

The background of the entire page is a photograph of an industrial chemical plant. It features a complex network of pipes, valves, and large cylindrical storage tanks. The scene is bathed in a warm, orange-red light, suggesting either sunrise or sunset. The lighting creates strong highlights and shadows, emphasizing the metallic textures and the scale of the facility. The overall mood is industrial and serious.

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EXECUTIVE REPORT

economic volatility is putting chemical manufacturing margins at risk

why pricing control is now
essential to protect profitability

introduction

Chemical manufacturers cannot afford to wait for volatility to settle.

Raw material costs, feedstock prices, energy, freight, tariffs, interest rates, policy uncertainty, and competitive pricing pressure continue to move. This is not a temporary disruption. It is the operating environment.

That reality has made pricing one of the most important financial levers in chemical manufacturing. Pricing now determines how quickly cost movement becomes cost recovery, how effectively margin is preserved, and how clearly leaders can explain profitability when market conditions change.

Inaction is not neutral. It compounds price leakage across every transaction.

But pricing activity is not the same as pricing control. Many chemical manufacturers are adjusting prices more frequently, but execution often still depends on fragmented systems, ERP processes, spreadsheets, formula updates, surcharge logic, rebate structures, contract terms, and customer-specific agreements. Legacy pricing processes were designed for slower-moving markets. In an environment of continuous volatility, they create delays, expose margin, and limit the business's ability to respond with confidence.

150 senior
manufacturing
executives
SURVEYED

The risk is not that chemical manufacturers fail to recognize volatility. The risk is that pricing execution cannot respond with enough speed, consistency, visibility, and control to protect contribution margin, price realization, customer profitability, and earnings predictability.

Inaction is not neutral. Every delayed cost pass-through, missed surcharge, unmanaged exception, inconsistent discount, or misapplied contract term creates another point of margin leakage. Over time, those points accumulate across products, grades, customers, contracts, regions, and orders.

Based on a survey of 150 senior manufacturing executives, this report examines economic volatility through the lens of chemical manufacturing and the pricing execution gaps it exposes. The findings point to a clear conclusion: chemical manufacturers cannot rely on reactive pricing to protect profitability. Pricing control is now a financial requirement.

economic volatility is coming from multiple directions



top pricing pressures facing manufacturers

33% cite competitor price wars

33% cite interest rate uncertainty

33% cite U.S. policy uncertainty

30% cite tariff changes

Chemical manufacturers are facing a pricing environment shaped by overlapping sources of pressure. No single factor is driving volatility. Manufacturers are navigating competitive, macroeconomic, policy, and cost pressures at the same time.

Economic volatility has become continuous. Pricing execution has not.

For chemical manufacturers, these pressures intersect with feedstock movement, energy exposure, freight costs, supply availability, contract obligations, rebates, and customer-specific terms. A tariff change can affect cost recovery. Competitive pressure can limit pass-through. Feedstock or energy movement can require rapid pricing action across multiple products, customers, and regions.

pricing activity is high because volatility is high

Manufacturers are not standing still. They are adjusting prices in response to economic volatility, and those adjustments are material.

In chemical manufacturing, volatility across feedstock, energy, freight, tariffs, supply availability, and competitive pressure often triggers pricing action. But while costs and market conditions can change quickly, pricing mechanisms often depend on slower-moving processes such as contract reviews, formula updates, surcharge changes, rebate adjustments, approvals, and customer-specific negotiations.

Price movement is not the same as pricing control. The gap between them is where margin leaks.

Price movement without pricing control can create price leakage, weaken realized margin, and expose contribution margin.

price increases are
widespread and material

98% adjusted prices
by 6% to 20%

60% raised prices
by 6% to 10%

38% raised prices
by 11% to 20%

volatility response is fragmented, creating execution risk

Economic volatility is forcing manufacturers to respond in multiple ways at once.

For chemical manufacturers, this reflects the reality of operating across different product families, grades, applications, customers, and contracts. Some cost increases may be passed through using index-based pricing, surcharges, contract escalators, or customer-specific adjustments. Others may be absorbed to protect strategic accounts, preserve volume commitments, or maintain share in competitive markets.

Manufacturers may also shift suppliers, adjust sourcing regions, reformulate products, rationalize SKUs, or prioritize higher-margin grades and applications. The problem is not that chemical manufacturers are responding in different ways. They have to. The problem is when those responses are not governed through a consistent system of pricing control.

Without pricing control, volatility response becomes fragmented and difficult to measure across products, grades, customers, contracts, and regions.

manufacturers are
responding in multiple ways

47% adjusting offerings
or supply sources

45% passing costs
to customers

42% absorbing costs to
maintain pricing



cost pass-through is becoming a margin control challenge

For chemical manufacturers, cost pass-through is one of the most important mechanisms for protecting profitability. But pass-through is only effective when it is executed consistently.

These findings point to a critical issue: cost recovery is not automatic. If feedstock or energy costs rise but contract formulas are not updated, margin is exposed. If surcharges lag, price realization weakens. If freight adjustments are delayed, cost-to-serve increases without being reflected in net price. If rebate structures are missed, customer profitability becomes distorted.

