



Mid-Market Report

November 2024



The Mid-Market in Australia

Australia's mid-market sector accounts for more than a fifth of GDP¹ and employs over three million people.²

MYOB's latest research examines the confidence, performance and ambitions of owners and decision-makers of medium-sized businesses, finding the sector buoyant and, for the most part, in pursuit of development and growth.

Outlook for 2025

MYOB's survey of 506 mid-market business owners and decision-makers found 57% expect the economy to improve in the next 12 months and over a fifth (21%) believe that improvement will be significant. In comparison, just under a quarter (24%) of mid-market business leaders surveyed expect the economy to decline in the next 12 months, while 18% predict it will remain the same.

Despite somewhat muted trading conditions over the last 12 months, gross domestic product (GDP) growth at 1.5% and consumer confidence being low, this shows a steady improvement on last year's MYOB mid-market survey insights when 51% forecast an improvement in economic conditions and 36% expected a decline.

In comparison to the above, the latest MYOB Bi-Annual Business Monitor survey of 1,000+ small and medium sized enterprises (SMEs), released in June this year, revealed just over a quarter (28%) of business owners and decision-makers expected the economy to improve in the next 12 months, while close to half (45%) were preparing for a decline.³

Traditionally, mid-sized businesses – with their access to greater resources, more capital, and larger markets – have been more buoyant than the small business community, as demonstrated by their divergent experiences of the economy.

The industries most positive about the prospects of a lift in the economy over the next year are retail, with 68% of respondents expecting an uplift, and the manufacturing industry, where 65% anticipate an improvement. Larger businesses are also more bullish about the economy, with almost two thirds (63%) of those employing 100-199 people, and the same percentage of those with 200-500 employees, expecting conditions to improve this year.

¹ ABS Counts of Australian Business, Table 13a, August 2024 and ASBFEO calculations (excludes businesses that are not registered for GST).

² ABS Australian Industry, Table 5, May 2024 and ASBFEO calculations, private sector industry.

³ MYOB Bi-Annual Business Monitor, June 2024.



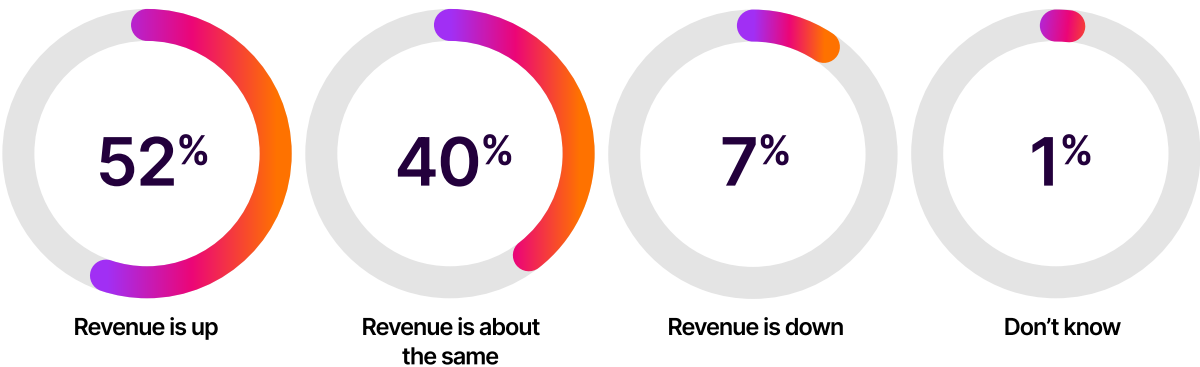
Business performance

The mid-market's level of confidence in the economy may be somewhat underpinned by business performance, which has seen most businesses report either static or growing revenue over the last year. Despite household spending flatlining - with the ABS's monthly indicator unchanged at 0.0% for August, following falls of 0.5% in July and 0.1% in June - more than half of the business leaders surveyed are largely confident that revenue growth will continue through the next 12 months.¹

Profitability amongst many mid-sized businesses is also improving. Over half (56%) of the survey respondents say their profitability increased in the year to October 2024. However, a quarter (25%) of those polled saw a drop in profitability over the same period.

¹ www.abs.gov.au/media-centre/media-releases/household-spending-flat-august

Business revenue in comparison to a year ago



Business revenue expectations for 12 months' time (compared to now)



Looking ahead

Looking out over the next five years, the Australian mid-market is pursuing a strong growth agenda. This can be seen not only in a focus on revenue growth, but in business expansion – both domestically and overseas.

