WHITE PAPER

TESTING, INSPECTION, CERTIFICATION

A CALL FOR TRANSFORMATION

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A CALL FOR TRANSFORMATION

The Testing, Inspection, and Certification (TIC) sector plays a critical role in ensuring safety, quality, regulatory compliance, and, ultimately, trust across almost all industries. But the sector is also vast and highly fragmented (**see Sidebar**).

The TIC market landscape

The TIC market is inherently diverse, serving a broad range of industries and geographies. Its three core segments—testing (65% of market), inspection (25%), and certification (10%)—address a variety of needs. Each industry demands specific solutions and expertise, creating a very large set of fragmented markets.

Most TIC services are operated locally, reflecting both the regulatory requirements of individual markets and historical ways of working. However, certain sectors, such as global commodities trade, operate on a regional or global scale, aligning with the broader industry dynamics that drive them.

The hundreds of TIC players can be classified into four main archetypes:

- **Global multi-specialists:** Companies like SGS, Bureau Veritas, and Intertek offer diversified portfolios with broad market coverage across industries and geographies.
- **Global specialists:** Companies such as Eurofins, UL, Socotec, and Rosen have a global reach in a single industry or a small number of related industries, creating deep expertise and specific scale.
- **Local diversified players:** Operators such as CCIC, TÜV Nord, and TÜV Rheinland are regional or country-focused but cover multiple industries.
- **Local niche specialists:** A multitude of companies operate in a single industry within a specific geography, thriving on deep specialization.

TIC has unique characteristics in many ways, yet it shares common traits with multi-local business services companies (for example, the energy services sector is also people-intensive and expertise-sensitive). This sector journey is interesting to observe for TIC players, as it shares similar dynamics:

- Activities have been reorganized in industry verticals (such as offices, data centers, biopharma facilities, and hotels), with portfolio management of the most relevant activities and clients.
- Value-added services are emerging to address new needs, such as consulting and energy transition.
- Consolidation is ongoing, both through bolt-ons and larger-scale acquisitions, which is reinforcing innovation and capabilities in new offers and ultimately delivering synergies (revenues and costs).

The global market exceeded €300 billion in 2024, with about 60% being outsourced to TIC players, while the rest was performed in-house (for example, by manufacturers). Further, the 14 biggest players in the sector represented only 20% of the total outsourced market (**see Exhibit 1**). The top players are large and global companies; at the other end of the spectrum, a multitude of niche players focus on a specialty within a specific geography.

The TIC industry is at an inflection point, facing a mix of challenges and opportunities. While recent growth of large TIC players has been very positive, suggesting that fundamental drivers remain strong, several headwinds have emerged, potentially slowing overall market growth:

1. Geopolitical uncertainty could slow global trade, a key driver of TIC growth.

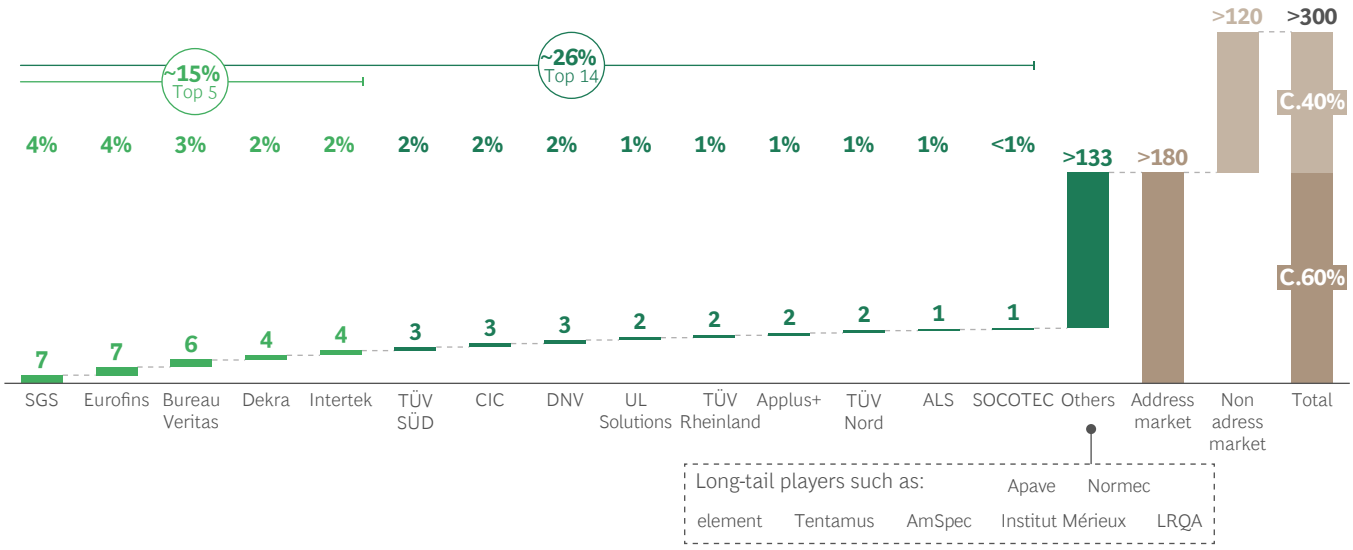
2. Deregulation from the new U.S. administration could limit what has historically been a tailwind for TIC.

