



▶ Mannheim/Cologne, December 2012

# Quo vadis Europe?

How global chemical managers see the impact of the debt crisis on the European chemical industry

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Sebastian Deck

Value Chain Excellence. Strategy to Results.

## Agenda

- 1 Executive Summary
- 2 The Global view of the European Crisis
- 3 The German view of the European Crisis
- 4 How German managers prepared their companies

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## Executive Summary – The global view of the European chemical industry

### Management Summary

- ▶ Survey among 70 executives from chemical companies all over the world with at least 30% of their business in Europe - combined with CHEMonitor panel including another 300 chemical managers from Germany
- ▶ Referring to the European debt crisis global chemical managers are most afraid of “market stagnation or decline by slowdown of demand” followed by “increasing raw material prices” due to the weak Euro
- ▶ More than 40% of all interviewed managers fear a spillover of the current economic turmoil in Southern Europe to other European economies
- ▶ Most global chemical companies are expecting sales stagnation or decline in Europe
- ▶ On the other hand almost half of the global chemical companies interviewed believe that the European debt crisis will be resolved within the next 3 to 5 years
- ▶ Preferred marketing approach: Focus on stronger economies such as France and Germany as well as on quality of services and a more diverse customer portfolio

## Executive Summary – The German view of the European chemical industry

### Management Summary

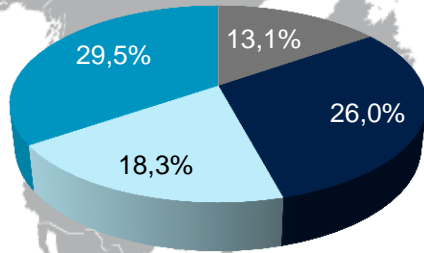
- ▶ German managers are relatively optimistic: 58% of surveyed companies feel better prepared for a possible economic downturn compared to 2008
- ▶ Sales development and net earnings for 2012 are rising and the outlook for 2013 is still positive
- ▶ Cost reduction and growth are not seen as contradiction and will both be practiced equally in 2013
- ▶ Almost all German managers plan investment within the next 12 months
- ▶ Only less than half of the managers interviewed consider the European debt crisis as biggest threat for their business – rising energy costs are still by far their biggest worry
- ▶ There is no significant impact of the European crisis on the total amount of investment decisions or sales
- ▶ However, there is a clear shift of investments from other European markets toward Germany
- ▶ Key to the robustness of the German chemical industry are the measures taken as consequences after the last economic crisis: Optimization of organizational structure, flexibilization of employment and short-term work, a stronger focus on global markets, a stronger process orientation and decentralized decisions

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# Europe is still an important sales market for chemical companies

What share does the European market have for your business in regard of sales?

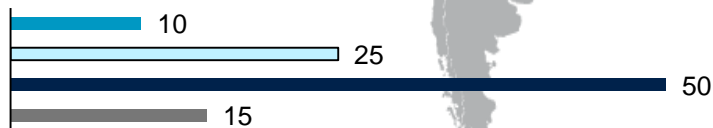


- 100%
- >50%
- >30%
- <30%

## Middle East



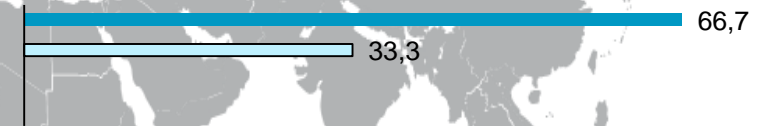
## DACH



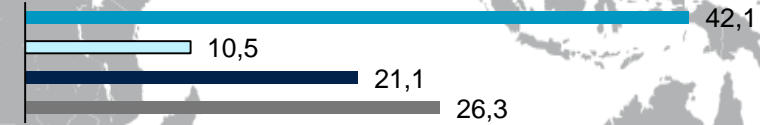
## America



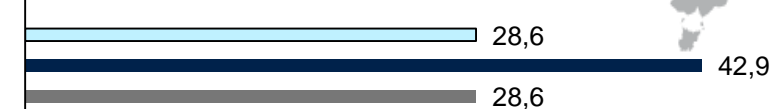
## Asia



## Benelux

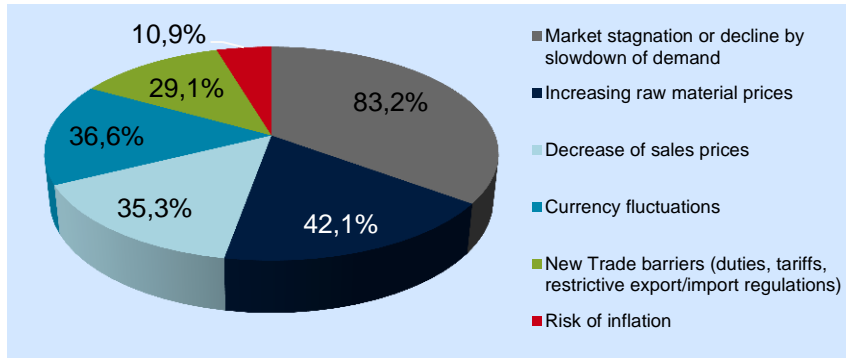


## Rest of Europe

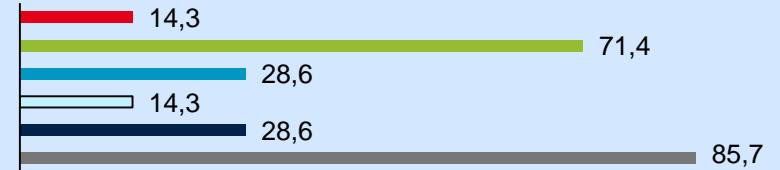


# Major risks are seen in market stagnation or decline by slowdown of demand and increasing raw material prices

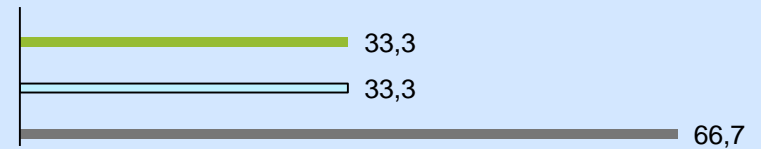
Which major risks of the Euro-crisis do you consider critical for your business? (multiple answers possible)



