Transform to sustain your value!

How chemical distributors can successfully navigate market downturns and transformation trends

PwC Deals
April 2025

Chemical distributors currently navigate a market characterized by sustained economic, geopolitical and environmental challenges

Executive summary

	Trend description	Business impact
Economic slow-down	Global **economic growth is slowing** (GDP growth of +1.7% in 2024, compared to 1.8% in 2023 and 3.2% in 2022) due to factors like limited global trade resilience linked to economic fragmentation and structural issues such as shrinking economy caused by decline in birth rates. **China**, the world's chemical powerhouse, **is shifting to a self-sufficient, domestic-driven growth model** supported by significant local investments	Chemical companies remain **sensitive to economic slowdowns**. Commodities are usually more affected by these than innovative, high-growth specialty products (e.g. battery materials, eco-friendly plastics)
Geopolitical tensions	**Geopolitical conflicts and protectionism** remain significant trends for 2025. In addition to major ongoing conflicts like the war in Ukraine, newer conflicts, such as the one involving Houthi rebels in Yemen, are causing global concern and have the potential to **disrupt supply chains**. The **policies changes' following the recent US election** will be crucial in shaping future relations between the US, Europe, and China – the world's largest chemical economies – for years to come	Geopolitical uncertainty and conflicts pose **challenges to global supply chain** and **impact demand**. Further, **protectionism distorts global competition** (e.g. in e-mobility)
Energy prices	The **energy price shock** in Europe, resulting from the war in Ukraine, appears to be under control. However, the European chemical industry and downstream manufacturing continue to face **elevated energy costs** compared to other major regions. This is due to a significant **dependency on oil and gas imports** and the high costs associated with the **green transformation** of the energy sector	High energy prices put **pressure on profitability of local chemicals production**, favour **low-cost imports from Asia** and **reduce downstream demand** from European manufacturers
Climate change	As the **effects of climate change** become more and more apparent, it is also **spurring global industrial policy changes**. Beyond clean energy, **achieving net-zero materials** like chemicals and metals is essential. In Europe, the EU Commission and EU Council Presidency is set to prioritize industrial policies, **aligning the chemical sector with the EU Green Deal**	Growing demand for **carbon-neutral products** is not only driving the demand for green energy, but also the **transformation of business portfolios**, accelerating the shift towards eco-friendlier products

Sources: PwC analysis; World Economic Forum; OECD

While acting as a matchmaker between suppliers and customers, distributors need to harness major transformation trends

State of the industry

Market challenges

Chemical Distributors

1 Supply of chemical products

- Potential disruption of raw material supply chains
- High energy costs, especially in Europe
- Shift of chemical production from Europe to Middle East, APAC and North America

2 Demand for chemical products

- Increased volatility due to higher levels of distress linked to macroeconomic downturns, industry transformations and geopolitical uncertainty
- Impact of possible future tariffs to be assessed

Transformation drivers

3 M&A activity

- Consolidation persists, compelling companies to adopt strategic stances, either as acquirers or targets

4 Advancing digitalization

- Digitalization requires the adjustment of channels, logistics and organization structures

5 Rising importance of ESG & regulations

- Managing ESG and regulatory requirements and integrating them into business models is key

6 Skills shortage

- Shortage of skilled workers puts future competencies and capacities at risk
- Increased relevance of employer branding

Sources: PwC analysis // Notes: # = Deep Dives

Major transformation trends pose key challenges that chemical distributors can turn into opportunities to be leveraged

Key challenges for chemical distributors and proposed recommendations

Market challenges | Transformation drivers

	Mitigating chemical supply chain challenges	Adapting to volatile demand in chemical markets	Navigating consolidation in M&A	Harnessing potential of digitalization	Rising importance of ESG & regulations	Facing people and skills shortage
CHALLENGE						
RECOMMENDATIONS	Secure business-critical principals and supply of high margin materials	Agriculture: Invest in organic farming needs and advanced chemical solutions	Embed M&A, market entry and expansion in your business strategy	Establish or refine your digital roadmap	Expand service offerings related to sustainability	Consider ‘purpose’ an integral part of your company
	Revise global sourcing and warehouse footprints	Pharmaceuticals: Harness trends by adapting to advanced solutions like personalized medicine	Engage in M&A by moving from preserver to pursuer or predator	Focus on digital solutions and digital sales channels	Develop a holistic decarbonization approach	Revise working culture with flat hierarchies and flexible working models
	Review supplier structure	Automotive: Utilize changing/rising demands	Look for opportunistic transactions and willingness to sell	Acquire digital skill sets or invest in enabling your workforce	Collaborate with chemical producers to identify marketable sustainability solutions	Consider outsourcing non-mission critical support services

