



Welcome to the latest edition of MarketWatch from Centre4 Testing, an objective look at 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, contractors and consultants during January/February 2010.

Whilst we've experienced some of the coldest weather on record, is the economic climate now beginning to thaw? For this issue we asked our survey respondents to comment on prospects for the year ahead and to specifically compare the outlook for 2010 with, what was for many, a very difficult 2009. We think you'll take some comfort from our report.

Marking the start of a new decade, we also take a flying visit at the changing buying pattern of testing services over the last ten years. It seems that a phenomenon called Managed Services is leading the charge for your budget today.

Market Sentiment

Our barometer has become something of a talisman in the testing industry and over the last 12 months or so it's reflected the mood of our sector as we seemingly plunged into the abyss a year ago only to recover in the months leading up to the year end.

Looking back, we can see how the story unfolds - how the 'green shoots of recovery' were planted and may well now have germinated. Last summer we used the phrase "bi-polarised" to describe market sentiment, when an equal number of you expressed optimism for the Autumn months ahead versus the same number who were bracing themselves for even tougher times. The majority of you at that time, at 43% of the vote, were sitting on the fence and were clearly ambivalent about the future.

"a staggering 88% feel more confident about the year ahead"

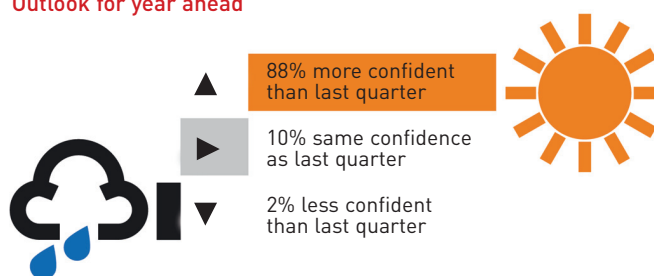
By the time Autumn came around, perhaps helped by the glorious Indian summer, there was a growing consensus on the street that we'd turned a corner and that things were on the up. Almost double the number of respondents, a notable 49%, stuck their head above the parapet to suggest the outlook was getting warmer. This is one of the most affirmative responses we've recorded in 6 years of MarketWatch. Healthily perhaps, the doom-mongers were still in evidence at 11% of respondents.

The warmth that nurtured the green shoots has been turned right up today. The number of optimists has grown exponentially and now stands at 69% - those who believe that prospects for the next 3 months are better than the last quarter. 28% believe that we're entering a holding pattern for the next few months and an insignificant 3% tell us that we're on the decline again in the weeks ahead.

These are some of the strongest views that we've recorded but even so they pale away when compared to what you've been telling us about the prospects for the year as a whole. A staggering 88% are confident that the outlook for this next year is better than the last 12 months. We normally witness a sizeable proportion of those survey respondents who sit on the fence - it's understandably easier to buy-in to the status quo than to stick your neck out, but this time only 10% believe that the outlook will

remain unchanged. In our last report we noted the comments of business leaders who have suggested that we might experience a 'dead cat bounce', that's to say a second downturn following a short period of recovery. Soothsayers with a negative outlook are always part of our furniture but this time that community is limited to a tiny 2% of the census and these views are therefore dismissed for the second quarter running by the software testing fraternity at least.

Outlook for year ahead

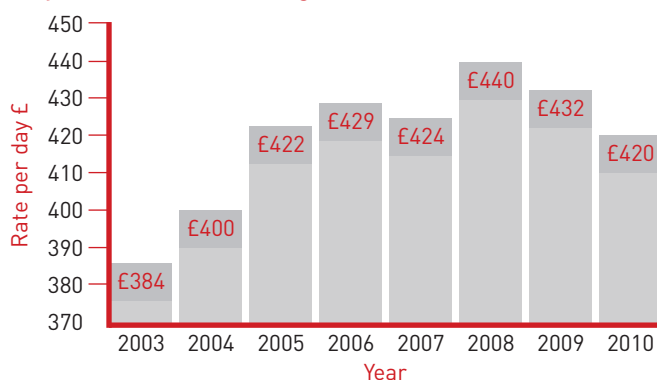


Rate of pay

Towards the end of 2009 we reported that rates for Test Analysts had slipped from £323 to £301 per day over the 3 month period between issues of MarketWatch. In fact this has recovered a little to £306 today, in line with what 25% of you told us last time. The general feeling is that rates will continue to creep up a little and £313 seems to be the target day rate. As we say time and again, please bear in mind that there are still plenty of highly qualified and experienced testers more than willing to work for far less than £300 and this is a pragmatic position that we condone. Indeed, the range of rates for Test Analysts in our survey starts at £225 per day and tops out at £400, the message being that so long as you're at £225 or more then you're in the mix.

Intriguingly, our analysis shows that day rates for Test Managers have edged downwards a fraction from £425 last time to £420 today. This may partly be explained by the increasing number of test professionals who classify themselves as a Test Team Leader, who we include in this category. Conjecture suggests that this reclassification may be a cute move on the part of our team leaders to secure rate rises that previously weren't on offer when they were known as Senior Test Analysts! Whatever the case, this canny group of more experienced testers tell us that they expect rates to stabilise now and tick up a little to £424 in the next few months.