In addition to their key growth ambitions, just over a quarter (26%) of mid-market businesses plan to start exporting their products and services during the next five years. A quarter (25%) expect to boost their business' operations through a significant technology change. Investment opportunities with these businesses are also likely to increase, with one-in-five (20%) planning to list their company offshore over the next five years, while 19% have ambitions to float on the ASX.

Over the coming five years, more than a third (34%) of these businesses are looking to prioritise their innovation spend and effort on the use of AI tools. This will likely lead to further changes in the way Australians work and interact with businesses. There is also increasing consideration around the Internet of Things, possibly driven by the growing connectivity of devices. In parallel, making practical use of this vast stream of data will increase the focus on analytics and big data modelling over the coming half decade.

Top five business goals for the mid-market for the next five years

48%

**Increase
our revenue**



31%

**Gain a larger
market share**



29%

**Expand from
a local to a
national level**



28%

**Become an
international
business**



27%

**Expand the size
of the business**



Innovation

As seen in previous MYOB research of mid-market businesses, the sector shows a strong appetite to invest in innovation, pursue growth, increase productivity and make efficiency gains.

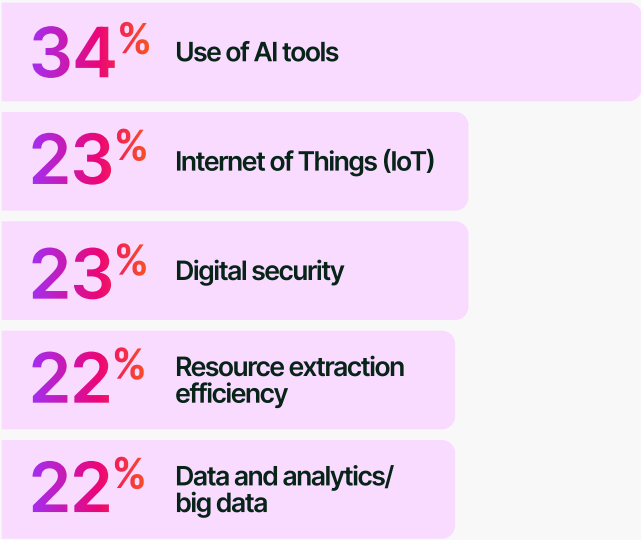
For the majority of the business leaders participating in MYOB's survey, technology is recognised as key to unlocking these benefits.

As well as product and supply chain development, other short-term innovation priorities for Australia's mid-sized businesses include investing in engineering processes (25%), customer relationships (23%) and new software or digital tools (22%).

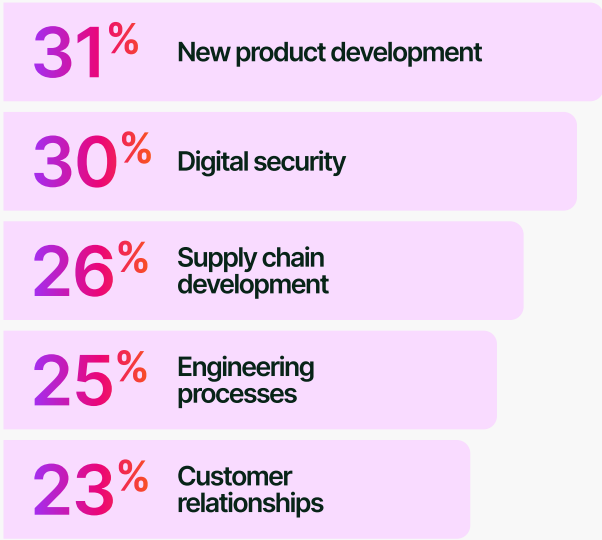
Around a fifth (21%) of mid-market business operators surveyed also intend to invest further in scientific research and analysis.

According to an MYOB survey conducted in May 2024, three-in-five mid-market businesses had experienced a cyber-attack or incident. The growing risk of malicious cyber activity is driving greater focus on digital security over the next five years, with almost a third (30%) planning to invest more in their digital security in the next 12 months.

