BCG & FECC Pulse Check 2026:

European Chemical Distribution

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By Madjar Navah, Dorothée Arns, Tobias Mahnke, Christian Hoffmann, Patrick Haslanger, and Johanna Reutersberg

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Fecc

FECC is not only the voice of the chemical distribution industry in Europe, but also bringing together the entire chemical value chain in all its diversity under one umbrella

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- from chemical producers and distributors up to logistic companies and IT solution providers
- from all parts of Europe and beyond
- across all company sizes from start-ups to multinationals.

In total, FECC represents more than 1,600 companies via direct membership and national associations. The vast majority are small and medium sized companies (SMEs) and in many cases even family-owned businesses.

The chemical distribution sector per se is the bridging link between chemical producers on one hand and customers of all sizes and segments along a huge variety of value chains inside and outside of chemicals on the other hand Further to its economic importance, chemical distributors in Europe serve more than 1 million downstream users of very diverse sectors such as pharmaceuticals, construction, paints & coatings, agriculture, cosmetics, food, feed & nutrition, and automotive. Also the services rendered by distributors can vary greatly and can comprise functions like supply chain management, logistics & packaging, formulation, recycling, research & development, training, regulatory advice and warehousing.

FECC and its members are actively engaged in spearheading innovation and sustainability besides adding value in the supply chain, which is facilitated by the presence of the entire value chain in the community.

More information can be found on www.fecc.org or on LinkedIn: #EuropeanAssociationofChemicalDistributors.
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Executive Summary

A year ago, Europe's chemical distributors faced a highly uncertain outlook.

Twelve months on, the mood has lifted, yet the situation is far from being regarded as a recovery. That tension between relief and residual caution runs through the 2026 BCG & FECC Pulse Check, the second annual reading of sentiment, priorities, and challenges across the sector. The Pulse Check draws on responses from 121 distributors and spans 28 questions across eight themes, from the market environment and the conflict in the Middle East to strategic priorities, principal relationships, customer requirements, technology and AI, ESG, and M&A. This year's survey captures an industry reading the ground carefully before it commits. The findings center on six themes:

1. **Business conditions have improved:** 48% of distributors report a better year, versus 24% a year ago. Yet the outlook for the next 12 months stays predominantly cautious, with roughly 44% neutral facing the many recent geopolitical disruptions.

2. **The impact of the conflict in the Middle East varies sharply by company size:** 71% of distributors with >€1 billion revenue report positive margin impact, while 92% of distributors below €10 million revenue report negative, as scale and active cost-and-price management increasingly separate winners from losers.

3. **Regulation remains the clear number one challenge for distributors large and small,** ranking ahead of geopolitical uncertainty and cost inflation. Because absorbing this complexity is itself hard to replicate, the burden reinforces rather than undermines distributors' structural role as compliance-capable intermediaries between producers and customers.

4. **Principal relationships have come under pressure** with the share reporting improved relationships falling from 28% to 18% and deterioration rising from 7% to 13%.

5. **AI's importance is re-affirmed,** with around 30% now seeing it as their single most relevant technology, yet adoption still remains slow. Active AI deployment is flat at roughly 20%, while the rest are still exploring or piloting use cases, or have yet to start.

6. **Finally, ESG readiness remains uneven:** only a quarter of distributors feel well prepared for tightening ESG requirements and just 16% consider themselves advanced, while 46% still treat ESG as a compliance obligation rather than a competitive advantage.

Survey Respondents at a Glance

Before turning to those findings in detail, it is worth noting who they come from. The 2026 Pulse Check was conducted among FECC members and drew on input from 121 chemical distributors, again reflecting a broad mix of company sizes, geographies, and distribution models. Respondents were headquartered predominantly in the DACH region (Germany, Austria, and Switzerland, 57 respondents), followed by Iberia (Spain and Portugal, 18) and Benelux (Belgium, Luxembourg, and the Netherlands, 18), with additional participation from Italy, France, the United Kingdom and Ireland, and others.

By annual revenue, the sample spans the full spectrum of the industry: 15 respondents below €10 million, 31 in the €10–50 million band, 37 in the €51–250 million band, 15 in the €251 million–€1 billion band, and 23 above €1 billion. Half of respondents operate globally, 34% Europe-wide, and 16% nationally.

In terms of product focus, 48% describe themselves as specialty-focused distributors, 36% as serving both commodity and specialty markets, and 16% as commodity-focused. The most commonly served customer sectors were household & industrial, cosmetics & personal care, construction & building materials, pharmaceuticals & life sciences, and food & beverages.

