

WHITE PAPER

Chemical Distribution: Four Ways to Win amid Uncertainty

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Intro

Global chemical distribution is entering a new phase, shaped by persistent macroeconomic uncertainty, rising tariff pressure, and intensifying demands for value in principal–distributor relationships. Geopolitical fragmentation, shifting trade flows, and evolving end-customer needs are prompting producers to rethink outsourcing strategies and consolidate around fewer, more capable strategic partners. For distributors, this is a moment to move beyond operational execution and become resilient, digitally enabled, and proactive strategic allies—leveraging capabilities in AI, regulatory expertise, and regional market adaptation. The impact, however, will differ sharply by region and between specialty and commodity segments. In this volatile environment, the ability to navigate disruption, deliver targeted value, and tailor strategies to segment-specific demands will define competitive advantage. Those investing early in resilience, depth of capabilities, and alignment with principal expectations will shape the industry’s next chapter.

Six Key Findings

Since 2012, we have published our biyearly chemical distribution outlook report. This edition includes an updated view of the market based on a detailed analysis of current dynamics and an enhanced quantitative market model projecting development through 2030. Our analysis integrates insights from a survey of more than 300 leading chemical principals and interviews with over 20 distributors across regions and segments. Building upon our prior studies over the last decade, we have traced how market expectations and behaviors have evolved, while adding scenarios for the first time given the persistent uncertainty factors across markets. We present six key findings that capture the strategic pressures and capability shifts transforming the chemical distribution landscape, setting the stage for four imperatives that will help distributors to win amid uncertainty.

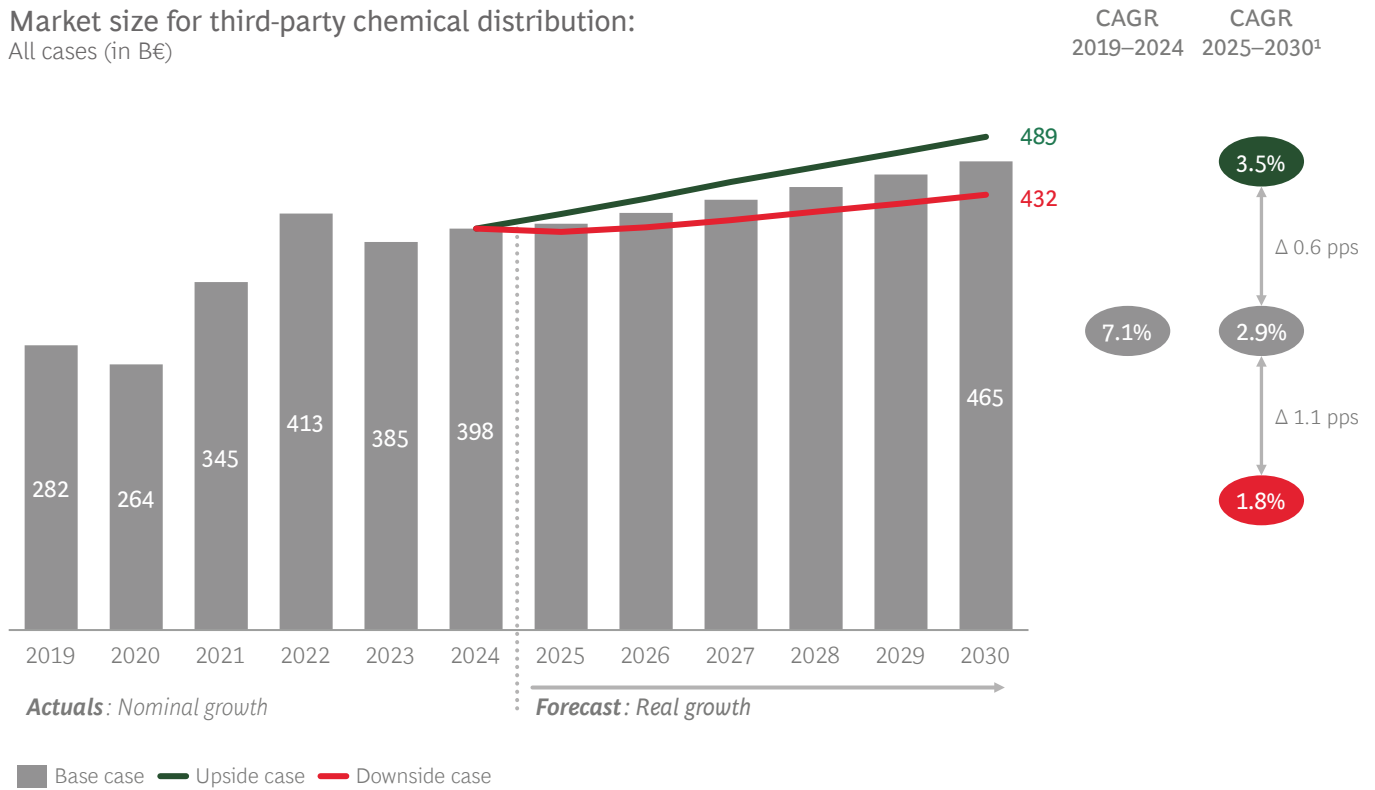
#1: GROWTH IS SLOWING LINKED TO UNCERTAINTY IN OVERALL DEMAND

Growth in the distribution market is projected to slow down from 7.1% CAGR (2019–2024) to 2.9% CAGR (2025–2030). This decline is driven both by reverting the one-time increase in price levels due to inflation and supply chain constraints in the years between 2021 and 2023, as well as structural overcapacity (e.g., PVC¹, epoxy resins, and aromatic chains) impacting overall price levels. Additionally, the continued weakness in local demand across end industries further softens the market outlook (exhibit 1). This sharp downgrade reflects continued geopolitical tensions, persistent tariff risks, and a slower-than-expected recovery in global demand. The effects of inflation are fading, making volume the primary growth driver—but volumes remain well below previous forecasts. This downgrade is also reflected in the development of our forecasts over time: The 2021 outlook projected 4.3% CAGR for 2021–2026, while by 2023 this had already dropped to 2.4% for 2022–2027, highlighting the market’s ongoing exposure to structural volatility and external shocks.

1. Polyvinyl chloride

Exhibit 1 – Total chemical distribution market growth

Market size for third-party chemical distribution:
All cases (in B€)



1. Real growth

Note: All values reflecting BCG outsourcing and availability rates

Sources: IHS; VCI; Oxford Economics; BCG analysis

To account for ongoing macro dynamics, we have introduced three distinct market scenarios for the first time in our market model: a base case, a downside, and an upside scenario that explicitly differentiate between global macroeconomic developments. The main drivers of slower GDP growth are weakening end-market demand, declining exports, multipolar rivalry, regional and political conflicts emerging in Asia, Africa, Eastern Europe, and LATAM,² elevated geopolitical risk, tariffs, and trade restrictions. The downside scenario forecasts a real CAGR of 1.8% (2025–2030), which is 1.1 percentage points below the base case scenario, reducing the overall market size by approximately €32 billion by 2030 (€432 billion versus €465 billion). This divergence underlines the structural volatility that distributors and principals must now plan for. While the positive scenario is driven by increased outsourcing from principals to distributors, global collaboration and trade, increasing demand, and reduced tariffs at low levels, the real CAGR is projected at 3.5% (2025–2030), which is 0.6 percentage points above the base case scenario for the same period. The overall market would grow by an additional €24 billion to €489 billion.

