



Prospects for the Chemical Distribution Industry

Becoming an Even More Important Partner in the Chemical Value Chains

The chemical distribution business is a diverse industry that provides customized solutions for important sectors such as pharmaceuticals, paints & coatings, agriculture, cosmetics, food & feed, and automotive. At the center of the supply chains of these sectors, distributors are critical partners for global corporations as well as for SMEs. This role has become particularly obvious and relevant during the corona crisis. But distributors also face many challenges in the aftermath of the pandemic and the current political and economic environment.

CHEManager asked executives and industry experts to share their views on the prospects for the chemical distribution sector. We proposed to discuss the following aspects:

- What, in your opinion, are the most important lessons learned after two years of operating in a pandemic environment?
- What will be the most important short- and long-term challenges facing the sector?
- How do chemical distributors support the chemical industry on its path toward carbon neutrality?

Read the insightful answers of the experts here.



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Keeping Supply Chain Costs as Low as Possible

Thorsten Harke, President,
Harke Group

Over the past two years, in an environment marked by a pandemic and more recently increasing geopolitical tensions and conflicts, the chemical distribution industry has proven its important role in the supply chain by buffering and evening out supply chain disruptions, thus helping its partners avoid the most catastrophic outcomes.

We achieved this through early order planning, safety stocks, early booking of logistics capacities, and our broad, international network, through which we were regularly able to help out our customers with emergency quantities that were “squeezed out” from our long-standing international partners.

In addition to digitalization and online distribution, which we are meeting with a sophisticated IT infrastructure and our newly launched and completely reworked online shop and marketplace harke.com, one of the major challenges facing chemical distribution is the ever-increasing amount, complexity and cost of regulations. These range from further expanding REACh regulations, over the Green New Deal with among others upcoming CO₂ tariffs up to new supply chain laws. We assigned highly qualified and trained personnel to these topics in order to



“The chemical distribution industry has proven its important role in the supply chain.”

keep up to date with and duly execute the vast amounts of ever-changing regulations. As chemical distributor and hence as “transaction cost specialist,” we nevertheless achieve keeping costs for the supply chain as low as possible, also for sales and logistics costs. By combining a large range of products from different suppliers in an intelligent and optimized way, our efforts do not only translate in cost savings, but also in considerable savings of CO₂-emissions for the chemical industry.

By being able to open markets worldwide quickly for innovative leaders through our established networks, we furthermore contribute to the faster introduction of innovative, sustainable “green” products with lower carbon footprint to our customers, another important contribution to lower CO₂ emissions.

Distributors Are More than a Mere Logistic Agent

Christian Kohlpaintner, CEO,
Brenntag

In the past two years, and today, we have faced global challenges of a severity unlike anything I have ever seen in my career of almost 30 years in the chemical industry. Many cumulating factors contributed to these challenges, disrupting supply chains and logistics processes globally and persistently.

But these challenging times have highlighted the large and crucial role the chemical distribution sector plays in maintaining business continuity, more than the chemical industry realized before. Brenntag quickly learned how to deal with the diverse disruptions, leveraging our size and global network and especially through the expertise and strong dedication of our employees worldwide who came up with solutions for our customers and suppliers and going the extra mile to be the trusted partner. Distributors with a global footprint like Brenntag have become key service providers, and reliable partner in problem solving, much more than a mere logistic agent.

This role will continue to expand as the focus on sustainability in the chemical industry will lead to drastic and fundamental changes, and the pressure to change and develop is immense. Global distributors like Brenntag have the network and overview to



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overcome local challenges, and work with suppliers and customers to develop sustainable ideas, drive product innovations and to learn from best practices in other regions or industries.

The huge innovation potential and know-how of our sector and our experts is not yet fully recognized and used by our industry partners. The sustainable transformation needs to include and learn from the expertise in the chemical distribution sector to scale effects, and to find benefits for all parties involved. Chemical distributors like Brenntag can serve as integration and connectivity platform and stimulate the ESG agenda of the industry. Carbon neutrality and global sustainability in our industry will not be achieved in isolation – but only by a joint effort and shared know-how.