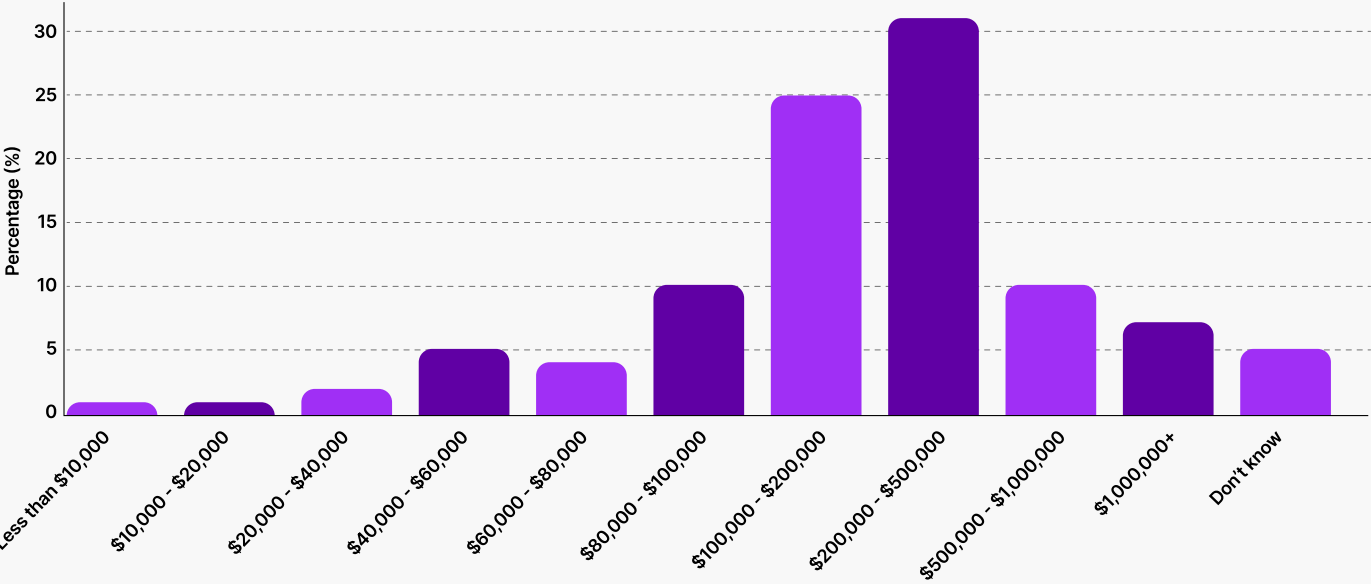
Priorities for innovation over the next five years (top 5)



Focus of innovation investment over the next 12 months (top 5)



Investment in innovation over the next 12 months



Risks on the radar

Despite inflation trending down, and expectations that the Reserve Bank of Australia will reduce the cash rate in the coming year, 40% of respondents believe high inflation is a risk that could have the greatest material impact for their business in the coming five years.

Other concerns weighing on the minds of mid-market decision-makers include shortages of natural resources (34%), increased competition (30%), international tension or conflict (29%) and cyber insecurity (29%).

Top five business risks the mid-market believe could have the greatest impact over the next five years

40%

High inflation



34%

Natural resource shortages



30%

Increased number of competitors



29%

International tension/conflict



29%

Cyber-attacks/insecurity



Technology

Given the increasing scale of many Australian mid-market operations, the popularity of cloud technology continues to grow with them. Mid-sized businesses report using cloud-based solutions across a range of key functions, including asset and inventory management (43%), project management (43%) and finance and accounting (40%). Around a third of mid-market businesses are also relying on cloud software to manage their supply chains (39%), customer relations (34%) and payroll (32%).

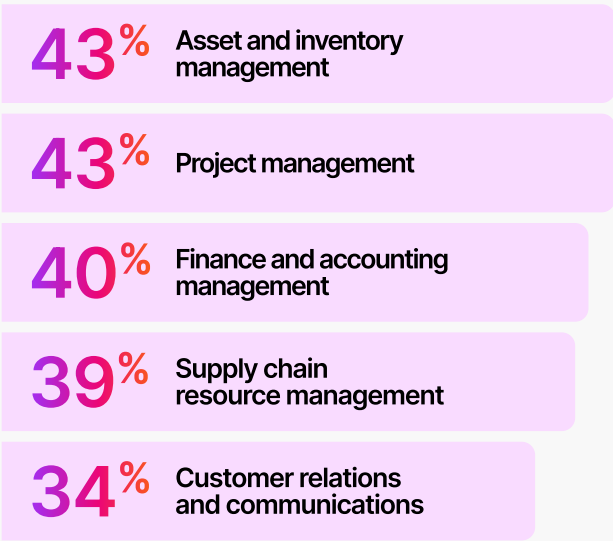
In line with the mid-market's innovation investment plans, and the opportunities the solutions present to streamline processes and improve productivity, many of the local enterprises surveyed plan to implement new Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) software in the next 12 months.

