

“Quo vadis, Europe?”

The Role of Chemical Distribution in VUCA Times

The past four years of unprecedented challenges have left their mark everywhere — in society as well as in the industry. Since the start of the pandemic in the first quarter of 2020, the European chemical value chain has been undergoing an almost continuous stress test.

It all started with the pandemic and the associated politically imposed lockdowns and border closures in Europe—in this dimension unprecedented until 2020. When everyone thought that Covid-19 had been overcome to some extent, Russia’s invasion of Ukraine followed, which also heralded a kind of turning point in the sense that since then peace and a stable world order can obviously no longer

be taken for granted. In the meantime, the range of challenges seems to be ever-increasing, with various factors not only adding up, but also reinforcing each other, for example, the politically motivated attacks by Houthi rebels in Yemen on ships in the Suez Canal. However, all challenges have one thing in common: they demonstrate the vulnerability of our value chains in the wake of globalization.

Traditional patterns of demand and supply have also changed remarkably over the past four years: Everything has become noticeably more hectic, less predictable and somehow moving.

All these developments have also an impact on the definition of competitive factors. Economic success is now depending more than ever before on delivery capability and reliability, or to say it differently: company resilience. Supply chain excellence, diversification in terms of suppliers, customers, sales channels, regional activities and logistics plus constant, solid scenario plan-

ning have become core competencies that lead to success and differentiate market participants from others.

Supply and Demand

As far as demand is concerned, the upturn previously expected for 2024 will now come with a significant delay and possibly not until autumn 2025. At least there are first rays of hope on the horizon, although the intensity of these varies from one EU Member State to another. Unfortunately, Germany, Europe’s largest chemicals market, is still lagging behind the general trend, with the lowest growth rates of all EU countries. The government, at the latest the one incoming in spring 2025, must urgently do something to ensure that Germany does not continue to lose ground.

On the supply side, there are also a number of challenges to overcome, particularly in the commodity chemi-

cals supply chain, which has to deal with a sharp rise in imports, especially from China. Fortunately, inflation has fallen and subsequently also the interest rates. This brings some welcome relief and makes investments at least a little more attractive, if they are made in Europe at all.

And this is precisely the core of the problem: Europe is no longer seen as the attractive economic and industrial location it was in the past. At the same time, economic strength and success are still decisive for the standard of living of the domestic population and for political influence in the world. In the case of Europe, minimum the latter is already in the process of decline due to demographic changes and the emergence of new economic powers in other parts of the world—plus now, additionally, obviously also by home-made issues.

Moreover, we could observe an increasing polarization in the world, particularly in the wake of the Russian invasion of Ukraine, which previously did not exist like this—at least not to this extent. This development is also impacting international trade, which is becoming more fragmented and increasingly geared towards a kind of “friend-foe differentiation”, unfortunately in conjunction with increasing protectionism in many parts of the world.

Challenges and Opportunities

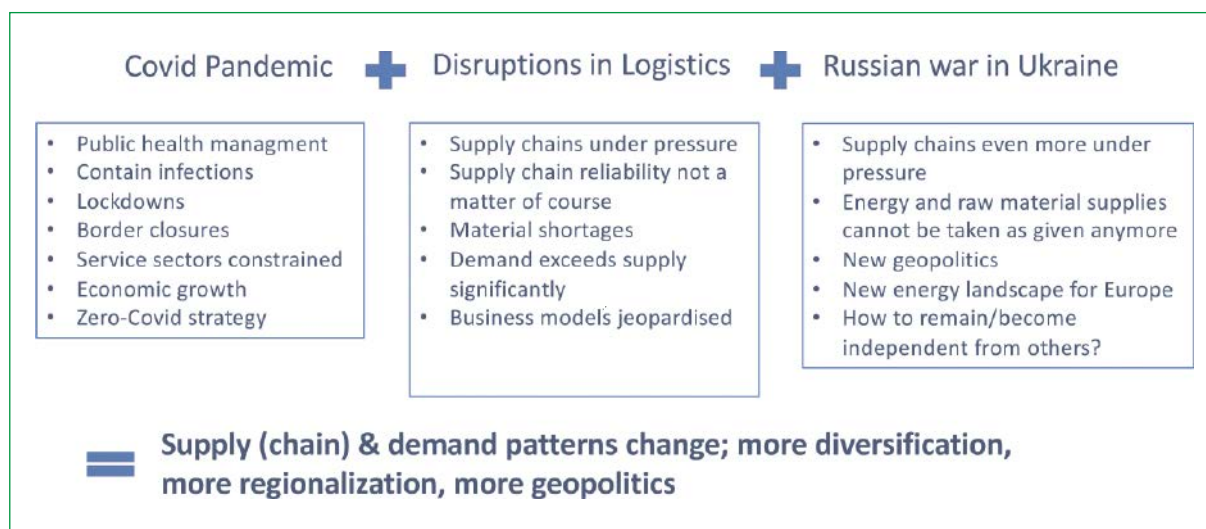
In this generically mixed situation, European chemical distributors naturally face similar challenges as all

