



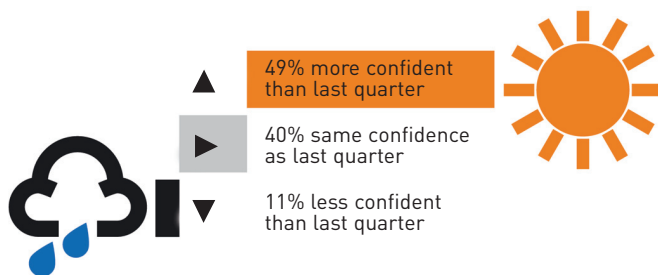
Welcome to the latest edition of MarketWatch from Centre4 Testing, our quarterly commentary on the current mood, trends and hot topics in the software testing marketplace. Our report is formed from the results of an extensive survey of our clients and contract consultants during September and October 2009 and in this issue we hear from Colin Speirs, Centre4 Testing's newly appointed Consultancy Practice Director.

Since our summer survey, financial institutions appear to have continued their healing process and stock markets have been following a rising trend. Furthermore, the service sector in September expanded at it's fastest pace for two years. But putting the macro-economic situation to one side, what are the views of software testing professionals working in the field each day?

### Market Sentiment

Last time around, our confidence barometer was bi-polarised - that's to say, there was an exact split between those who predicted tougher times ahead and others who felt there were some rays of sunshine. This time there's been a radical swing towards the positive camp with 49% of voters telling us that they're feeling decidedly more confident about prospects for the next 3 months. In our summer survey this figure numbered 28%. Most surprising is the dramatic swing away from the negative contingent - last time, a notable 29% of you were feeling less confident but this has dropped to just 11% today. The middle ground, in other words those people who feel ambivalent about the period ahead has remained steady at 40% versus 43% in our last report. The natural explanation, of course, is that a number of the previous summer 'fence sitters' are now feeling more upbeat and voting accordingly.

The fact that so many of our respondents are feeling confident is a remarkable turnaround over the last few months. However, we should remind ourselves that a huge majority of 27% of you, who expressed an opinion, told us in May/June that recovery would most likely occur in the 0-3 month window and you've been proven correct. At least confidence in the market has improved but how has that translated into demand and therefore rates?



### Rate of pay

We are not surprised to report that any meaningful increase in demand appears to be lagging behind confidence. A large number of Test Analysts, some 48% of our previous survey, were expecting rates to slip. In our last survey we reported that contract pay rates for Test Analysts were averaging £301 per day and this has now dropped a fraction to sit exactly on the £300 threshold. As

we've observed in previous surveys, this is an average pay rate and just as there are contractors earning more than this, there are an equal number earning less. Given the currently fragmented market, there will be testers prepared to work for less than their true market value and in fairness the £300 per day level represents contractors with a proven pedigree in structured testing, most likely coupled with relevant applications experience.

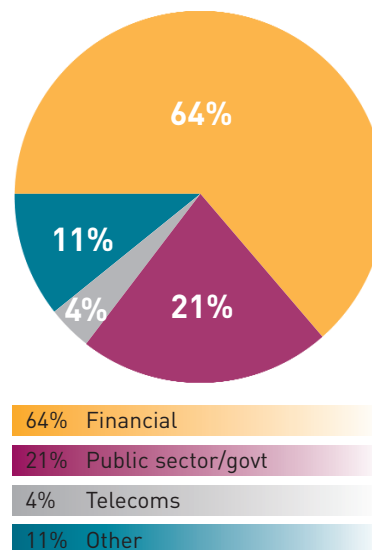
On the question of rate expectations over the next quarter, Test Analysts differ in their opinions. Whilst the vast majority, at 53%, believe that rates will remain static, some 25% of you suggest that rates will start to creep upwards. But that's almost matched by the 22% who believe that rates will slip a little in the coming weeks.

Pay rates for contract Test Manager's have ticked down from £432 to £425 per day, which was more or less predicted by this group in our last survey. Most Test Managers, at 54%, now expect rates to stabilise somewhat but a significant number, 44%, are braced for further small reductions. An optimistic 11% are expecting a rate rise shortly.

