

STRIKE THE MIDDLE GROUND

HOW BRANDS CAN WIN A SLICE OF THE BOOMING MID-MARKET

Unsung heroes. The engine of the economy. The backbone of UK business. Sometimes it seems there's no end to the clichés wheeled out when we decide to hail the contribution of mid-market enterprises.

It comes around regularly, this moment in the spotlight. Policymakers pay tribute to the mid-market's resilience in adversity, its status as the fastest-growing segment of business.

£1.3TN¹

Annual revenue of UK mid-market companies (200-2000 employees)

74%²

of MMEs (turnover of £10m-£300m) believe the mid-market lacks policy support from government

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Envious comparisons are made with Germany's Mittelstand. If only our mid-market could emulate Germany's success; if only it had the same policy support, the same congenial relationship with the financial sector.

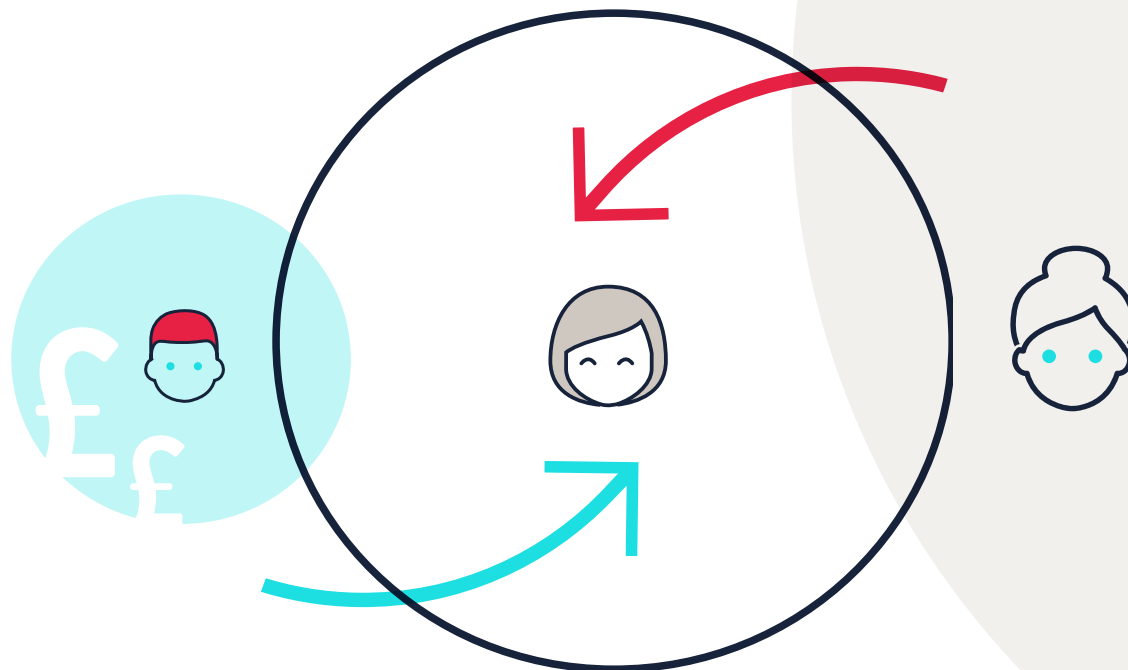
Usually, it's a brief interlude. And then the conversation moves on. The focus reverts to support for start-ups, to the fortunes of the big corporates.

STUCK IN THE MIDDLE?

That, at least, is the perspective of many operators in this segment. Frustrated by a system they see as geared towards smaller enterprise, and by obstacles to their own growth, they sometimes feel they are battling in isolation. Government is overlooking them; financial institutions aren't talking to them.

And yet these are the businesses that act as the UK's powerhouse (yes, another cliché). The giants of the future lie within this segment. For banks, they represent a genuine market sweet spot (and another one. But they're hard to avoid because when it comes to the mid-market, the clichés are founded on truth).

Mid-market businesses are ambitious and forward-thinking. They're on the lookout for support for the next big push in their journey. If you can demonstrate that you're on their side, they will make enduring and fruitful partners. Can you afford not to reach out to them?



¹ HSBC, UK mid-market firms could unlock significant growth potential <http://www.business.hsbc.com/#we-have-global-view>

² Mills & Reeve, Defying Gravity <https://www.wearedefyinggravity.co.uk/>

WHAT IS THE MID-MARKET, ANYWAY?

THE SURVIVOR

Midlands-based AB Goods is an additive manufacturing company. The business, which was established more than two decades ago, has survived through constant reinvention and is now aiming to capitalise on the appetite for biodegradable plastics.