This composition provides a representative basis for tracking how European distributors of different sizes and orientations are responding to a shared set of dynamics, and how their strategic choices are diverging. That divergence begins with how distributors read the market itself.

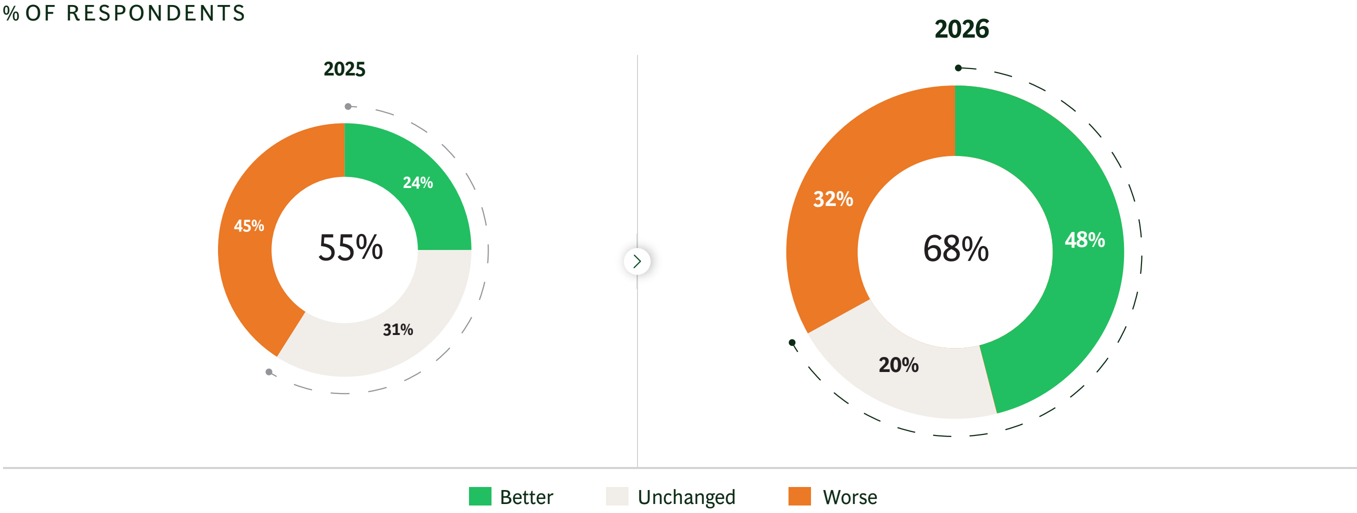
1. Market Environment and Sentiment

After a comparatively difficult 2025, sentiment has turned more optimistic this year. 68% of distributors described their business as stable or better than the previous year, and 48% reported an outright improvement, up sharply from 24% in 2025, while the share reporting a worse situation fell from 45% to 32%.

EXHIBIT 1: CURRENT BUSINESS SITUATION VS. PREVIOUS YEAR

How would you assess your current business situation compared to the previous year?

% OF RESPONDENTS



Source : BCG & FECC Pulse Check 2026; BCG Analysis

Profitability, however, remains the soft spot, even if less so than a year ago. 40%+ of distributors reported higher revenue, volumes, and margins, but roughly 37% still saw their EBIT(DA) margin decline while about a third saw lower gross margins. That is nonetheless an improvement on 2025, when 52% of distributors reported an EBIT(DA) margin decline, split between a slight decline (39%) and a significant one (13%). In 2026, the equivalent split was 33% slight and just 4% significant, with far fewer reporting a steep decline. Revenue and volumes continue to hold up better than profitability, as cost inflation, delayed price pass-through, and intense competition keep squeezing margins.

Looking ahead, distributors are more optimistic than a year ago but still cautious. The share expecting a negative outlook for the next 12 months fell to 25% (from 36% in 2025), while the positive share rose to 31% (from 24%).

