

Redefining the American middle market for the modern era

By Joseph Brusuelas and Tuan Nguyen

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I. Executive summary

The economists at RSM US LLP have conducted independent and original research into the state of the middle market in the modern, postpandemic era, capturing significant change in the real economy.

We employ a quantitative, data-driven approach—drawing on multiple key sources that track American businesses—to provide insights into the transformation of the middle market. Our findings reveal revenue growth amid middle market consolidation, as well as increasing complexity among firms within and across middle market subsegments. This study aims to lay the groundwork for ongoing research into this critical segment of the economy.

New middle market snapshot



125,000
businesses of
all industries



\$16 trillion
of U.S. total
revenue



Annual revenue
range of
\$30M–\$10B



Employ
50 million
workers

Source: RSM US LLP

II. Introduction



The transformation of the American middle market over the past 20 years is nothing short of remarkable. This lucrative segment of the real economy has had both a consolidation in the number of firms and a large increase in revenue.

That transformation demands a redefinition of the middle market and a quantitative reexamination of its parameters.

We looked at the structural changes that have taken place in the middle market since the 2007–09 financial crisis and the pandemic-era economic disruptions, as well as the increasing segmentation of that market as it matures.

In our estimation, that maturation reflects broad differences in the size and scale of middle market firms, which have different qualitative and quantitative needs with respect to capital, technology and labor compared to smaller and larger businesses.

As the middle market has evolved, firms themselves have experienced significant changes in operational complexity—and that pace of change is unlikely to diminish.

Redefining the middle market requires that we understand the origins and catalysts of this operational complexity so that we can provide a roadmap for maximizing enterprise value for these firms.

In addition, the middle and upper subsegments of the middle market will most likely experience substantial differences in growth compared to the smaller end given their ability to integrate sophisticated technology into their operations as well as their greater access to private sector capital—both bank-driven and private equity funded.

The American middle market is now defined by businesses with revenue between \$30 million and \$10 billion, our research shows. The dynamic transformation of the middle market has resulted in eight market subsegments, each with its own characteristics, access to capital and technological matrices.

III. Background

1. How the middle market was defined

The term “middle market” is often used to describe companies whose revenue and employee count are too high for them to qualify as small companies, but not high enough to characterize them as large companies.

That description is vague—but historically, the U.S. has had no standard definition for this vital part of the economy.

One of the most widely used definitions originated from the National Center for the Middle Market (NCMM), founded in 2011 as the nation’s first research organization focused on this market segment.

Since its inception, the NCMM has defined the middle market as consisting of companies with annual revenue between \$10 million and \$1 billion.

Using this definition, the NCMM identified 200,000 businesses that fit these parameters, accounting for about \$10 trillion in revenue.

More recently, in 2023, J.P. Morgan defined the middle market as comprising businesses with revenue between \$10 million and \$500 million. This group includes 300,000 companies in the U.S., accounting for about \$13 trillion in annual revenue and providing 40 million jobs.

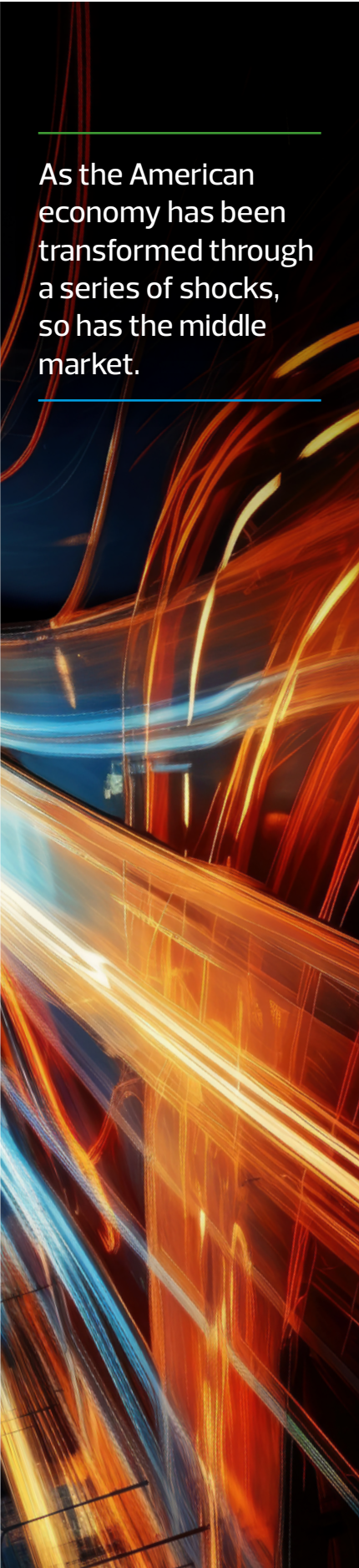
The wide variance in definition underscores the need for a standard definition of the middle market backed by a clearly defined methodology.