Sources: PwC analysis

Facing unstable supply chains and decreasing production, especially in Europe, supply chain resilience becomes increasingly important

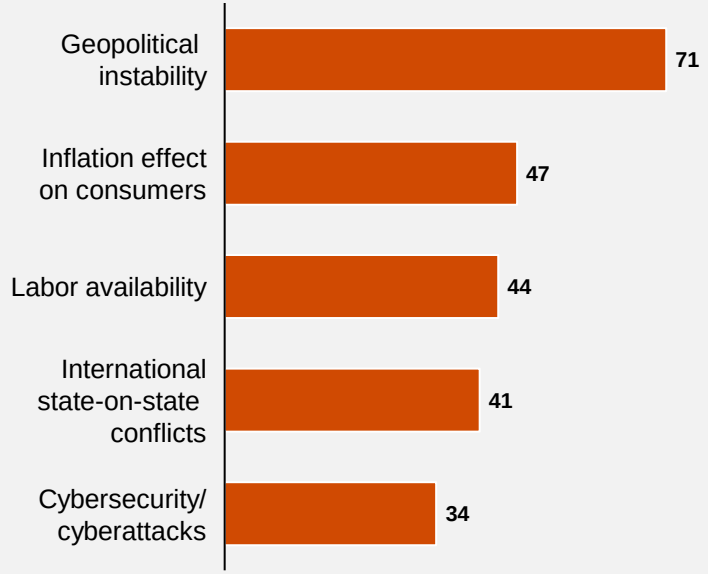
1 Situation: Supply chain issues

+2% **Output of chemicals in Europe increased in 2024**

Global supply chains face multiple risks:

- **Rising geopolitical tensions:** Trade wars and geopolitical conflicts are becoming more prevalent. Some Western governments and companies are seeking to reduce dependencies on China, reinforcing "China plus one" strategies and regional approaches.
- **Supply stability concerns:** The availability of raw materials and affordable energy has become less predictable. The war in Ukraine has exacerbated these issues, particularly in Europe.

Largest disruptions to supply chains (share of respondents in %, January 2024)



Potential measures

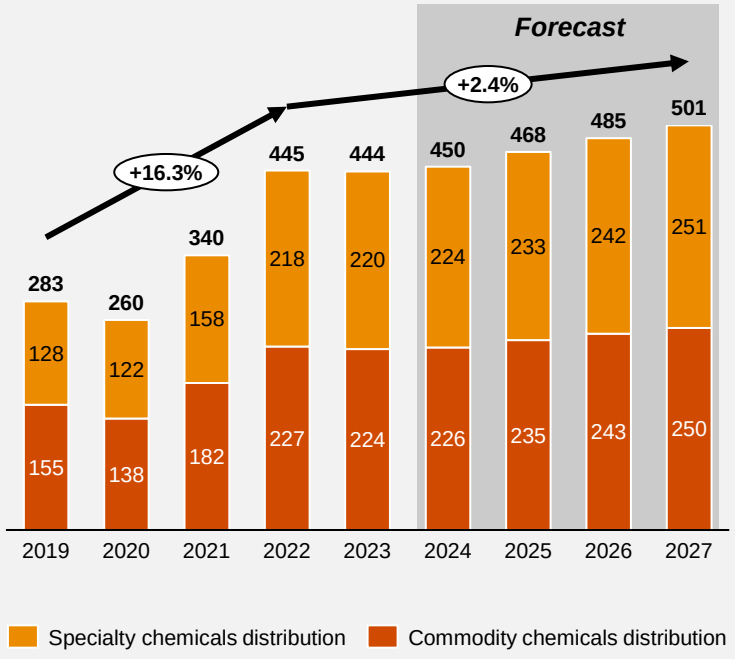
1. **Secure business-critical principals** and proactively identify potential fallout risks to enable timely and effective responses
2. **Revise global sourcing and warehouse footprints** jointly with suppliers, enhancing flexibility and strengthening regional networks
3. **Review supplier structure** to identify new suppliers less impacted by rising energy prices, where feasible