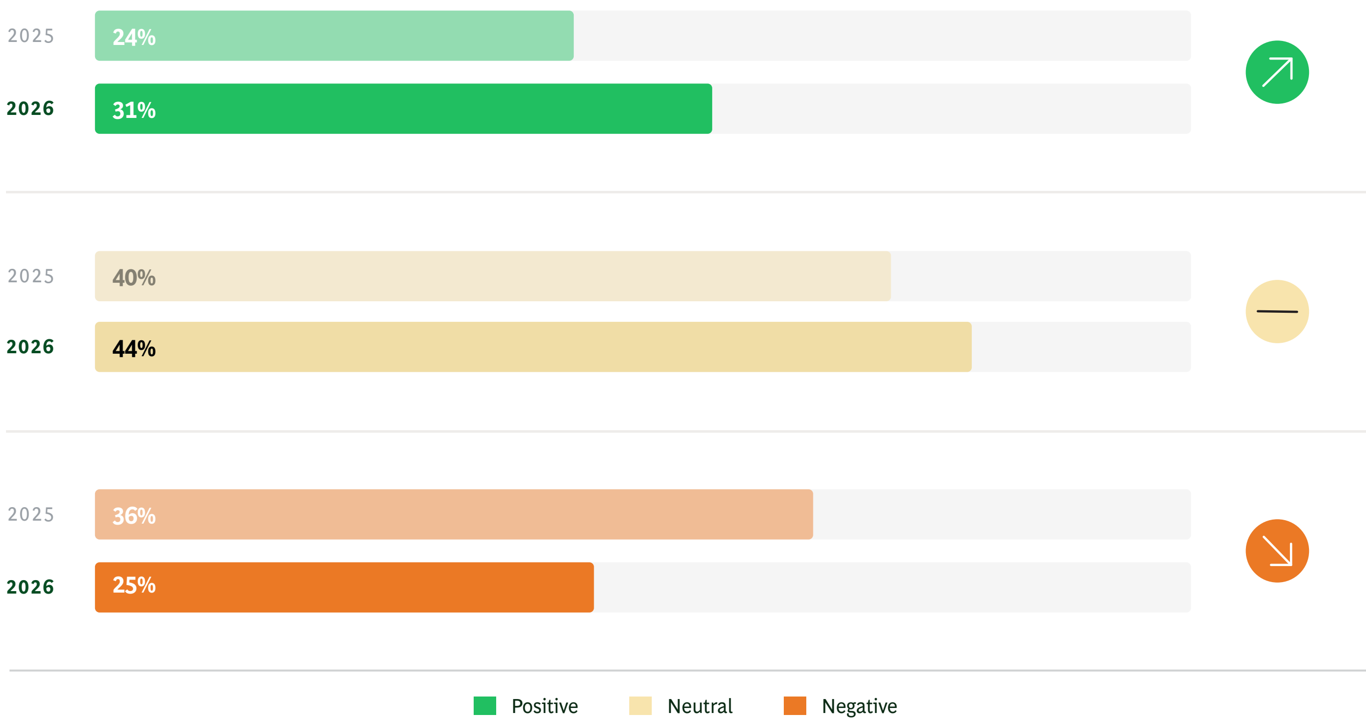
Even so, around 44% of distributors remain neutral, a stance that reflects caution rather than confidence. One such source of disruption featured prominently in this year's survey for the first time: the conflict in the Middle East.

> "We have seen rising margins in Q2/26. But persistently weak demand across almost every customer industry will, once availability and supply chains normalize, drive a clear decline in margins back to pre-crisis levels."
>
> - Specialty Distributor, Germany

EXHIBIT 2: BUSINESS OUTLOOK FOR THE NEXT 12 MONTHS

What is your business outlook for the next 12 months?

