



The Middle Market Spend Index

A benchmark report on the spending patterns and supplier dynamics across high-growth middle market businesses in the United States



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Executive summary

In just the past two years, high-growth middle market firms have nearly doubled their vendor outlays. They're building more complex supplier ecosystems, quickly onboarding new vendors, and investing significantly across spend categories.

However, behind this rapid growth lies a critical challenge that commercial banks can no longer overlook: as middle market businesses scale, they become increasingly hard to truly understand and serve proactively.

Why this matters

The high-growth middle market represents one of the most significant opportunities for commercial banks today, an emphasis echoed repeatedly in their annual reports and quarterly earnings calls.

For banks, these clients embody not just a large and profitable market, but one where relationships forged today can translate into long-term primacy as these businesses evolve into tomorrow's market leaders.

These businesses sit at an inflection point: too large to be treated like small businesses, yet too agile for the structures of traditional corporate banking models. Their demand for capital, credit, and sophisticated financial solutions expands in lockstep with their growth.

In this arena, primacy will not be secured through product sales alone, but through the insights banks bring to the table. That means helping clients optimize working capital, strengthen AP health, and improve payment performance in ways grounded in their actual operations.

Delivering this kind of value requires a new kind of visibility. One that spans all spend, all workflows, and all payment methods. And, as 2025 makes clear, it must be delivered in real time.

This report is Codat's attempt to reset the conversation. By analyzing the real accounts payable behavior of hundreds of high-growth middle market businesses, we've uncovered what's happening beneath the surface and the implications for banks seeking to lead in this space.

Simply put: the banks that emerge victorious in the next chapter of middle market competition will be those that understand their clients best.

I hope this report serves as a valuable resource on that journey.



J. Rault

Joey Rault,
CRO, Codat

Introduction | A market in motion

Middle market businesses are navigating challenging waters. While many continue to post year-on-year revenue growth and maintain a measure of optimism, signals of growing caution are emerging. For example, the RSM U.S. Middle Market Business Index fell sharply from ~143 to ~124 in Q2 2025.

The topline story is still positive, but the backdrop is increasingly uncertain. Trade policy remains a looming variable, with the risk that sudden tariff or regulatory shifts could drive up costs or dampen demand. **Beyond trade, broader macro volatility, from shifting consumer sentiment to unpredictable global supply chains, is leaving many firms in a “wait-and-see” mode.** Instead of pushing ahead aggressively with expansion plans, many are holding back investment until the next 12 months come into clearer focus.

In this climate, banks that can deliver clarity for their middle market clients will gain a decisive edge.

At Codat, we occupy a privileged vantage point: We see how middle market businesses are adapting, how they’re reshaping supplier relationships, changing payment behaviour, and managing growing operational complexity.

In the sections that follow, we draw on anonymized, aggregated data from hundreds of high-growth middle market firms. We unpack what this data reveals about shifting dynamics in the segment, and, crucially, what it means for commercial banks aiming to lead.

How we define a high-growth middle market business

A company that generates annual revenues between \$10 million and \$1 billion, a range that aligns with widely accepted definitions of middle market businesses. These firms exhibit sustained, above-average growth, often characterized as 10% or greater YoY revenue increases, rapid expansion in geographic footprint, customer base, or workforce size.

Key findings

Our analysis reveals three major shifts in the spending patterns and supplier dynamics of high-growth middle market firms:



1. Supplier spending is climbing at a remarkable pace.

Businesses are directing more resources toward tools, partners, and services.



2. The connection between revenue and supplier costs weakens once firms reach scale.

In the earlier stage of growth, the two rise in tandem. Once firms cross a certain scale, businesses are able to generate more output without matching increases in supplier spend.



3. Supplier networks are expanding even as spending concentrates.

Businesses are working with more vendors than before, but most of their money is flowing to a small group of trusted partners.

Together, these shifts demonstrate that while middle market businesses might be spending more, they are also reshaping how they allocate that spend and manage their supplier ecosystems to stay efficient, flexible, and competitive. Read on to learn more.