2. Latin America

Methodology of the Study:

Market model: The current market model was refined in spring 2025, based on input from recognized market studies and high number of expert assessments. The model accounts for underlying drivers such as end-market demand growth, penetration of distribution, and outsourcing intensity to reflect realistic growth dynamics. As published historical numbers are adapted retrospectively by various sources, changes are also reflected in the model. The outlook on future market developments is presented in real terms, excluding inflation, to allow consistent comparison across regions. Given the ongoing volatility in global markets, driven by geopolitical shifts, tariffs, and regulatory change, larger deviations between projected and actual outcomes may occur than in previous years. Therefore, for the first time, we augmented the market model with a downside and an upside case. The different scenarios are derived from different GDP growth rates based on various macroeconomic studies. Subsequently, implications on end industries, chemicals demand, and distributor market are derived.

Principal survey: In total, more than 300 principals have participated across all global regions and end markets. The survey was conducted in Q1 2025 during times of high geopolitical uncertainty.

Distributor interview: Over 20 senior stakeholders of leading distributors were interviewed about the following topics: current demand dynamics, growth areas, principal relations, value-added services, consolidation trends, cost pressure, talents, and digitalization and AI.

Within this projection, specialty chemicals outpace growth in commodities, with a projected 3.5% CAGR (2025–2030) for specialty chemical distribution versus 2.5% for the commodities in the base case. The higher CAGR for specialty chemicals is driven by robust end-user demand in high-value sectors (e.g., Pharma, Cosmetics), increased outsourcing to distributors given the need for technical services and digital integration, and greater resilience to raw-material price volatility and economic cycles that are reflected in both volumes and prices. In contrast, commodity chemicals exhibit slower growth due to their reliance on cyclical, volume-driven industries and price-sensitive markets.

Global chemical distribution growth is increasingly shaped by emerging regions. Despite its deceleration, China remains the largest absolute growth region through 2030, adding to a market size of €139 billion in 2025—stemming from its scale and increasing outsourcing penetration. While relative growth leadership across regions shifts to MEA³ at 5.2% CAGR (2025–2030), Africa is pushing the growth with 6.2% CAGR (2025–2030) with strong regional variation (see deep dive box). Beyond MEA, APAC excluding China also shows strong relative growth with a projected CAGR of 4.5% (2025–2030), fueled by India’s standout performance as the top-growth market (see deep dive box). Latin America is projected to grow at 3.3% CAGR (2025–2030), with specialty chemicals shaping most of this momentum at 4.7% CAGR. In contrast, mature regions post significantly more moderate growth with margins under pressure: North America at 1.8% CAGR (2025–2030), supported by basic chemical reshoring, and Europe at 2.0% CAGR (2025–2030), held back by suppressed demand from end industries. The slightly higher growth rates in Europe reflect the more strategic role distributors are expected to play in securing the flow of chemicals within Europe.

The Distributors’ View

Across markets, distributors are reporting uneven momentum with stable volumes in select sectors but growing margin erosion, particularly in Europe. “*Demand feels frozen,*” noted one executive, citing smaller, short-term orders and extended payment terms as key warning signs. Rising geopolitical risk and sourcing complexity further amplify the operational burden, especially for those reliant on Asian imports.

3. Middle East and Africa

Europe faces a structural crossroads with site closures and reduced upstream capacity leading to the discontinuation of local production for several commodities and precursor products. Between 2023 and Q2 2025, over 50 production sites across Europe were closed or significantly curtailed, most notably in Germany, Italy, France, and Central and Eastern Europe. The drivers include high energy and gas costs, declining demand in construction, automotive, and consumer sectors, and growing cost disadvantages versus non-European markets. As a result, distributors play an increasingly critical role in shaping and safeguarding import flows for these now externally sourced materials.

Recent developments also point to a shift in regional demand centers across key end markets. Japan, Korea, and ASEAN⁴ markets are facing reductions in automotive build volume, as higher US duties weigh on exports and tight credit dampens domestic schedules. In construction, demand in Europe is still soft due to higher financing costs and reduced investment momentum in most countries. Urbanization trends and rising infrastructure budgets, on the other hand, are supporting growth in APAC⁵ and Africa. In electronics, the near-term outlook is shaped by cost inflation, destocking, and CAPEX⁶ delays. Growth is expected to regain momentum from 2026 onward, as tariff-driven supply chain shifts toward Mexico and Southeast Asia coincide with rebounding investment in semiconductors and expanding AI- and data-center buildouts.

Deep dive: Emerging Demand Hubs in Africa and India

Africa is projected to grow at 6.2% CAGR (2025–2030), with North and East Africa benefiting from supportive policies and growing demand, while West Africa gains momentum through emerging local manufacturing. Growth is further supported by rising urbanization, a growing middle class, and increasing foreign investment—trends that accelerate formalization and shift demand toward processed goods and packaged consumer products. At the same time, regulatory tightening and global ESG standards are pushing governments and NGOs toward more traceable, compliant sourcing models. Fragmented domestic channels are consolidating as customers seek value-added services and technical expertise from distributors rather than traditional traders and importers.

India is projected to grow at 7.3% CAGR (2025–2030), supported by industrialization policies, infrastructure development, and a vibrant start-up ecosystem in personal care and nutraceuticals. Yet, distribution remains fragmented and predominantly local. To gain share, multinationals must adapt credit terms, pack sizes, and service models, while competing against Chinese exporters leveraging overcapacity and competitive pricing.

Across end markets, growth expectations vary significantly and reinforce the need for differentiated distributor strategies. Pharma, Cosmetics and Personal Care, and Food and Nutrition exhibit the strongest outlooks, with around 40% to 48% of principals expecting annual growth above 4%. These segments are marked by high regulatory complexity, technical requirements, and a long tail of both customers and products/ingredients needed, making distributors essential for access and compliance for both big and small customers. In contrast, mature segments like Lubricants and CASE⁷/Construction chemicals show limited upside, with only 22% forecasting growth above 4% (see exhibit 2). Here, price pressure and slower innovation are prompting some principals to reconsider indirect models.

4. Association of Southeast Asian Nations

5. Asia-Pacific

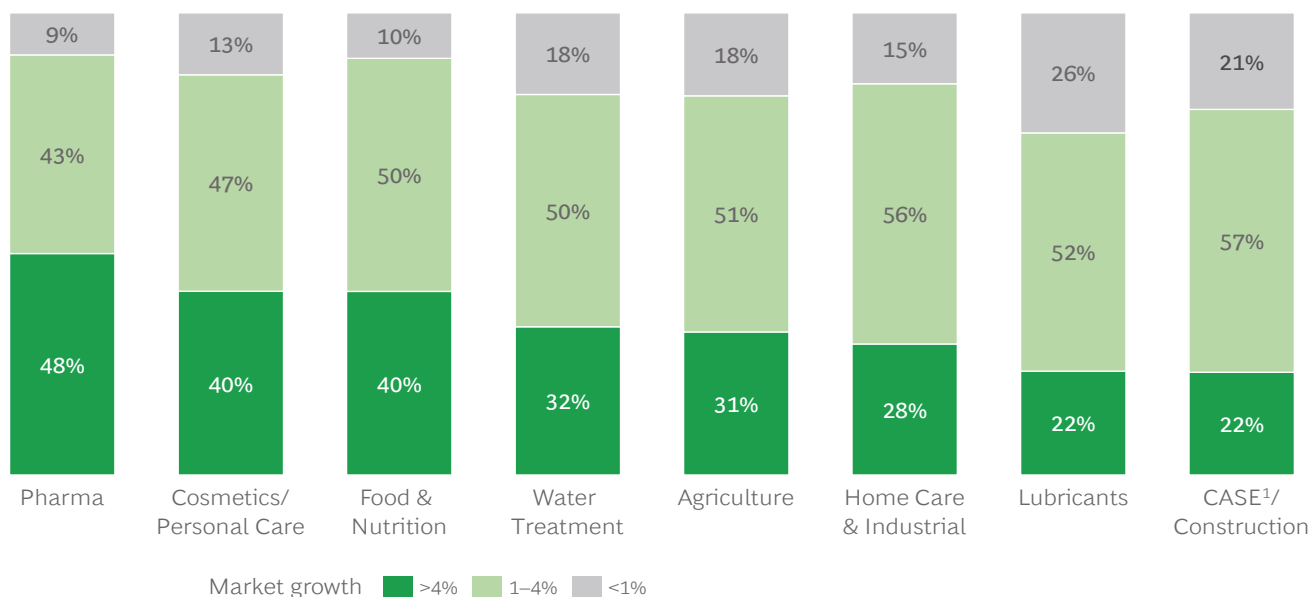
6. Capital expenditure

7. Coatings, adhesives, sealants, and elastomers

Exhibit 2 – Distributor’s market outlook

How is the demand in these end markets evolving in the next years?