% OF RESPONDENTS



Source : BCG & FECC Pulse Check 2026; BCG Analysis

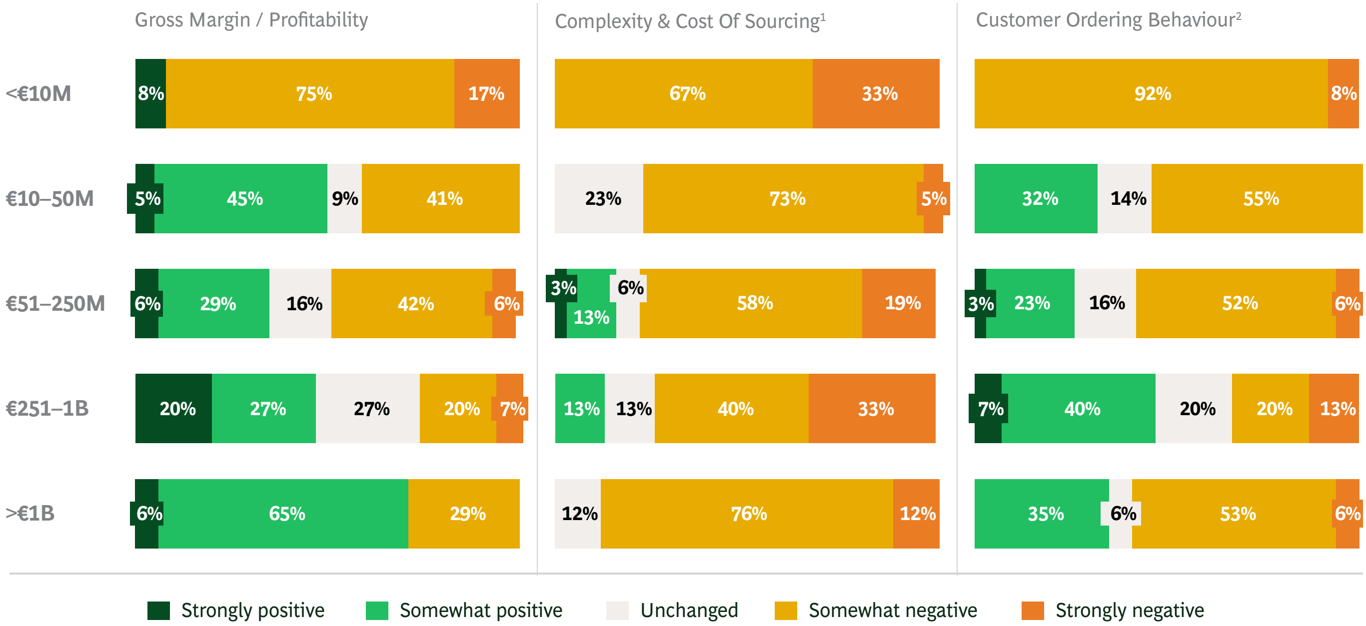
2. The Conflict in the Middle East

For much of the past year, the conflict in the Middle East has weighed on the outlook for European chemical distributors, with particular exposure for petrochemical-linked products. Much of that exposure runs through a single chokepoint: the Strait of Hormuz carries nearly 60 oil and liquids tankers a day, more than any other global trade route tracked, making any disruption there a direct threat to European petrochemical supply. The conflict has heightened uncertainty over supply, prompted distributors to secure volumes ahead of anticipated shortages, and driven up prices, while pushing many to diversify sourcing routes and qualify alternative suppliers as established supply flows became less dependable. The data, captured here for the first time, confirm this pattern: 82% of distributors reported a negative impact on sourcing complexity and 59% on customer ordering patterns, while the effect on gross margin and profitability was more evenly split, with 43% reporting a positive impact and 45% a negative one.

EXHIBIT 3: IMPACT OF THE CONFLICT IN THE MIDDLE EAST BY COMPANY SIZE

To what extent has the conflict in the Middle East affected the follwing areas of your business?

% OF RESPONDENTS



1 E.g., need to diversify suppliers, switch routes. 2 E.g, stocking, shorter order cycles.

Source : BCG & FECC Pulse Check 2026; BCG Analysis

The sharpest divergence is by company size, as Exhibit 3 makes clear. Distributors above €1 billion in revenue reported a broadly positive margin impact, roughly 71% positive, while those below €10 million reported a mostly negative one (92%). The difference reflects the ability of larger players to manage cost and price actively, diversify supply routes, and pass through volatility, whereas smaller distributors absorbed the disruption directly. As one respondent put it:

> "We have seen some support on gross margins due to market dynamics and pricing volatility. At the same time, sourcing has become slightly more complex, with increased attention required on supply routes and supplier diversification. Customer ordering patterns have become somewhat more irregular, with shorter cycles and occasional stock adjustments."
>
> \- Specialty Distributor, Belgium

3. Strategic Priorities

Beyond the specific effects of the Middle East conflict, the survey also asked distributors to rank the full range of pressures on their business. Regulatory and compliance burden topped the list for a second year running, cited by 53% of respondents, ahead of geopolitical uncertainty (42% of respondents), cost inflation (40%), sluggish demand & overcapacity (39%), and margin erosion & pricing pressure (28%). The prominence of regulation underscores the structural relevance of distribution as a compliance-capable intermediary between producers and a fragmented downstream market.

Investment priorities tell a different story. Digitalization and IT infrastructure lead for the second year running, cited by 60% of respondents.