Founder Jeremy Green is proud to have grown AB to a company with a £50m turnover. This year the staff complement hit 50. But there have been growing pains recently: for instance, there is just one HR manager to deal with pensions auto-enrolment.

Jeremy reckons he could grow the business faster if he had extra laboratory facilities. These would enable him to invest in R&D and meet demand for contract manufacturing. But so far he's found it impossible to secure the long-term financing that would require.



THE GAZELLE

Since it was founded just a few years ago, software specialist XY Services has gone from a back-bedroom operation to an internationally successful business.

Founder Jenny White has gained a prominent media profile as she secured high-profile investors and established a company presence in London, Barcelona, Beijing and Singapore.

In the past year, stellar growth of 40% took the company to a £250m-plus turnover. If business continues to soar, White will be on track for a potential sale within the next three years.



MAPPING THE MID-MARKET

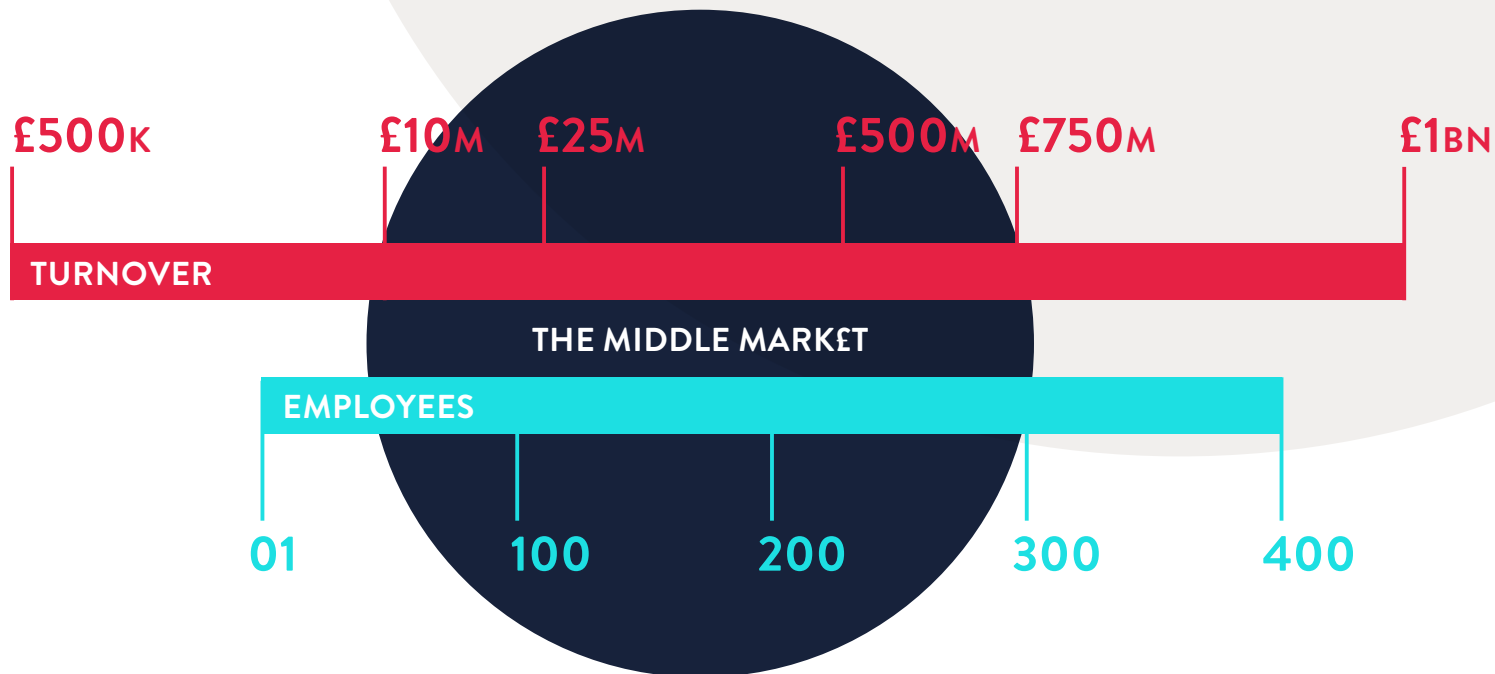
AB and XY are both technically mid-market companies. Yet they are businesses with very different trajectories, issues and growth strategies.

There are several ways to define the mid-market. By turnover, some set the lower end at £10m, while the highest cut-off point is generally £750m; more typically, it's £25m to £500m. In terms of employees, the usual spread is between 50 and 250 or 300.