Pay rates for Test Managers



We can see from the graph overleaf how rates have followed the economic fortunes of the country as a whole. Not surprisingly, confidence in our sector arguably peaked in the summer of 2007 - at about the same time that the housing market was topping out. Notably, only 4% of those of you surveyed at that time expressed any doubt about the period ahead which is on a par with the 3% in that camp today. That blip of confidence continued into 2008 when in the Autumn of that year the world, or at least the financial sector of our planet, fell off a cliff edge.

Testing services - a decade of change

The last ten years have seen marked changes in how we buy products and services across the whole spectrum of business and in our personal lives. No surprise, then, that the way in which testing services are procured today has moved on from the late 'Nineties. Although not with the same seismic shift perhaps, the financial pressures of recession have accelerated change in the last 12 months or so.

When we reflect back on the period leading up to Year 2000, when testing came into the spotlight riding on the back of the Millennium Bug, it's clear how testing or at least how it is packaged, has evolved. At that time very few organisations had a particularly strong contingent of permanent software testing personnel. So in order to combat Year 2000 testing they hired rafts of contractors. Those of us in the profession never doubted that testing was 'here to stay' but to many onlookers it seemed that testing came of age at that time and offered IT professionals a genuine career alternative to software development. Happily, the dot com boom helped take up any slack in demand for testers in the aftermath of the Year 2000 anti-climax and so contract and permanent testers resided happily side-by-side.

The next fad to bolster testing was the spotlight on risk management. All of a sudden quoted companies and others had to be seen to be taking their approach to risk seriously and, in the case of those operating in the financial markets in particular, had to comply with a raft of new regulations. UK plc was earning fat profits and so the easy Board-room option was to engage consulting firms to address testing and help underpin a new era of risk mitigation.

“is testing about quality control, quality assurance or risk management?”

At this point in time it's clear that the testing community comprised of permanent testing staff working alongside contractors and then consulting firms - both specialists and general integrators - providing yet another layer of skilled resource. By now the trend to offshore was taking hold and whilst testing lagged behind commoditised offshore software development it invariably attracted the eye of company finance directors who needed to get to grips with run-away IT budgets. Yet for many organisations, finding a solution for offshoring testing has proved to be a rocky road. Maybe it goes right back to understanding the rationale for testing at an organisational level. Is testing about quality control, quality assurance or risk management - or all three? And what exactly is our approach to risk? Are we simply transferring the burden of risk to someone else and what are the consequences? For many years, pioneers of testing services such as Tony Wells, founder of the UK's fastest growing test consultancy and the first to float on the London stock market, have argued that “integrators and software developers simply cannot be both game-keeper and poacher”. It's a fair point and one that organisations have wrestled with, with many now embarking on a strategy of taking their own responsibility at least for systems which impact reputational risk. So it is that a new phase of sophisticated acceptance testing and performance testing have come back in-house.

Wells is now a Director at Centre4 Testing, an example of a new breed of testing services provider. These niche providers have identified a gap in the market to blend their own consultancy expertise with contract resource, the logic being that clients are willing to pay consulting rates for advice and management but especially in recessionary times resist paying over the odds for contractors available on the open market. The label used for this new compelling blend of resource is Managed Services and specialist organisations, such as Centre4 Testing, are also able to secure permanent staff and ad hoc contractors for preferred clients. All too often, traditional consultancies have been tempted to shoe-horn onto site a junior consultant from the bench with little regard for the skills requirement. The credit crunch has highlighted more than ever the need to control costs and drive value for money. It's no longer acceptable to sign-off a Purchase Order and assume that the job has been done - today, that signatory is accountable for delivery. Managed services is the trend that is bridging the gap between consultancy and resource and in certain instances offshore, or more likely near-shore, capability can also be introduced into the equation. Clients would be advised to insist that knowledge transfer features highly on the agenda and for some organisations the longer-term panacea is that their own staff build an organic centre of excellence. So it is that the lifecycle for testing resources is completed.

Summary

In recent weeks we've been told that we're coming out of the deepest and longest post-war recessions. Testers with grey hairs will recall the recession of the early 1970's so whether our current recession has in fact been the deepest or longest is contentious but the statistics confirm that we've suffered 6 continuous quarters of falling GDP. And whilst a 0.1% return to quarterly GDP growth announced in January is hardly cause to celebrate it's timing does seem to support a radically improved return to confidence.

It seems unlikely that we're shooting rapidly up the right-hand side of a “V” shaped recovery and the path to recovery will be fraught with plenty of macro-economic potholes such as inflation. Cynics will point to indicators such as falling stock markets and the likelihood of interest rate rises. But confidence in our sector has undeniably returned and so long as consumer spending holds firm and organisations are increasingly prepared to invest in technology to gain competitive advantage then we should begin to enjoy a period of improved prospects and perhaps even a return to growth. But whilst corporations, just like individuals, have short memories for the time being at least you'll simply have to continue delivering more for less.

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 2003 in PDF format, at 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



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