When choosing new digital tools for their business, mid-market leaders are focused on affordability (40%), reliability (38%), and scalability and flexibility (35%).

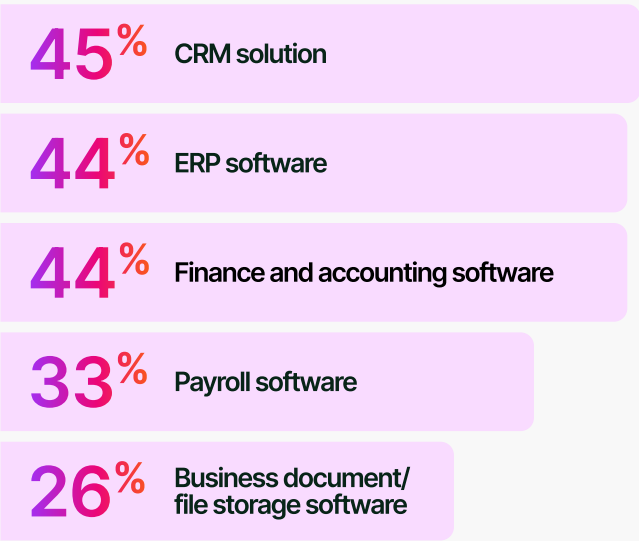
Given their focus on value, it is significant that over two-thirds (68%) of mid-market business leaders reported their business saw a positive impact or return on investment (ROI) within 12 months of making a software upgrade.

The key factors business leaders and decision-makers are looking for in terms of measuring that ROI for their technology solutions include revenue growth (59%), efficiency gains (59%), and customer satisfaction (50%).

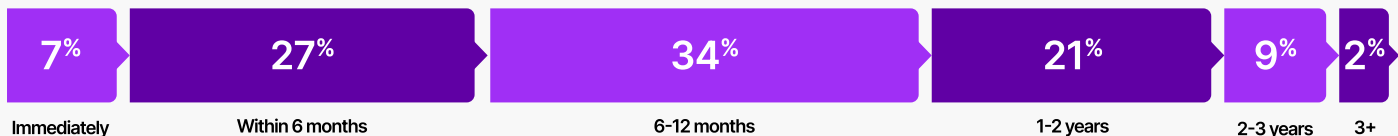
Business operations currently managed using cloud tech/software (top 5)



Tech upgrades or additions planned in the next 12 months (top 5)



Time taken for businesses to experience a positive impact or ROI following a software upgrade



The Mid-Market in New Zealand

While New Zealand has struggled under the pressures of a sustained downturn, the strength of the mid-market has largely prevailed. Despite accounting for around 3% of the total enterprises in New Zealand, the sector makes a significant contribution to both employment and GDP.