Percentage of respondents



1. Coatings, adhesives, sealants, and elastomers

Note: Excluding responses of “Don’t know”

Source: BCG analysis

#2: CONSOLIDATION OF CHEMICAL DISTRIBUTION THROUGH M&A

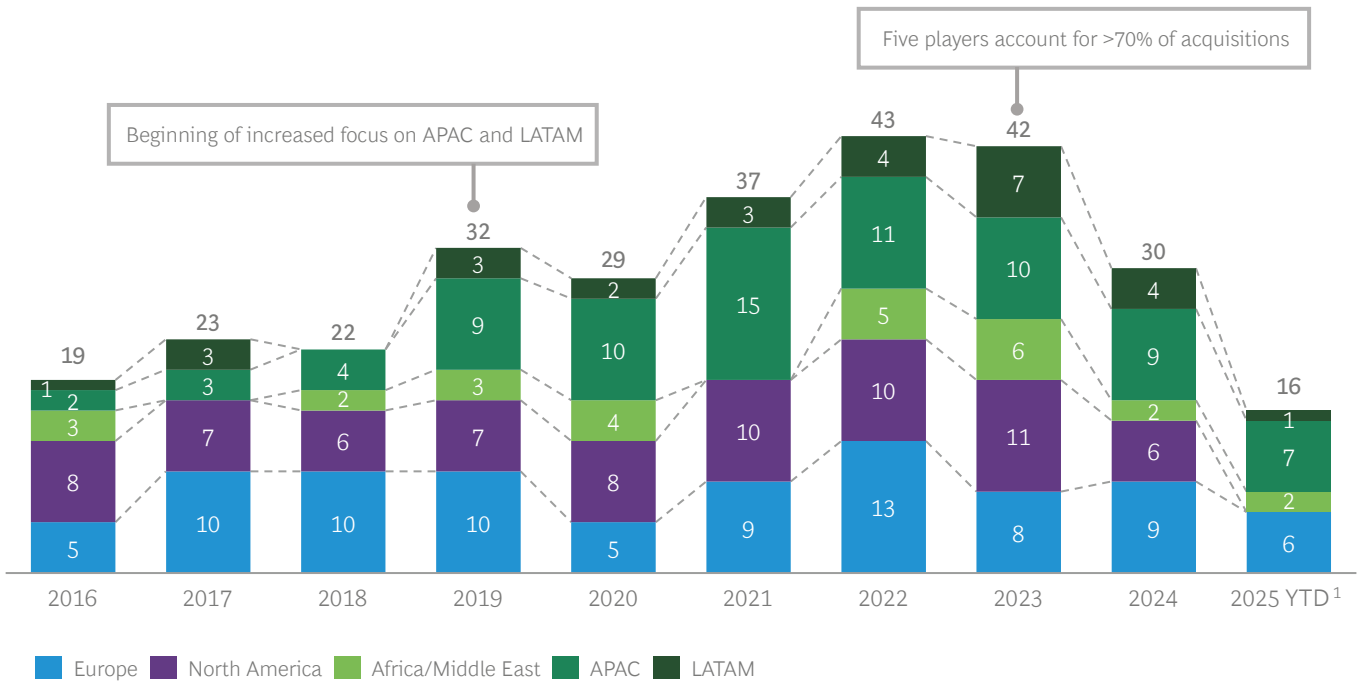
M&A has always been key to the chemical distribution industry. Despite an increase in transaction volumes from 2019 to 2022, recent data points to slowing momentum—in line with broader trends in the capital markets. However, we expect M&A activity to reaccelerate in line with the drivers listed below. Notably, in 2023, five players out of the top 50 global chemical distributors executed over 70% of the acquisitions, highlighting ongoing market concentration (exhibit 3).

The largest distributors pursue distinct regional acquisition strategies, with some continuing their expansion in APAC, while others showed little to no M&A activities in this region in 2024. Acquisitions in EMEA and North America remain largely stable, with no noticeable decline. Continuous investments in LATAM companies underscore dynamic trade flows and a rising regional trajectory.

Private equity remains a catalyst. Over the past years, PE firms have executed multibillion-dollar platform acquisitions. Additionally, many leading chemical distributors have been under private equity ownership since the early 2000s. PE typically follows two strategic paths: firstly, consolidating the industry by acquiring a nucleus asset and adding complementary businesses to scale from local to global players; secondly, investing in commodity-focused distributors and transforming them into broader, higher-value platforms to achieve higher valuation multiples. Why does PE continue to invest in chemical distribution? Distributors are capital-light, defensible in margin, and scalable platforms with multiple value creation levers—operational efficiency, portfolio shift, geographic expansion, and consolidation. The combination of stable cash flows today and strategic upside tomorrow makes them highly attractive assets (exhibit 6).

Exhibit 3 – M&A activities

Number of major acquisitions globally



1. YTD (July 2025)

Source: Chemicals Week; BCG analysis

Interviews with leading global distributors highlight significant consolidation potential, driven mainly by market fragmentation, particularly in North America, and rising operational pressures. Many smaller, family-owned distributors face generational shifts, compliance burdens, and growing demands for scalability and digital sophistication, further accelerating consolidation trends.

While Africa offers substantial growth opportunities in chemicals due to high market growth over the next years compared to other regions and principals are absent, major distributors have already entered the market via acquisitions and will continue to over the next years.

When M&A activity accelerates, service capabilities and supply chain integration are becoming increasingly important, including the acquisition of infrastructure and regional hubs, the expansion of logistics services, and the broadening of specialized services and technical support. At the same time, strategic partnerships have gained relevance as distributors modularize expertise across technology, sustainability, and logistics. Particularly, a strategic partnership can enable accelerated access to AI applications in product data management, customer interactions, supply chain transparency, and sustainability agenda.

Nevertheless, M&A activities encounter several challenges, including channel conflicts like extensive exclusive authorizations, difficulties in principal mix integration, and the critical requirement to ensure secure principal access postacquisition.