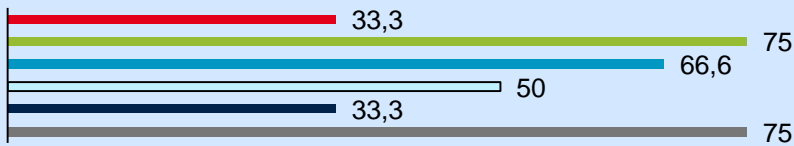
## America



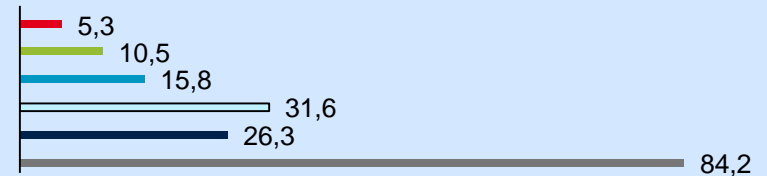
## Asia



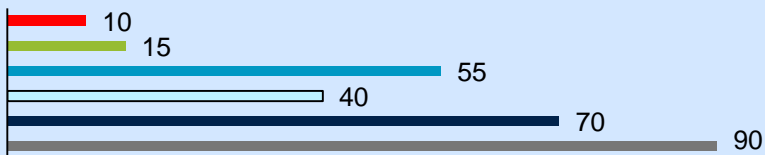
## Middle East



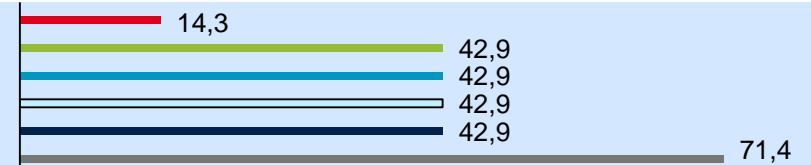
## Benelux



## DACH



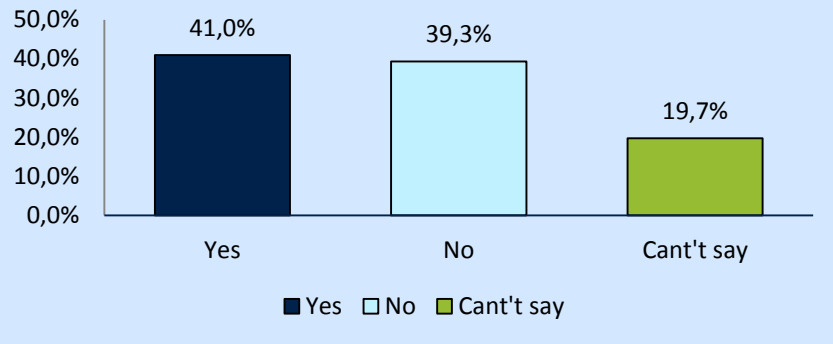
## Rest of Europe





# Fear of spillover of the current turmoil in Southern Europe to other European economies

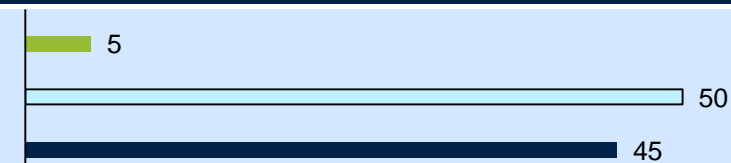
Will the current turmoil of South European countries (Greece, Spain, Portugal, and Italy) spread over to other European countries?



## Middle East



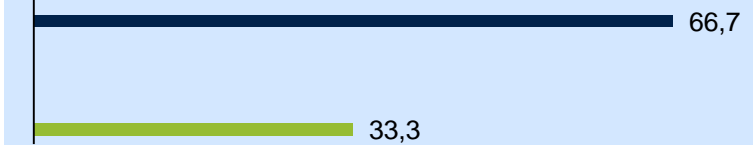
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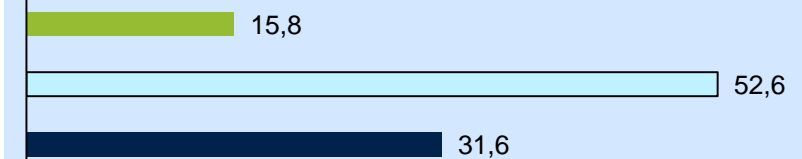
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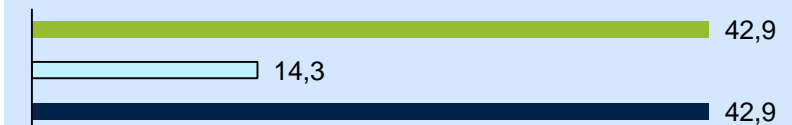
## Asia



## Benelux

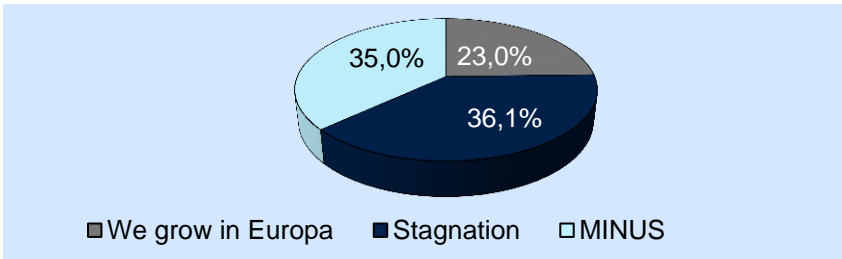


## Rest of Europe

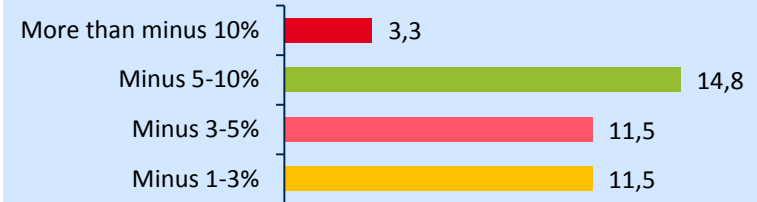


# Sales in Europe are considered to decline by up to 5 %

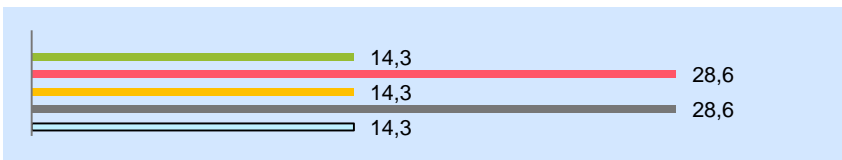
## What is your business development estimation for Europe (sales in 2013)?



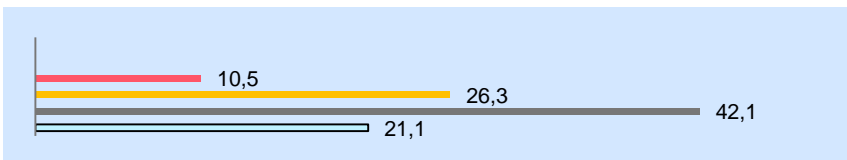
## Minus is regarded as:



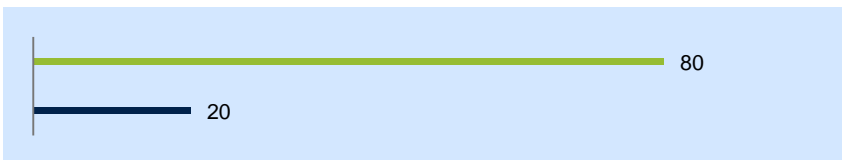
## America



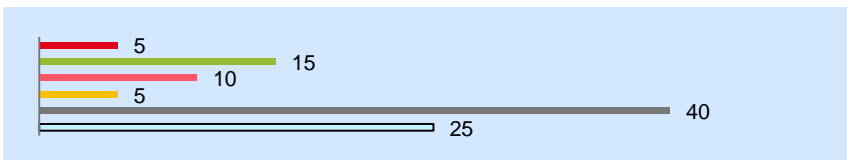
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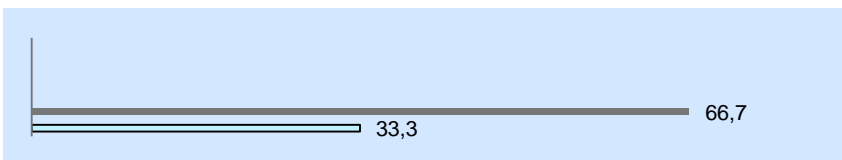
## Middle East