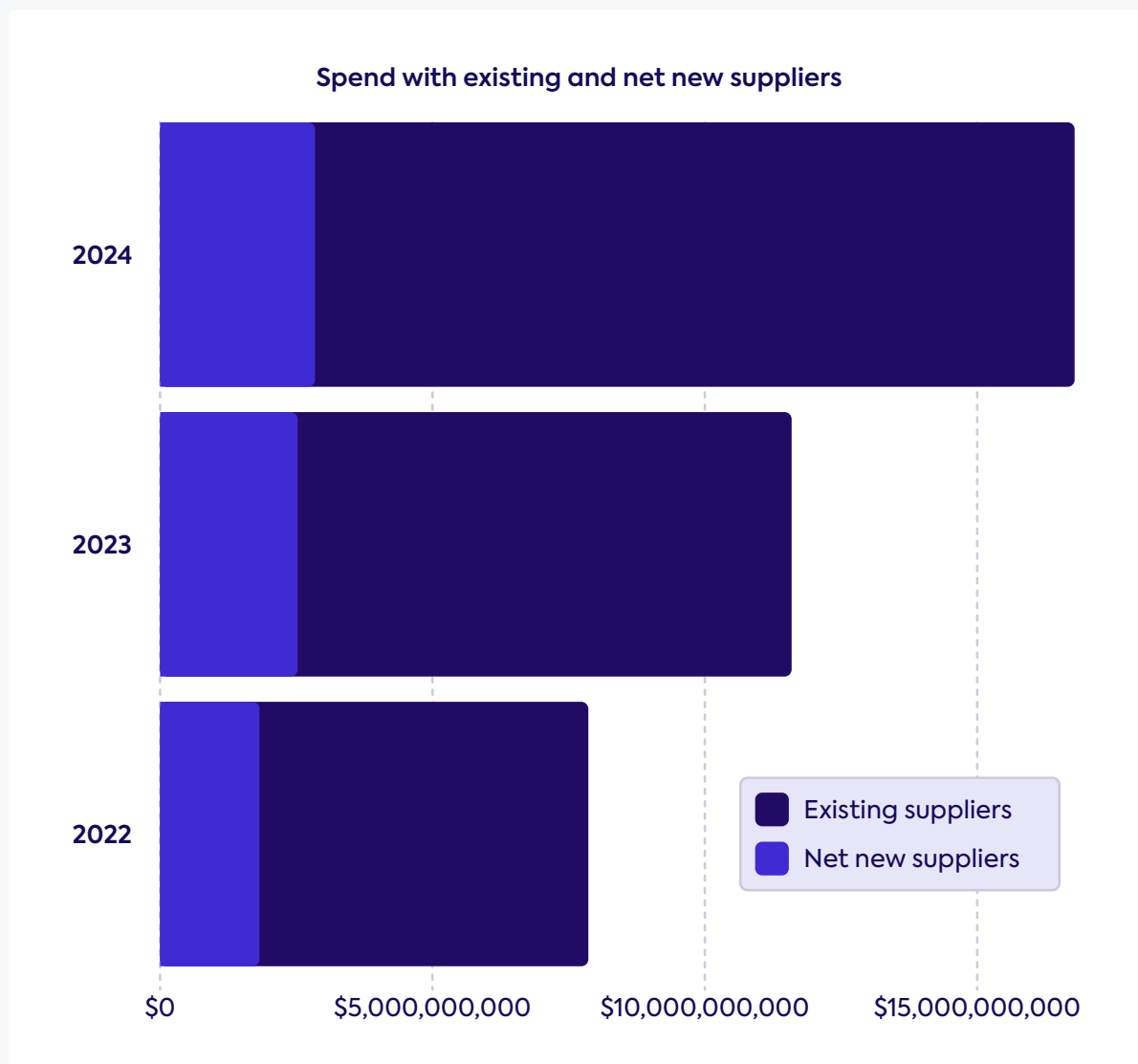


1. Supplier spending is climbing at a remarkable pace

In our cohort, overall supplier spending rose by 47% in 2023, followed by a further 45% increase in 2024. Taken together, this amounts to nearly a doubling of outlays within a two-year period.

It appears that even against the current backdrop of uncertainty and macro volatility, middle market firms are reinvesting with intent. They are doing this by channeling capital into the tools, partnerships, and resources that will sustain their next phase of growth.

For commercial banks, this creates a nuanced reality. Elevated supplier spend signals increased demand for liquidity, but clients are likely also seeking far greater clarity, control, and confidence in how that liquidity is managed. That makes efficient, data-driven payment solutions, real-time visibility into working capital, and proactive guidance on optimizing AP health more critical than ever.