The Distributors' View

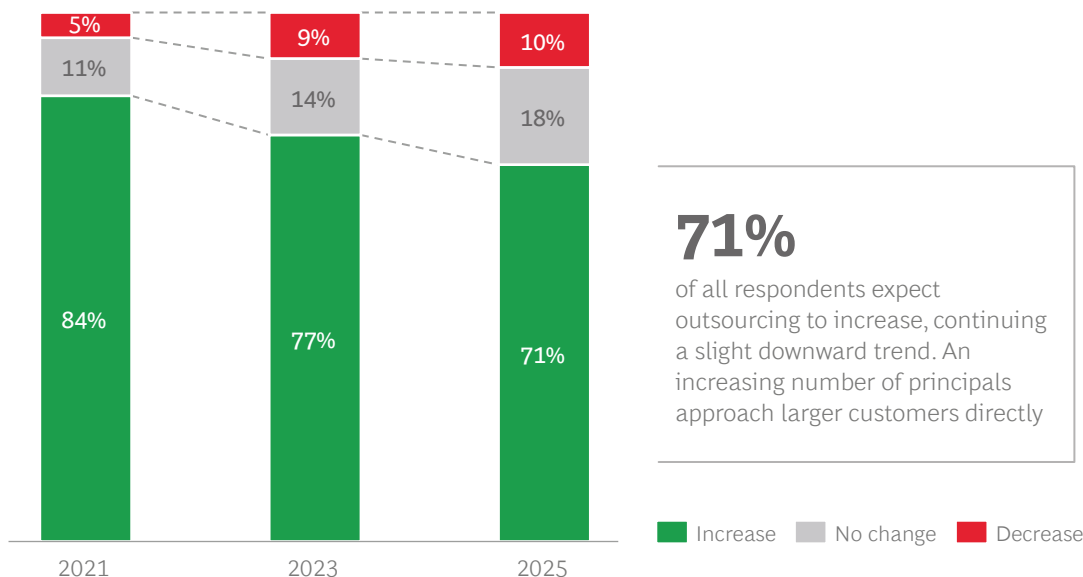
Distributors also anticipate ongoing consolidation from family-run businesses to streamlined, globally integrated distribution models with benefits for larger players. *“Too big to die, too small to survive”* sums up the mood. Additionally, *“more PE-driven deals rather than further push by strategic investors”* will be expected. However, some distributors challenge the advantages for customers as *“consolidation is not always improving customer service levels.”*

#3: OUTSOURCING TREND TO DISTRIBUTORS CONTINUES BUT IN NUANCED WAYS

We believe there is substantial room for continued growth in outsourcing to distributors, especially given the current market circumstances. As such, outsourcing represents an ongoing tailwind for chemical distributors in the long term, supported by considerable market evidence. However, near-term dynamics are more complex: Principals report a relative slowdown in outsourcing growth, driven by structural changes and temporary headwinds. In 2025, 71% of chemical principals expect to increase outsourcing three years from now—down from 84% in 2021. Meanwhile, the share expecting no change rose from 11% to 18%, and those expecting a decrease doubled from 5% to 10% (see exhibit 4). Against a backdrop of margin pressure, some suppliers are attempting to reclaim profitability by bringing accounts back in-house. In some instances, principals have started engaging directly with accounts that have historically been handled by distributors. In practice, most of these efforts have limited success and often disrupt customer service levels. Rather than reverting to direct models, the more productive path is for principals to redevelop channel management strategies, working more closely with distributors to reduce cost, extend reach, and unlock efficiencies that benefit both parties.

Exhibit 4 – Distribution outlook on outsourcing

Do you expect outsourcing to increase or decrease in the coming three years for the wider industry?
Percentage of respondents

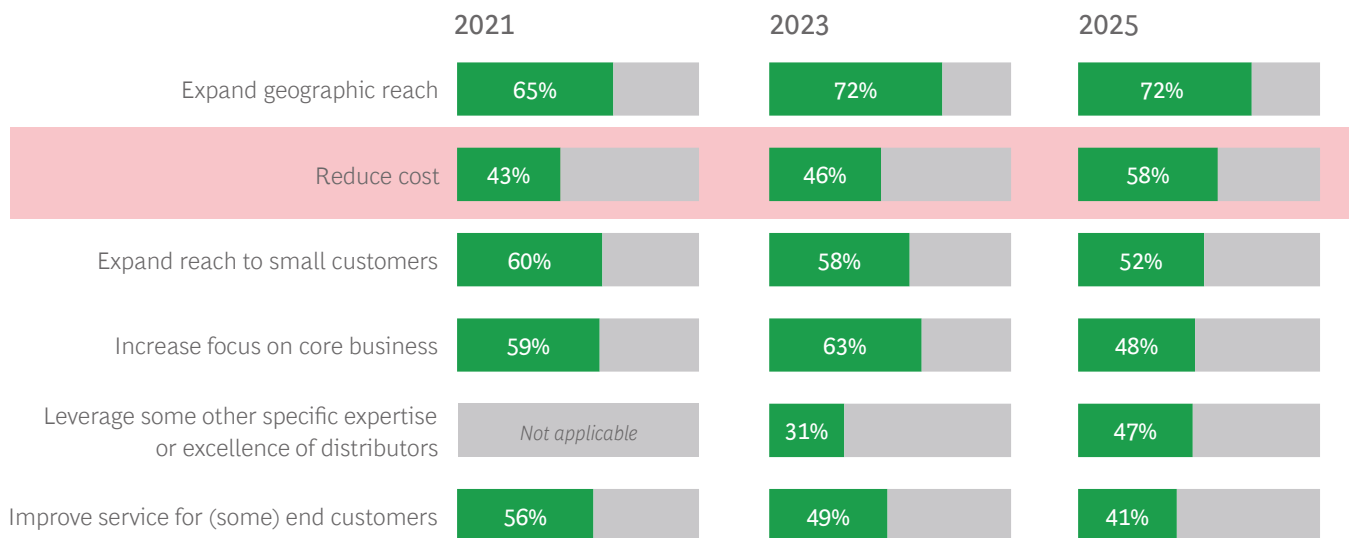


Source: BCG analysis

Cost pressure has become a markedly more significant motive for principals to outsource. The share of principals citing “reduce cost” as a reason increased from 43% in 2021 to 58% in 2025, reflecting margin erosion. Among other factors, increased price competition is influenced by Chinese overcapacity exported to other regions, which heightens cost pressure on local producers. While “expand geographic reach” remains the most frequently cited rationale, “leverage distributor expertise” is gaining. At the same time, traditional arguments such as “improve service for end customers” and “focus on core business” have declined in relevance, highlighting a sharper focus on measurable ROI⁸ (see exhibit 5).

Exhibit 5 – Key drivers for outsourcing

What are the key drivers for the expected increase in your third-party distribution outsourcing share?
Percentage of respondents



Note: Multiple responses possible

Source: BCG analysis

Despite prevailing cost pressure, distributors seem less prone to margin swings than principals: While supplier EBITDA margins have largely reverted to their 2014 levels, distributors have demonstrated sustained resilience, preserving margin quality through periods of volatility preceding, during, and following COVID. This underscores the structural robustness of the distribution model, even as upstream profitability compresses (see exhibit 6). While the slight margin increase for principals in 2017 was prompted by rising global chemical demand, lower oil prices reducing production costs, and tightening supply-demand balances that drove up prices, the dip in 2022 was more severe. In contrast, distributors benefited from price fly-ups in 2022. Due to margin pressure, principals increasingly pass rising costs on to channel partners, evident in the delayed margin decline between principal and distributor from 2022 to 2023.