Whatever way you split it, it's a hugely varied segment, in terms of both sector and geographical spread. It spans construction and heavy engineering, food and agribusiness specialists and a host of high-tech players.

There are many solid performers with staying power and promising futures. But there are also high-growth firms in the process of scaling up rapidly, especially in the fields of financial services, real estate, professional services, education and healthcare.

From a marketer's point of view, the critical point is about precision targeting. It makes no sense to send the same messages to AB and XY. To reach the middle, you first need to define it.



GOING FOR GROWTH

Mid-market business leaders are a confident bunch. These are people with well-developed survival skills having successfully nurtured their enterprises from the minnow stage to the mid-point of the food chain.

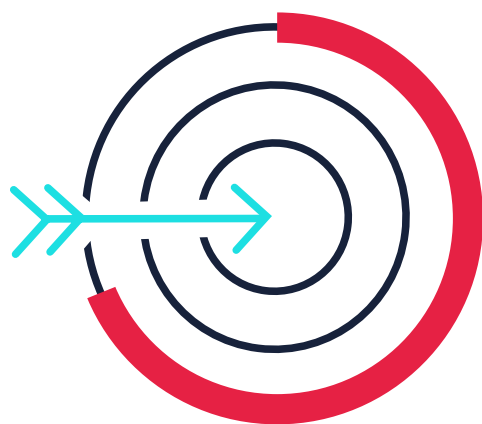
In 2016, for instance, the mid-market (in this case, those with £10m-£300m revenues) created 780,000 new jobs in the UK – more than smaller enterprises and FTSE 350 companies managed between them.³

And while big business and small firms both saw profits shrink in the same year, mid-market companies doggedly grew their profits by 19%.³

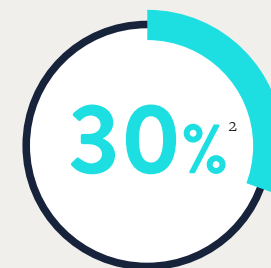
MMEs were the most resilient segment during the financial crisis. By some estimates, their growth also prevented the UK slipping into recession again between 2010 and 2013.

Whatever their frustrations about the environment they're working in – and they have a few – MME leaders tend to be bullish about their own future. They're the segment that spends most on R&D, for instance.

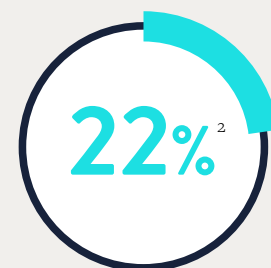
They'll respond well to potential partners who recognise their experience, understand their growth ambitions and demonstrate an ability and willingness to provide support over the long term.



69%³
OF MMEs
 (revenues £10m-£300m)
 feel confident about
 achieving their growth
 ambitions this financial year



Growth targets for the highest-performing MMEs (turnover £10m-£300m) – those who grew turnover by more than a fifth last year



Average increase in turnover targeted by MMEs (turnover £10m-£300m) this year

² Mills & Reeve, Defying Gravity <https://www.wearedefyinggravity.co.uk/>

³ BDO, UK mid-sized businesses left in limbo <https://www.bdo.co.uk/en-gb/news/2018/uk-mid-sized-businesses-left-in-limbo-and-uncertain-about-brexit-future>

WHAT'S ON THEIR MINDS?

BREXIT

Most want to preserve a single market. But even keen Brexiteers among the MME cohort are simply desperate for some clarity about the future relationship between the UK and the EU.

Naturally, the chief threat is the prospect of new tariffs and other regulatory burdens. In addition, there are fears that Brexit is acting as a huge distraction from other priorities, such as regional development and infrastructure.

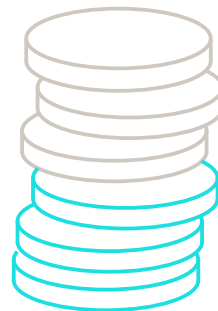


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THE ECONOMY

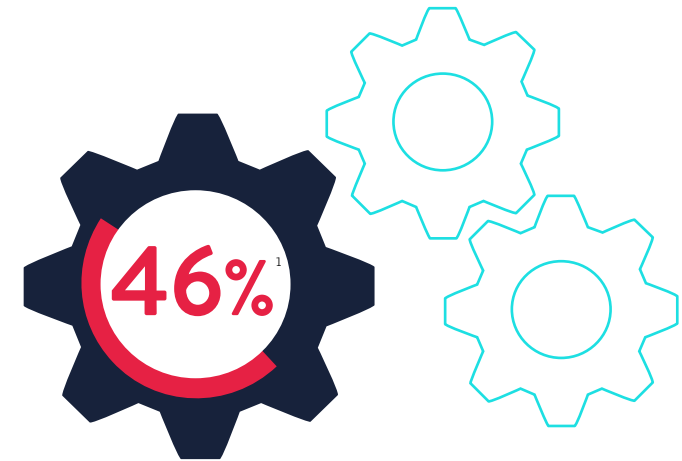
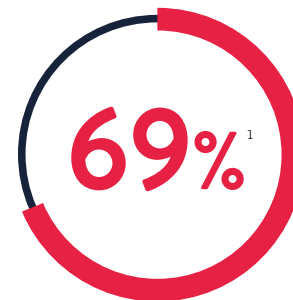
Most mid-market firms remain concerned about Brexit-related economic uncertainty, and the impact of currency volatility on their activities. British businesses have notably less confidence in their local economy than their counterparts in other countries.