Cost pass-through is not simply a pricing tactic. It is a financial control issue. When raw material pass-through depends on manual workflows, disconnected systems, and inconsistent execution, margin preservation depends on how fast teams react, not how well the business is controlled.

cost recovery is inconsistent and margin visibility is limited

41% are **passing costs** to customers

31% are **absorbing costs** into margin

25% cite **delayed pass-throughs**

49% **lack strong** margin visibility

pricing is moving faster, but volatility response is creating customer risk

faster pricing is creating customer friction

86% can adjust pricing within three months

57% saw mostly **negative** customer reactions

94% lost customers after price changes

Speed matters in a volatile economy. But speed without control creates risk.

The data shows a clear tension. Manufacturers are adjusting pricing quickly, but faster action is not preventing customer friction. In some cases, it may be contributing to it.

Chemical manufacturers often operate through long-term customer relationships, negotiated contracts, recurring orders, supply commitments, volume agreements, and application-specific product requirements. Customers may accept index-based adjustments, surcharges, or formula-based changes when those changes are clear, consistent, and defensible.

Without execution control, pricing agility can look like unpredictability to customers. And unpredictability erodes confidence.

Faster pricing may be necessary, but if changes are not consistent, transparent, and defensible, volatility response can create customer friction and measurable loss.



margin becomes the shock absorber when pricing execution lags

Competitive pricing pressure may start outside the organization, but internal execution gaps determine how much margin is lost. In chemical manufacturing, margin leakage can accumulate through delayed cost updates, misapplied contract terms, inconsistent discounts, rebate leakage, uncontrolled exceptions, formula errors, surcharge delays, and limited visibility into realized margin.

The issue is not only list price or target price. It is actual net price after discounts, rebates, freight, packaging, logistics costs, and customer-specific terms. Two customers may buy the same product, but their cost-to-serve profiles can create very different margins.

Margin does not disappear in one decision. It erodes transaction by transaction, exception by exception. That is what makes it hard to see and hard to stop without pricing control.



**execution gaps are
driving margin leakage**

40% cite competitor
price wars

35% cite inconsistent
discounting

31% cite inconsistent
governance

29% cite siloed
decisions

pricing technology is advancing, but control is still missing

Many manufacturers are investing in pricing tools, analytics, and AI. But investment alone does not create control.

This is a warning sign. Chemical manufacturers may be modernizing parts of the pricing process, but the value of technology depends on whether it changes execution.

Most chemical manufacturers have invested in pricing technology. Few have fully operationalized it. Insight without execution is just a dashboard. Pricing technology and analytics can surface opportunities, identify

margin erosion, and recommend changes. But those recommendations only protect margin when they can be applied consistently across contracts, customers, product families, grades, regions, and transactions.

Volatility resilience requires pricing control that turns recommendations into consistent action.

technology adoption
is rising, but **execution
control is still missing**

73% are using or adopting
AI-driven pricing

27% can point to a **clear payoff**

20% still rely on **spreadsheets**

what this means for chemical manufacturers

Economic volatility is exposing pricing execution gaps that affect price realization, contribution margin, customer profitability, and cost recovery.

Without pricing control, volatility shows up as delayed cost pass-through, weak price realization, inconsistent discounts, rebate leakage, customer friction, margin leakage, and earnings unpredictability.

- **margins are harder to see**
- **cost recovery is harder to execute**
- **pricing decisions are harder to govern**
- **customer profitability is harder to protect**

The issue is not whether chemical manufacturers are taking action. They are. The issue is whether those actions are coordinated, visible, and financially controlled.



conclusion

Chemical manufacturers cannot make volatility disappear. Feedstock prices, raw material costs, energy, freight, tariffs, interest rates, supply disruption, and competitive pressure will continue to test pricing discipline.

But volatility does not have to dictate margin outcomes. The companies best positioned to protect profitability will be those that treat pricing as a controlled system, not a series of reactive decisions.

In practice, pricing control means governed cost pass-through, margin visibility before volatility reaches the P&L, and consistent execution across contracts, customers, rebates, surcharges, and exceptions.

Volatility compounds. So does uncontrolled pricing.

Left unchecked, delayed pass-throughs become margin leakage, exceptions become precedent, rebates and discounts obscure true price realization, and unexplained margin variance becomes harder to defend at the executive level.

In a volatile chemical manufacturing economy, pricing control is no longer an operational improvement. It is a financial requirement. Chemical manufacturers cannot control economic volatility, but they can control whether it erodes contribution margin, weakens price realization, and dictates profitability. **That control has to start now.**





about zilliant

Zilliant helps B2B enterprises execute pricing consistently, confidently, and at scale. By replacing fragmented tools and manual processes with governed workflows and real-time intelligence, Zilliant gives teams the control to move faster without sacrificing consistency, profitability, or visibility. The result is stronger margin protection, faster pricing execution, improved predictability, and greater confidence in pricing performance across the business. Learn more at zilliant.com.