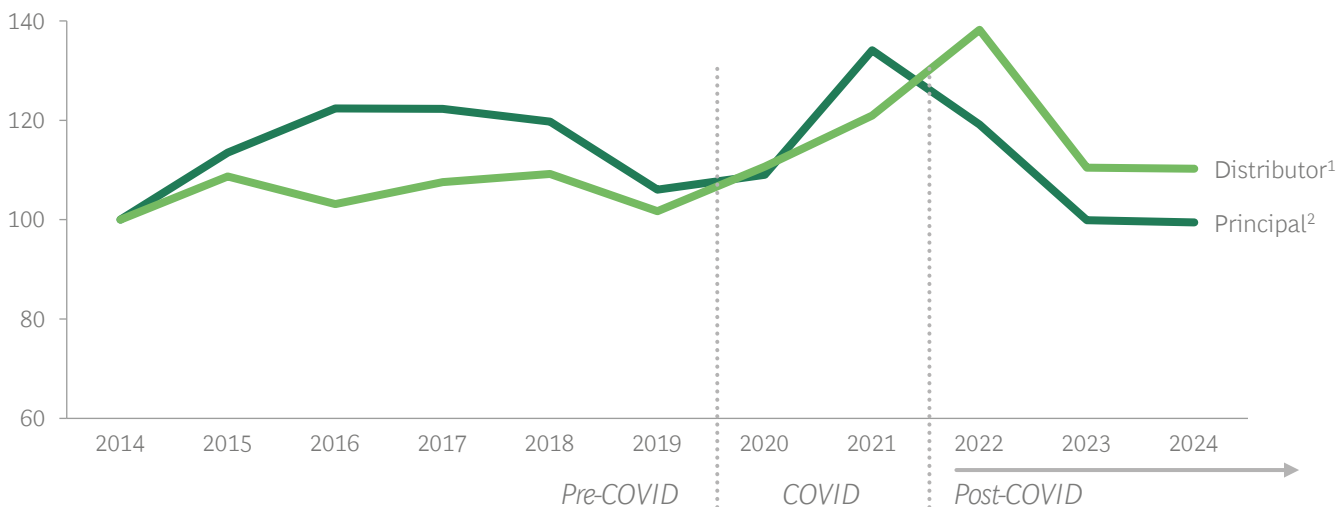
While distributors historically managed their margin well, some major chemical distributors forecast a continued profit decline for 2025, anticipating no recovery. Consequently, margin compression and volatility intensify even for distributors with limited tariff exposure.

8. Return on investment

Exhibit 6 – Margin development of principals and distributors

Development of average EBITDA margin of principal and distributor (normalized)

2014–2024



1. Including global, public distributors

2. Including 320 global chemical principals

Source: Value Science; BCG analysis

The Distributors' View

Distributors across the board cite intensified price pressure, especially in commodities, as Asian-sourced material undercuts domestic suppliers. *“Price pressure has intensified—especially in commodity lines—leaving little room for inefficiency.”* Many report that operating cost inflation is outpacing revenue growth, with smaller firms disproportionately affected by margin compression and volatility. Overall, distributors focus on controlling costs such as warehouse, logistics, sales and marketing, and G&A expenses.

#4: THE BAR FOR PERFORMANCE CONTINUES TO INCREASE

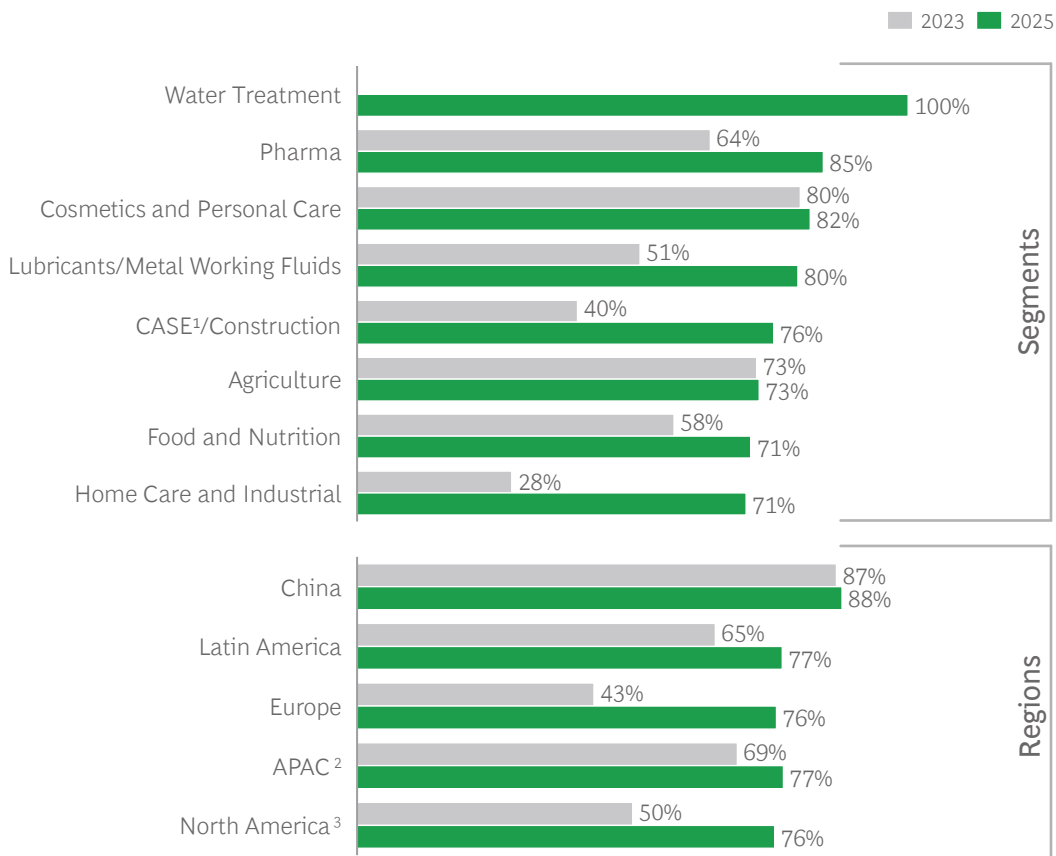
Strong gains in satisfaction are raising the bar for distributor performance and accelerating the consolidation of principal–distributor relationships. Service improvements implemented during the pandemic are demonstrating measurable impact: Satisfaction with distributors has increased significantly, reducing the global intent to switch from 64% in 2023 to 43% in 2025. Satisfaction levels increased across all segments and regions, with Europe showing the most pronounced improvement. Satisfied principals there rose from 43% in 2023 to 76% in 2025, nearly doubling as gaps in availability and regulatory support closed (see exhibit 7).

Across segments, satisfaction has also grown sharply: Pharma reached 85%, Lubricants/Metal Working Fluids 80%, CASE/Construction 76%. Satisfaction levels further appear to vary with portfolio structure: Principals with a higher share of specialty products tend to report greater satisfaction. However, the highest overall ratings are observed among those with a balanced mix of specialty and commodity exposure. Highly specialty-focused companies often apply more demanding performance standards and respond more critically when expectations are not met. Regionally, satisfaction now stands at 88% in China, 77% in LATAM, and 76% in North America, suggesting a broad uplift in distributor performance. This trend likely reflects improved service delivery and stronger distributor support in navigating local complexity and compliance requirements.

Exhibit 7 – Satisfaction with distributor’s performance

Are you satisfied with the capabilities of your distributors?

Percentage of respondents answering with “satisfied” or “very satisfied”