2. Why we need a new definition

The U.S. economy has experienced a series of shocks and undergone significant structural change over the past 20 years. Naturally, the middle market has experienced a transformation as well.

As the economy evolves, especially after major drivers of economic and social change—such as the 2007–09 financial crisis and the COVID-19 pandemic—the lack of a consistent and transparent, quantitative framework for existing definitions of the middle market makes it challenging to define how it is changing.

Due to the ever-changing nature of the economy, especially since the pandemic, we believe that a clear methodology to define the middle market is needed—one that not only is quantitatively based but also can be updated on an annual basis to capture the changing environment.



As the American economy has been transformed through a series of shocks, so has the middle market.

IV. Methodology

1. Overview

Using the simplest yet most intuitive approach, we define the middle market as the segment that generates roughly one-third of total annual market revenue.

We focus on the private sector, which generated \$46 trillion in total revenue in 2024 and is where most middle market firms are concentrated. Detailed revenue data is limited for privately held middle market firms—but we can approximate revenue for this segment by dividing the private sector into three roughly equal portions.

We use Small Business Administration (SBA) data to determine that, on average, small firms generate less than \$25 million in annual revenue, accounting for roughly \$12 trillion.

To identify the threshold for large firms, we examine available data from various public sources, which shows that firms with annual revenue exceeding \$10 billion account for \$18 trillion of total revenue.

The remaining \$16 trillion represents the middle market. We then divide the \$16 trillion into eight roughly equal subsegments of \$1.5 trillion to \$2.5 trillion each. In our estimation, these subsegments capture the dynamic transformation of the American middle market over the past 20 years, including the consolidation in the number of firms as well as the explosion in revenue.

U.S. economy by market category

Large firms	More than 400 businesses Annual revenue above \$10 billion Employ 30 million workers
Middle market	About 125,000 businesses Annual revenue of \$30 million to \$10 billion Employ 50 million workers
Small firms	More than 5.5 million businesses Annual revenue below \$30 million Employ 50 million workers

Source: Various government agencies; Bloomberg; RSM US LLP

2. Data sources

We use a variety of data sources to conduct this research. As mentioned, we use SBA data to identify the revenue threshold for the small market.

We use the IRS database on [corporation statistics](#) to retrieve revenue data on all businesses. The most recent data year is 2021.

The middle market in the United States has consolidated into a market with 125,000 businesses generating revenue of \$16 trillion.

Because the IRS database does not provide detail for businesses with revenue higher than \$1 billion, to identify the threshold for the large market, we use Bloomberg's revenue data for public companies included within the Russell 3000 Index and Forbes' revenue data for the biggest 200 private U.S. companies.

For labor data, we turn to the U.S. Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages (QCEW) report and its Business Employment Dynamics database, which provides the number of businesses, employee count and wages.

Throughout this paper, we use the terms "business receipts" and "revenue" interchangeably, depending on the data source.