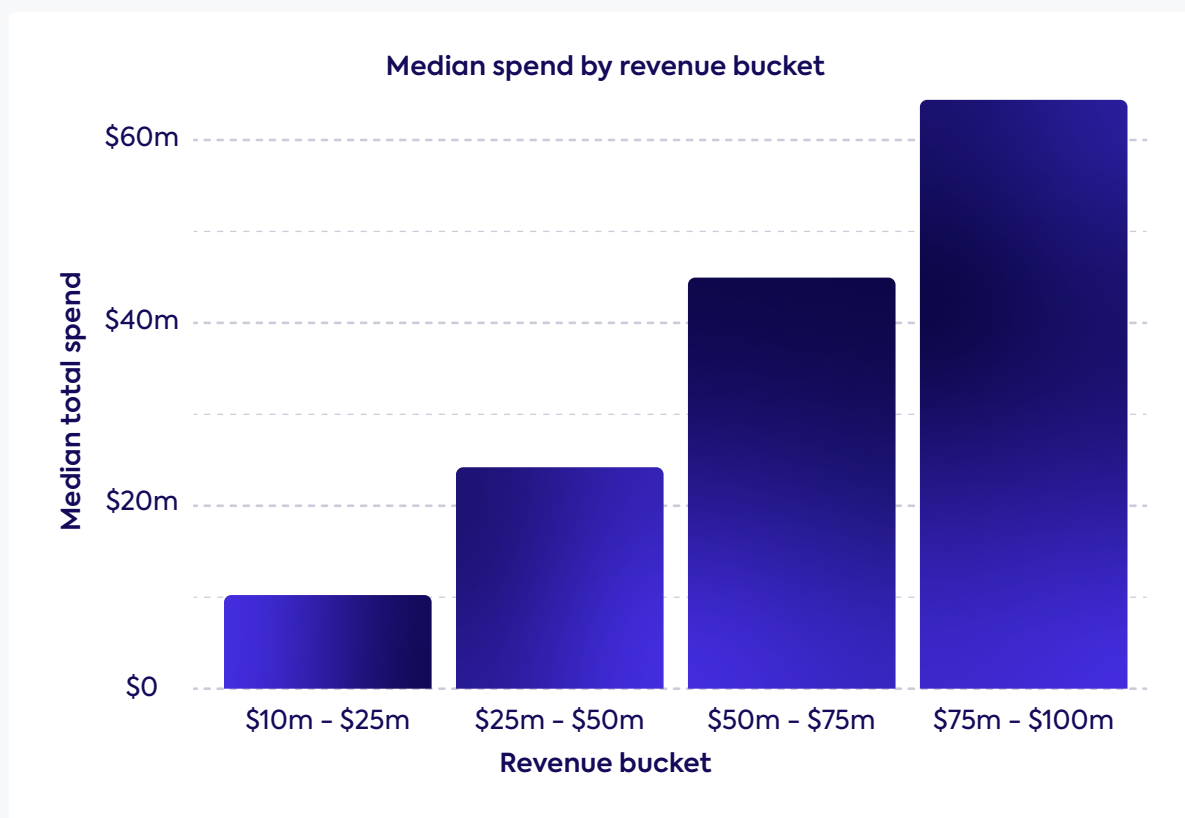
2. The connection between revenue and supplier costs weakens once firms reach scale

Our data shows that for most middle market firms, revenue and supplier spending scale together. That tight correlation holds until businesses approach approximately \$100 million in annual revenue. After that point, the link between revenue and supplier costs weakens.

One reason is the well-documented phenomenon of “sticky costs”: expenses don’t scale perfectly with revenue and adjust asymmetrically. When sales grow, costs rise too, but not as quickly; when sales fall, costs don’t shrink as fast. That stickiness helps explain why the revenue–cost correlation loosens as firms cross into larger size brackets.

The National Center for the Middle Market (NCMM) highlights this same breakpoint, segmenting firms into \$50–\$100M (core) and \$100M–\$1B (upper) tiers. Its reports show that growth dynamics and input behaviors differ meaningfully between these bands, with a clear shift once companies move into the upper middle market.

At this stage, growth comes less from adding costs and more from efficiency. Larger firms consolidate vendors, leverage economies of scale, and streamline operations. They may intentionally shift more investments from proportional variable spending towards upfront fixed investments, which don’t immediately correlate with revenue. This could include investing in enterprise licenses, global infrastructure, and other longer term commitments.



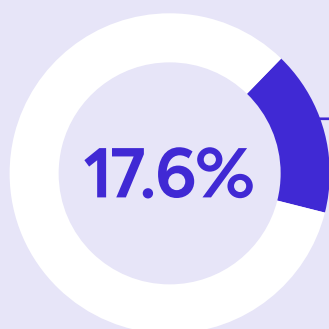
3. Supplier networks are expanding even as spending concentrates

As middle market firms grow, their supplier ecosystems expand rapidly. Our analysis shows a strong link between revenue and the number of active vendors. Firms under \$100M in revenue typically manage up to 500 vendors, while those above that mark often work with 800 to 1,500+ suppliers.