Sources: PwC analysis; Eurostat; Statista, Frost & Sullivan; VCI 2025

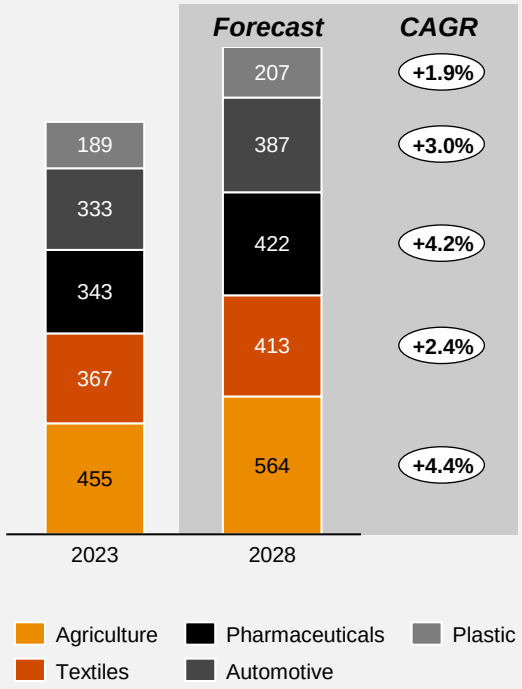
Chemicals market growth will slow down, but customers' market growth looks promising over the next years

2 European markets for distributors' customers have promising market sizes

Perspective on the global chemical distribution market (sales in €bn, CAGR)



Projected sales by industry (European, in €bn)



Potential measures

Among customers of chemical distributors, agricultural and pharmaceutical industries project **stable demand expectations**

Agricultural: Chemical distributors should invest in sustainable and organic farming needs and educate farmers on improving yields and quality with advanced chemical solutions

Pharmaceutical: Innovations in personalized medicine and online platforms are improving medication access. Distributors can support these trends with advanced solutions. Government strategies and aid packages for domestic manufacturing and R&D open up opportunities

Automotive: Despite the growing competition from Chinese models impacting the growth prospects of European car manufacturers, the demand for automotive chemicals is anticipated to continue rising

Sources: PwC analysis based on Insight Partners; Marketline; CHEManager

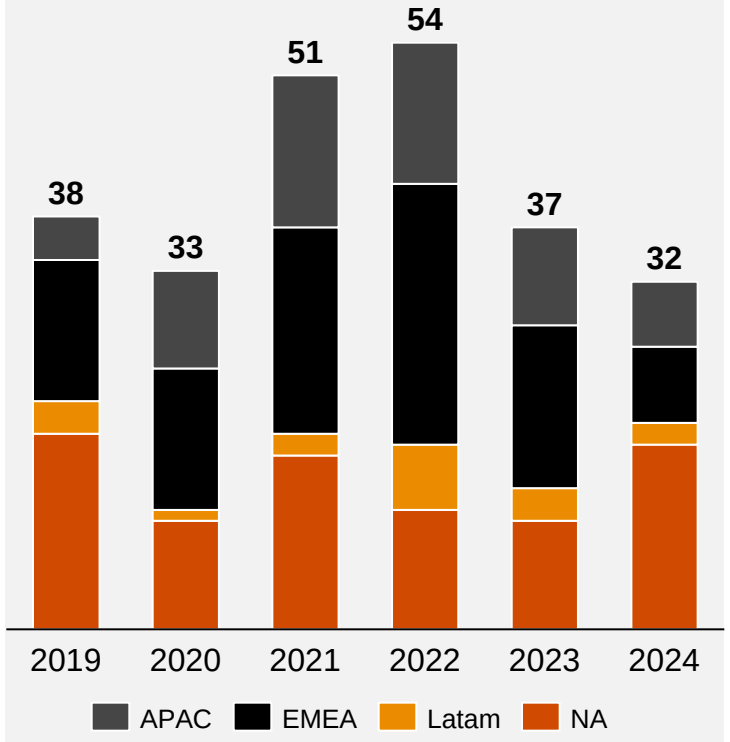
The chemical distribution M&A game is opportunity-driven, where players seize chances when they appear