Outlook for 2025

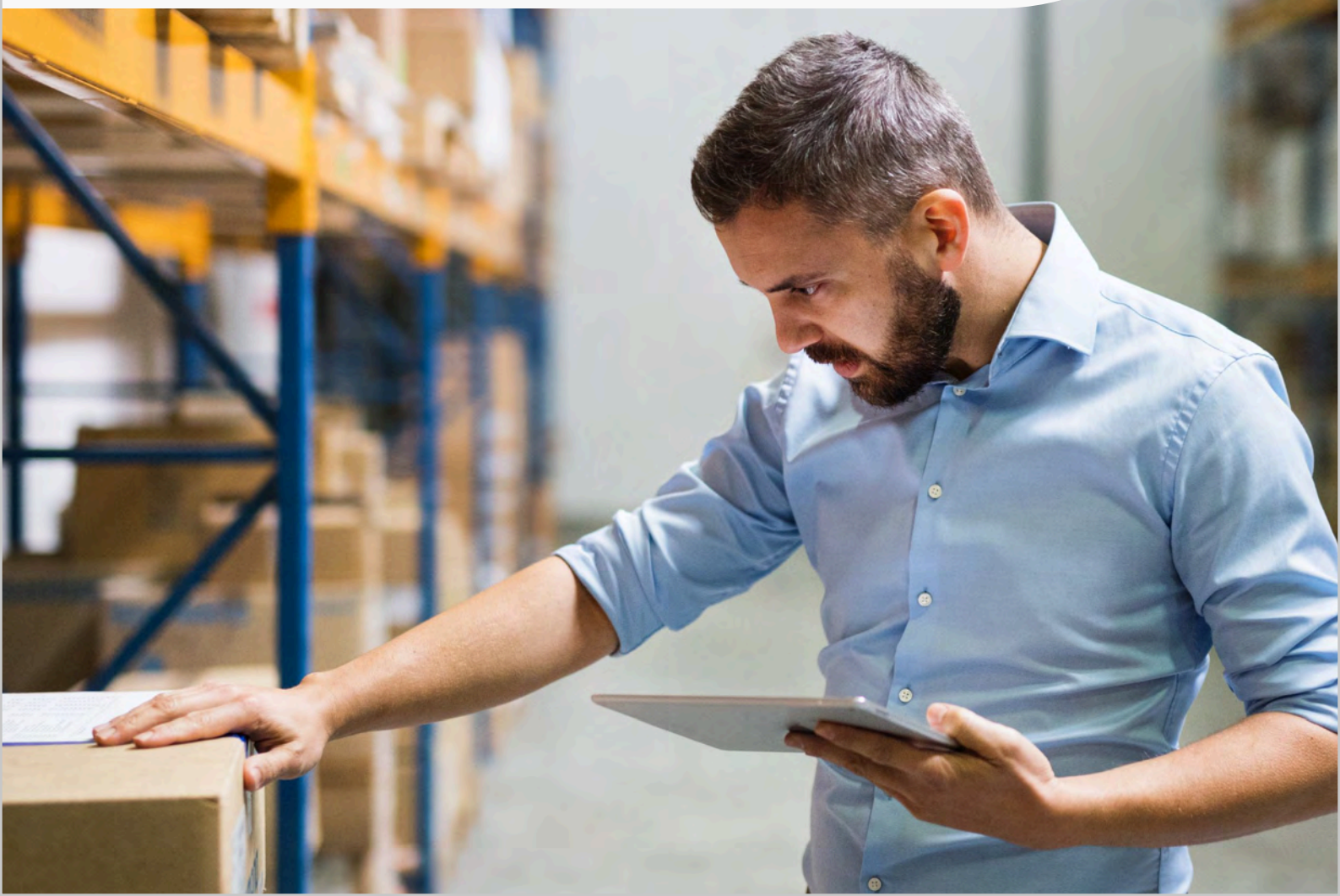
More than three-quarters (79%) of the mid-market business leaders and decision-makers surveyed in New Zealand expect the economy to improve in the next 12 months, with 15% predicting a significant improvement next year. Meanwhile, 12% of those polled expect the economy to remain the same in the next 12 months, while just 9% believe it will decline.

Larger employers are particularly positive about New Zealand's economic prospects. Around 4-in-5 (83%) of those employing 100 – 199 people, and 85% of those with 200 – 500 employees say they expect the economy to improve next year.

While some of this confidence may be driven by the recent Official Cash Rate (OCR) action by the Reserve Bank, many of the business leaders surveyed also expect to finish the year strongly.

In fact, 83% of respondents report that they have more sales or work lined up in the October – December quarter than they would usually expect. Of this group, 41% say they have 'a lot more work in the pipeline' before the end of 2024 – including 75% of the mid-market retail and trades businesses surveyed, and 55% of manufacturers.

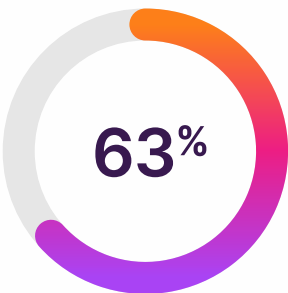
While consumer confidence is trending up in New Zealand, it still remains below the 10-year average according to the ANZ Roy Morgan index (Sept 24). Despite this – perhaps reflecting the mix of business-to-business and business-to-consumer operations in the mid-market – many of the business leaders surveyed encouragingly report much of this demand is coming from new customers. Notably, more than a third (34%) highlight that new customers make up over 60% of sales or work booked for October to December.



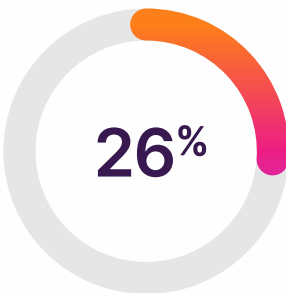
Business performance

With the wider economy bouncing in and out of technical recession and the Reserve Bank of New Zealand forecasting muted growth until 2025, the mid-market is going against the grain, with our survey showing both strong confidence and solid performance, despite the significantly challenging conditions.