3. Sustainability efforts face delays in Europe and limitations in the United States, both of which could affect the TIC sector.

EXHIBIT 1

The TIC market is highly fragmented, with the top 14 players representing 26% of the total addressable market

Top 14 players' revenues and shares of addressable market, in billions of euros, in 2023[1]



[1]Using 2023 average FX rate; 2021 data was used for CCIC because 2023 and 2022 data were not available.

At the same time, there remains opportunity to potentially overperform the market:

1. Specific **growth areas** can be captured, such as addressing new technology risks like cyber and serving the new supply chain in a decoupled trade world.

2. **Modernization** through digitization and AI presents unprecedented opportunities to enhance efficiency and deeply transform ways of working in an industry characterized by very high people intensity.

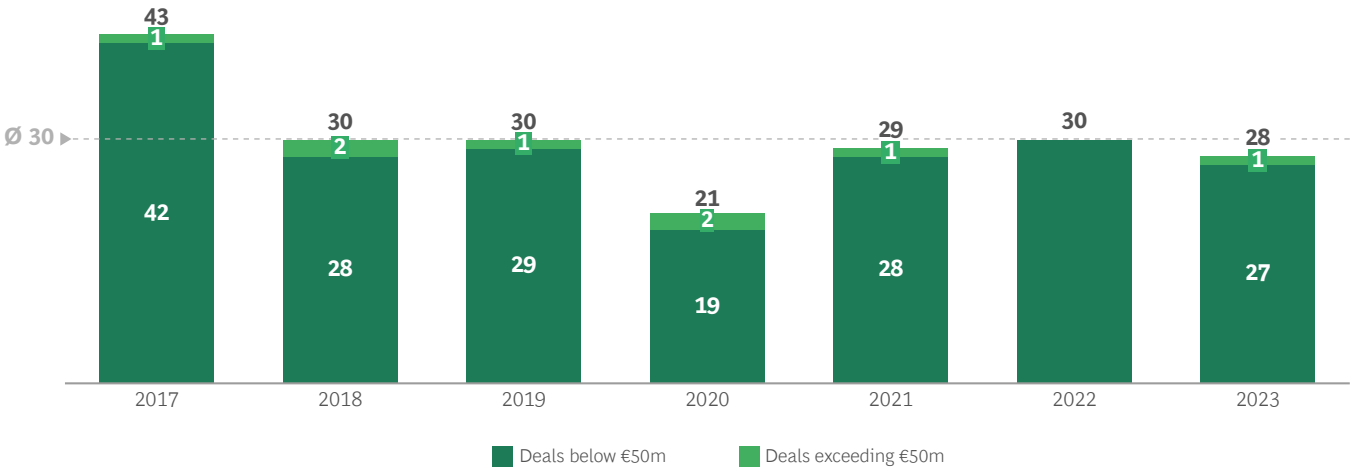
3. Most important, **scale** now matters in TIC, particularly specific scale—defined as scale within a particular activity and geography, taken at the relevant level of granularity, which differs across industries.

As a result, we are anticipating even more M&A activity both, on the acquisition and divestment sides. Cost synergies could create a step change in operating performance, and M&As will reinforce the footprint on the most attractive value pools (and vice versa for exit areas with less attractive dynamics and/or no specific scale potential). M&A could also accelerate the industry's digital and AI journey and spur innovation and growth. In addition, TIC players have performed multiple "bolt-ons" recently (**see Exhibit 2**); in the years to come, mid- to large-scale mergers could be explored, as demonstrated by recent news.