## DACH



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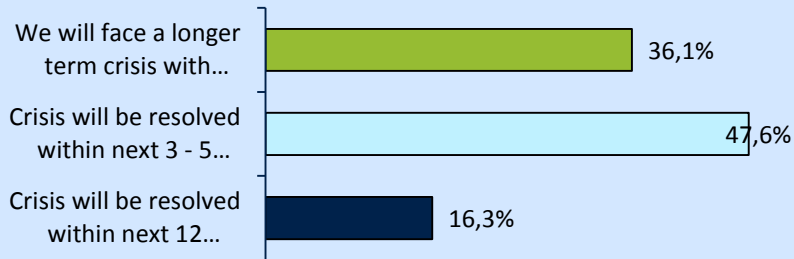


## Rest of Europe



# Global companies believe the Euro crisis will be resolved within the next 3 to 5 years

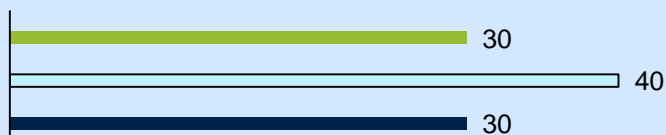
## How long do you expect the Euro-crisis to continue?



## Middle East



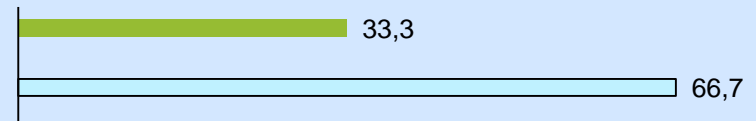
## DACH



## America



## Asia



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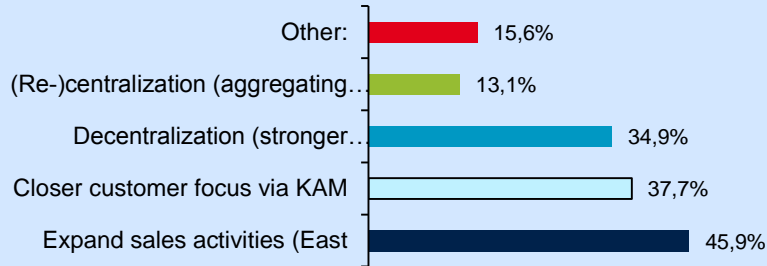


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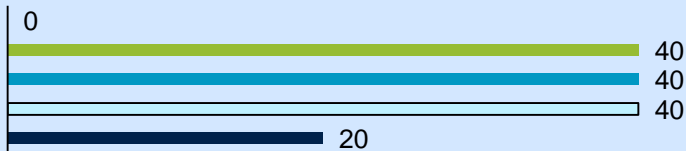


# Closer customer focus and expanded sales activities are the most common marketing approaches for Europe

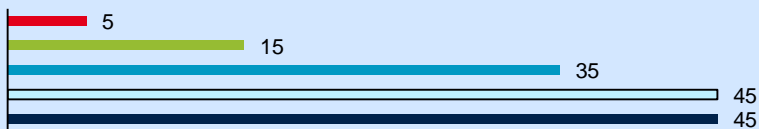
Which changes in your marketing and sales approach are considering for the European market? (multiple answers possible)



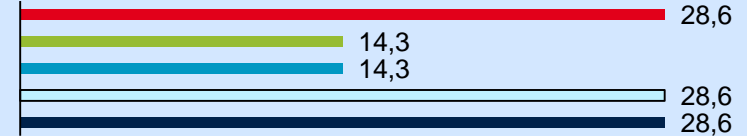
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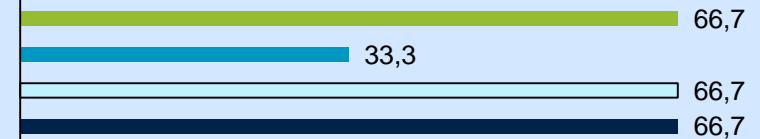
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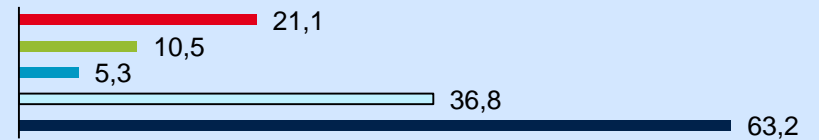
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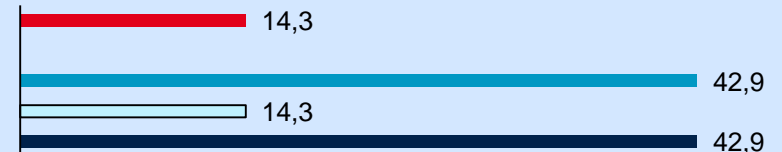
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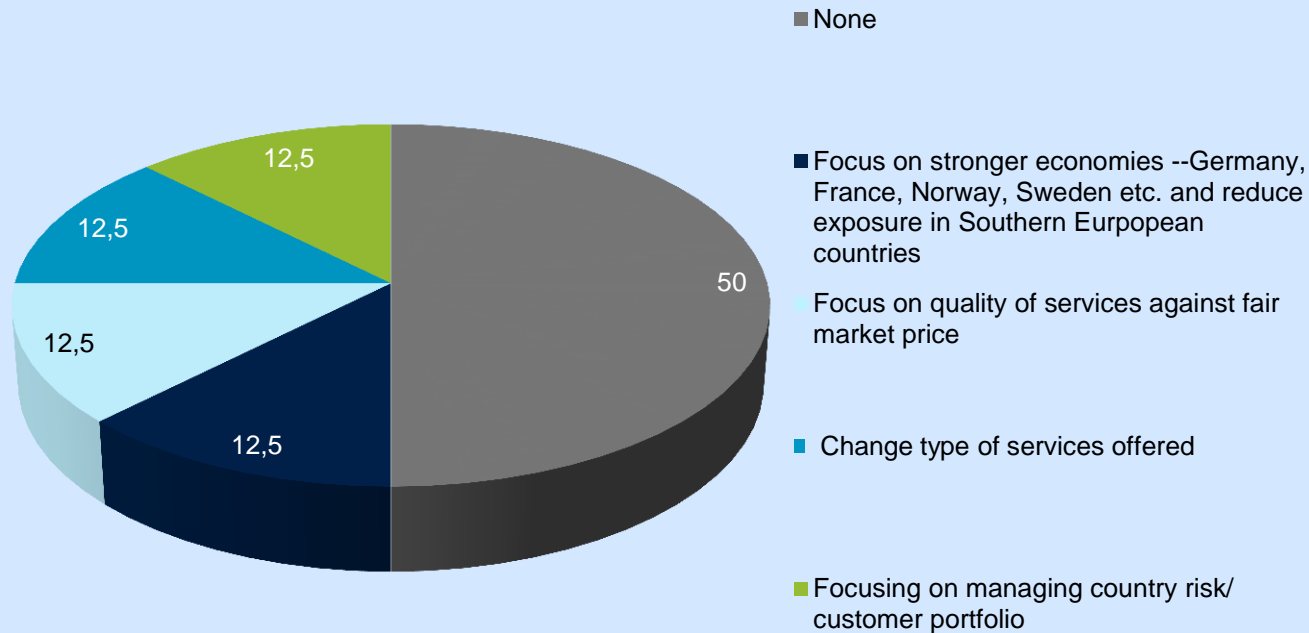