Every Challenge Presents Opportunities

Hans-Joachim Müller, Group CEO,
Azelis

The pandemic pressed us all to adopt new ways of working and living that involved changes that were somewhat uncomfortable, but also changes we all found to be great advantages. This is the case of working from home and becoming more digital than ever before. The implementation and adoption of collaboration tools and other technology—all in the cloud—showed us that we are less dependent of our physical offices than we thought. Our local for local approach has proven to be equally successful in a more virtual environment.

It was thanks to our initial decision to put digital first—even before Covid—that enabled Azelis to roll out its customer experience platform globally, currently covering seven strategic market segments in APAC, EMEA, and the Americas, with new countries launching every month. Covid also accelerated the desire of our customers to get digital access to product information, our formulation expertise, and trends driving the market. To address these needs, our customer portals play an increasingly important role. In a nutshell: our digital strategy has allowed us to keep a closer, real-time connection with customers and principals during the pandemic and will remain to do so.

At Azelis, we believe every challenge presents opportunities; let's talk about the latter.



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Thanks to this digital acceleration, we can now combine both physical and digital, thus creating formidable synergies for our customers: sharing knowledge more effectively, more efficiently, and building valuable customer relationships. The key is finding the perfect combination between digital and physical, intelligent connections between physical assets, the human touch together with digitalization, that will drive innovation through formulation.

Azelis is proud to play a key role in the supply chain, finding ourselves in a privileged position: between our suppliers and our customers. Our sustainability strategy, Action 2025, is crucial to our corporate identity and business model and has the ultimate goal to reduce CO₂ emissions (carbon neutrality) within the supply chain and provide sustainable formulations that help customers become more energy-efficient and increase the recyclability of the products we support them bringing to market, thus fostering circular economy.

Manifold Challenges for the Sector

Robert Späth, Managing Partner,
CSC Jäcklechemie

The pandemic has shown how the global economy has become interdependent over the last decade. Lock downs of harbors in China or elsewhere had severe consequences for the supply of Germany, for example. For the chemical distributors, this brought the chance to emphasize their importance for the stabilization of the supply chains. That was a big challenge not only for purchasing and sales but also for our own pandemic precautions at our sites. New supply routes, flexibility and digitalization brought us forward and finally the recognition as supply-critical infrastructure also helped. I think we learned a lot from the Corona crisis.

Just when the pandemic appeared to be largely over, the Ukraine crisis caught us off guard. A new iron curtain is now cutting through supply chains to the east. The associated energy crisis with unprecedented price increases is forcing some sectors into struggle for existence. Therefore, we might soon experience disruptive structural changes and a lot will depend on whether an accelerated energy transition in Germany succeeds. The priorities however shift the longer the conflict



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progresses and yet the challenges of the Green Deal remain in place too. In such uncertain times, chemical distribution will play an increasing role in supplying our industry. The challenges for the sector are manifold. Making us attractive to good junior staff, strengthening our networks with customers and suppliers, expanding our own logistic capacities are obvious. In addition, we face new risks like cybercrime and, finally increasing legal requirements remain our constant companions. Additionally, we work hard to meet the sustainability requirements of most of our business partners, for example by participating in initiatives like Tfs. Sustainability will also play an important role in the further development of the Responsible Care program. We definitely won't run out of work.

Enabling Climate Neutrality and a Circular Economy

Felix Thalmann, CEO,
Büfa Group

In order to achieve the goals of climate neutrality and the transformation to a circular economy, Büfa has already evaluated many of its products with the Product Carbon Footprint. This allows us to measure a product's contribution to climate change along its entire life cycle and creates transparency about the associated greenhouse gas emissions. We see ourselves as an important link between the producer and our customers, enabling them to make environmentally conscious purchasing decisions. In addition, we look at the issue of energy from three perspectives. First, we save energy, for example by optimizing logistics routes, avoiding business trips by using video conferencing, or by offering mobile working.



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Second, we are increasing our energy efficiency by installing new equipment and modern building engineering in our operations or by consistently converting our entire vehicle fleet to electric cars. And thirdly, we are making growing use of renewable energies by supplying all our sites with electricity from regenerative sources or installing photovoltaic systems at our sites ourselves.