“We need to return to the openness to technology that used to be the norm.”

the other market participants in the chemical industry. At the same time, however, there are also some opportunities for them to demonstrate in practice what is already in the DNA of every chemical distributor: making the qua-



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More than 3 years of unprecedented challenges: 2020–2023—now even in combination.

si-impossible possible. This includes, for example, being able to procure or supply products even with extremely short lead times, thus maintaining their customers' ability to supply their own clients at any time, exploring new markets or preparing the entrance into new markets in close liaison with their principles, or offering services that the partners on the producers side cannot provide in this form or maybe do not wish to perform any longer, for example, for cost reasons.

In general, service offerings of all kinds are not only in the DNA of chemical distributors, but also one of their top priorities. This implies also a kind of "first-responder mechanism" to support manufacturers, who wish to outsource certain supply chain functions or customer segments to reduce the complexity of their business models. Looking back far beyond the last four years, distributors have always proven to be very reliable business partners at any time.

More Pragmatic Solutions are Needed

In view of the situation as described beforehand, there is clearly an urgent need for action for all politicians in Europe. As European association, which is meanwhile representing the entire chemical value chain and consisting of many small and medium-sized enterprises (SMEs), we set high hopes in the new EU Commission and the newly elected EU Parliament. We can only continue to appeal to them to take greater account of the industry's needs as the fundamental backbone of the European economy and society in their political decision-making processes and to find more pragmatic, cost-efficient solutions. What we

have been observing in the past five years was actually more of the contrary: an unprecedented legislative tsunami with excessive bureaucracy and micro-management. New laws and regulation in general should not only be well-intentioned, but also well-made. The question in a globally competing world shall always be whether the same targets—which we fully support—can also be reached with less costs for European businesses and less administrative burden for everyone.

"As the fundamental backbone of the economy and society, industry needs more pragmatic solutions."

At the same time, Europe needs to return to the technological open-mindedness, which has made it so strong and autonomous in the past, rather than prescribing certain processes or technologies that are not always mature enough to ensure

market success. Recent times have provided some evidence that imposing certain products or lifestyles far away from the consumers' reality is usually meant to fail. New products or technologies must be measured by their compatibility with the everyday lives of consumers and their financial, organizational or other practical implications. This is another reason why Europe's competitiveness has declined.

Against this background, it comes as some relief that the issue of competitiveness is now much higher on the EU agenda than in recent years. However, experience shows that this does not necessarily mean that a higher priority automatically translates into more pragmatic legislation.

As representatives of the chemical value chain, we all have a role to play here. We must not cease to encourage politicians that the European environmental agenda (the so-called Green Deal) will only develop into a successful model, if it enables the industry and does not weaken it. At the same time, this is the only way that Europe and its vision for the future will continue to be taken seriously in the world.

Topics along the Entire Value Chain

All of these topics were also on the program of the FECC Annual Congress 2024 under the motto "Quo vadis, Europe?". Once a year our flagship event brings together the entire chemical value chain: from producers and, of course, distributors, logistics and packaging companies plus other service partners to brand owners. In just under three days, all relevant topics for the entire chemical industry are enriched with new facts and then commented on and categorized by top managers from various areas of the value chain. This year's topics included general industry development, geopolitics, energy scenarios, regulation and consumer trends. Questions such as: What are success factors and where are the opportunities for Europe in comparison with other continents? Or: What makes Europe strong and what can we learn from other continents?

Additionally, we dedicated the entire second conference day to the topic of innovation, examined from all angles: from prospects for new chemicals (do they exist and if so, where?), a business case for the practical implementation of an innovative idea, plus the expectations of well-known brand

"Economic success is now defined by a different perception of delivery capability and delivery reliability."

owners towards their chemical suppliers. And, of course, in general: how can the entire supply chain work together better and more effectively on issues such as sustainability and innovation?

The feedback was overwhelmingly positive and we stay committed to make also the next FECC Annual Congress with its unique set-up a big success. It will take place in Hamburg, Germany from September 10 to 12, 2025; registration will be possible in the course of April 2025.

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