Pulse Check: Navigating Uncertainty in European Chemical Distribution

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BCG + Fecc
EUROPEAN ASSOCIATION OF CHEMICAL DISTRIBUTORS

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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

- across all chemical segments from petrochemicals & other commodities up to life sciences and biobased solutions
- 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.

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Executive Summary

Over summer 2025, for the first time ever, FECC and BCG conducted a pulse check among FECC members to provide a timely and fact-based view on sentiment, priorities, and challenges facing European chemical distributors of all sizes. Against the backdrop of mounting structural pressures on the European chemicals sector and an intensifying competitiveness debate, the survey provided a valuable snapshot of how distributors were positioned within this evolving landscape. It drew on input from 170 chemical distributors of varying sizes across ten European countries and covered key dimensions shaping the industry today, including the market environment, expected strategic challenges and opportunities, supplier/principal and customer relationships, technology and transformation priorities, as well as selected deep dives on tariffs and M&A.

While sentiment varied across countries, one overarching theme emerged: uncertainty continues to define the industry, driven by persistent margin pressure despite broadly stabilizing sales performance over the past 12 months. Margin erosion was primarily attributed to cost inflation, delayed price pass-through, and intensified competition. At the same time, projected growth rates underscored the increasingly strategic role distributors play in securing chemical supply flows - elevating supply chain resilience, adaptability, and cost efficiency to critical success factors. Against this backdrop, distributors can strengthen long-term partnerships with both principals and customers by expanding value-added capabilities and systematically improving cost-to-serve performance.

Survey respondents at a glance

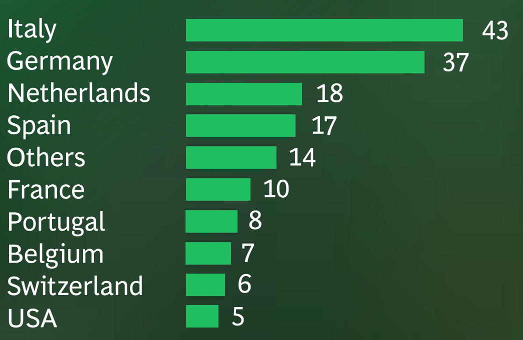
The study was conducted in summer 2025 and drew on input from 170 chemical distributors across ten European countries. The survey reflected a balanced mix of company sizes (small, mid, large), geographies, and distribution focus, with players from both specialty and commodity distribution (see Exhibit 1).

EXHIBIT 01: PROFILE OF SURVEY RESPONDENTS

At a glance—Robust sample across company sizes, geographies, and segments enables representative insights

Country of headquarter

Number of respondents

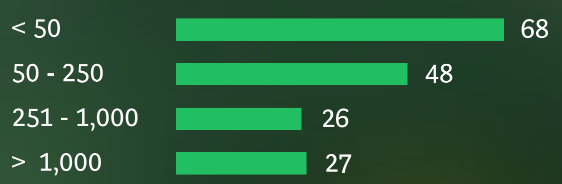


Annual revenue

Number of respondents

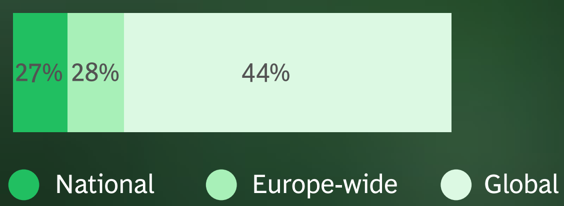
Global employee count

Number of respondents



Operating region

Percentage of respondents

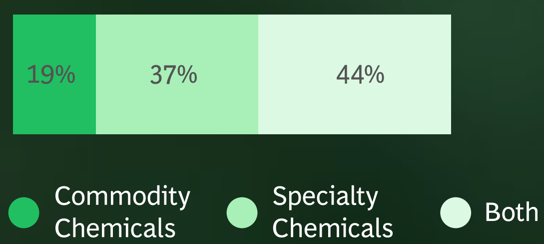


Customer sectors

Percentage of respondents

Product focus

Percentage of respondents



Note: Cosmetics includes personal care; 1. Range among questions 166-170
Source: FECC Pulse Check 2025; BCG analysis

1. Market Context and Sentiment

Despite ongoing macroeconomic and geopolitical headwinds in Europe, chemical distributors reported stable to slightly improving business conditions compared to 2024, supporting expectations of modest growth in both revenues and sales volumes. Profitability, however, remained under pressure: nearly half of respondents reported declining EBITDA or gross margins over the past 12 months (see Exhibit 2). As one respondent noted, “this is unlike past disruptions – there’s no playbook, no benchmark,” with tariff uncertainty in particular “freezing demand as customers remain in wait-and-see mode.”