3 Situation: Stagnated M&A activity

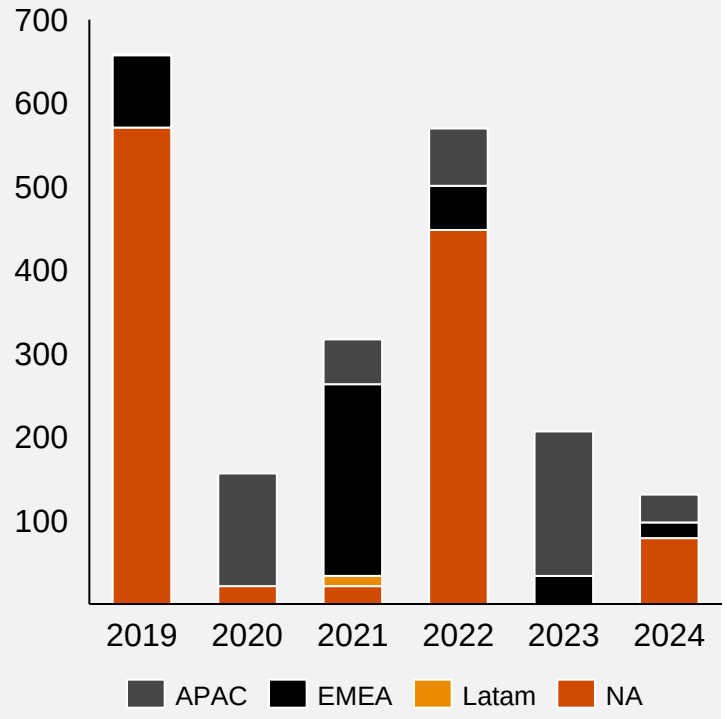
- **Market consolidation has slowed down**. While large companies continue to lead, mid-sized players have become more cautious. As a result, companies that lag may become attractive targets for acquisition
- From 2019 to 2024, 43% of total transaction were between corporate players, indicating a trend towards consolidation of a fragmented global market
- M&A has often been used for two major functions: facilitating market entry and expanding into emerging markets, securing long-term growth
- The EMEA region accounted solely for less than 14% of the total deal value in the global industry in 2024
- As opportunities depend on (family) shareholders' willingness to sell, acquisitions may sometimes be driven by opportunistic rather than well-planned strategic intent