3. Identifying the small market

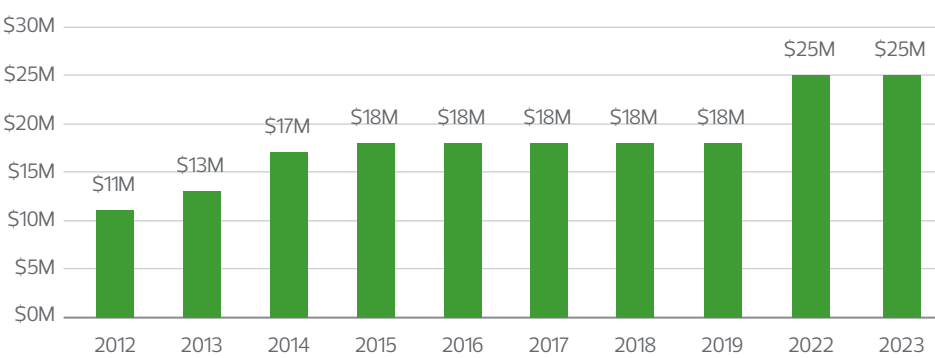
Unlike the middle market, the small market has a standard definition used by the SBA—a federal agency established in 1953 to aid, counsel and protect the interests of small businesses. The SBA is charged with setting size standards that determine which firms qualify for a wide range of government programs, including loan guarantees, disaster assistance, federal contracting preferences and regulatory exemptions.

The SBA's definitions are essential because they ensure that smaller firms—which typically face greater barriers to credit, capital and scale—receive targeted support. These standards are updated periodically to reflect shifts in economic conditions, industry trends and the changing cost of doing business.

In 2012, the SBA's revenue-based definition—aligned with the NCMM—classified small businesses as those generating less than \$10 million in annual revenue. This threshold encompassed firms having limited operational scale but making meaningful economic contributions.

By 2023, the SBA updated this threshold to \$25 million in average annual receipts, a move designed to keep pace with inflation and the growing size of firms operating within the U.S. economy. This update helped ensure that deserving firms—particularly those in high-growth or capital-intensive industries—continued to qualify for SBA programs.

Average revenue of small businesses



Source: Small Business Administration



These businesses—commonly referred to as small or lower middle market firms—tend to share several core characteristics:

- Privately held ownership, often founder-led or family-run
- Limited access to public capital markets, relying instead on bank lending or private equity
- Lean organizational structures, with decision making concentrated among a few key leaders
- A strong regional presence, with operations rooted in local or niche markets
- Agility and innovation, allowing them to respond quickly to market changes but also exposing them to greater volatility

We propose raising this revenue threshold to \$30 million. This forward-looking adjustment reflects:

- Inflationary trends since the last revision
- Ongoing revenue growth across industries
- Data lags that can delay realignment of definitions with economic realities

Based on this threshold, we identify the number of companies that fit the definition of small firms by using the IRS revenue data and the QCEW employment data.

The small market comprises approximately 5.5 million firms across the U.S., each generating less than \$30 million in annual revenue. Collectively, these businesses account for an estimated \$12 trillion in total revenue and employ around 50 million workers nationwide. Most firms in this group have fewer than 100 employees, reflecting their smaller operational scale and tighter organizational structures.

4. Identifying the large market

The U.S. economy is highly concentrated upmarket, with a very small number of companies that make up a very large portion of total revenue. With that in mind, we seek a threshold for the large market that is consistent with our goal of limiting our middle market to about \$16 trillion in revenue.

With the small market making up about \$12 trillion, the large market should account for about \$18 trillion.

We then combine the Russell 3000 data and the Forbes data on private companies to find the revenue threshold that caps the large market at a total of \$18 trillion. That revenue threshold is \$10 billion.

This segment includes approximately 430 firms in the U.S. Together, they account for roughly \$18 trillion in total business receipts and employ around 30 million workers. These large enterprises typically have more than 15,000 employees, reflecting their expansive scale, global reach and complex organizational structures.

Clearly, this threshold can be adjusted to shift the threshold of the small market segment. However, the employee count and the number of companies would become much less balanced between the two segments. Thus, we think \$10 billion is a reasonable threshold for the large market and consistent with our goal of keeping our definition not only simple but intuitive.



5. Middle market segmentation

Based on the thresholds for the small and large markets, the middle market consists of companies with annual revenue between \$30 million and \$10 billion. This differs significantly from the definitions described earlier.

Middle market companies now generate more revenue at both the lower and upper ends of the spectrum. That aligns with the significant economic expansion during the past decade. But it also means that the number of middle market companies has declined.

In our estimate, only about 125,000 companies fit our new definition. However, this contraction is consistent with the consolidation of the U.S. market since the financial crisis and the pandemic.

As the economy has evolved, the middle market has matured, in the process creating 50 million jobs across industries.

