

# Testing, Inspection, and Certification (TIC)

Implementing the ideal pricing approach that captures market value, optimizes utilization, and maximizes margin outcomes.



Testing, Inspection, and Certification (TIC) businesses often have highly decentralized or regional operations serving customers across a wide range of end markets. This means the sellers—often also the doers—have a high degree of autonomy to estimate project costs and margins. As a result, TIC organizations often have harmful margin variation, with little visibility into where and why it occurs or ability to set data-driven expectations.

With hundreds, even thousands, of product or service combinations, regional market and regulatory differences, and cumbersome data processes, how do TIC businesses set and enforce profitable, market-aligned pricing and commercial strategies?

## Common Challenges for TIC Businesses

- Price is set by **high-level margin targets** vs aligned to segments and specific product / service value (urgency, seasonality, efficiency)
- **Quoted margin varies from actual margin** due to change orders or inaccurate quoting assumptions
- **Different or decentralized processes** prevent sharing of pricing best practices and can lead to inconsistent quoting
- **Limited or inaccessible data** inconsistently managed through spreadsheets or cumbersome legacy tools
- **Labor utilization and backlog** not often considered systematically in quoting decisions
- **Contract terms and ancillary fees** may be inconsistently applied or complied to

# Market Conditions and Growth Drivers

TIC businesses serve virtually every sector across the world, including automotive and transportation, building and construction, chemicals and materials, consumer products and retail, energy and utilities, food and beverage, government, healthcare and life sciences, industrial and machinery, and more. Although considered an essential service, market and economic conditions strongly influence pricing and commercial strategies.

## MARKET & ECONOMIC INFLUENCES

- AI, Internet of Things, and other technological disruptions
- Climate and environmental shifts
- Government regulatory changes / deregulatory environments
- Aging infrastructure and expansions
- Inflationary and supply chain pressures, including downstream exposure
- Labor market fluctuations and regionality



## COMMON TIC PROFIT LEVERS

- Entering new markets, regions or services – M&A, GTM strategies, market research
- Investments in new technologies – reduce costs; scale
- Margin management and strategic price optimization, including organic growth levers such as cross-selling and customer penetration
- Investments in data and AI capabilities
- Labor utilization for profit optimization and competitive advantage



# Defining and Advancing the Pricing Journey

Strategic pricing represents a significant lever for margin growth in Testing, Inspection, and Certification (TIC) companies. To realize the greatest and most sustainable margin impact, these organizations should transition from viewing pricing as a singular event to a holistic approach integrating people, processes, and technology.

Pricing Journey			
Area	Developing 	Managed 	Sophisticated
Target Margin & Rates	<b>Margin Aware, Limited Guidance</b> <ul style="list-style-type: none"> <li>• Difficulty managing complexity</li> <li>• High-level margin targets by region</li> <li>• Offline authorizations and workflows</li> <li>• Mark-ups for certain channels</li> </ul>	<b>Differentiated Margin Approach</b> <ul style="list-style-type: none"> <li>• Managing complexity to meet goals</li> <li>• Purposeful segmentation</li> <li>• Utilizing key price drivers backed by compelling data</li> <li>• Ability to tune pricing approach</li> </ul>	<b>Optimized / Learning Margin Model(s)</b> <ul style="list-style-type: none"> <li>• Leveraging complexity to drive sustainable growth</li> <li>• Closed-loop process to refine target margin model over time based on measurement results and changing market dynamics</li> </ul>
	<b>Basic Tools, Limited Governance</b> <ul style="list-style-type: none"> <li>• Excel-based 'tools' utilized for calculating quote estimates and capturing risk – may have some standardization</li> <li>• Some quotes happening offline / outside of any existing tools</li> </ul>	<b>Governance Embedded in Tools</b> <ul style="list-style-type: none"> <li>• Clear authorization matrix with criteria for margin, approvals, etc.</li> <li>• Margin targets embedded into tools</li> <li>• Access to quality data and standard analytics that drive smart decision making</li> </ul>	<b>Integrated User Experience</b> <ul style="list-style-type: none"> <li>• Fully integrated solution with optimized target margin, workflows, and ERP integration</li> <li>• Streamlined user experience (auto-populated values, templates)</li> <li>• Robust data captured from tool (win / loss, competitive dynamics, tool usage, etc.)</li> </ul>
Pricing Tools & Technology	<b>Unclear Policies, Limited Enforcement</b> <ul style="list-style-type: none"> <li>• Every deal is "must win"</li> <li>• Limited negotiation training or supporting tools / collateral</li> <li>• Standards are not established, not followed, or not trackable</li> <li>• Disparate methods and culture from growth through acquisitions</li> </ul>	<b>Clear Standards &amp; Feedback Process</b> <ul style="list-style-type: none"> <li>• Established pricing standards</li> <li>• Negotiation standards and training</li> <li>• Regular reporting and operating rhythm on usage and adherence</li> <li>• Some centralized culture</li> </ul>	<b>Clear Expectations, Critical Competency</b> <ul style="list-style-type: none"> <li>• Accountability mechanisms through clear expectations, performance visibility, and systems that drive behavior</li> <li>• Consistent use of tools and processes</li> <li>• Mechanisms to capture, communicate, and advance best practices</li> <li>• Established culture</li> </ul>
	<b>Change Management &amp; Enablement</b>		