1. Coatings, adhesives, sealants, and elastomers

2. Excluding China

3. Excluding Mexico

Source: BCG analysis

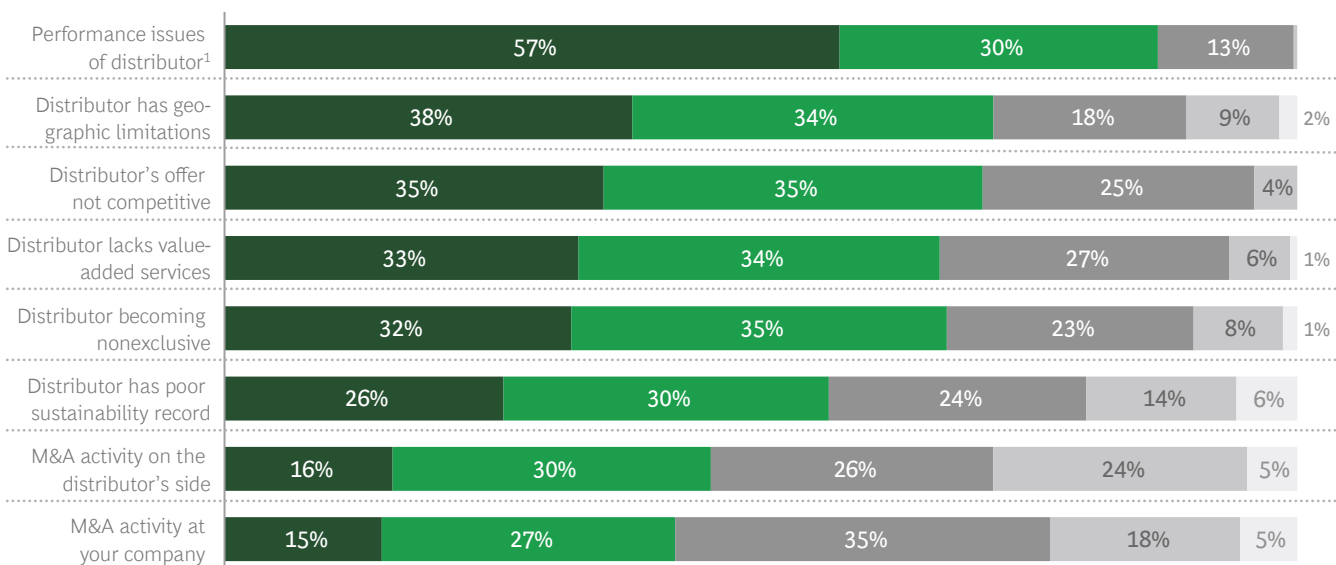
This higher satisfaction does not reduce scrutiny—it raises expectations. Performance shortfalls remain the top reason for switching distributors, with geographic reach and competitiveness gaining in importance and now nearly matching performance in triggering change. Principals still prioritize timely and complete deliveries but increasingly expect distributors to cover more geographies and defend price and service levels amid tighter market conditions (see exhibit 8).

In parallel, structural consolidation is accelerating. The share of companies working with ten or fewer distributors has risen considerably in recent years, reflecting a shift toward fewer, deeper partnerships. Small and mid-sized companies have consolidated their distributor bases, with more than half of small firms (\$250 million to \$1 billion) working with fewer than ten distributors. In contrast, larger corporations (over \$5 billion) remain somewhat less consolidated (only 39% have fewer than 10 distributors). Consolidation of distributors is expected to continue, as commodity players and multinationals are now prioritizing demand planning, compliance data, and flexible inventory models as they seek stable partnerships under continued uncertainty.

Exhibit 8 – Reasons to switch distributors from principal’s perspective

How important are the following reasons for your company to switch distributors?

Percentage of respondents



Very important Moderately important Important Marginally important Not important

1. E.g., not meeting sales target, financial issues, does not provide sufficient market/customer data and insights, or inconsistent approach/strategy

Source: BCG analysis

The nature of distributor–principal relationships is evolving from transactional execution to strategic cocreation. Mitigating supply chain risk, granular data transparency and regulatory coauthoring define the new baseline. These investments in transparency, and trust-based relationships between principal and distributor, are hard to repeat dozens of times. “Fewer but deeper” is the theme. Those lacking scale or digital infrastructure risk being deprioritized. The result will be a more concentrated landscape in which full-service distributors capture more volume and redefine performance standards across the ecosystem.

The Distributors’ View

Distributors are seeing a definitive shift in expectations—from executional partners to strategic enablers. Principals now demand joint planning, regulatory coauthoring, and data transparency. “*We’ve gone from vendor to cocreator,*” said one executive. This transition raises the bar, particularly in specialties where deeper technical and compliance support are now table stakes.

In specialties, where market access is often exclusive to a single player, the dynamic can invert: Principals compete to secure partnerships with distributors who hold the strongest position in a specific region or application. The first principal to lock in such a relationship gains a lasting competitive advantage, making the top distributors highly sought-after assets.

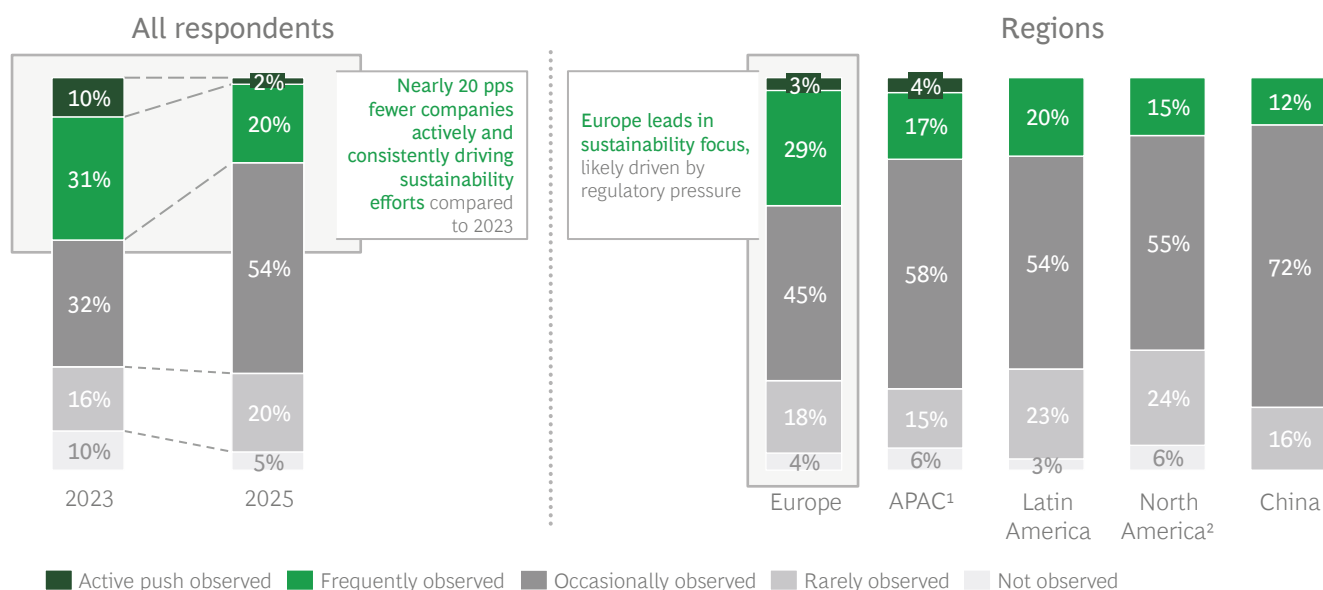
#5: IMPORTANCE OF SUSTAINABILITY VARIES GREATLY BY REGION

In our 2025 survey, only 22% of principals state that distributors are actively pushing to buy sustainable materials and phase out nonrenewable inputs—down from 41% in 2023, marking a drop of nearly 20 percentage points (see exhibit 9, categories “active push” and “frequently observed”). Even though 39% of principals still expect distributors to maintain formal sustainability targets. However, only 2% see a strong push today suggesting that responsibility for product sustainability still sits primarily with chemical producers (see exhibit 9).

Exhibit 9 – Importance of sustainable materials

Are distributors pushing to buy sustainable materials and actively phasing out nonrenewable materials from their purchases from you?

Percentage of respondents



Nearly 20 pps fewer companies actively and consistently driving sustainability efforts compared to 2023

Europe leads in sustainability focus, likely driven by regulatory pressure

1. Excluding China
 2. Excluding Mexico
- Source: BCG analysis

The gap across regions is noteworthy. Europe leads with 29% of respondents still frequently observing sustainability activity—well ahead of APAC (17%), Latin America (20%), North America (15%), and China, which ranks last. These differences align with regulatory pressure and the political and business environment in each region: Europe is driven by frameworks like REACH.⁹

In addition, upcoming restrictions on PFAS¹⁰ and EUDR¹¹ and new grouping approaches under the Chemicals Strategy for Sustainability are adding to compliance complexity. In contrast, North America’s low engagement reflects looser policy and a stronger cost focus. In emerging markets, local regulations, end-customer demand, and sometimes serving the local branch of a large multinational chemicals company can all determine pace and direction.