To understand the middle market better, we divide it into eight subsegments, each accounting for between \$1.5 trillion and \$2.5 trillion in total revenue. Those subsegments are summarized in the chart below:

Middle market by segment

Segment	Revenue
8	\$7B to \$10B
7	\$4B to under \$7B
6	\$1B to under \$4B
5	\$500M to under \$1B
4	\$250M to under \$500M
3	\$100M to under \$250M
2	\$50M to under \$100M
1	\$30M to under \$50M

Source: Various government agencies; Bloomberg; RSM US LLP

Middle market companies now generate more revenue from both the lower and upper ends of the spectrum.

V. Labor distribution in the middle market

Using revenue to identify the middle market is just the first step in understanding that group of businesses.

We then study the labor characteristics of each of the eight subsegments by leveraging data from the IRS, the BLS, Bloomberg and Forbes.

Our core assumption is that a strong correlation exists between a firm's employee count and its revenue. Using this assumption, we perform a quasi-matching process that aligns employee data with revenue estimates based on the distribution of each metric.

For firms at the upper end of the distribution—particularly public companies—the match is more precise due to the greater availability and reliability of disclosed financial data. These are firms with annual revenue between \$1 billion and \$10 billion.

For smaller firms, it is much less clear-cut. Thus, we match the labor data and the revenue data by comparing the distribution of firms across revenue and employment spectrums.

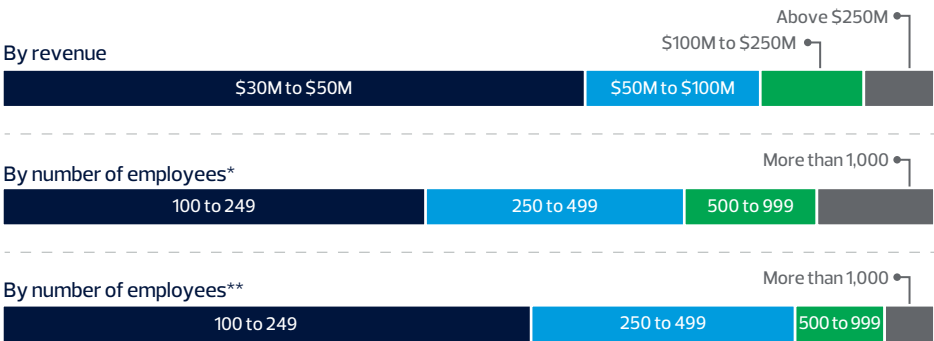
We present that process in the accompanying chart. The multicolored bars show the distributions, with each block representing the number of firms. The top bar depicts the distribution across revenue thresholds.

For example, the dark blue block of the top bar represents the number of firms with revenue between \$30 million and \$50 million. The dark blue block of the second bar represents the number of firms with between 100 to 249 employees. The third bar also represents the number of employees but uses a different source. (As stated earlier, we use employment data from both the BLS's Business Employment Dynamics database and its Quarterly Census of Employment and Wages.)

By looking at the three distributions, we can conclude that if a firm's revenue is between \$30 million and \$50 million, its employee count is more likely to be between 100 and 249.

Following a similar process, we look at firms with larger revenue using multiple sources. We summarize our findings in the chart below:

Matching middle market business revenue to labor characteristics



*Data from BLS Business Employment Dynamics

**Data from the BLS Quarterly Census of Employment and Wages



Employment characteristics by segment

Segment	Total employment	Size by number of employees
8	3 million	7,000 to 25,000
7	4 million	5,000 to 18,000
6	5 million	1,500 to 15,000
5	6 million	1,250 to 1,500
4	6 million	1,000 to 1,250
3	9 million	500 to 999
2	9 million	250 to 499
1	6 million	100 to 249

Source: Various government agencies; Bloomberg; RSM US LLP

VI. Conclusion

Consolidation across the U.S. middle market has not followed a simple trajectory over the past 20 years. Rather, firms populating the niche moved upmarket as the domestic economy was transformed by economic crises.

That shift has resulted in a far more complex, dynamic and resilient market—one that demands a different framework for understanding.

Recent data underscores this change, and firms that operate in this rapidly changing landscape must integrate sophisticated technology to deliver goods and services to an increasingly upscale customer base.

The only constant in modern business is change—and the American middle market is poised to lead that change.



+1 800 274 3978
rsmus.com

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