Chemical distribution industry transaction activity

Deal volume



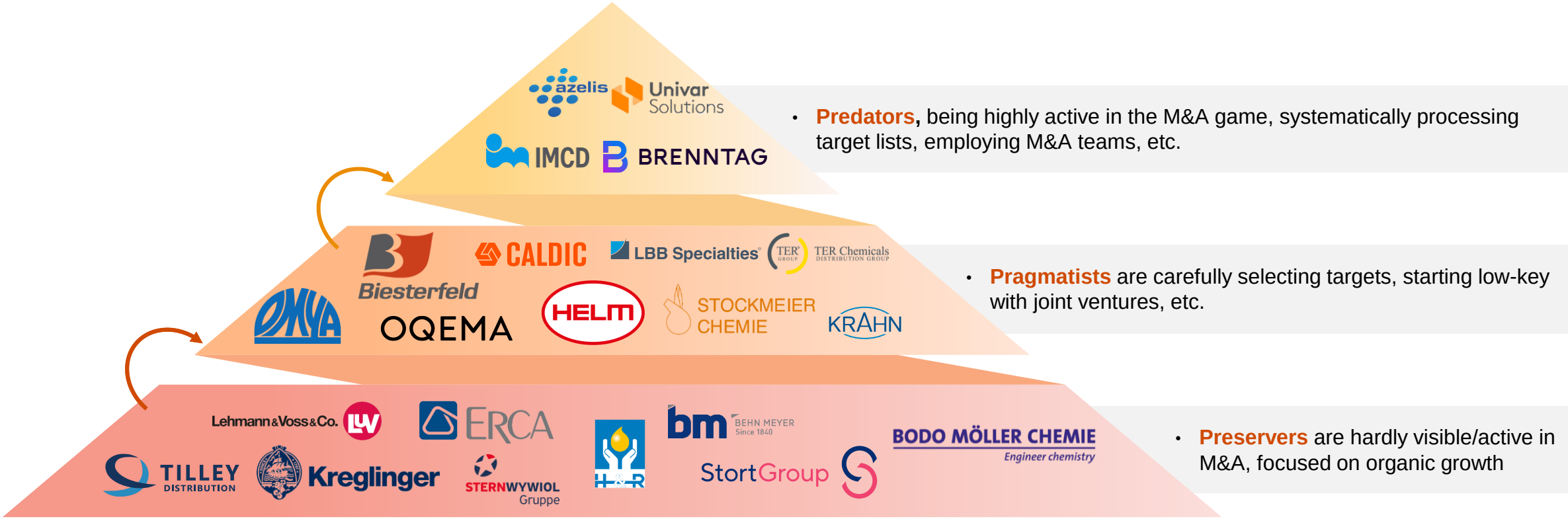
Deal value in €mn



Sources: PwC analysis based on Capital IQ data// Notes: (1) Transaction volume and values reflected are net of PE-backed or PE-involved deals

In a consolidating market, chemicals distributors must weigh opportunities and risks – and avoid becoming targets themselves

3 Industry ecosystem: Schematic breakdown of the chemical distributors' acquisition activity levels



- **Predators**, being highly active in the M&A game, systematically processing target lists, employing M&A teams, etc.
- **Pragmatists** are carefully selecting targets, starting low-key with joint ventures, etc.
- **Preservers** are hardly visible/active in M&A, focused on organic growth

Sources: PwC analysis based on Capital IQ data// Notes: Segmentation is illustrative and not exhaustive, building on transaction activity over the last ten years

Digitalization of sales channels is accelerating, distributors must embrace the digital experience to meet customer expectations

4 Situation: Increasing digital customer expectations

With an increasing number of millennial buyers, digitalization adoption of sales experience is accelerating – and Europe is a frontrunner. Many chemical distributors risk falling behind:

- The chemical industry grew due to a €5.5bn R&D investment in 2022. At the same time, distributors **invested only about 1% of 2024 sales in digital infrastructure**. Most innovations came from modernizing CRM and ERP systems, developing online collaboration tools for labs, and new products driven by regulatory pressures
- **Growing digital marketplaces** like CheMondis, ChemDirect, BluePallet and Kemgo intensify competition from distributors and manufacturers and can no longer be ignored, especially for standardized products

Customers increasingly expect chemical distributors to provide…

Buy fast and smooth	Digital channels facilitate a **smooth, efficient sales process** with 24/7 access to product searches, order placement and tracking, document retrieval, and technical support
Find products they need	Data analytics offer **real-time, AI-driven insights**. Monitoring customer interest and trends helps **leverage cross-selling** and provides **actionable strategies** for sales teams
Stay up-to-date on the latest trends	Multi-channel digital marketing is essential for **promoting brands with tailored information** to attract new customers and **collaborate online to innovate** with existing ones

Potential measures

1. **Assess organization's level of digitalization** and establish the digital roadmap to take the next step
2. **Build digital sales channels** to win customers, generate data and **leverage data-driven insights**
3. **Connect digital solutions** to create a **user-friendly** and efficient platform and derive maximum value from data
4. Make sure to **have the right people and skills** on board to successfully drive the digital journey

Sources: PwC analysis; VCH Handelsstatistik 2022; VCI "Chemische Industrie in Zahlen"

Sustainability trends are challenging the entire chemical industry – but distributors can also tap into new opportunities

5 Situation: Environmental objective of ESG changes business models

- Governments and customers – but also distributors themselves – acknowledge the **importance of sustainability** resulting in a growing need for greener chemical products
- **Three major objectives of governments and customers** are impacting the chemical industry in particular:

Decarbonization of supply chains & operations

Waste reduction & circular economy

Reduction of water consumption

Chemical distributors can support producers and customers in their sustainability efforts:

What producers need…	What chemical distributors can offer…	What customers need…
• Information on market trends & demands • Marketing & distribution support of new products • Guidance for new and updated regulations	• Highly relevant expertise in chemical and trade regulations • Knowledge of market trends and demands • Marketing & sales skills for sustainable products	• Increased offering of sustainable products • Advice on substitution of hazardous products • Smooth import and handling of products

"Where the distribution sector per se can make a big difference is when it comes to our own operations and to advising our customers on circular economy principles […]"[1], **Dorothee Arns, Director General of FECC**