The Vulnerability of Supply Chains

Neville Prior, Group Chairman,
Cornelius Group

Learning is essential to life and the Covid pandemic taught us several lessons. In what became one of the biggest human experiments in history, we learnt, almost overnight, that we can work in new ways. Office based staff went from the gregarious environment of an office, to working from home, alone. Technology was mobilized swiftly, and we all experienced the frequent delights of video conferencing. Very quickly we adapted to being “on camera”, whilst managers had to work harder to keep productivity up and spirits high. Companies learnt that not all travel was necessary, but that employee mental health was of huge importance. Today companies still grapple with the question of how to keep the company culture in such different circumstances. We will not remain in this splendid isolation, but for sure the world of work has changed forever. I think the other great learning was just how



“Covid has been a wakeup call to how fragile our lives and our luxuries are.”

fragile supply chains had become. When China closed down, we all shivered from the cold winds of lack of supply. We must ensure that supply chains are made more rigorous, that sources of supply are made secure for the future, and that as suppliers we take the necessary steps in partnership with principals, suppliers and customers. The world will slowly change, we may see more regional scale manufacturing replacing world-scale plants, and the concept of on-shoring will grow. Covid has been a wakeup call to how fragile our lives and our luxuries are. There is work to be done!

Partnership and Collaboration Are Key

Christopher Erbslöh, Managing Director,
C.H. Erbslöh

Removing a link from any structure will make it more unstable and the past two and a half years have very vividly demonstrated to the entire chemical sector how valuable distributors are in linking supply and demand. This is why we collectively need to understand that partnership and collaboration work better than individuality, and that this will create a more stable and profitable future for all of us in the long run. Distributors like C.H. Erbslöh and the LEL Alliance can offer more than technical innovation on the one side and a better price on the other. We can find solutions, offering



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technical answers to tackle issues ranging from local marketing needs to global climate change and carbon neutrality, while maintaining a transparent and robust supply-chain, allowing both manufacturers and customers to react to short-term volatility.



Chemical Distributors Face Major Challenges

Thomas Dassler, Managing Director, Häffner

After what we have experienced in the last two years, it is more difficult than ever to make sound predictions. The pandemic and the war in Ukraine have taught us how quickly things can change, and this will also have a significant impact on the way of doing business in the future.

The worldwide shortage and price increases of raw materials, the excessive rise in international transport cost and geopolitical uncertainties pose major challenges to chemical distributors in maintaining their ability to supply.

Against the backdrop of recent events, we at Häffner have once again intensified our risk management. We always strive to ensure delivery reliability for our customers, even in difficult times.

Additional challenges for our industry arise from the planned revisions of the REACH and CLP regulation and the Supply Chain Act.

To succeed in the environment of an increasingly demanding market, distributors need to strengthen their competitive position by delivering customers highly specialized solutions and value-added services instead of exchangeable chemical products. Häffner's customers benefit through our comprehen-



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sive services (“Häffner Smart Chemicals”) offering solutions to increase the supply chain's transparency (via digital twins for IBCs) and manage several standardized processes for the customers like e.g., automated organization of empty container collection, vendor-managed-inventory concepts or even pay-per-use billing-formats. Furthermore, we keep extending the number of Electronic Data Interchange (EDI) connections with our customers and suppliers. The combination of both automation and process visibility along the global supply chain contributes to more sustainability by more efficient transport planning and better utilization of (plastic) containers. At the same time, we see noticeable cost advantages for all sides. Nevertheless, especially among our SME customers, we still have to do a lot of persuasion.

Flexibility and Robust Supply Chains Are Key

Patrick Barthels, CSO, Oqema (left)
Hartmut Kunz, CFO, Oqema (right)



“As distributors, we want to offer our customers security of supply as well as competitive prices.”



First of all, we enjoy meeting people in person and if we stay calm and keep going, we can manage a lot of uncertainties. Also, the past two years of the pandemic have led to high volatility in volumes and prices. This underlines the importance of flexibility and the increasing need for robust supply chains — now and in the future. For us, expanding partnerships with suppliers and customers, digitalization and decentralization are the key building blocks to be resilient and responsive. Expanding partnerships is a way to strengthen supply chains, decentralization enables us to respond to challenges quickly, appropriately and with local differentiation, and digitalization supports fast and balanced data-driven decisions. Our strong growth over the last 10 years confirms that we are on a good path, and we will continue to drive it forward.