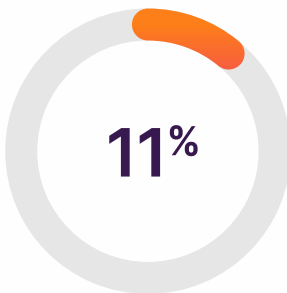
Business revenue in comparison to a year ago



Revenue is up

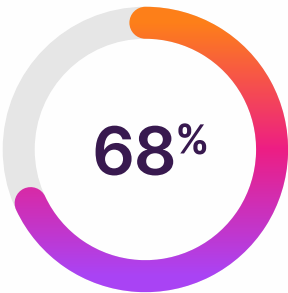


Revenue is about the same

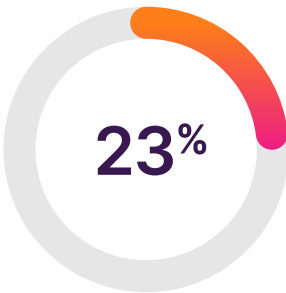


Revenue is down

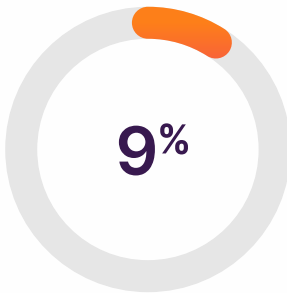
Business revenue expectations for 12 months' time (compared to present time)



Revenue will be up



Revenue will be about the same



Revenue will be down

Looking ahead

Given their level of confidence and the strength of their current performance, local mid-sized businesses are prioritising business growth over the next five years.

In particular, with a focus on increasing employee headcount or opening more local sites, expanding from selling goods and services locally to a national level, as well as increasing financial returns.

A significant proportion also have international ambitions, either to enter the export market or establish an offshore presence. The local share market could also be in for a boost, with more than a third (36%) of the decision-makers polled eager for an NZX listing in the next half decade. In addition, 32% are eyeing offshore investment through an overseas stock exchange like the ASX, NYSE or LSE.

While the much-hyped AI is still seen as a strong focus for these business leaders in New Zealand, it is the use of data that will be a key focus for mid-market businesses looking to innovate over the coming half decade. A focus on the efficiency of resource extraction is also likely to stem from the country's renewed interest in the extractive industries, coupled with concerns about scarcity of resources.

Top five business goals for the mid-market for the next five years

56%

Expand the size of the business



52%

Expand from a local to a national level



45%

Increase our revenue



44%

Start exporting



44%

Become an international business



Innovation

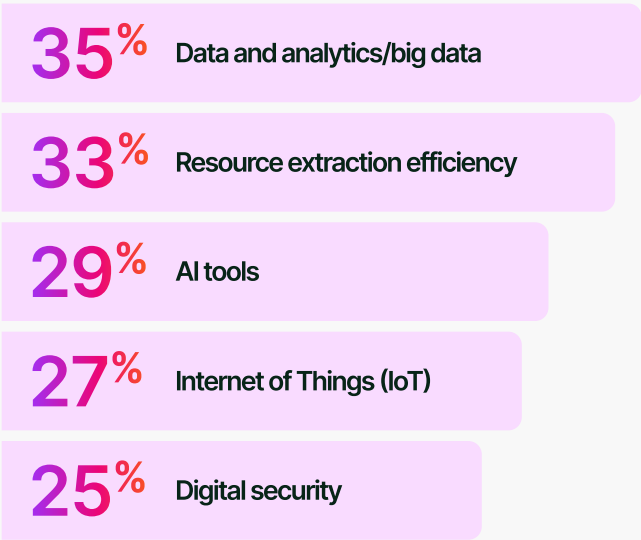
Given the resources available to them and the growth agenda they are pursuing, a good deal of local innovation springs from the mid-market.

Spending on innovation in New Zealand is typically lower than across the Tasman. Despite a solid performance, more than half (53%) of the decision-makers polled say they spend less than \$80,000 per annum on innovation. This is perhaps demonstrative of the ongoing impacts of a high-cost, low confidence environment and likewise a continuation of the cautious spending by business we've seen in New Zealand as a result.