EXHIBIT 2

Ongoing consolidation of the industry driven by TIC leaders performing small-scale deals, yet limited number of platform deals so far

Number of deals per year for Top 10 TIC players (excluding Eurofins)



Source: Companies' annual reports and press releases; PitchBook; BCG analysis.

This turning point calls for bold transformations across three key dimensions: **unlocking a new wave of growth opportunities** in the TIC market landscape; **modernizing TIC operations** while fully embracing digital and AI; and **getting specific scale benefits, including through M&A**. These shifts represent a fundamental change, and we expect the TIC market landscape to be materially different three to five years from now.

1. Unlocking a new wave of growth opportunities

Three megatrends—**digitalization and AI, supply chain resilience, and sustainability** (despite current challenges) —are impacting the TIC industry. These forces are accelerating demand for advanced TIC services that extend far beyond traditional compliance, driving the emergence of new service lines, business models, and long-term revenue streams. Segments tied to these megatrends are expanding at rates of more than 20% per year, positioning TIC as a crucial enabler of industrial and technological evolution.

Digitalization and AI: The widespread adoption of AI, cloud computing, IoT, and automation across industries is generating demand for independent validation of algorithms, data integrity verification, and AI governance certification. Cybersecurity risks have intensified, leading to a surge in requirements for network penetration testing, digital risk assessments, and compliance audits for IoT systems.

Supply chain resilience: The complexity of international supply chains is increasing due to a partial decoupling of global economies, geopolitical instability, and evolving trade regulations. Businesses therefore require enhanced end-to-end visibility, ethical sourcing verification, and real-time disruption monitoring.

Sustainability: Despite the current challenges, and with different status across geographies, voluntary and regulatory driven sustainability efforts are continuing. TIC players are supporting renewable energy assets, smart infrastructure projects, carbon credit verification, etc. They have a specific “right to win” given their on-the-ground presence in each industry compared to consultants and auditors.

Overall, the evolution of TIC is no longer just about regulatory compliance—it is about enabling industry-wide transformation through technology, predictive intelligence, and trust.

2. Modernizing TIC operations

Many TIC players still operate under a multilocal business model, with fragmented processes and limited standardization across geographies. Compared to other industries, TIC remains heavily reliant on manual interventions, slowing efficiency and scalability. While digitalization, AI, and operational transformation have been initiated by many, scaling up these transformations remains a major opportunity for most TIC players. Fully capturing these levers will be key to reaching new margin levels and/or funding the journey to invest in high-growth opportunities.

The imperative of digitalization and AI

Digital technologies are expected to widely impact the TIC market over the next decade. However, most TIC operators have yet to scale these innovations up beyond pilot phases, leaving significant value untapped. The slow pace of adoption is largely due to legacy processes, manual interventions, and an absence of process, data, and system standardization, all of which limit the industry’s ability to fully capitalize on digitalization.

TIC is a knowledge-based industry; value is derived from expert analysis, risk assessment, and understanding of norms and regulations. Traditionally, these processes have been people-intensive, requiring massive training of the workforce, extensive human intervention for data collection, report writing, and compliance verification. Digitalization and AI are now redefining service delivery, unlocking new efficiencies, and shaping new business models:

- **AI and automation:** AI-powered document processing enhances report accuracy and speed. GenAI accelerates staff onboarding in TIC's high-turnover environment, and AI copilots assist field operators with advanced queries.
- **IoT and smart sensors:** Connected devices enable continuous, real-time monitoring, shifting the industry from periodic compliance checks to ongoing risk assessment. This allows TIC players to transition from a sporadic to a more continuous inspection model.
- **Traceability:** As supply chains become more complex, technology-enabled certification ensures fraud prevention, regulatory compliance, and enhanced transparency, particularly in sectors like pharmaceuticals, safety, and industrial manufacturing.
- **Cloud and cybersecurity:** Digital platforms are streamlining certification, compliance tracking, and audit processes, but they also introduce new security risks, creating a growing need for cybersecurity validation and data integrity audits.

As the industry evolves, first-movers in digital transformation will gain a lasting competitive edge, positioning themselves as leaders in AI-powered TIC, predictive risk assessment, and automated auditing services.