The volatility of raw material availability and the increasing supply disruptions of recent

years pose a particular challenge, as we expect them to continue and, as distributors, we want to offer our customers security of supply as well as competitive prices. Security of supply requirements remain a major challenge, as supplier partnerships usually require a single sourcing approach, which contrasts with secure multiple sources.

The most important contribution is the shift to more sustainable products, which we not only want to offer but also actively establish in the market — our goal is to become the market leader in some of these products. We are investing in more sustainable processes, for example, by switching to climate-neutral warehouses (as we have just opened one in Austria), with the aim of reducing our overall carbon footprint. Another important pillar is the circular economy — we have our own recycling plant, which we will continue to expand. True to the motto: we want to do things right or not at all.

Continued Success During the Pandemic

Gerd Bergmann, Chairman of the Managing Board, Nordmann

The pandemic has shown just how vulnerable and interconnected global supply chains are — and how carefully we have to manage our resources. At Nordmann, our response to the extreme situation has been to communicate openly and coordinate efforts with all those affected by it (i.e., employees, suppliers and customers).

Having a diversified product portfolio, supply chain excellence, a good level of agility and — above all — good long-standing relationships with our business partners have proven to be the most important factors for our continued success during this time. Crises like these can only be overcome together! Colleagues in China, for example, have helped very much with assessing the current reinforced lockdown situation in the country and its effects on our supply chain.

Even if the pandemic and the terrible war now being fought in Ukraine have made many other issues seem less important nowadays, for us the climate crisis remains one of the most important global challenges. New mobility concepts affecting material choices and our company's portfolio are additional topics we have to tackle, as well as the use of renewable raw materials, the circular economy and CO₂-neutrality. As an energy- and CO₂-intensive sector, the chemical industry can play a pioneering role here — and in many respects, it is already doing more than the



“The climate crisis remains one of the most important global challenges.”

public tends to realize. Nordmann is a sustainable player that strives day by day to get better.

Serving as a distribution company and central link between manufacturers, Nordmann has been doing a lot to support sustainable and transparent value chains with the aim of mapping out entire cycles from raw material extraction to recycling so they can be easily understood. This includes now being ISCC-certified and having been involved in sustainability initiatives such as Together for Sustainability and Responsible Care for many years already. Where our product portfolio is concerned, we have also been marketing products from sustainable or renewable sources for some time now, especially for plastics and cosmetics — partly in response to the significant increase in demand for these types of products. We will continue to use our product and application knowledge in order to help customers select raw materials and additives, as well as to provide advice on recycling and product shelf life.

Challenges Are not Getting Smaller

Andreas Woschek, Executive Vice President Chemicals, Helm

The Covid pandemic confronted us with the biggest challenge since the financial crisis a decade ago, yet we managed well: transferring the entire organization to work from home within days and continuing to operate the business with no major interruptions was unthinkable for many in the industry. By now, everybody is a professional in using video conferences to interact with business

partners so the toolbox for interaction has been widened. As the peak of the pandemic is behind us, we are highly welcoming that face-to-face meetings are possible again. Global and regional supply chain constraints result in increased transportation costs and reduced reliability for deliveries. We see customers building larger inventories, as just-in-time (JIT) deliveries are not as given as they used to be. Severely increased raw material costs are raising product prices to record levels. All this creates a perfect storm for the chemical industry short- and mid-term. In the long-term, the challenges will not get smaller as we will have to offer crisp and decisive actions to minimize the effects of climate change — in light of increased social urgency,



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agreeing and coordinating these activities internationally will be even more challenging than in the past.

The path towards carbon neutrality is an enormous challenge for our energy intensive industry which is mainly based on fossil raw materials. Distributors will have to contribute their share to ensure that sustainable initiatives overcome the obstacles of lack of scale and remote locations close to the bio-based feedstocks. A long-term plan combined with tangible short and midterm actions will create new business opportunities which will compensate for businesses which need to be halted as they will become too costly and environmentally unbearable. Our industry needs to define these actions, yet the support of a realistic governmental frame is required as well.