Operational efficiency and cost optimization follow at 55% of respondents. People management comes next at 38%, then supply-chain and logistics capabilities at 27%. AI and advanced analytics ranks last among the top five in 2026 at 23%. It wasn't even a standalone investment category in 2025. Yet it is widely considered the single most relevant future technology, as the later chapter shows. The mismatch is notable. The top-ranked challenge, regulation, draws no dedicated top-5 investment response. The most-hyped technology, AI, is the least-funded of the top five. A similar appetite for reshaping the business is evident elsewhere: 62% of distributors are considering or planning M&A activity within the next 12 months, split between active pursuit (29%) and opportunistic interest (33%).

4. Principal Relationships and Customer Requirements

Alongside these internal priorities, the survey looked at the relationships distributors maintain on both sides of the value chain, with their principals and with their customers. Relationships with principals came under visible strain this year. While the majority of distributors still report no change, the trend is polarizing at the extremes: the share reporting improved relationships fell to 18% from 28% in the last year, while the share reporting deterioration rose to 13% from 7%. After a period of broadly stable and even strengthening ties including in 2025, the shift cautiously signals a more demanding market environment. In the meantime, Asian suppliers have gained importance in the overall supplier market, most visibly in Iberia and France, where 67% of distributors reported an increased presence, compared with 54% across the sample as a whole. 55% of respondents also reported that they had more direct engagement with Asian suppliers in the last 12 months, such as sourcing, partnerships, joint ventures, etc.

When asked what their principals value most in them as distributors, respondents pointed above all to market intelligence and customer insights (27%) and broader geographic or customer reach (18%), followed by demand generation and marketing support (16%), cost-to-serve reduction and operational efficiency (13%), and formulation support and technical services (12%). Notably, digital capabilities (3%) and sustainability or ESG data and reporting (2%) ranked lowest, though both may grow in importance as regulatory and customer requirements tighten.

On the demand side, 43% of distributors reported that their customer requirements had changed over the past 12 months, most often toward tougher terms rather than easier ones. Among those affected, two-thirds cited demand for lower prices and cost optimization (67%) and a similar share cited a stronger emphasis on supply reliability (64%); half cited the need for faster and more flexible delivery (50%).

5. Technology & AI

AI has topped distributors' list of most relevant future technologies for the second year running. Exhibit 4 shows that its lead has widened: 29% of respondents named AI and machine learning as the most relevant technology for the next two to three years. That is up from 23% in 2025, and comfortably ahead of the next most-cited technology, cybersecurity, which stood at 20% in 2025.

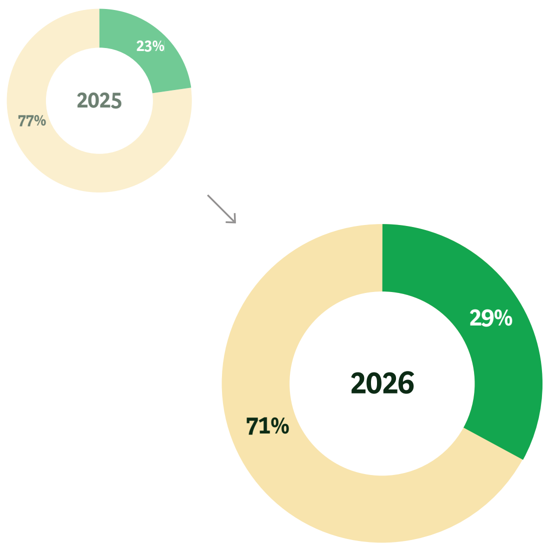
Yet recognition has not translated into deployment. Despite topping the technology-relevance ranking for two years running, most distributors remain in the early stages.

35% are piloting AI in one or two areas. 29% are still exploring or evaluating use cases. 14% have not yet started. Only around 22% have moved further, with AI actively deployed across multiple business functions such as sales, procurement, or administrative processes (20%) or embedded across core processes (2%). That share is essentially flat versus 2025, in contrast to other industries that are pressing ahead with AI-led deployment and operational reshaping. The gap

EXHIBIT 4: AI RELEVANCE AND EXTENT OF AI DEPLOYMENT

Which technologies will be most relevant to your company in the next 2–3 years (multi-select)?