9. Registration, Evaluation, Authorization, and Restriction of Chemicals
 10. Per- and polyfluoroalkyl substances
 11. Regulation on Deforestation-free Products (EUDR)

In practice, many principals seem to adopt a pragmatic view: Sustainability is acknowledged, but rarely prioritized in partner selection, and is often pursued only when ROI is neutral or positive—such as in Cosmetics and Personal Care, where strong end-customer demand for sustainable products can support premium pricing and faster adoption.

Nonetheless, sustainability remains relevant and can provide strategic opportunities, particularly in niche areas. Certain products with sustainable attributes remain in short supply, providing distributors who can reliably source them with a competitive edge across their broader portfolios. Moreover, even for products without distinct sustainability profiles, increasing regulatory and end-customer demands for data transparency will necessitate ongoing investments in reporting and compliance capabilities. For some distributors, building robust transparency systems could become an important competitive differentiator.

The Distributors' View

For some distributors, sustainability has moved from a strategy to a checkbox. They focus on meeting baseline audit requirements with digital tools rather than actively pushing greener alternatives. *“We’ve taken our foot off the pedal,”* admitted one Executive, as economic headwinds shift priorities toward cost containment and operational stability. Yet, others intensify their efforts through digital life cycle assessment tools, automated certificate uploads and real-time non-compliance alerts to help satisfy audit requirements while keeping administrative costs down. The scrutiny in Europe is perceived stronger than in other regions of the world.

#6: CONTINUOUS CAPABILITY BUILDING AND TECH UPGRADING REQUIRED TO STAY AHEAD IN UNCERTAINTY

Digital technology and (Gen)AI¹² are reshaping the chemical industry and competitive dynamics—and distribution is no exception. Early adopters are driving implementations of use cases like (Gen)AI-powered safety data sheets, predictive pricing, conversational catalogues that reduce quote-to-order time, copilots supporting sales reps live during customer calls, and agentic solutions supporting customer self-service from “where is my order?” to selecting a product to place an order over the phone at midnight on a Saturday. These applications not only enhance customer interactions but also significantly improve operational productivity and flexibility.

However, distributor ambition and readiness vary significantly: over 70% of distributors view AI as one of the most impactful technology in distribution within the next two to three years and 15% of principals cite digital capability as their primary differentiation against their competitors in 2025. This stands in contrast to the actual readiness of distributors, where just 50% of European distributors have begun piloting or implementing GenAI.

This variability is widening digital capability gaps across the industry, making capability building a multidimensional challenge. Beyond technology investments, which can be costly, and data management, which requires substantial effort, effective adoption demands rebuilding certain business processes to be AI native as well as extensive training, reskilling, and organizational change management. Sales forces must evolve into data-literate solution advisors, while supply chain planners need to master scenario analytics. IT departments must support scalable AI use cases via cloud-native architecture.

Digital capabilities, or their absence, will increasingly influence the distributors that principals and customers select, shaping decisions on service levels, speed, efficiency, and availability. Ultimately, this digital divide may also become an influential driver of further M&A activity, especially as distributors with aging workforces hesitate to invest adequately.

12. Generative artificial intelligence

The Distributors' View

Globally, distributors are under pressure to modernize: Real-time supply chain tools, AI-driven sales support, and principal/customer platforms are no longer optional but expected. Digital readiness, however, remains uneven. Some distributors are piloting GenAI for marketing, S&OP optimization, or contract automation, while others are still building the data foundations needed for scale. *"We have an AI policy, but we first need to build the basics,"* summarized one executive, reflecting a common view that digital ambition exceeds current execution capacity. Additionally, upskilling in cybersecurity capabilities is gaining in importance.

Four Imperatives for Chemical Distributors to Win amid Uncertainty

The dynamics shaping the uncertainty paradigm are not temporary but likely to persistently impact macroeconomic volatility, push performance expectations, and reshape the chemical value chain. We see four imperatives for chemical distributors to secure relevance and profitable growth through 2030:

- 1** Rewire supply chains to cope with uncertainty
- 2** Invest in capabilities to reduce cost to serve
- 3** Scale value-adding services and digital technologies
- 4** Pursue People Advantage

REWIRE SUPPLY CHAINS TO MANAGE UNCERTAINTY AND CREATE ADVANTAGE

Real growth will slow to 2.9% CAGR through 2030 (base scenario), facing disruption from trade fragmentation, regional conflicts, and tariff changes. Trade-policy volatility causes customer hesitation, creating unpredictable demand and capacity mismatches. In this environment, managing volatility is no longer a question of exceptional crisis response, it must become integral to the distribution network architecture. Distributors with port infrastructure, coastal storage, or multimodal hubs can turn this volatility into a source of competitive advantage, offering faster rerouting options and more reliable service when others face disruption. Locations such as the ARA region (Amsterdam–Rotterdam–Antwerp), the Manchester Ship Canal, and Copenhagen ports are increasingly significant, especially for European distribution.

To remain operationally stable and commercially relevant, distributors must abandon traditional, linear supply models and redesign their networks for resilience. This requires multi-sourcing for commoditized chemicals, while specialties necessitate rapid reconfigurability linked to few principal stock points and redundancies in supply as core design principles. Critical product categories should be sourced from multiple countries or trade zones, avoiding overexposure to single-regime risk. Instead of global hub consolidation, distributors should build regional stocking points for quicker rerouting and establish (regional) risk boards to monitor the situation. Flexible routing across sea, rail, and land with backup logistics providers and port redundancy mitigates capacity stocks and regulator disruption. Regionally focused distributors are also being pushed to reevaluate sourcing strategies, particularly those heavily reliant on Asian supply chains. Yet switching is complex: Beyond requalification timelines, structural supply–demand imbalances and limited availability of domestic or non-Chinese alternatives continue to constrain diversification efforts.

Executing on this transformation will require new operating models and upstream alignment. For example, leading players are establishing dedicated regional sourcing teams, forging local partnerships, and embedding China-plus-one strategies to reduce supplier

concentration. Some restructured flows within weeks during past disruptions, rerouting commodities or rebalancing inventory across hubs. Scenario-based planning and country-risk assessments enable optionality when a primary lane is compromised.

In short, resilient supply chains are no longer a competitive edge. They are the baseline requirement in a world where disruption is not a deviation but a permanent condition.

**“On current tariffs: There is no benchmark for this.
We can’t plan, and we don’t know the end game.”**

— CEO, Commodity and Specialty Distributor

**“Customers are ordering smaller quantities and with shorter visibility.
It’s a clear signal they’re operating on caution.”**

— C-suite executive, Commodity and Specialty Distributor

**“We increasingly rely on distributors who can manage payment risk,
hold inventory, and absorb sea freight spikes.”**

— Sales Director, Principal

INVEST IN CAPABILITIES TO REDUCE COST TO SERVE

In today’s market, cost efficiency has become a decisive criterion for chemical distributors facing margin erosion. Inflation, wage growth, and higher interest rates have driven up costs across the value chain, outpacing pricing power. While these increases were often absorbed or justified in a value-driven market phase, margins are now under acute pressure—making cost reduction imperative.

Today, chemical principals are increasingly evaluating their distribution partners through a value lens. Rising costs have squeezed principals’ profitability, causing them to pass cost burdens onto their channel partners. Additionally, new US tariffs on Chinese products redirect materials toward Europe and LATAM, where tariffs are lower or absent. This shift puts downward pressure on prices in those markets. As a result, margin compression and volatility are intensifying even for distributors with limited direct tariff exposure, accelerating urgency to cost-reduction efforts.