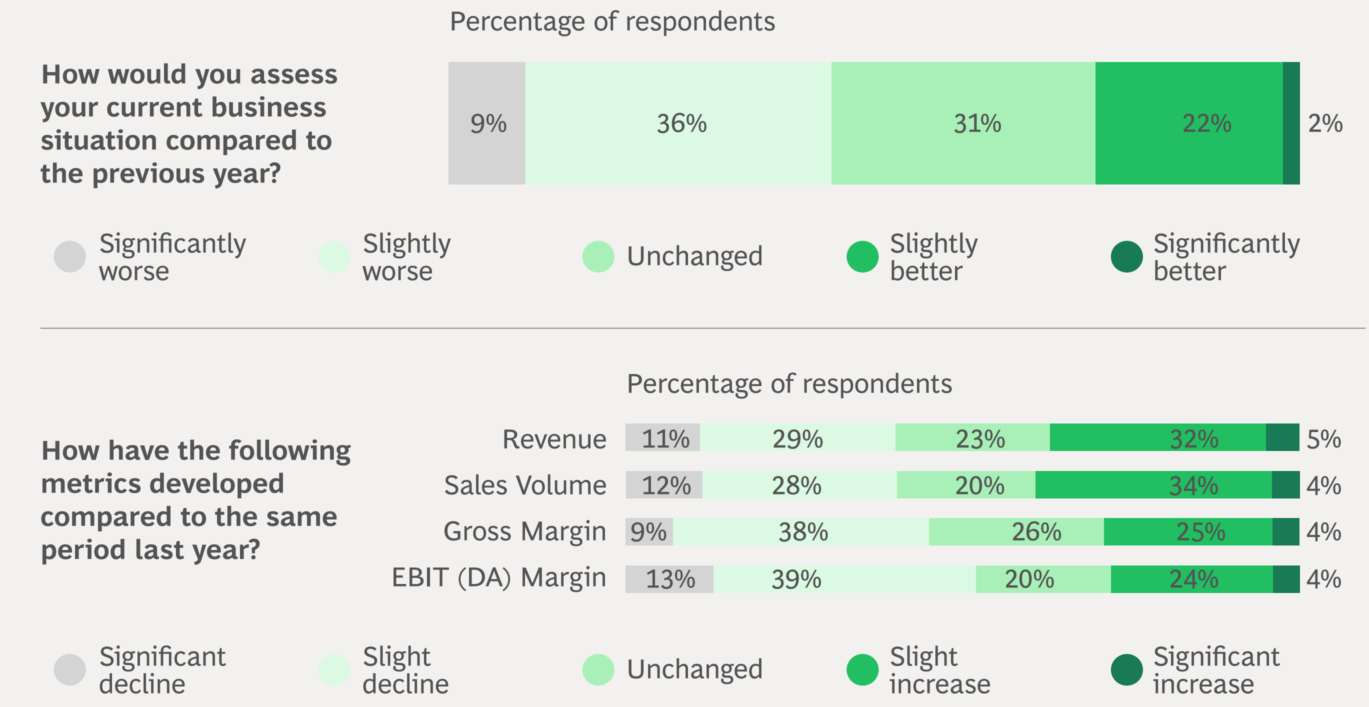
> **“Tariffs will have a negative impact on our customers’ exports (still with relevant exposure to US market)”**

> **“On the supply side, Asian raw materials suppliers will divert sales to the European market as consequence of higher restrictions in US. This will cause further instability on European chemical producers”**

Business sentiment varied significantly across markets. While 63% of German distributors reported a deterioration in conditions, half of the French respondents saw an improvement. In Spain, more than half of distributors reported revenue growth, whereas conditions in Italy and the Netherlands remained largely flat. Size and business model also matter: distributors with revenues below €50 million were twice as likely to experience declining revenues (20% of respondents) compared to those above €50 million (5%),and commodity-focused players remain more exposed, with 56% reporting worsening results versus 30% among specialty distributors.

EXHIBIT 02: BUSINESS SITUATION & KPI DEVELOPMENT

Market environment—Majority of distributors report stable to slightly improved business vs. previous year, however margins remain under pressure



Source: FECC Pulse Check 2025; BCG analysis

2. Competitive Dynamics and Supplier Landscape

Changing customer and supplier requirements are reshaping competitive dynamics across European chemical distribution. On the demand side, cost pressure clearly dominates customer priorities. While interest in sustainable alternatives remains present, customers primarily seek greater flexibility, faster and more targeted innovation, and more strategic, mutually beneficial partnerships as they respond to pressure in their own end markets.