## Rest of Europe



## Preferred marketing approach: Focus on stronger economies such as France and Germany as well as on quality of services and a more diverse customer portfolio

### Which changes in your marketing and sales approach are considering for the European market?



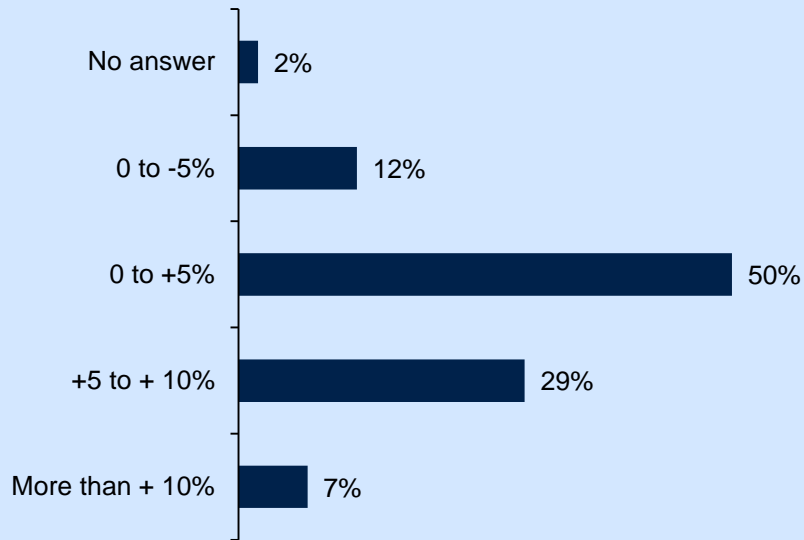
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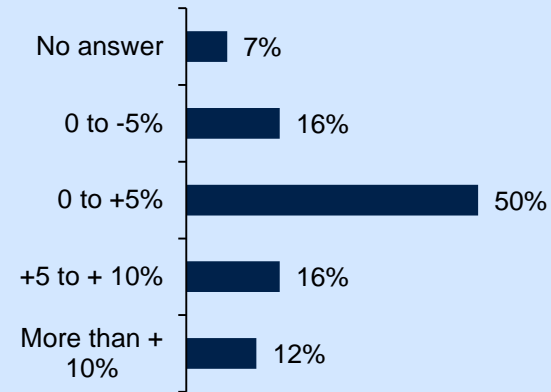
\* The answers in this chapter are based on a survey among the 300 members of the CHEMonitor panel

## Positive sales development and increasing net earnings of German chemical companies in 2012

### Sales development 2012

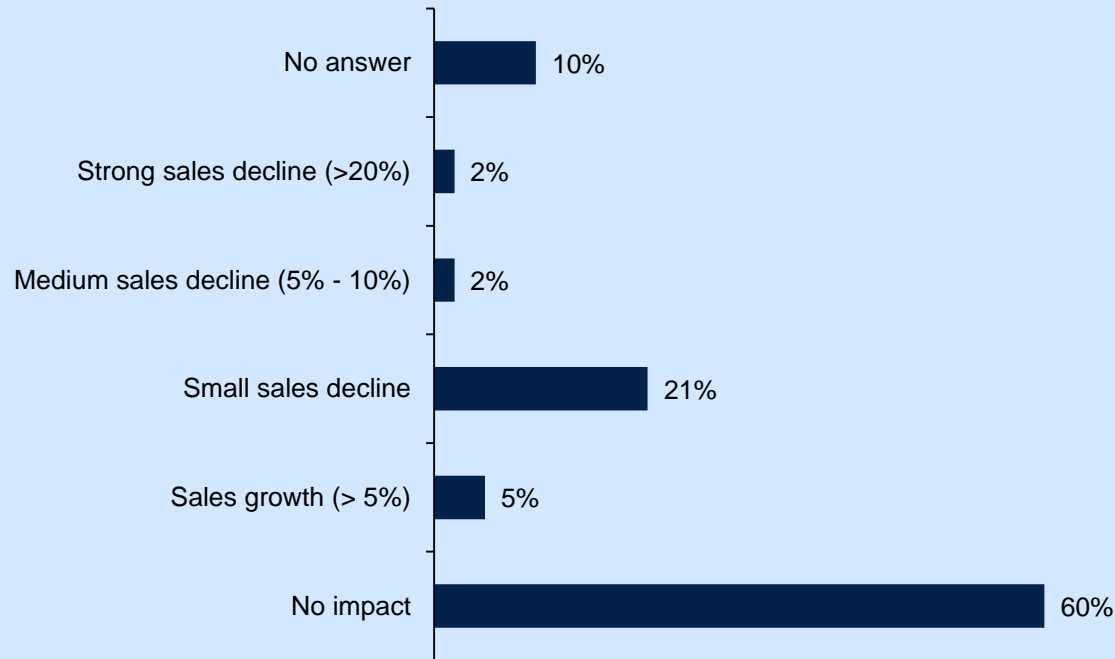


### Net earnings 2012



## No impact of European debt crisis expected on sales in 2013

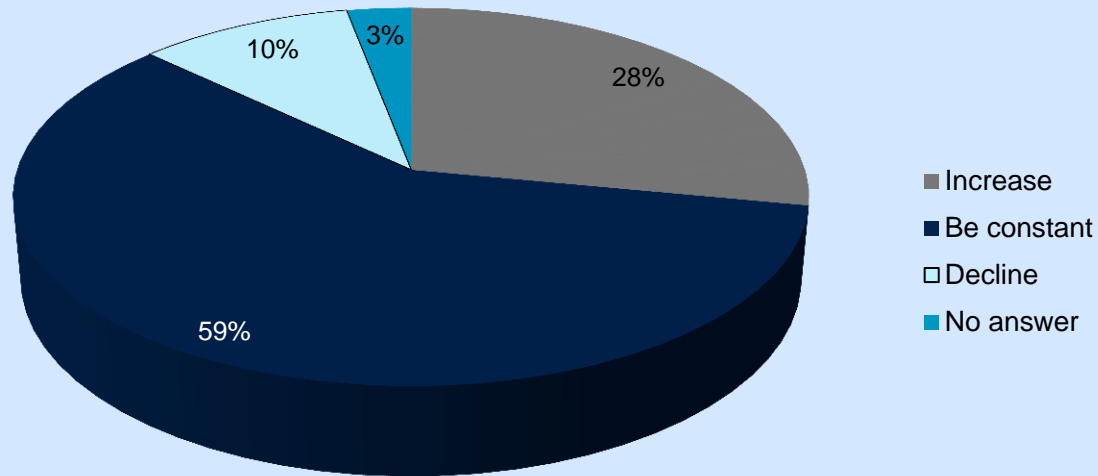
What is the impact of the European debt crisis on the sales of your company within the next 12 months?