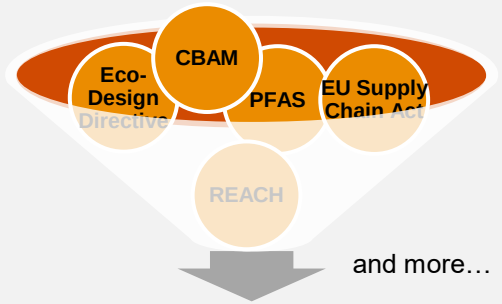
Potential measures

1. **Expand service offerings in sustainability** to support producers and customers − from regulatory services to application know-how
2. Choose a **holistic decarbonization approach for supply chain and operations functions,** also cover scope 3 emissions along the value chain
3. Collaborate with chemical producers to **support development and introduction of greener products and solutions**

Sources: PwC analysis // Notes: (1) 'CHEManager':" Planning for the Unexpected" (05-2022)

Based heavily on the ESG agenda, the EU is increasing regulatory requirements for chemical distributors

5 Situation: EU has the most comprehensive chemicals legislation globally



and more…

- Already **>40 legislative instruments in the EU** relevant to the chemical (distribution) industry
- Constantly **new regulations and updates to existing ones** put further pressure on companies in the industry to meet legal requirements
- **Regulatory experts** to navigate regulations and handle the workload **are a scarce resource**

Regulators require distributors to…	due to …
Monitor imports from non-compliant countries & ESG standards	Ban on endocrine-disrupting, persistent, mobile and bio-accumulative substances
Revise & provide comprehensive product information	Introduction of new hazard classes and classifications incl. labelling requirements (e.g. F-gas regulation in 2024)
Report on ESG performance – for companies under the CSRD[1]	ESG reporting duties for companies with >1000 employees and >€50 mn sales or >€25 mn in assets[2]

Potential measures

1. **Monitor evolving regulations and stakeholder expectations** to ensure proactive compliance
2. **Understand value creation potential** inked to optimized compliance with current and upcoming regulation
3. **Create a value-driven sustainability roadmap** aligned with future regulations to unlock value potential

Notes: (1) Corporate Sustainability Reporting Directive; (2) Following the EU COM Omnibus proposal, CSRD applicable if a company (or group) meets employer threshold and 1 out 2 criteria regarding revenue and assets.
Sources: PwC analysis //

The new increased regulatory standard can also represent a leveraging opportunity for new revenue channels

5 Use cases: alternative offerings arising from regulatory mandates

BRENNTAG

Carbon Management:

- **CO2Xplorer**: This tool enables companies to assess and manage their carbon emissions, enhancing transparency and accountability in line with ESG (Environmental, Social, and Governance) standards

SOLVAY

Green Chemistry:

- **Green Initiatives:** Solvay is pioneering projects like producing green hydrogen peroxide and developing bio-sourced silica. These initiatives promote renewable energy use and sustainable chemical solutions

BASF / umicore

Circular Economy:

- **Nexyclus:** offers fully-recycled precious metals to support circular economy and address resource scarcity and sustainability demands
- **ChemCycling®:** converts plastic waste and end-of-life tires into reusable raw materials

Univar Solutions

Waste Optimization:

- **Solutions' ChemCare®:** Offers comprehensive waste management solutions, focusing on sustainability and regulatory compliance in waste disposal

IMCD

Sustainable Products:

- **Sustainable Solutions Framework:** This program is dedicated to developing sustainable products and promoting responsible product stewardship, ensuring compliance with regulations and aligning with ESG goals

HELM / Plantix

Digital Innovation:

- **Plantix:** Utilizing AI and machine learning, Plantix provides farmers with real-time insights into crop health and pest detection, demonstrating how digital tools can enhance agricultural productivity and sustainability.

Potential measures

1. **Maximize sustainability expertise** acquired by leveraging accumulated knowledge of environmental impact, carbon footprints, and sustainable waste management to offer consultancy services in implementing sustainable practices
2. **Retooling of recycling initiatives** into business units. Additionally, players are using self-developed products and technologies to create secondary raw materials
3. **Turn to sustainable products** by increasingly using more natural raw materials and investing in R&D to transition to eco-friendly products

Sources: PwC analysis based on companies' websites

Skills shortage and an aging workforce challenge organizations: new talents are looking for a purposeful and digital working environment

