



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 and testers during May/June 2009 and in this issue you'll find more statistical analysis than ever before.

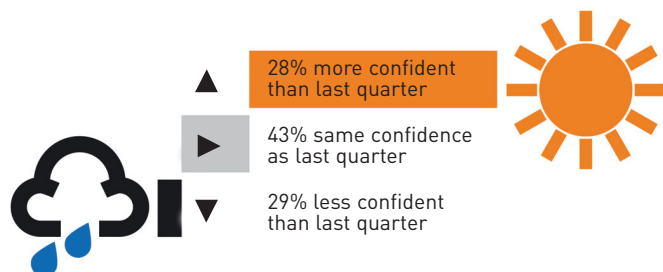
In recent weeks we've witnessed bold forecasts of recovery from the Chancellor of the Exchequer followed by rising stock markets and rumblings of "the first green shoots of recovery", if not the "shoots" themselves. On the other hand, whilst the pace of growth in unemployment seems to have slowed, it's still rising nonetheless. Against that background we've asked respondents in this survey to do a bit of crystal-ball gazing and predict when a sustained recovery might take shape. We also crunch some numbers to determine which sectors will recover first.

Market Sentiment

Our much-watched confidence barometer took a battering in the Spring 2009 issue of MarketWatch and we were unsure what to expect this time. In fact, 28% of those surveyed are feeling more confident about prospects for the next 3 months which is about equal to those of you who are expecting even tougher times, at 29%. This polarization of voting - with equal expressions of opposing views - sets the scene for this survey. What is clear is that those who are between contracts are understandably more cynical; some highly-skilled testers have been looking for a new contract for many months.

"the vote on short term confidence is split equally"

Fortunate contractors in long-term engagements are in a more confident frame of mind, although we are all getting used to radical decision making that can see substantial IT programmes being shelved with little notice. The point is, no-one seems very sure of the outlook and who can blame them? It seems that the views of commerce are often at loggerheads with those of Government and pollsters queer the pitch still further. Who knows what to believe? Perhaps that's why 43% of you are sitting on the fence, telling us that there will be no change in prospects in the short term. It's been 2 years since there have been this many of you who have told us that the status quo will prevail and in these times when the media would have the economy slipping into oblivion then a vote of stability is a positive outcome.

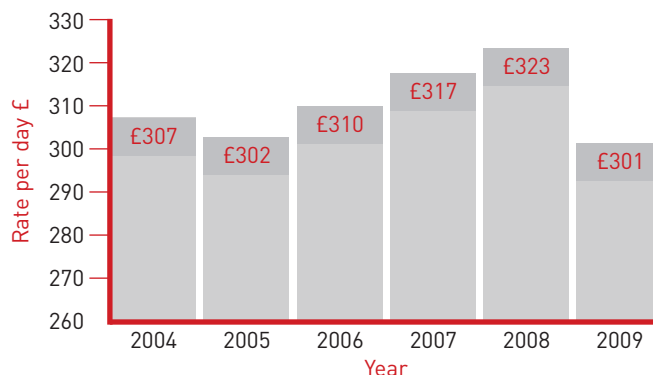


Rate of pay

As you will have anticipated, rates have followed the economic laws of supply and demand and edged downwards in recent

months. The average pay rate for a test analyst is now £301 per day, hovering above the psychological £300 level. The 47% of respondents who last time predicted a decline have been proved correct and although this represents only a slide of 2% from last quarter's £308 per day, there are plenty of good contractors who will work for considerably less. Perhaps this is because 48% today are predicting even lower rates over the summer period, with only 13% holding their breath for a rate rise. 39% expect rates to plateau now. Coincidentally, these stats are each within one percentage point of the forecast made a few months ago, particularly surprising given that the sample base of hundreds of test analysts polled is substantially different to last time.

Pay rates for Test Analysts



Pay rates for test managers have remained more static, at £432 per day versus £434 in our Spring issue of MarketWatch. What's worrying is that a whopping 56% predict further declines in the next few months. 19% on the other hand are pinning their hopes on a rate rise whilst a sanguine 25% tell us that rates for test managers are now static.

On many occasions, particularly over the last 12 months or so, we've observed that the views of our survey participants more accurately mirror the sentiment of the moment rather than an objective view of the future based upon current indicators. At Centre4 Testing we probably have more daily conversations with professionals working in the testing market than other similar UK services business and we've observed that rates are now beginning to stabilise. What is evident is that contractors are now determining what rate to accept based upon their own individual circumstances, rather than benchmarking themselves with the market average. Naturally, everyone wants to secure the best possible deal but being out of contract for just a few weeks or pushing for that rate rise at renewal time can turn out to be an ill-judged business decision.

Recovery by Sector

In this issue of MarketWatch we asked our survey participants to pick a sector that they believe will recover first in an economic upturn. It comes as no surprise that the financial services sector is the run-away victor with 39% of the vote. How ironic that the sector which imploded in the last quarter of 2008 is now tipped to rise from the ashes soonest. Perhaps it's the size of the IT functions of banks and financial services organisations that plays a part here. In a recent survey published by Computer Weekly, it

was suggested that large organisations were seen to cut budgets first and a number of large organisations also took advantage of the state of the market by imposing mandatory across-the-board rate cuts. It now appears logical that a number of those self-same organisations, having rebalanced their IT operations early on, are now in a position to invest again. IT departments in organisations with more than 1,000 employees have typically seen cuts of 16%-21% according to Computer Weekly in their 9-15 June issue.