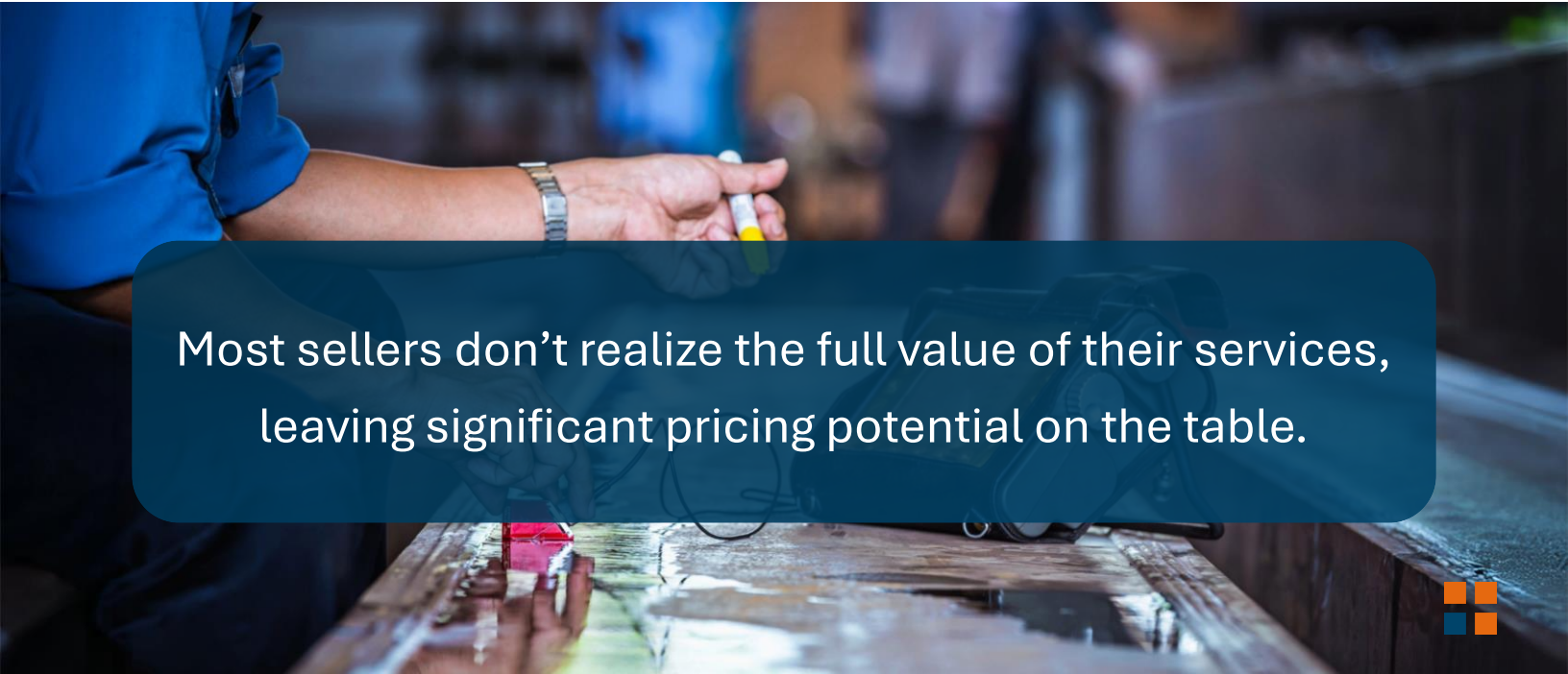




# Areas of Greatest Margin Growth Opportunity

Key considerations for how to identify and approach margin growth opportunities in your business.

Area	Activities & Considerations
Resourcing	<ul style="list-style-type: none"><li>• Right-size overhead allocations and role naming conventions to establish cost foundation</li><li>• Labor availability across levels of experience, with ability to competitively differentiate for highly technical / specialized jobs</li></ul>
Rate / Price Structure	<ul style="list-style-type: none"><li>• Build granular and dynamic visibility to rate / price variation across services, locations, end markets</li><li>• Develop peer groups, such as regions or end markets</li><li>• Develop internal benchmarking analysis to quantify service price spreads</li><li>• Establish clear cost-basis for each service and data-driven rates that optimize margin and set the right price for the right customer</li></ul>
Aligning Price to Value	<ul style="list-style-type: none"><li>• Identify key value drivers that impact pricing (labor requirements, service complexity, technology utilized, urgency versus utilization or backlog, level of risk, brand strength, etc.)<ul style="list-style-type: none"><li>– In more complex cases, AI/ML models can isolate price drivers to identify optimal pricing approach</li></ul></li><li>• Complete market research to understand market perception of services and refine positioning</li><li>• Incorporate a value-driven target margin model</li></ul>
Fees & Terms Policies	<ul style="list-style-type: none"><li>• Build granular and dynamic visibility to variation of fees and terms across services, locations, end markets<ul style="list-style-type: none"><li>– <i>Fees</i>: Labor minimums, overtime, delay damages, project management, change order, etc.</li><li>– <i>Contract Terms</i>: Cancellation, payment terms, mileage, expedite, etc.</li></ul></li><li>• Establish fee structure and contract terms SOP</li></ul>