6 Situation: Skilled workers and talents are needed to stay future-fit

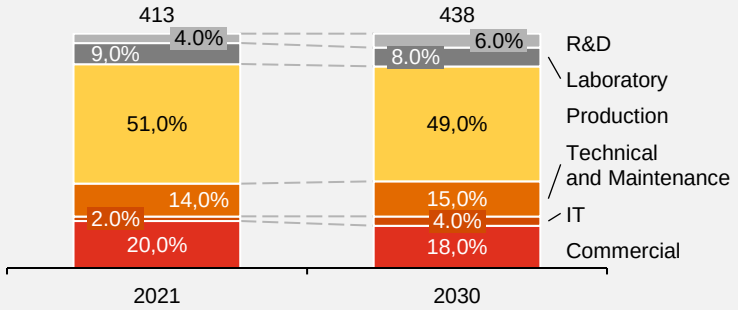
The need for skills and talents to drive distributors' transformation agendas is growing:

- If the chemical industry's transformation succeeds, about **25,000 more full-time employees will be needed by 2030**, including those with **IT or sustainability expertise**
- **Demographic changes also** affect the chemical industry and intensify the shortage of skilled workers; share of employees >50 years has increased between 2010 and 20233

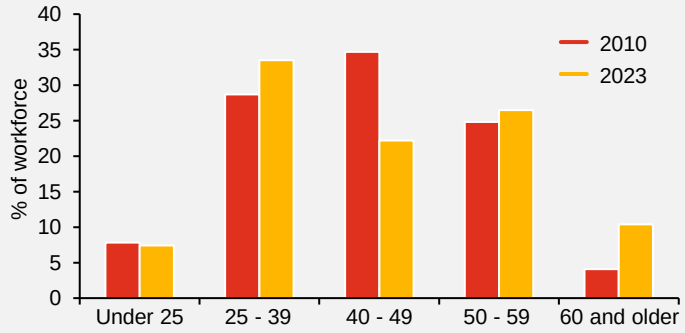
What are young talents looking for today?

- Digitally developed environment to further drive digitalization
- Support in translating ESG considerations to their work
- High degree of collaboration and extensive career opportunities

Successful transformation scenario – employee demand (thousands)



Age structure of the chemical and pharmaceutical industry in Germany



Potential measures

1. **Revise HR marketing and employer branding:** Actively seek and engage young talent entering the job market on relevant platforms
2. **Embed ESG principles** to make 'purpose' central to the employee experience
3. **Enhance workplace culture** with flat hierarchies and flexible work models
4. Consider **outsourcing** non-critical support services to reduce dependence on the labour market

Sources: PwC analysis; BAVC 2023; IAB 2024

Act now to stay successful!
How chemical distributors can manage upcoming challenges

Manage position amid supply & demand	• Carry out a comprehensive revision of current supply chain footprint to determine flexibility to manage potential risks • Use accumulated knowledge to establish scenario planning with quick-response capabilities
Leverage scale via M&A	• Secure M&A opportunities when presented for inorganic growth and diversification, but also to protect standalone status from ‘predators’ • Assess the correct transaction for each risk profile – from JVs to bolt-on acquisitions
Be a pioneer in digitalization (or catch up)	• Develop cloud-first infrastructure ecosystem for internal functions, keeping up with market trends • Ensure an offering of digital sales channels, setting up the base layer of data collection to be leveraged
Overcome regulatory pressures	• Invest in in the right capabilities to meet the continuing increase in regulatory requirements • Reinforce your position as a trusted partner by expanding regulatory services for suppliers and customers
Excel in the ESG transformation	• Decide on a decarbonization approach for supply chain and operations as well as covering all scope 1, 2 and 3 emissions • Strengthen the product offering by introducing value-adding sustainability services
Attract the next generation	• Differentiate yourself as an attractive employer for the next generation to build your skilled worker base, by adapting to new work and adopting flexible working models

Sources: PwC analysis

PwC utilizes its integrated industry expertise to strategically support clients, driving transformative success among market challenges

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Extensive global reach and expertise – With a network spanning over 150 countries, we leverage the insights of more than 4,500 PwC professionals worldwide

Deep industry acumen – Our team is immersed in the chemicals sector, fostering strong ties with key industry networks

Combining local specifics with global expertise – We deliver unparalleled local expertise while seamlessly integrating insights from global specialists with targeted knowledge, ensuring comprehensive solutions for your business needs

4,500+ chemicals experts at PwC are excited to work with you!

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