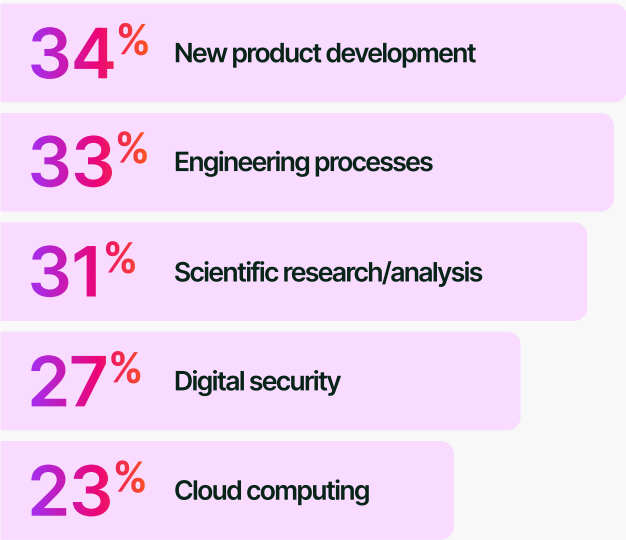
Over the next year, local mid-market businesses appear to be taking a considered approach to investment. While new product development takes priority, innovation investment is also going toward process development and scientific research.

With a growing awareness of digital risks and their potential impact on business, more than a quarter (27%) of mid-market businesses plan to invest in digital security over the coming year. Other short-term priorities for innovation investment include cloud computing (23%) and supply chain development (21%).

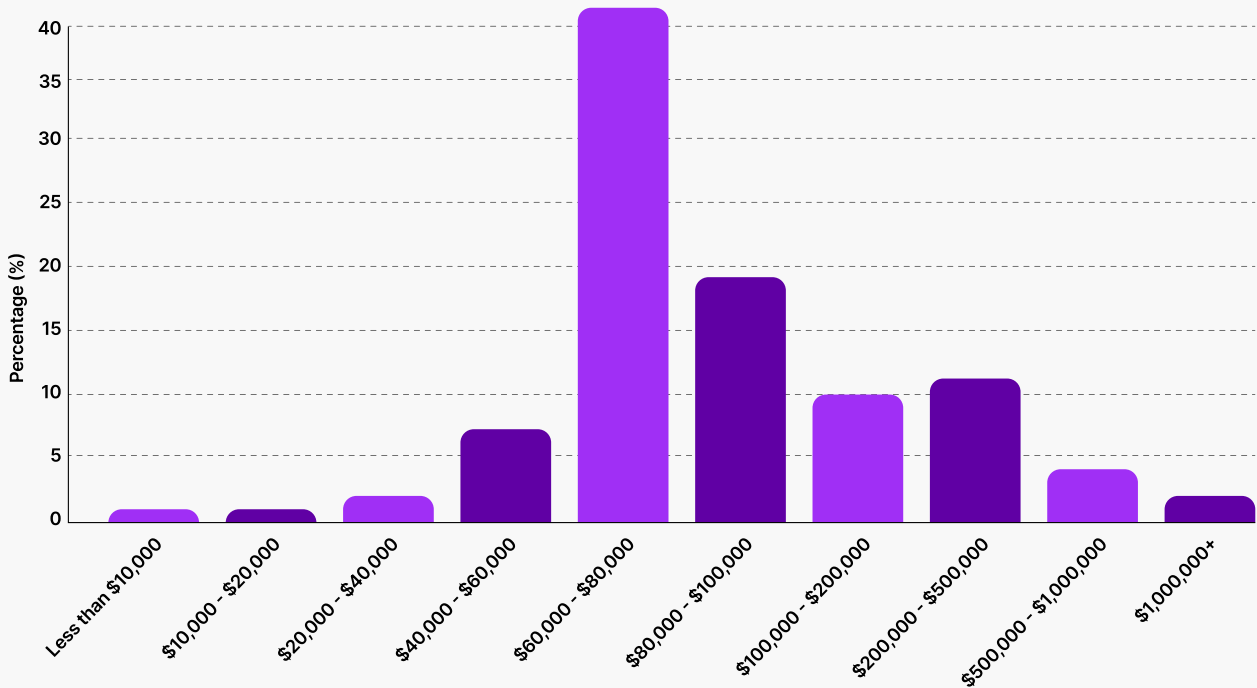
Priorities for innovation over the next five years (top 5)



Focus of innovation investment over the next 12 months (top 5)



Investment in innovation over the next 12 months



Risks on the radar

Possible constraints on growth are top of mind when it comes to assessing the risks these businesses face over the next five years.