Most sellers don't realize the full value of their services, leaving significant pricing potential on the table.



# Rethinking Foundational Levers of Growth

When considering price and commercial optimization, TIC organizations may overlook foundational aspects of successful, sustainable margin growth.

## Capturing Your *True Value* by Investing in Process and Culture

With sellers who have varying levels of experience, TIC businesses need to provide clear expectations and processes to minimize unplanned variation, price concessions, and lower-margin actuals. Additionally, **many sellers don't realize and aren't selling on the full value of their services**. There is often significant pricing potential within the commercial team that can be leveraged through internal best practice sharing, centralized methods and guidelines, and generating a strong pricing culture.

Example processes and policies that add incremental quick wins or foundations for growth include:

1. Large Deal Reviews
2. Exception Reviews
3. Fees / Terms Standards
4. Approval Processes
5. Staffing Standards and Processes
6. Loss Documentation and Sharing Success Stories

## Pricing Analytics as a Foundation for Growth

Cumbersome data processes or legacy systems strain resources, blur business performance, and limit credible insights to drive profitable decisions. However, many TIC businesses face data visibility challenges due to M&A activity or outdated systems. Access to quality, granular data is a foundational investment for best-in-class organizations to implement sustainable pricing and commercial strategies that are agile to market and economic conditions.