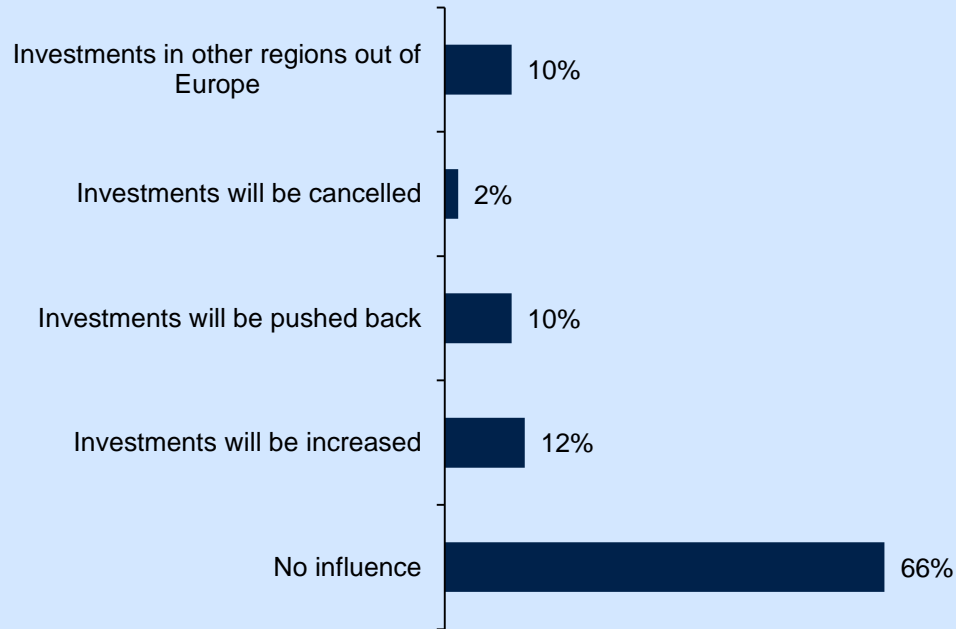
## Companies investments during the next 12 months are constant or will increase

What will happen with the investments of your company during the next 12 months:



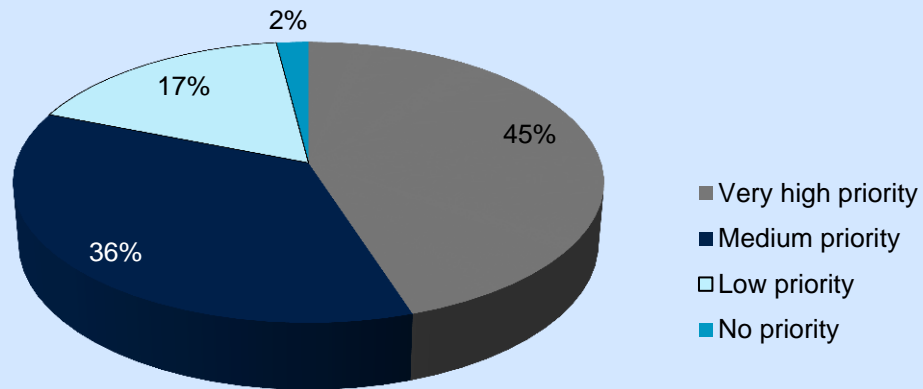
## The Euro crisis does not lead to a cancellation of investments in Europe

### How does the Euro-crisis affect your readiness to investment in Europe at all?



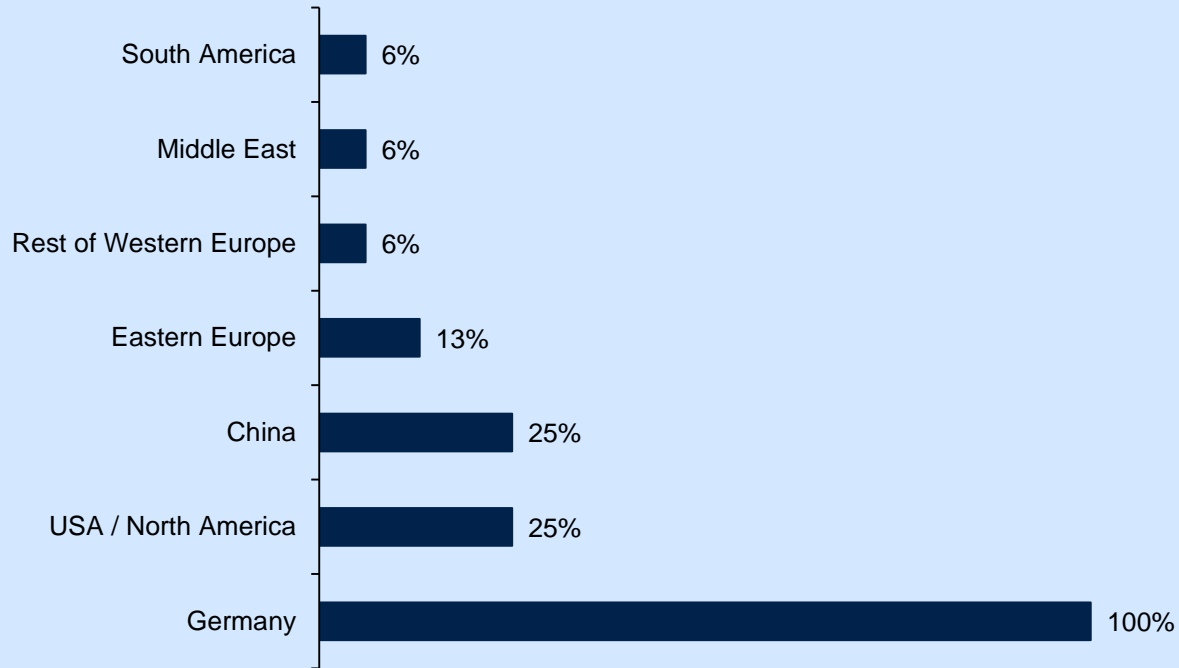
## Europe is still perceived as an interesting region for German companies regarding investment decisions

Which priorities does Europe (including Germany) have concerning your investment decisions?



