0.589%	0.011%	100%
IL	588,791	6,553	141	595,485	98.88%	1.100%	0.024%	100%
IN	326,802	2,798	38	329,638	99.14%	0.849%	0.012%	100%
KS	166,543	1,490	18	168,051	99.10%	0.887%	0.011%	100%
KY	236,203	1,711	17	237,931	99.27%	0.719%	0.007%	100%
LA	407,093	1,789	12	408,894	99.56%	0.438%	0.003%	100%
MA	390,760	3,963	84	394,807	98.97%	1.004%	0.021%	100%
MD	344,925	2,438	36	347,399	99.29%	0.702%	0.010%	100%
ME	74,700	619	2	75,321	99.18%	0.822%	0.003%	100%
MI	493,736	4,749	65	498,550	99.03%	0.953%	0.013%	100%
MN	367,122	3,065	53	370,240	99.16%	0.828%	0.014%	100%
MO	326,387	2,672	58	329,117	99.17%	0.812%	0.018%	100%
MS	146,948	1,034	4	147,986	99.30%	0.699%	0.003%	100%
MT	81,124	424	1	81,549	99.48%	0.520%	0.001%	100%
NC	540,611	3,346	58	544,015	99.37%	0.615%	0.011%	100%
ND	56,344	483	5	56,832	99.14%	0.850%	0.009%	100%
NE	126,552	910	22	127,484	99.27%	0.714%	0.017%	100%
NH	86,005	678	3	86,686	99.21%	0.782%	0.003%	100%
NJ	469,911	4,842	85	474,838	98.96%	1.020%	0.018%	100%
NM	99,975	611	3	100,589	99.39%	0.607%	0.003%	100%
NV	109,746	861	13	110,620	99.21%	0.778%	0.012%	100%
NY	1,032,444	10,047	211	1,042,702	99.02%	0.964%	0.020%	100%
OH	573,184	5,333	101	578,618	99.06%	0.922%	0.017%	100%
OK	222,233	1,517	32	223,782	99.31%	0.678%	0.014%	100%
OR	296,713	1,640	20	298,373	99.44%	0.550%	0.007%	100%
PA	746,502	6,293	102	752,897	99.15%	0.836%	0.014%	100%
PR	7,334	394	3	7,731	94.86%	5.096%	0.039%	100%
RI	57,551	506	10	58,067	99.11%	0.871%	0.017%	100%
SC	215,573	1,501	13	217,087	99.30%	0.691%	0.006%	100%
SD	65,796	459	5	66,260	99.30%	0.693%	0.008%	100%
TN	323,498	2,459	46	326,003	99.23%	0.754%	0.014%	100%
TX	1,525,170	10,105	221	1,535,496	99.33%	0.658%	0.014%	100%
UT	179,965	1,120	15	181,100	99.37%	0.618%	0.008%	100%
VA	525,873	3,368	67	529,308	99.35%	0.636%	0.013%	100%
VI	519	21	0	540	96.11%	3.889%	0.000%	100%

GROWING SMART AMERICAN EXPRESS GLOBAL CORPORATE PAYMENTS

Number and Distribution of Economically Active U.S. Businesses by Firm Size and State, 2014 (continued)

State	Number of Firms				Share of Firms			
	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)	Total	Small (Under \$10M)	Middle Market (\$10-999M)	Large (\$1B+)	Total
Total U.S.	18,812,008	136,603	2,266	18,950,877	99.27%	0.721%	0.012%	100%
VT	47,410	340	2	47,752	99.28%	0.712%	0.004%	100%
WA	445,128	2,725	32	447,885	99.38%	0.608%	0.007%	100%
WI	285,748	3,037	48	288,833	98.93%	1.051%	0.017%	100%
WV	72,814	557	2	73,373	99.24%	0.759%	0.003%	100%
WY	38,142	251	1	38,394	99.34%	0.654%	0.003%	100%

	Greater than average (>0.9%)
	Less than average (<0.5%)