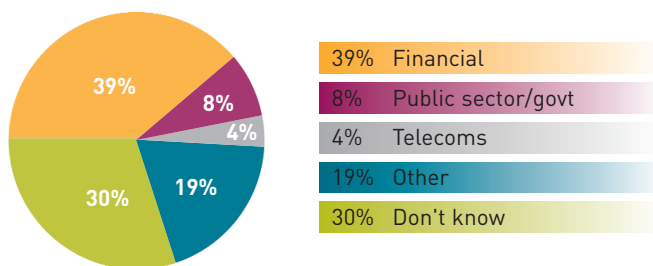
“the sector which imploded in the last quarter of 2008 is now tipped to rise from the ashes soonest”

In recent years we’ve witnessed extraordinary levels of IT spend in the public sector but this appears to have crashed. Contrary to Gordon Brown’s mantra to invest in a digital Britain, only 8% of you believe that you’ll be hearing about software testing opportunities in the public sector. Contrast this with our Spring 2006 issue of MarketWatch when 25% of testers told us that this was the contract hot spot. Despite this Government’s rhetoric about increasing spending in the public sector to fuel the economy, it appears that a substantial proportion is directed at organisations owned by overseas shareholders and whose workers originate from offshore. Nobody should condone nationalism but the economic logic of using immigrants from overseas to displace UK contractors in Government contracts is at best highly questionable.

The telecoms sector has always bubbled away fairly consistently for software testers and whilst it’s seen a number of peaks and troughs, the sector has been fairly stable and this continues to be the case with a luke-warm 4% tipping it for the future. The ‘Other’ category is substantial at 19% of the vote and in this category utilities companies get a number of mentions.

Despite the commitment of most participants to point the finger at a particular sector, what is perhaps most notable is the huge 30% of you who simply can’t decide where growth is going to come from first. Just like the burgeoning number of people who sit on the fence when feeding our confidence barometer, a huge proportion of respondents simply can’t make an informed judgement from the paradoxical views that we’re bombarded with by the press. Indeed our polarized views are most evidently expressed by the the comments of one interviewee who was adamant that recovery would occur in “every sector other than banking”.

Which sector will recover first?

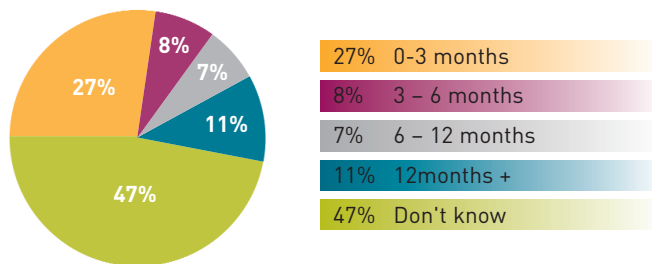


In terms of identifying when recovery is most likely to occur, the encouraging news is that most of you are suggesting that we’ll see improvements over the next few months. Actually, we should correct that statement – the vast majority of you, at 47%, tell us that you haven’t got a clue! Whilst 27% believe that the market will pick up over the summer, the rest of you are divided fairly equally with 8% believing that recovery will take place over the next 6 months and 7% between 6-12 months.

In early June it was analysis of the monthly purchasing manager’s index (PMI) for the UK’s service sector which gave us most hope, according to reports in the The Sunday Times of 7 June. The PMI measures business-to-business activity in manufacturing, construction and services. “All three sectors have improved in recent months, but last month the PMI for services jumped from

48.7 to 51.7 rising above the key 50 level that marks the divide between expansion and contraction”. This makes hearty reading in the face of data from a depressing 11% of our survey respondents who, with their heads in their hands, tell us that it will take more than 12 months for things to pick up.

When will recovery occur?



Summary

It’s time for those employed in software testing, together with their employers, to be more flexible than ever before. In our opinion, workers need to be pragmatic about rates and location and hold onto their existing contract for as long as possible. Employers of testers – permanent, contractors and consultancy staff - must drive value for money in all that they do. Some employers are realising the benefits of part-time consultants; experienced testers who are aligned to a small portfolio of clients for the long term and who help to fill the skills gaps in a shrinking test team.

“some employers are realising the benefits of part-time consultants”

Our survey responses are more polarized than ever before. Perhaps that’s not surprising and might in itself suggest that we’re at the bottom, or inching towards the up-curve, of a “U” shaped recession. Or perhaps it will turn out to be a shorter, sharper “V”? Whatever, it is people like Ryan Hannigan, Director of Centre4 Testing, who has been at the daily heart-beat of the software testing market for over 10 years and is noting that the situation is now stabilising. Commenting on the market he draws the parallel “it’s as if we’ve been stuck in a stop-start traffic jam with nobody quite sure of what’s up ahead, the odd vehicle tearing off on a side road and others making U-turns but there are signs that things are now beginning to move”. Our favourite comment on calling the end of recession is from Peter Harmer, CEO of insurance group AON, who’s quoted in The Sunday Times of 7 June saying “If consumers think it’s over, then it is.” If you’re inclined to agree that recovery is more about market sentiment than statistical analysis, then we couldn’t have put it better ourselves.

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 Our thanks as always to everyone who is contributing.

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



Centre4 Testing

Setting the standard in software testing services