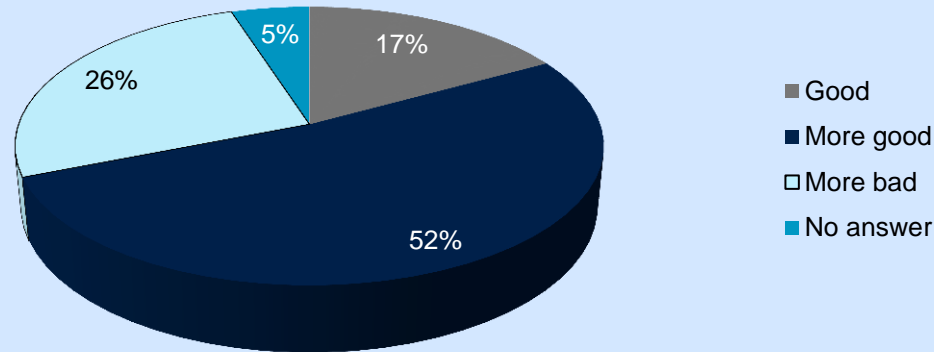
## However there is a clear shift of investments within Europe towards Germany

### Where will your company invest within the next 12 months?



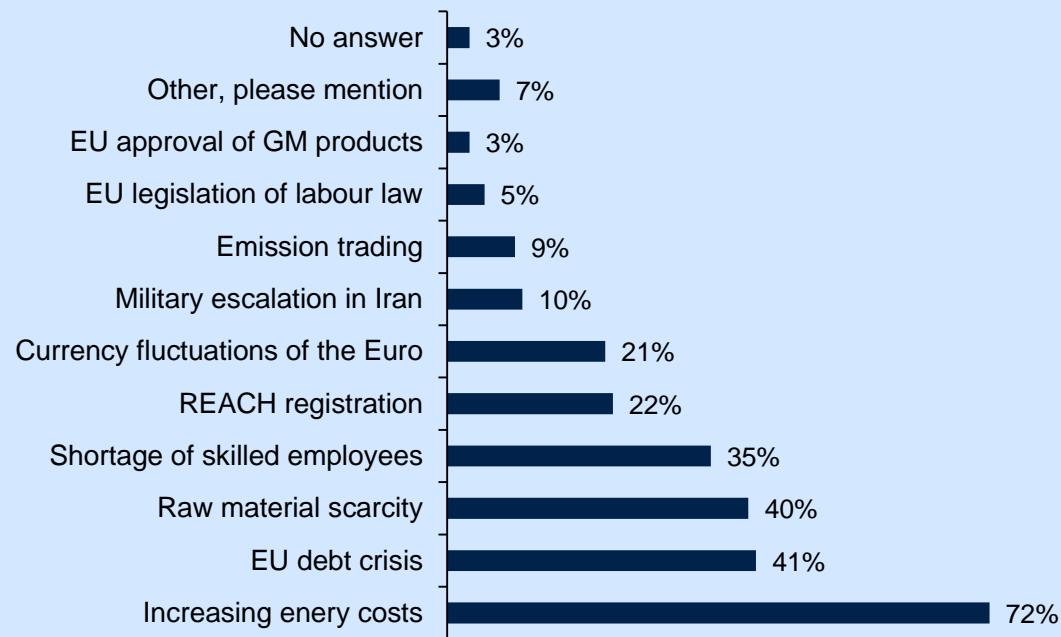
## 69% of surveyed managers consider the current site conditions in Europe “good” or “more good”

The current site conditions in Europe (including Germany) are...



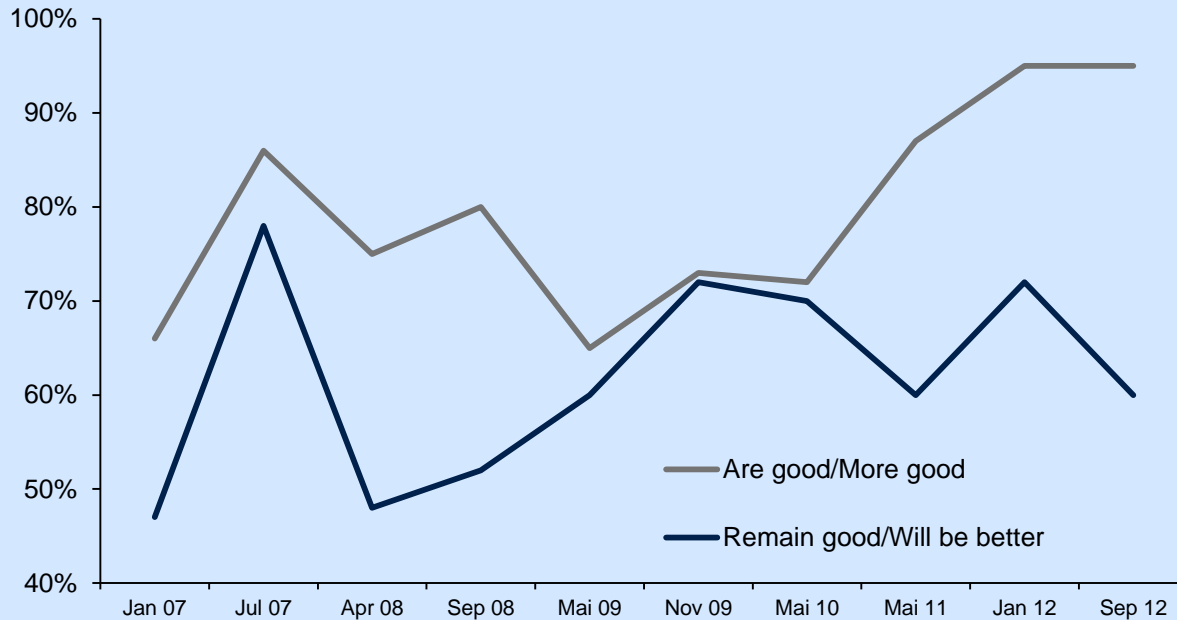
## Increasing energy costs, the EU debt crisis and raw material scarcity are regarded as the biggest growth risks in Europe

### Where do you see the biggest growth risks for the chemical industry in Europe?



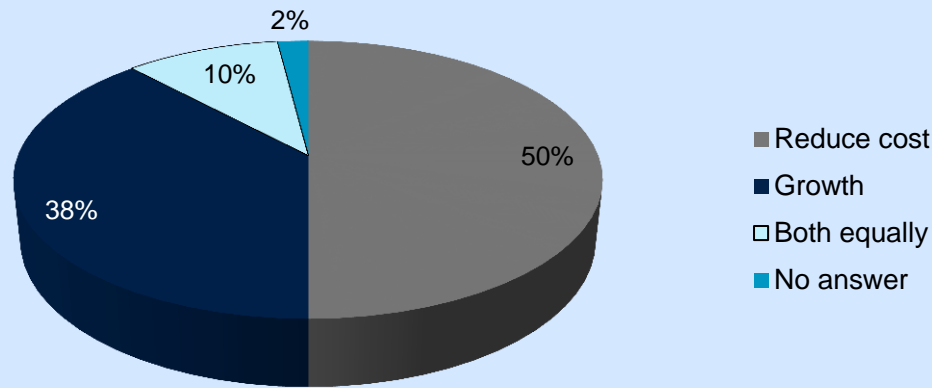
## Site conditions in Germany have reached an all time high – but the outlook for 2013 is worsening