*Example Analytics:*

### Quoted vs. Actual Margin

At the project level, single region & end market

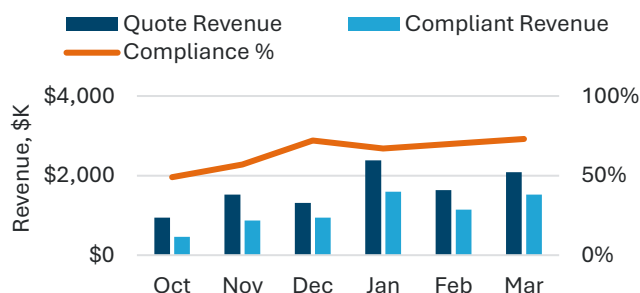
Quote #	Quote Margin	Actual vs Quote	Vs. Target
1	39.2%	102.9%	100.34%
2	46.0%	80.6%	97.08%
3	40.0%	101.6%	100.64%
4	49.5%	81.5%	100.34%
5	43.4%	77.2%	93.50%
6	52.7%	68.4%	96.05%
7	41.0%	90.3%	97.05%
Average	44.54%	86.07%	97.85%

### Win Rate



### Performance Management

Compliance Trends, Region A



### Price Index Analysis

Comparative margin rates for similar projects

Loc.	# Quotes	Avg Peer Price	Avg Price	Price Index
A	4	7.56	5.38	1.40
B	5	9.52	7.20	1.32
C	8	8.03	7.58	1.06
D	6	6.77	6.54	1.03
E	9	7.34	7.83	0.94
F	5	6.24	6.90	0.90



# How Does INSIGHT2PROFIT Deliver Results?

Through market intelligence and deep data mining, INSIGHT provides TIC businesses with stronger visibility to drivers of growth, gaps in existing processes, and opportunities that align with your business's unique value and goals. We then co-author and implement practical pricing programs to ensure your business is armed with the right tools and processes to enable tangible outcomes.

## Select Client Examples

### Infrastructure TIC & Construction Services

#### 4.1% Margin Growth

##### Situation

- High degree of business and systems complexity spanning many locations, end-markets, and service lines across >10k customers and >40k projects annually
- Rough margin % targets exist by region but many pricing decisions occur by location and salesperson without ability to measure quote vs. actuals
- Disparate data that lacked quality details; decentralized processes and pricing standards
- Evidence that margins trailed market leaders

##### Approach

- Designed a value-aligned pricing framework to determine target margins based on market segment, technician specialization, and job requirements
- Centralized margin targets through quote platform integration
- Instilled a "pricing culture" for the field estimators by providing credible guidance
- Established a pricing center of excellence that establishes policies, such as a fee structure SOP, and acts as a facilitator of best practices and standards
- Created a centralized dataset for analytics to provide a trustworthy feedback loop of results

### Engineering, Testing, and Inspection Services

#### Sell Side Quality of Pricing: Identified \$4M - \$6M Incremental Price Impact Opportunity

##### Situation

- Client was planning to exit and needed to identify and quantify areas of potential pricing opportunity, with specific analysis around customer churn, margin variation, and list price structure

##### Approach

- Utilized transactional data and qualitative inputs during a 4-week engagement to assess price maturity and go-forward opportunity with in-depth analysis
- Identified significant opportunity to unify service definitions, create discount guidelines, enhance segmentation, develop a deal desk and supporting processes, and ongoing analytics for utilization and KPI measurement



# Meet INSIGHT2PROFIT

INSIGHT2PROFIT, a DFW Capital Partners portfolio company, is a leader in driving pricing and profitability excellence, helping businesses accelerate growth and optimize financial outcomes. By integrating cutting edge intelligence, strategy, and technology, we transform big insights into real-world solutions that drive revenue, grow EBITDA, and maximize ROI.

We've spent nearly two decades helping business leaders achieve EBITDA growth. By leveraging data-backed insights, we quickly identify and validate growth opportunities that drive both immediate and sustainable profit increases. Our goal is to co-author a strategy, see it through implementation, and most importantly, realize results. Let us help you uncover hidden value and maximize your growth potential.

Headquartered in Cleveland, with regional offices in Chicago and Columbus, INSIGHT2PROFIT continues to be a trusted partner for companies looking to unlock their profit potential.

For more information, visit [www.insight2profit.com](http://www.insight2profit.com).

**Contact us** for a new pricing perspective.

## Meet Select INSIGHT Testing, Inspection, and Certification Industry Experts:



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