Addressing operational inefficiencies

To leverage technology enhancement, TIC players must address structural inefficiencies by standardizing processes, refining commercial models, and optimizing resource allocation. Without these foundational improvements, digital transformation efforts risk being fragmented and under-leveraged. Disparate operational models across geographies create inconsistencies, increasing complexity in reporting and slowing response times to norm and regulation changes. The lack of globally harmonized processes further limits the scalability of AI-driven automation, leading to operational redundancies and higher costs.

Yet processes and tools reflect specific industry sectors. Most of the standardization should occur within industry verticals, across geographies (when possible), with some transversal processes and common tools and technologies (e.g., LLM) that can be activated across verticals.

3. Getting specific scale benefits, including through M&A

Why specific scale now matters in TIC

Specific scale is the scale within a particular activity and geography, at a relevant level of granularity.

Economies of scale come at two levels in TIC: first, through efficiencies at headquarters (global, regional, national) and all support functions; and second, through operational efficiencies, but only when specific scale exists. For example, scale enables optimizing the network of labs in testing (this can be at a very local level, next to manufacturing facilities or in large ports), enhancing the utilization rate in inspection by combining field operator teams and reducing side costs (such as travel and report production).

Scale as an enabler of TIC modernization

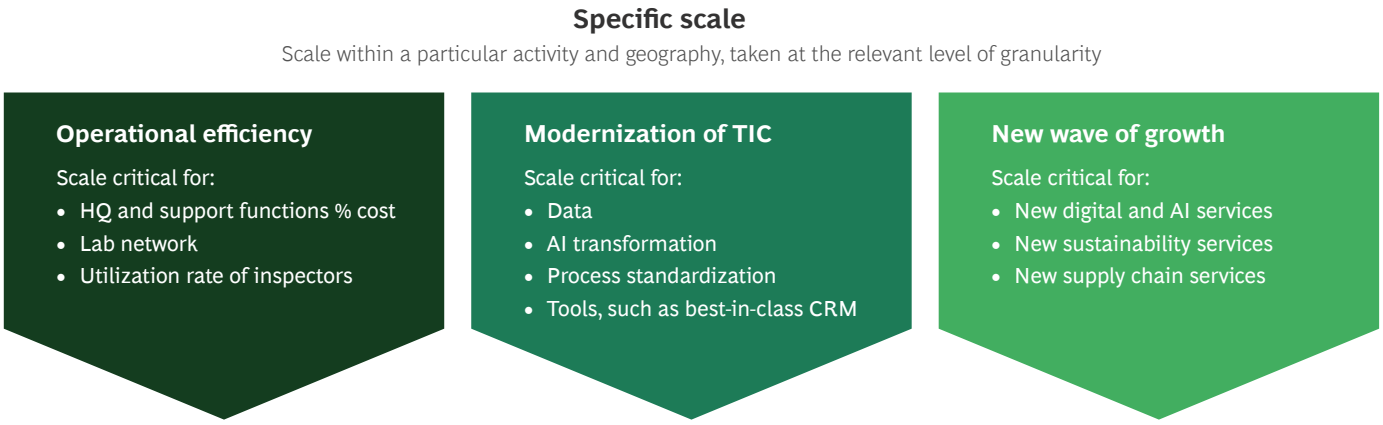
A larger scale enhances the ability to deploy process standardization, automation, and AI-driven improvements. With access to larger datasets in specific industries, companies can generate insights that drive efficiency. Additionally, scaled players can better implement best-in-class technology platforms, including AI and GenAI, optimizing customer experience and service delivery.

Modernizing TIC should create material margin enhancement—which can translate into better profitability (or investment in innovation) to capture megatrends and accelerate growth or, alternatively, lower client prices. In any case, being on the forefront of modernizing TIC creates a competitive advantage.

Scale provides the size and resources necessary to innovate rapidly. It enables TIC players to develop client-focused capabilities in emerging sectors like sustainability, digital transformation, and supply chain resilience. Additionally, it strengthens their ability to create specialized service offerings aligned with industry-specific megatrends, ensuring long-term relevance and competitiveness (**see Exhibit 3**).

EXHIBIT 3

Specific scale now matters in TIC



A new wave of M&A?