### Site conditions...



## Cost reduction and growth are not seen as contradiction and will both be practiced equally in 2013

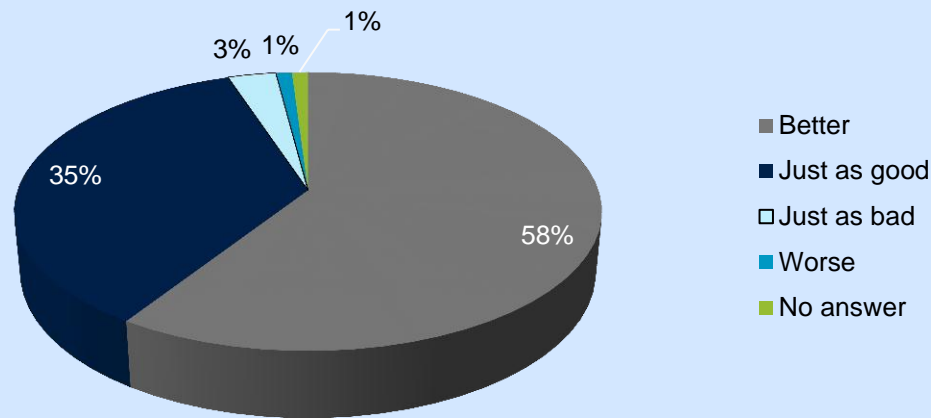
On which priorities does your company focus on during the next 12 month?





## 58% of surveyed companies are better prepared for an economic downturn in comparison to 2008

How is your company prepared in case of an economic downturn compared to 2008?

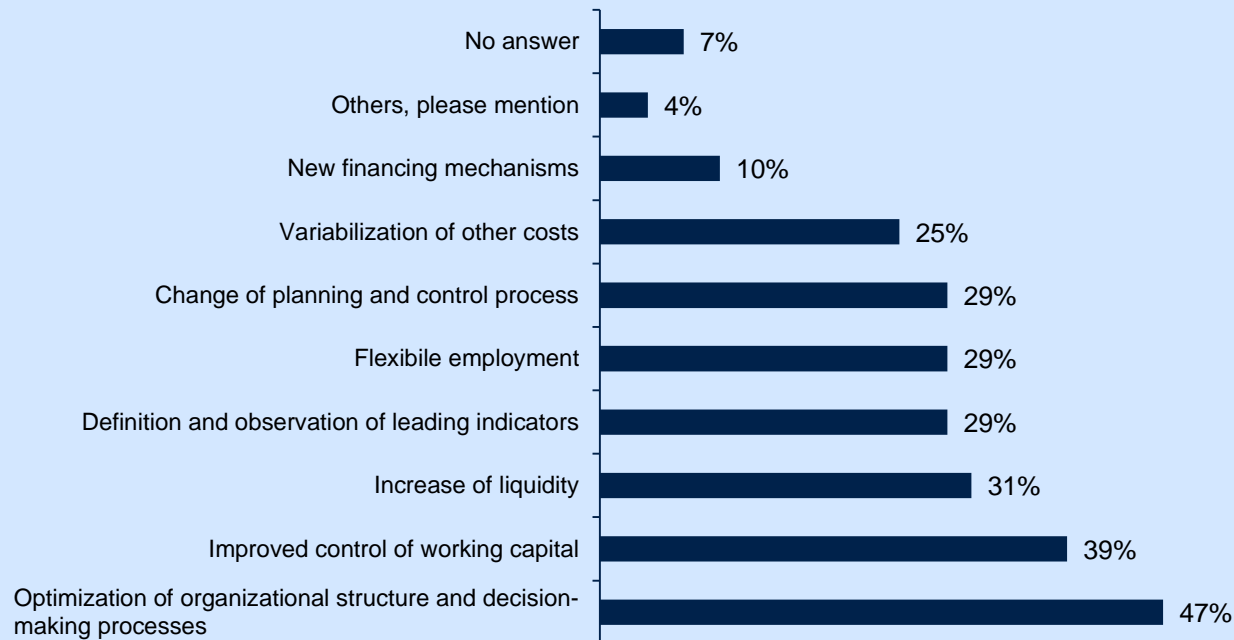


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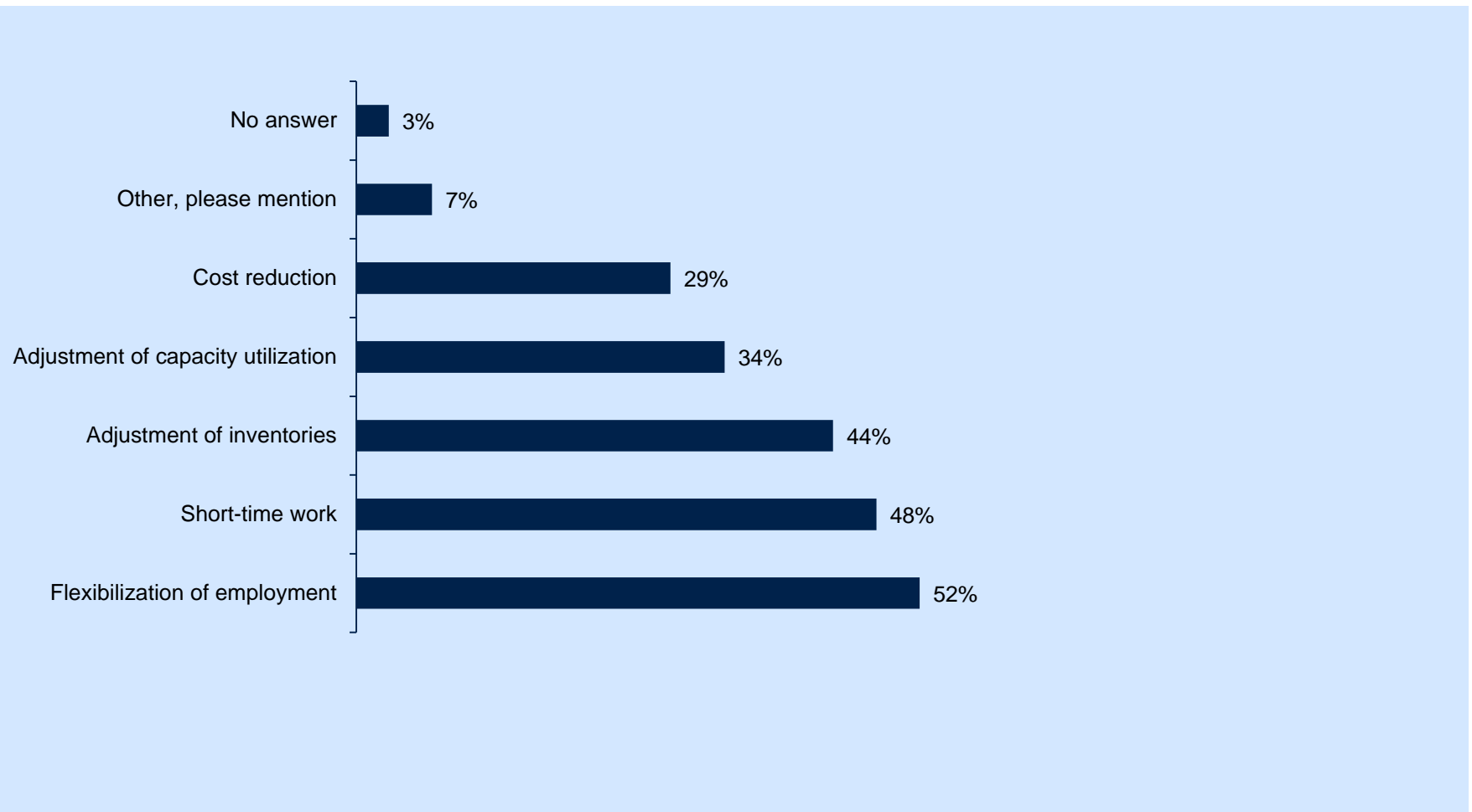
## Optimization of organizational structure is a key lever to prepare for increased volatility