In this context, selection, retention, and replacement hinge on the ability to deliver measurable impact. Principals expect distribution partners to operate as true efficiency engines, cutting costs in logistics, sales, and support functions, not just expanding reach. A distributor’s competitive advantage for realizing cost efficiencies now depends on delivering technical expertise and regulatory knowledge, such as shared warehousing, consolidated freight, and digitalized order-to-cash operations. Transparent KPI¹³ reporting (e.g., inventory turns or carbon footprint) is becoming a standard requirement in tenders. Without a quantifiable value narrative, distributors risk exclusion as principals streamline their partner portfolios.

Distributors’ P&Ls are already coming under increasing strain on the EBIT(D)A side versus gross margins, indicating a higher operating cost. To meet cost expectations, distributors must hardwire efficiency into their operating model. This includes lean organizations, streamlined service tiers, and the replacement of manual tasks with automated systems, such as invoicing, fulfillment, or documentation workflows. Distributors must also allocate resources based on customer profitability, reserving high-effort support for high-return relationships.

13. Key performance indicator

These capabilities are no longer simply nice to have, they determine which partners grow and which are left behind. The share of principals consolidating their distributor base is rising sharply, signaling a preference for those who can demonstrably lower the cost to serve. Distributors who fail to act on cost risk being cut from portfolios in favor of leaner competitors.

“Expectations of us are rising, but we cannot always monetize them. Rising cost is our number one priority, which is why we have started an efficiency program.”

— C-Suite executive, Specialty Distributor

“As distributors rationalize, they offer lower base costs and access to larger volumes. This reduces our costs and helps us gain market share. The strength of distribution will continue to grow.”

— Managing Director, Principal

SCALE VALUE-ADDING SERVICES AND DIGITAL TECHNOLOGIES

As principal–distributor relationships consolidate, expectations continue to evolve. Principals are no longer satisfied with basic fulfillment or geographic reach, they continue to expect distributors to provide tangible, value-adding capabilities. This includes not only operational excellence but also the ability to support compliance, sales and marketing, customization, and innovation.

Offering infrastructure-enabled services has become a key differentiator: formulation labs, local blending facilities for quality assurance, and just-in-time repackaging centers tailored to industry-specific needs, such as food-grade or pharma-compliant conditions. Some distributors are uniquely positioned to assist with tracking energy and water usage in formulation support.

Access to strategic infrastructure, including ports, tank farms, and laboratories, is equally critical to ensure flexible and reliable service. When products must be adapted to specific applications or regulatory environments, distributors with the right technical setup can actively contribute to the solution, enhancing retention and growing their share of wallet especially in growth segments such as Pharma, Cosmetics and Personal Care, and Food and Nutrition. What constitutes added value, however, varies by region and end market: In Africa, for example, services like stock provisioning, regulatory handling, tailored formulation, and customer training are critical to building and sustaining strong principal–distributor partnerships.

Added value now includes integrating digital and AI capabilities across organizational departments. This requires cloud-based systems that connect core functions such as logistics, pricing, compliance, and sales and marketing. Principals, but also customers, increasingly expect real-time responsiveness, seamless coordination, and data-driven insight across all operational interfaces. Internally, the ability to analyze account-level data, respond quickly to changes, and simulate scenarios is critical for decision-making. Another significant opportunity offered by AI is cross-selling, which is currently not yet impactfully leveraged in chemical distribution. AI-powered tools can substantially simplify this process by generating recommendations such as “other customers also bought” and portfolio-based product suggestions as already demonstrated by some distributors. Furthermore, digital technologies increasingly support regulatory work, such as monitoring compliance frameworks or managing product documentation across jurisdictions to help principals navigate increasingly complex requirements. Robust QSHE¹⁴ systems and region-specific digital platforms are essential enablers of scale, allowing global distributors to weigh the potential of emerging markets against higher

14. Quality, safety, health, and environment

risk exposure. Phased entry models, like minority stakes, joint ventures, or bolt-on acquisitions, help manage currency volatility and compliance complexity. Supporting registration processes, coordinating regulatory responses, and maintaining portfolio alignment are all part of a modern value proposition.

Implementation and development of capabilities depends on a combination of infrastructure, tools, and people. To make AI tools effective, they must be integrated into a broader system landscape and supported by process automation. Successful digitalization also requires targeted reskilling. Sales and marketing teams need to interpret data insights, not just receive them. Planners must work with scenario-based models, not spreadsheets. This shift is as much about mindset as it is about tools, and companies that invest early in digital fluency across their teams will extract greater value from their systems. To accelerate digital transformation, partnerships with tech vendors or academic institutions can bridge skills gaps, while cross-functional “labs” help validate new use cases faster. Budgeting for ongoing capability building is no longer optional—it is the foundation of organizational resilience.

Distributors proactively offer a comprehensive set of capabilities to differentiate themselves, strengthen strategic partnerships, and gain decisive market advantage. They should partner in ecosystems with service providers to create powerful networks of integrated skills and talents at times when principals are scaling back.

“Providing technical support, driving tangible growth, addressing country-specific regulations—this is how distributors become a true extension of the producer.”

— Global Business Manager, Principal

“A key value driver will be digital integration—fast and complete access to customer and market data as well as process integration across sampling and order management. Digitalization should help producers serve more customers more efficiently and more directly.”

— Sales Manager, Principal

“We provide market intel some producers don’t even have. That’s how we earn the right to represent them.”

— CEO, Specialty Distributor

PURSUE PEOPLE ADVANTAGE

As cost pressure rises, services expand and technology adoption accelerates, distributors are expected to deliver more, faster, and with greater precision. These imperatives make one thing clear: Success in today’s market does not depend on isolated improvements but on the ability to evolve as an organization. Resilience, cost efficiency, and value-added delivery all require one common enabler: the right people in the right roles.

Yet across the industry, distributors are facing growing challenges in building the workforce required for this next phase. The talent gap is widening in terms of availability, skill depth, and functional alignment. Expertise in digital tools, regulatory navigation, strategic sourcing, and data-driven decision-making is increasingly scarce. Strategic workforce planning is therefore becoming essential. Distributors must assess current and future capability gaps and how those gaps can be addressed through targeted recruitment, succession planning, or external partnerships.

The war for talent is playing out even within organizations. Experienced employees' institutional knowledge must systematically transfer to new hires. At the same time, new talent is needed to drive change, close digital skill gaps, and enable future-oriented growth. Successful digitalization depends not only on the tools but on reskilling and empowering the people who use them, ensuring that commercial teams, planners, and technical specialists alike can translate data into action.

Developing workforce capabilities is no longer simply a support function, it is a critical strategic priority. Distributors who delay risk falling behind as the market evolves. Those who proactively invest in talent, digital skills, and organizational agility today will lead the next era of chemical distribution.

“Do we even have the talent to understand digital tools—and know how to apply them to real business problems?”

— CEO, Commodity Distributor

“It’s hard to find people we want to hire, and even harder to rely on them. The quality at entry level is low—education, mindset, work ethic. Skilled talent exists, but you have to pay for it.”

— CEO, Specialty Distributor

The chemical distribution industry faces growing market uncertainty marked by softening demand, shifting trade flows, and fragmented regulatory landscapes. Despite these pressures, distributors' business models have demonstrated resilience—often surpassing chemical manufacturers—given their essential role in stabilizing supply chains through volatile market conditions. Yet, growth, regulatory, and outsourcing dynamics differ greatly by region and end market, requiring distributors to adapt locally while maintaining efficiency in terms of both cost and processes.

Winning distributors position themselves as strategic business partners who simplify complexity for both principals and customers, continuing to prioritize growth and cost reductions. Looking ahead, enhanced resilience, value-adding service depth, transparency, and technological enablement become the baseline expectations to meet evolving customer, principal, and regulatory demands. Leading players will leverage AI and advanced technologies to achieve the required efficiencies and drive further industry consolidation through M&A. Talent acquisition and capability building will be the new competitive battlegrounds as distributors strive to meet these heightened expectations.

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