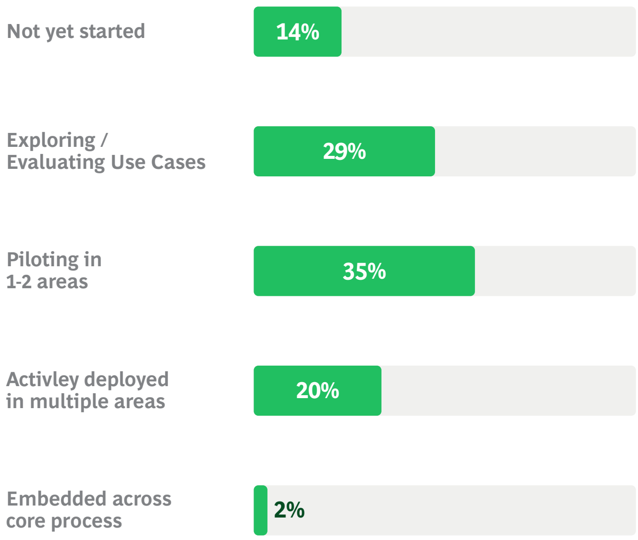
% OF RESPONDENTS



Artificial Intelligence & Machine Learning   Other Technologies

Beyond basic tools, to what extent is your company deploying AI in operational processes?

% OF RESPONDENTS



Source : BCG & FECC Pulse Check 2026; BCG Analysis

between AI's perceived importance and its actual operational footprint is the central story of this year's technology findings, and it mirrors the investment gap identified in Section 3. AI usage is concentrated in administrative processes (22%) and sales and customer management (21%). Adoption in domains closer to the physical value chain, such as supply-chain and demand forecasting (13%), procurement (11%), and logistics (8%), remains comparatively limited.

This suggests AI is being adopted first where data is most readily available and use cases are well established, rather than in the operational core of distribution. Closing the gap between ambition and adoption is one of the sector's clearest opportunities for the year ahead. Doing so means scaling proven pilots and building the data and talent foundations to support them.

6. ESG and Sustainability

Like AI, ESG reveals a gap between the requirements bearing down on the industry and how ready distributors feel to meet them. Asked about upcoming ESG-related requirements such as CSRD (the Corporate Sustainability Reporting Directive), CSDDD (the Corporate Sustainability Due Diligence Directive), and the EU Taxonomy, only 25% described themselves as well prepared and a further 16% as advanced. That leaves close to 60% at a moderate stage or earlier. How distributors view ESG's value is just as telling: 46% treat it as a compliance exercise rather than a source of competitive advantage, and only about a fifth (21%) see it as a clear differentiator or core to their value proposition.

As with the conflict in the Middle East and with AI, company size shapes the response. Roughly two-thirds of largest distributors (above €1 billion) feel well prepared or advanced, while none of the smallest ones (below €10 million) describe themselves as well prepared. The same divide runs through strategy: 73% of the smallest treat ESG as compliance only, compared to 38% in largest distributors. For larger players, ESG is beginning to shift from obligation to opportunity; for smaller ones, it remains largely a box to be ticked and one that comes with increasing complexity.

Outlook and Strategic Implications

Taken together, the 2026 Pulse Check describes an industry emerging cautiously from a difficult period.

Sentiment has improved markedly, but the recovery is uneven: margins remain under pressure for roughly a third of distributors. The outlook is broadly neutral. Regulatory, geopolitical, and trade-related shocks continue to shape day-to-day decisions, often arriving in rapid succession. The clearest dividing line runs between larger, often specialty-oriented distributors, who are converting scale and active management into resilience and reinvestment, and smaller, commodity-focused players, who remain more exposed to volatility.

Three implications stand out. First, resilience is increasingly a function of active cost-and-price management and supply-chain diversification rather than size alone, though scale clearly helps. Second, the regulatory burden is now a structural feature of the landscape, positioning distributors that can handle compliance efficiently as valued intermediaries. Third, the gap between AI's recognized importance and its limited deployment represents both a risk and an opportunity: distributors that move from piloting to scaling stand to build durable advantage while much of the market hesitates.

About the Authors

Madjar Navah
Managing Director and Partner
Düsseldorf
Navah.Madjar@bcg.com

Dorothée Arns
FECC Director General
Brussels
dar@fecc.org

Patrick Haslanger
BCG Principal
Munich
Haslanger.Patrick@bcg.com

Tobias Mahnke
BCG Managing Director & Senior Partner
Munich
Mahnke.Tobias@bcg.com

Johanna Reutersberg
BCG Principal
Munich
Reutersberg.Johanna@bcg.com

Christian Hoffmann
BCG Partner & Director Chemicals
Hamburg
Hoffmann.Christian@bcg.com

For Further Contact

If you would like to discuss this report, please contact the authors.

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