A TALE OF TWO CONTINENTS

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Not too surprisingly, North America and Western Europe represent the most established adhesive sectors within the 24 Bn dry pound global adhesives industry. Combined, these two regions garner 54% market share. North America leads global consumption, accounting for 7.4 billion dry pounds, followed by Western Europe at 5.8 billion dry pounds.

While the economy in the U.S. is in a recession and Europe likely heading there, it is natural to question on which key growth areas should industry participants focus their efforts?

In its effort to address this question ChemQuest analyzed the non-pressure sensitive opportunities within its U.S. and European adhesive data bases using three parameters that are mutually dependent – the end use market segment, the raw material family utilized and the formulative technology employed. This analysis focused on opportunities that provided a minimum of one million dry pounds of demand in 2000, growing faster than the aggregate industry growth rate, and an expected incremental growth of at least one hundred thousand dry pounds over a period of five years.

This methodology for growth opportunity identification has proven to be a highly useful technique to surface specific growth opportunities across all market segments in these highly fragmented industries. However, once identified it is necessary to recognize that all opportunities are not equally attractive to all companies. Once identified, each opportunity then must be considered in the context of the competitive environment in which it finds use.

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Tables 1 and 2 show the top ten fastest growing opportunities within each of the continents:

Table 1: Ten Fastest Growing Non-Pressure Sensitive Adhesive Opportunities in North America

(Minimum Demand of 1.0 MM-Dry Lbs. in 2000)

Rank	Market Segment	Raw Material	Technology	AGR
1	Auto Interior	Urethane-Thermoset	Hot Melt	17.7%
2	Electronic	Structural Acrylic	1-Part Reactive	17.6%
3	Film Lamination	Urethane-Thermoset	2-Part Systems	16.8%
4	Furniture Mfg.	Urethane-Thermoset	1-Part Reactive	13.9%
5	Ceramic Tile	Acrylic	Water Borne	8.8%
6	Auto Exterior	Urethane-Thermoset	1-Part Reactive	8.6%
7	Electronics	Silicone	1-Part Reactive	8.5%
8	Bookbinding	Urethane-Thermoset	Hot Melt	7.9%
9	Auto Assembly	Urethane-Thermoset	1-Part Reactive	7.9%
10	Auto Assembly	Epoxy	2-Part Systems	7.8%

Table 2: Ten Fastest Growing Non-Pressure Sensitive Adhesive Opportunities in Western Europe

(Minimum Demand of 1.0 MM-Dry Lbs. in 2000)

Rank	Market Segment	Raw Material	Technology	AGR
1	Furniture Mfg.	Acrylic	Radiation Cure	21.0%
2	Auto Exterior	Urethane-Thermoset	Hot Melt	14.9%
3	Film Lamination	Acrylic	Water Borne	14.8%
4	Film Lamination	Urethane-Thermoset	Water Borne	14.7%
5	Resilient Flooring	Urethane-Thermoset	2-Part Systems	12.1%
6	Auto Interior	Urethane-Thermoset	Hot Melt	10.6%
7	Auto Exterior	Urethane-Thermoset	2-Part Systems	8.4%
8	Aircraft	Epoxy	1-Part Reactive	6.9%
9	Bookbinding	Urethane-Thermoset	Hot Melt	6.6%
10	Electronics	Polyamide	Hot Melt	6.5%

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This analysis provides a fascinating set of results. At first glance, it's notable to see the dominance of opportunities for thermosetting urethanes. This is a reflection of the desire to extend this highly versatile chemistry into water borne and reactive hot melt formulative technologies. Additionally it shows the interest in further exploiting this raw material family into various assembly applications.

The second perspective relates to the existence of six opportunities for 1- and 2-Part Reactive System opportunities in the U.S., but only three in Europe. It may be argued that this is a result of the U.S. and Europe taking two different approaches to solve a common problem. When environmental concerns surfaced many years ago regarding the continued use of solvents, the U.S. formulators tended to solve the problem by switching to water borne alternatives. By comparison, European formulators and end users showed a greater willingness to consider solventless/ reactive alternatives. As such, the greater number of opportunities in the U.S. could be viewed as catch-up to Europe.

An additional hypothesis is that the U.S. formulators/end users have been more aggressive in their efforts to replace mechanical fasteners than their European counterparts, thereby creating more opportunities for reactive systems. There is significant evidence to suggest that the adhesive industries on both continents are in fact on the same continuum, but at different points of the product life cycle. But that's a topic for another article.

The fact is that adhesives represent only a small percentage of the fastening industry. This presents significant growth opportunities well into this decade and beyond, but the road ahead is littered with intricate challenges.

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Dan joined The ChemQuest Group, Inc. in 1996 from the Rohm & Haas Company where he was most recently European Director, Industrial Coatings. Prior to R&H, he spent thirteen years with Unocal Polymers where his career took him from technical service positions to Director of Marketing. He directed the sale of the Unocal Polymers Business to Rohm & Haas, working closely with Morgan Stanley, numerous attorneys, as well as the FTC. His entire career has been dedicated to the Coatings and Adhesives Industries. His particular strengths lie in strategic assessment and value creation on behalf of clients. He holds degrees from Wabash College (BS Chemistry) and William & Mary (MBA). Contact Dan at (513) 469-7555 or DMurad@chemquest.com

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