This expansion reflects the true demands of scale. New markets require regional partners, new products require specialized inputs. Growth introduces layers of complexity across logistics, technology, services, and compliance.



At the same time, spending patterns are shifting. Between 2023 and 2024, the average number of active vendors per business rose by 17.6%, a sign that firms are widening their supplier networks for flexibility and resilience.



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Yet spending is also concentrating. Net new supplier spend rose 38% in 2023 but slowed to 14% in 2024. As a share of total spend, it has fallen from 23% in 2022 to 17% in 2024. For the average middle market business today, the top three vendors account for over half of their total spend.

The data points to a dual strategy. On the one hand, firms are expanding supplier lists to stay agile, manage risk, and respond to fast-changing market conditions. On the other, they are channeling more spend through a small group of trusted partners. These core suppliers offer stability and efficiency, while the broader network offers reach and flexibility.

The middle market balancing act

High-growth middle market businesses today are not only scaling faster and spending more, but also getting smarter about their supplier strategy and operational discipline.

They face a balancing act: harnessing growth without losing financial control, expanding supplier networks while consolidating strategic spending, and staying agile while managing complexity.

Strategic implications for commercial banks

The data tells a clear story. The way middle market businesses manage their supplier relationships is becoming more sophisticated, more strategic, and more complex.

For banks, this presents both a risk and an opportunity. The risk lies in standing still, as client needs evolve beyond traditional products. The opportunity is to step forward as a critical partner by helping businesses proactively optimize cash flow, streamline payments, and gain control over their finances as they scale.

The surge in supplier spend over the past two years highlights a shift toward intentional, growth-oriented investment by middle market firms. Yet this is unfolding against an unsettled backdrop. Companies are still investing, but with sharper selectivity. They are seeking resilience, efficiency, and competitive advantage while keeping liquidity under tight control.

For commercial banks, the implication is clear: success will not come from financing growth alone, but from equipping clients with the visibility they need to make confident decisions in a climate where hesitation has become the default. That requires real-time access to accounts payable data and the ability to turn it into timely, actionable insights.

The good news is the infrastructure already exists. With the right connectivity in place, banks can embed themselves deeper into the financial workflows of their clients, surfacing spend patterns, spotting inefficiencies, and enabling faster, smarter decisions.

This fundamentally redefines the bank's role: from transactional provider to embedded advisor. And in the evolving middle market, the banks that lead will be the ones who understand their clients best, not just at the account level, but at their operational core. That level of insight starts with visibility into the day-to-day flow of spend.

How Codat helps

Codat provides commercial banks with direct, real-time access to their client's ERP and accounting systems, unlocking high-quality data from accounts payable and general ledgers. This enables banks to see how businesses actually operate: what they buy, how they pay, and where friction lives.

On top of this data, Codat transforms information into actionable insights through infrastructure designed to highlight what matters most:

- Payment method distribution
- Working capital optimization
- Payment timing vs. terms

Leading banks are already using Codat to identify high-opportunity targets, tailor product strategies to the way businesses actually spend, accelerate onboarding with real-time visibility, and strengthen commercial relationships through operational insight.

Want to see what this could look like for your portfolio?

Visit codat.io/spend-insights to learn more.



Research methodology

Methodology

The insights presented in this report are drawn from Codat's platform, which provides financial institutions with access to real-time, permissioned financial data from businesses.

The analysis is based on a sample of 700 US-based businesses, all with annual revenues between \$10 million and \$1 billion. This range aligns with widely accepted definitions of middle market businesses. The businesses span industries, providing a diverse and representative view of middle market behavior.

Data sources

All insights are derived from aggregated and anonymized financial data, including bills, direct costs, bill payments, and payment methods. **Data was only included where our clients have explicitly provided consent** for it to be used for this purpose.

Data handling & integrity

No personally identifiable information (PII) or client-specific data is included in this report. We take privacy and data protection seriously and ensure that all data included complies with relevant regulatory standards.

While we have taken reasonable steps to ensure the accuracy and reliability of the findings in this report, the information is provided for general informational purposes only and should not be relied upon as definitive. The conclusions drawn reflect our analysis at the time of publication and are accurate to the best of our knowledge; however, we make no representations or warranties, express or implied, regarding the completeness, accuracy, or reliability of the data.