> **"Customers request lower prices while ordering less…cost pressure is very demanding and a key driving factor for customers"**

On the supply side, distributor–supplier relationships remained broadly stable. Nearly all respondents (97%) reported stable or improved relationships over the past year, reflecting the growing importance of close strategic collaboration. Distributors increasingly expect deeper cooperation with suppliers through integrated platforms, joint product or service development, and more closely aligned service offerings. Against the backdrop of European regulation, ESG-related collaboration – particularly around CO_2 transparency – is becoming a standard component of these partnerships, even as price stability remains a central objective in a challenging market environment.

The importance of strategic supplier collaboration increases with company size, with larger distributors placing greater emphasis on long-term partnerships. At the same time, competitive pressure from non-European suppliers is intensifying. More than half of respondents

(57%) observed a growing presence of non-European players in the European market, with 17% describing this increase as significant. Asian suppliers, in particular, are driving this trend through aggressive pricing, improving service quality, and greater local adaptation. Nonetheless, non-European suppliers are also leveraging European distributors for market entry.

Competitive pressure is most pronounced in commodity chemicals, where 59% of respondents reported intensified competition from non-EU sources. Regionally, rising activity was reported most strongly in Spain (71%) and the Netherlands (64%). As one respondent noted, "Europe is THE place to dump products not sold in traditional markets (e.g. the US for Asian producers). Once prices drop, it's very hard to raise them again." In response, many distributors are reassessing sourcing strategies and sharpening value propositions centered on reliability, service quality, and partnership depth rather than price alone.

3. Capability Building and Transformation Priorities

The BCG & FECC Pulse Check revealed clear priorities for capability building as distributors respond to a challenging operating environment. Regulation, sluggish demand, and geopolitical uncertainty emerged as the three most pressing challenges across the industry. To address these pressures, distributors are primarily directing investment toward digitalization, supply chain and logistics capabilities, and people management.

Digitalization stood out as the most frequently cited priority, with 63% of respondents ranking it among their top three investment areas, followed by supply chain and logistics (55%) and people management (53%). While these themes were consistent across markets, notable country-specific differences remain. Distributors in Belgium showed the strongest focus on digital investments, with nearly all respondents (99%) ranking digitalization as a top-three priority. In Portugal, innovation featured most prominently (66%), while Swiss distributors placed a particularly strong emphasis on M&A (84%).

Investment priorities also diverged by company size and business model. Distributors with revenues above €250 million prioritized digitalization and M&A as key levers for scale and competitiveness, whereas smaller firms focused more strongly on operational efficiency and supply chain improvements. Specialty distributors ranked digitalization as their top priority, while commodity players placed greater emphasis on upgrading supply chain capabilities.

4. Technology and Digital Focus Areas

Digital and AI adoption continues to accelerate across European chemical distribution, reflecting growing pressure to improve efficiency, resilience, and customer engagement. Across the sector, artificial intelligence, cybersecurity, and digital platforms emerged as the top technology priorities (see Exhibit 3). More than half of distributors (51%) are already testing or actively using Generative AI, while a further 23% are in the evaluation phase; 27% have not yet begun adoption.

> **"The required speed of service offerings (innovation, supply chain, regulatory support) has increased"**

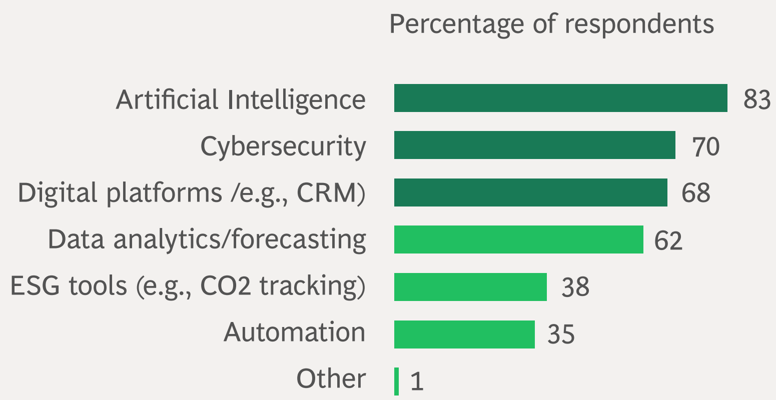
Adoption levels vary significantly by company size and geography. Large distributors (more than €1 billion in revenue) are at the forefront, with 89% of respondents experimenting with Generative AI tools, compared to roughly half of smaller players. At the country level, Portugal ranked AI and cybersecurity equally high (33% each), while Italian distributors placed greater emphasis on data analytics (24%). The Netherlands, Belgium, Switzerland, and Ireland reported the highest overall adoption rates, each exceeding 60%.

