



CHEMICAL DISTRIBUTION
**VOICES OF
THE FUTURE**
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BCG BOSTON
CONSULTING
GROUP

Status of the Chemical Distribution Sector

Frank Schneider, FECC Vice President
Gordon Hay, FECC Board Member

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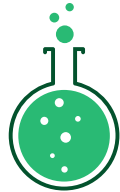
Chemical distribution: Overview & key data



Direct sales (still) dominate the chemical industry



Auto parts¹
~45 %



Chemicals
10–12%



Steel²
~ 65 %



Building materials
80–90%



Machinery
and component
10–15%



Pharmaceuticals³
80–90%



Paper goods
~ 30%

In chemicals outsourcing rates vary a lot
by segment ...

... from close to zero in highly concentrated
end industries

... to north of 80% (e.g., laboratory
chemicals/farm-gate agro chemicals)

1. Automotive industry in Europe 2. Steel industry in the European Union 3. Pharma distribution in the US

Note: In all Industries, 3rd party distribution varies a lot by product, application and region

Source: Wolk; Marketline; Baustoffmarkt; Eurometal; BCG analysis



End-industry specifics and market development drive market trends with implications for chemical distributors

Market drivers

- 1 Suppliers and customers streamline distribution relationships—distributor capabilities per end industry as must have
- 2 Market consolidation: Distributors expand via M&A activities
- 3 Distributors strengthen value chain position via value-added services
- 4 Increasing regulation drives growth of large distributors
- 5 Industry fragmentation and geography drives degree of outsourcing
- 6 Digitalization will likely change the value chains



Implications for chemical distributors

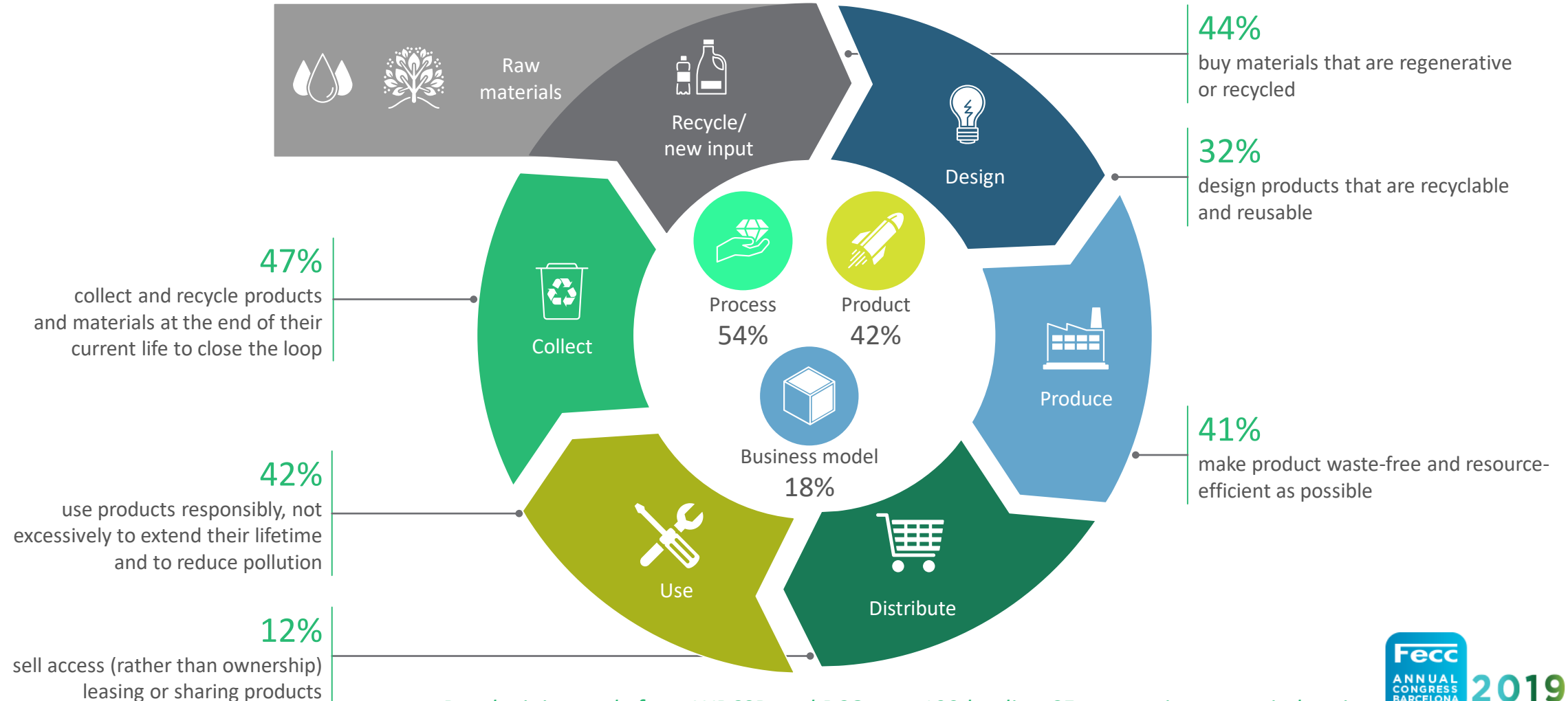
- Proof of capabilities in specific verticals/end-industries essential
- Build regional/multiregional reach and broad product portfolio—to become attractive for preferred partnerships
- Principals are actively managing distribution management and establishing CoEs, e.g., using 2-layered distributor model to optimize their activities or “encouraging” business units to centralize distributors
- Cross-border M&A in specialty chemical distribution recently started, e.g., IMCD, Azelis following the lines of “full-liners” (Brenntag, Univar), creating a sub-set of players with wide geographical knowledge
- End-industry specific value added services of growing relevance
- Develop technical capabilities and build application labs, increase value-add offered on top of distribution chemicals
- Expand service offer continuously (e.g., including supplier development)
- Ensure strong regulatory capabilities
- Take advantage of M&A opportunities with smaller players
- Very different levels of end industry consolidation (e.g., paper vs food processing industry)
- Leverage deep market understanding to find attractive spots within industry as well as geography
- Stay flexible to adapt to changing market conditions
- Currently often parallel and not always consistent efforts of producers, customers (e-procurement) and distributors
- Disruption potential of market places yet to be proven—but potentially very high

Sustainability, Security and Safety



Circular Economy provides activities along the value cycle

Percentages below show the share of surveyed companies that are active and successful in each area





Chemicals: Significant disruption over coming decades



Short-term: EU-ETS Phase IV reform triggers new costs—**2030 ~€1.5B in total until**



Medium term **cost risk** could increase up to **€1B annually**, depending on further CO₂ regulation



Fully decarbonizing the chemical industry will require significant investments—**almost €100B over coming decades**



But: New “**low-carbon**” **opportunities** emerge, e.g., in battery chemistry, hydrogen & CCU