As a result of all the insights detailed above, we believe we will see a new wave of TIC M&A activity, beyond the multiple bolt-ons the industry has had in the last few years. Mid- to large-scale M&A is a more complex route given the post-merger integration challenges, but it is also faster and should enable a step change in performance.

Unlock unprecedented margin levels through cost synergies

When specific scale can be achieved—e.g., in overlapping activities and relevant geographical scope (local, regional, or global, depending on the TIC activity)—operating cost synergies can be material. They come from lab network consolidation, rationalization of back offices, improvement of utilization rates of inspection teams, and more. Additionally, a substantial part of the cost structure (25–30% for international players) occurs in global, regional, and local headquarters and support functions—with material scale effects in a merger (**see Exhibit 4**).

Enter/reinforce footprint on most attractive value pools

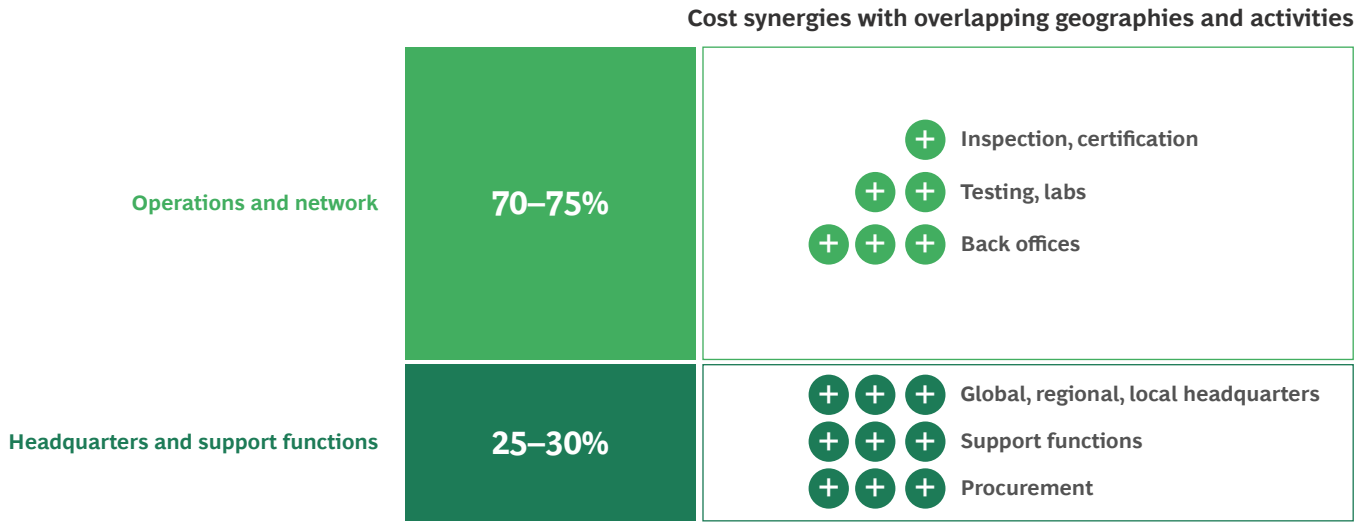
The TIC landscape includes multiple markets, operating largely independently from each other—at the level of an industry sector or often at a more granular level. For example, in Oil and Gas, the business of testing the commodities at the place of the extraction, testing them through global trade routes, or inspection of production, refineries, and pipeline are all fundamentally different. These dozens of markets face very distinct growth rates and profitability. For multi-specialist/multilocal TIC players, actively managing the portfolio by selecting the areas with the most potential and with specific scale opportunities can create massive value. This calls for M&A moves in two ways: buying and selling.

Accelerate the digital and AI journey

Modernizing TIC will be a journey that takes time and requires funding. M&A can be an accelerator of that journey, by reinvesting some of the synergies into process standardization, digital, and AI. It can also provide further scale in deploying tools, data infrastructure, and LLMs.

EXHIBIT 4

Cost structure and cost synergy potential



Conclusion: Seizing the TIC market opportunity

While at a relatively stable state in terms of growth and margin, the TIC industry is at an inflection point. We expect to witness significant change by 2030, including new services offered to clients, new operating models, and new profitability. All this will drive a reconfiguration of the competitive landscape. This is a major call to action for TIC players: Transform at speed and at scale to be among the winners.

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