Chief amongst these are the risks of a shortage in natural resources. This follows a series of high-profile business disruptions and closures due to spikes in the energy market,

as well as the ongoing political debate about mining and gas exploration. The spectre of inflation also continues to loom large for many business leaders, especially given their experience over the last two years. And while many major markets are showing some level of economic recovery, the mid-market is watchful around the risks of a global recession.

Top five business risks the mid-market believe could have the greatest impact over the next five years

42%

Natural resource shortages



38%

Return of high inflation



38%

International recession



34%

Technological disruption



33%

Local geopolitical tension/conflict



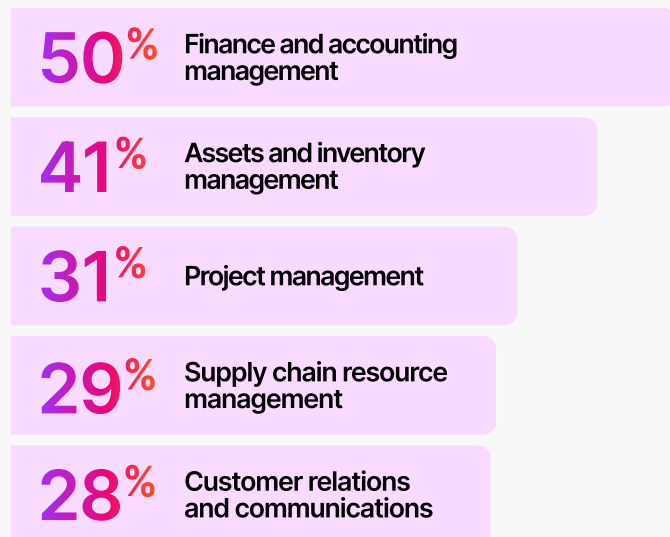
Technology

With a strong focus on the use of cloud technology to manage their operations, many in the mid-market have upgraded their business management solutions over the last two years. This includes updating their finance and accounting software (43%), asset and inventory management solutions (43%) and supply chain resource management software (31%).

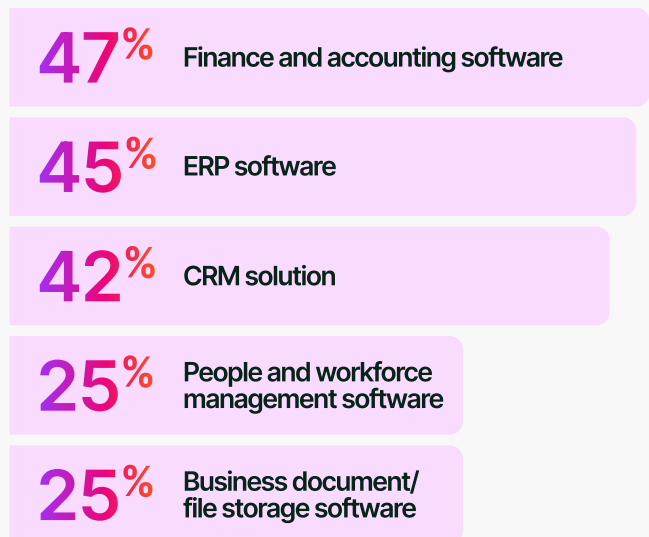
In assessing new digital tools or technology, leaders of local mid-sized businesses are prioritising their employees' user experience (44%), ahead of reliability (40%), convenience (31%) and affordability (31%).

Most (83%) mid-market decision-makers polled have experienced a Return on Investment (ROI) on any software upgrades within 12 months, on average. In terms of measuring this ROI, the sector is looking to see their digital transformations contribute to revenue growth (64%), efficiency gains (58%) and cost savings (55%).

Business operations currently managed using cloud tech/software (top 5)



Tech upgrades or additions planned in the next 12 months (top 5)



Time taken for businesses to experience a positive impact or ROI following a software upgrade





Methodology

Research for MYOB's mid-market survey was conducted by independent research agency, Dynata.

A total of 506 mid-market business leaders and decision-makers (with between 20-500 FTEs and \$5m+ annual revenue) in Australia and 513 mid-market business leaders and decision-makers in New Zealand (with between 20-500 FTEs and \$5m+ annual revenue) took part in the survey.

Respondents were sampled from the Dynata online business profile panel sources, and screened to ensure they met the qualifying criteria. Quotas were maintained on industry sector and business size/FTEs to ensure a reliable and diverse cross-section of mid-market business opinions were obtained.

The survey was conducted between 6 - 30 September 2024.