### Confidence by Sector

Last time around we asked our clients, consultants and contractors to suggest which sector would recover first from recession. It came as no surprise that the financial sector topped the list by a large margin, at 39% of the vote. Even more than that, if we were to strip out the number of "don't know's" then this sector would command 56%. Over the summer and early autumn, it seems that banks in particular have romped ahead and with their share prices ticking-up comfortably, their confidence appears infectious. As many as 67% of you today are pointing to financial institutions as to where the demand for testing lies. The public sector is a poor second with 21% of the vote, while telecoms trails with a measly 4%. Those organisations falling into 'Other' include utilities and retailers, who have enjoyed a brighter period than expected.

### Where is the demand for testing?



In the summer survey we picked-up on the fact that the purchasing managers index (PMI) for the UK's service sector had jumped over the key 50 threshold to 51.7. It's even better news today at 55.3 and ahead of forecasts. Quoted by the FT, Howard Archer, chief UK and European economist at HIS Global Insight commented "Given the dominant role of the services sector in the UK economy, this strongly endorses belief that the economy returned to growth in the third quarter". This is more than just encouraging rhetoric since it's based on firm, objective data.

## "weight of evidence suggests the recession is over"

The Office for National Statistics points out that industrial production, in terms of manufacturing output, has also risen and although growth rates are volatile, the rise in the summer was the strongest since the start of 2008. On the world stage, the IMF is suggesting that the global economy is beginning to grow again, with the powerhouses of the USA and Asia leading the way.

Economists at BNP Paribas were reported, again by the FT, as saying "This is a good start to the third quarter and adds to the weight of evidence that suggests the recession is over".

### Meet Colin Speirs



Colin Speirs is Centre4 Testing's newly appointed Consultancy Practice Director and we've taken this opportunity ask him to respond to a few of the questions that are put to us each day:

**With businesses contending with recessionary pressures, how do you respond to the suggestion by some that testing is a luxury?**

*I'm not sure anyone would seriously suggest that testing is a luxury, however the time required is always challenged. For many years now testing has been a firmly established, critical part of software and systems delivery. More importantly, it's not the extent of the testing nor the amount of time that is taken that is relevant, it's the quality of that testing which is critical such that it meets the needs of the business. Commitment to doing a quality test has to be absolute in every case.*

**How should organisations ensure that they're getting best value for money out of their testing budget?**

*The dilemma is all about how to provide the most effective testing within the constraints of time and budget. You need to carry out a truly honest and objective assessment of exactly how you deliver testing in your organisation and where your resources are being directed. This isn't a one-off exercise but if you haven't done it for a while then now's the time to challenge yourself and colleagues.*

*You'll need to take into account the whole of the test organisation. Question your methods and approach. Is your documentation still fit for purpose? It's extraordinary how documentation evolves over*

*time and becomes barely recognisable from its original purpose. When did you last review your processes and standards? Are they fit for today's purpose? How appropriate and robust is your test environment? Crucially, do you have the right people and skills to succeed?*

**What do you believe will be the drivers for a pick-up in demand for testing services?**

*It's inevitable that businesses are reorganising, to adapt to the environment and challenges of today's market and IT will be at the heart of that reorganisation. I believe that customer care and the total customer experience will come more into focus as the battle for a share of consumer spend intensifies. I think we'll also see more integration projects as mergers and takeovers - either for competitive positioning or simply survival - become prevalent.*

### Summary

In the face of evidence pointing to economic recovery, we need to keep our feet firmly on the ground. It's likely that whilst some sectors will see improvements in trading conditions, others will falter. The International Monetary Fund has dispelled fears over the prospect of a double dip recession, although not at a fast enough rate to prevent continuing unemployment. Flying in the face of this prognosis the CEO of HSBC, Michael Geoghegan, is convinced there will be a second downturn in the coming months. Our own software testing community does not believe that to be the case, as evidenced in our survey results. However, confidence needs nurturing and we need to take each day as it comes. Whilst investment in change, bringing new products and services to market, may be gaining in momentum, it's important for organisations to avoid false economies in their testing budgets. It's always possible to identify a consultant or contractor at a lower day rate than the next person, but value for money should always be at the heart of any decision making.

### Take part in MarketWatch

The information in MarketWatch is based upon the hundreds of conversations that we have with testing professionals each week. You can also complete the MarketWatch survey online and download this survey and others going back to 2004 in PDF format, at [www.centre4testing.com](http://www.centre4testing.com) Our thanks as always to everyone who is contributing and a special thanks to those quoted in this issue.

If you have any thoughts or feedback, including ideas for questions we should ask or analysis we should undertake, please contact us on 01273 666 799 or via [marketwatch@centre4testing.com](mailto:marketwatch@centre4testing.com)



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