How has your company prepared itself for the increasing volatility in business environment since the financial crisis in 2008?



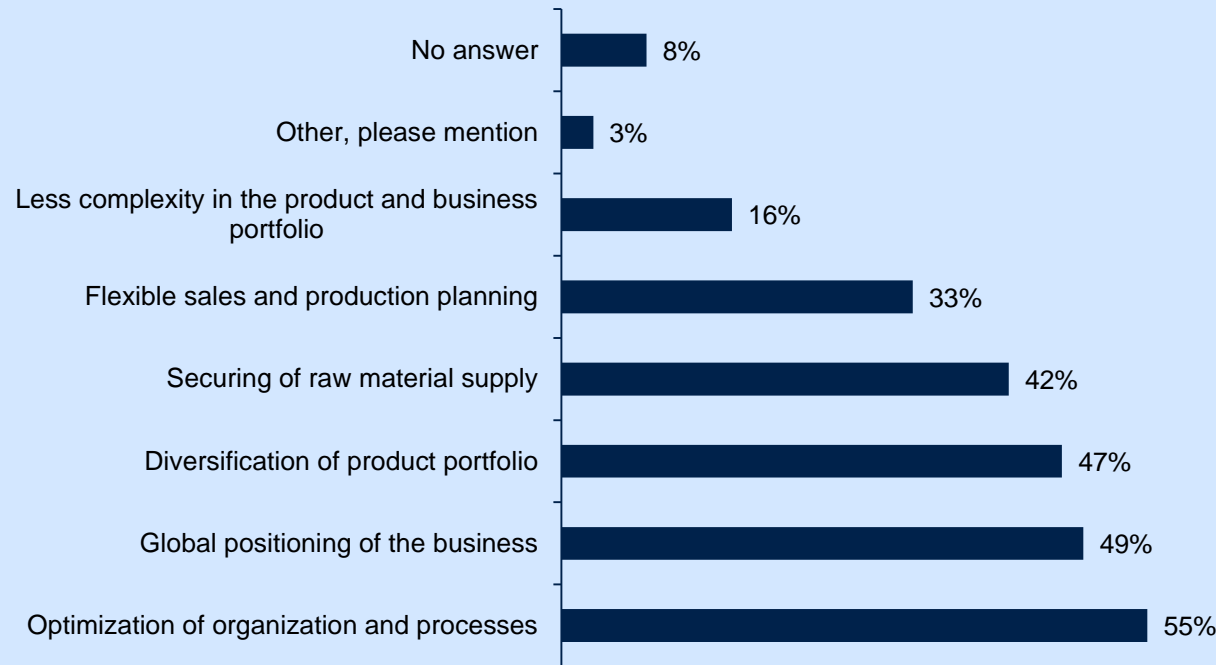
## Flexibilization of employment, short-term work and adjustment of inventories are key short-term measures to react on sudden economic changes

What are the short-term measures for your company to react on unexpected and strong economic changes?



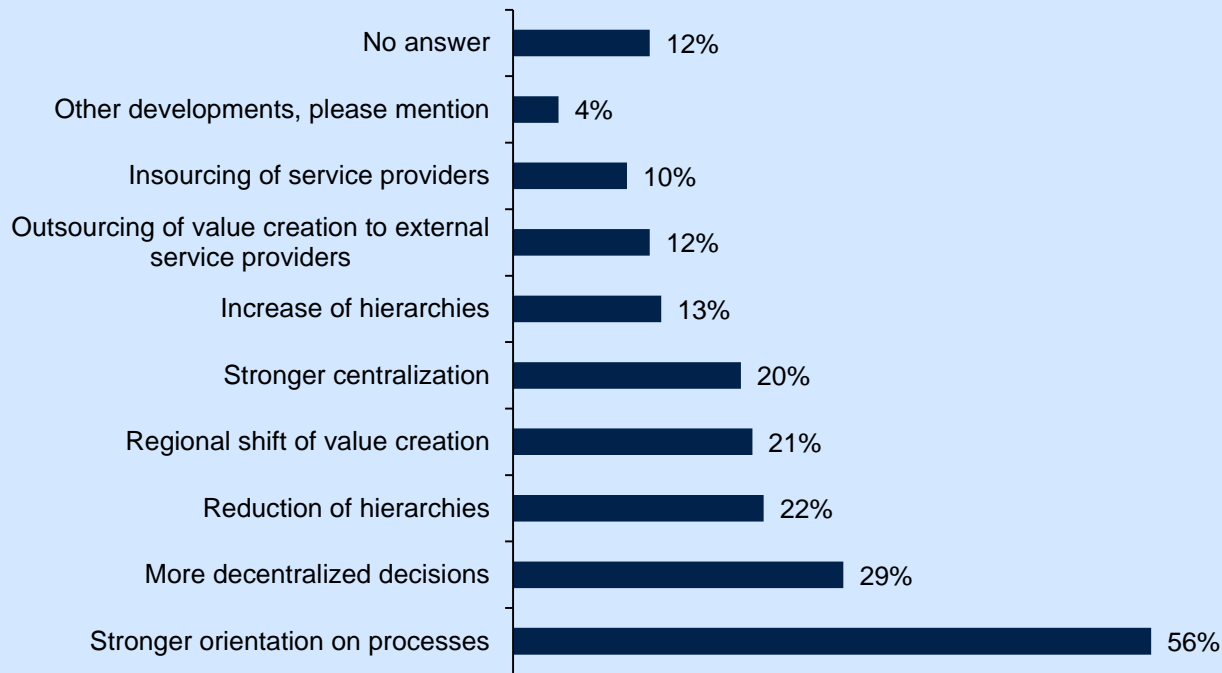
## Optimization of organization and processes as well as a global positioning of business are key long-term strategic measures

Which strategic measures does your company use reacting on increasing fluctuations in the business environment?



## Stronger process orientation and more decentralized decisions are the most important organizational achievements of the last 2 years

How did internal processes and the organization change within your company during the last two years?





▶ Mannheim/Cologne, December 2012

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