Overall, technology is increasingly viewed as a critical enabler of operational efficiency, risk management, and customer interaction. However, while experimentation is widespread, many distributors remain at an early stage of scaling digital and AI solutions across the organization, in part due to ongoing evaluations of return on investment.

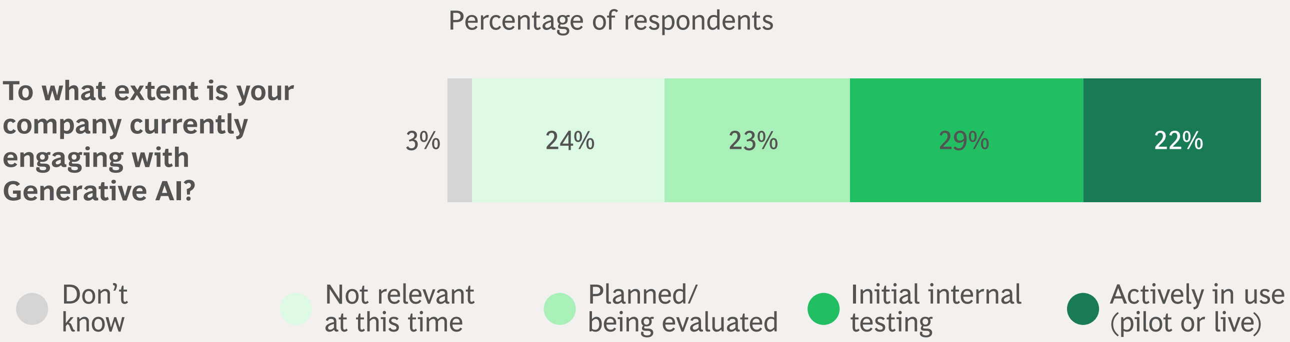
EXHIBIT 03: RELEVANCE OF TECHNOLOGIES AND (GEN)AI AMONG CHEMICAL DISTRIBUTORS

Future & transformation: Distributors see AI and cybersecurity as top technology priorities — digital platforms gaining traction, but not yet at scale

Which technologies will be most relevant to your company in the next 2-3 years?



To what extent is your company currently engaging with Generative AI?



1. Range each question of 119-121.
Source: FECC Pulse Check 2025; BCG analysis

5. ESG Readiness and M&A

Sustainability and market consolidation continue to shape the strategic agenda for 2026. Nearly half of distributors considered themselves well or very well prepared for ESG requirements, while a further 37% assessed their readiness as moderate. ESG confidence was significantly higher among larger players, with 80% of distributors generating more than €250 million in revenue reporting a high level of preparedness. At the country level, respondents in Germany and Belgium reported the highest ESG readiness.

In parallel, consolidation remained a key growth lever for the sector. Historically, distributors have relied heavily on inorganic growth, and this pattern persists: 62% of respondents indicated that they are considering M&A activity over the next 12 months – 35% opportunistically and 27% actively – while 38% are not currently pursuing acquisitions. M&A appetite differed markedly by segment, with 69% of specialty distributors considering acquisitions compared to 33% of commodity-focused players, reflecting stronger strategic ambition and greater financial capacity in specialty markets.

Outlook and Strategic Implications

Looking ahead, despite continued economic uncertainty, some room for optimism remains. Around 24% of respondents expected business conditions to improve by the end of the first half of 2026, while 36% anticipated deterioration and 40% remained neutral. At the same time, tariffs were widely seen as a downside risk: 53% of distributors expected tariffs to negatively impact their business going forward, while only 1% foresaw any positive effects. Against this backdrop, distributors continue to navigate unpredictable regulatory and trade developments, placing strong emphasis on cost discipline and operational efficiency to protect margins.

In this environment, strategic differentiation is increasingly defined less by scale or portfolio breadth and more by the ability to adapt continuously. Leading distributors are strengthening supply chain resilience through diversified sourcing, accelerating the adoption of scalable digital and AI-enabled capabilities, and investing in talent and ESG readiness to meet evolving customer and regulatory expectations.

The BCG & FECC Pulse Check is designed to track this evolution on an annual basis, providing an ongoing benchmark of how distributors respond to uncertainty – and which strategic choices consistently translate pressure into long-term advantage.

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