

Chemicals Practice

Digital platforms in chemicals: The game is on—will the winner take all?

Direct commercial interfaces—or digital platforms—are increasingly preferred by B2B buyers. Chemical companies that hope to win in this space must move fast.

by Marco Moder and Axel Spamann



An increasing number of chemical companies are applying digital approaches to marketing and sales. One way that's manifesting itself is in the creation of direct commercial interfaces, or digital platforms. These platforms offer chemicals, plastics, and synthetics across two customer bases: manufacturer to manufacturer (B2B) and manufacturer to consumer (B2C).

Of these, B2B buyers are increasingly open to making purchases via digital platforms. In fact, our research shows that 85 percent of B2B buyers prefer purchasing known products from a digital platform as opposed to ordering by phone or email. One reason for this preference is the increased importance customers place on digital buying experiences (exhibit).

From the customer perspective, digital platforms in chemicals can be categorized along two dimensions: 1) single manufacturer versus an "open platform," which includes several manufacturers, and 2) standard transactional platform versus one geared toward industry expertise. In general, standard products with fragmented customer bases, such as polyethylene, have the highest potential to sell via digital channels. Products with high price volatility can potentially be sold via e-auction model. And predefined products can allow for more flexibility and therefore increased options for consumers.

Exhibit

Digital solutions can improve B2B customers' buying experiences.

Online customer preferences



Place orders



Access and download documents



Sample requests

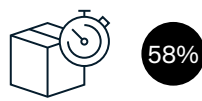
Top pain points



Relevant digital features



Key buying factors



Short delivery time



Price transparency



Technical support

¹ Minimum order quantity.

For such platforms to be successful, three criteria must be met (chemicals lends itself to all three). First, transparency of product prices (opacity in available product specifications); second, increased inefficiency (a platform could make selling leaner and leverage benefits of scale); and third, decoupling of manufacturing and market matching (the manufacturer isn't necessarily the one that sells the product). For these reasons, no single player can win the digital platform game. Rather a joint venture among several chemical companies could prove successful (to bring product and data at scale as well as share market knowhow) in cooperation with an e-commerce start-up (that contributes speed and agility).

Chemical companies that hope to launch a successful digital platform must move fast. It is essential that they understand customer needs and pain points as well as the required investments. Priorities can be determined once success factors have been identified. For instance, is it important to reach other manufacturers? Or a broad customer base? In this respect, partnerships (both inside and outside the value chain) are key, including those with logistics companies (for shipping goods), insurance (for protecting goods), banks (for financing goods), and packaging companies (to repackage or label goods).

What will it take to win? First, building an ecosystem should be considered as a means of matching supply with demand.¹ One critical success factor will be altering the organization's operating model to reflect these new priorities. Advanced analytics can also leverage recommended-product algorithms. And omnichannel orchestration can help identify customers as well as key words and phrases that are entered into the platform's search function. Such information will enable the sales account manager to further explore any potential sales opportunities.

¹ For more on ecosystems, see Jacques Bughin, Tanguy Catlin, and Miklós Dietz, "The right digital-platform strategy," *McKinsey Quarterly*, May 2019, on McKinsey.com.

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