50%¹

Confidence in the
local economy of UK
MMEs (200-2000
employees)

Average
economic
confidence of
MMEs globally
(200-2000
employees)



of mid-sized firms
(£10m-£300m revenues)
say the UK skills crisis
is their top priority

TALENT

The UK's skills crisis is alarming MMEs. Again, Brexit is at the root: many mid-market businesses fear it jeopardises their ability to recruit specialist talent, or essential low-cost labour, or both. Tech companies are especially worried, along with food and farming players, but concerns about recruitment run through every sector.

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² Mills & Reeve, Defying Gravity <https://www.wearedefyinggravity.co.uk/>

COSTS

Mid-market firms face the same pressures as corporates against the growing tide of compliance requirements but have fewer resources to deal with them. The apprenticeship levy and the National Living Wage are among the other costs driving a need for operational efficiencies.



30%⁴

of medium-sized businesses (50-249 employees) are paying the apprenticeship levy

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FUNDING

Bank lending has improved hugely since the financial crisis, but the lack of high-growth capital remains a barrier for ambitious mid-sized firms. They find it especially tough to access longer-term debt, which is critical to boosting capacity.

While most MME leaders have no current plans to sell their business, many see the current financing system as geared towards those who are aiming to scale up for a quick sale. The perceived lack of mid-market finance options is cramping growth potential.

63%²

of MME leaders (£10m-£300m revenues) believe the UK funding environment is great for start-ups, but not for the mid-market



17%¹

Proportion of overseas revenues achieved by MMEs (200-2000 employees)

THE RESULT

It would be putting it too strongly to say this cocktail of pressures is leading to paralysis in the mid-market sector. Most of its leaders are resourceful enough to find opportunities to advance, whatever the obstacles. But there are strong indications that many businesses are stockpiling cash and putting off growth or acquisition plans.

International expansion is also being constrained. MMEs see the potential for post-Brexit exports beyond the EU. Indeed, global growth strategies could provide solutions to several of the problems outlined above. But for now, many are staying put. Exports account for under a fifth of UK mid-market revenues.

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² Mills & Reeve, Defying Gravity <https://www.wearedefyinggravity.co.uk/>

⁴ British Chambers of Commerce <http://www.britishchambers.org.uk/press-office/press-releases/bcc-businesses-in-the-dark-on-apprenticeship-levy.html>

3 STEPS TO GAIN THE TRUST OF MMES

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1.



FORGE A CONNECTION

Reach out to mid-market businesses. Start by defining the sub-segment that you want to target. Then open the conversation authoritatively, demonstrating that you understand their challenges. Simply by showing that you don't lump them in with the top of the SME market, or the tail-end of your corporate segment, you can start to set your brand apart in MME eyes.

2.



START A DIALOGUE

Offer content that speaks to them directly. Inspire them with success stories from your existing MME clients. Provide practical expertise that chimes with their agendas, from Brexit strategies to the most promising overseas markets. Showcase your products and services in ways that strike a chord with seasoned, time-poor, sceptical business leaders.

3.



BUILD A RELATIONSHIP

Demonstrate your affinity and your commitment to the long haul, through carefully planned and targeted communication that's designed to trigger a positive response in the MME audience.

READY TO TALK?

WHO WE ARE

Editions Financial is the UK's only content marketing agency dedicated to finance. In the past four years alone, we've successfully delivered more than 3,000 content projects for leading global financial brands. We offer insight-rich, purpose-led content solutions that help brands create more valuable relationships with their audiences.

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HOW WE CAN HELP

Brands that can forge a connection with the UK mid-market, by demonstrating genuine insight and offering distinctive solutions, will be well placed to build lasting partnerships in this fast-growing sector. For 20 years, we've produced content for the world's leading financial services organisations, helping marketers provide the right messages to the right audiences at the right time. If you're looking for high-impact content that gets results, just say hello.

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