



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 wide community of software testers during October 2010.

This year we've witnessed more ups and downs than a runaway rollercoaster. And whilst the theme park of UK plc has provided us with plenty of scares, it's stretching the analogy to suggest we've enjoyed many of the thrills. Having said that, many of you are closing the year with a smile, albeit it one of relief. Our confidence barometer tells the story.

In this issue of MarketWatch we touch upon the much talked about topic of offshore testing. We discuss the types of testing that lend themselves most readily to an offshore model and share your views on those that should be left well and truly alone. We trust you find this makes interesting reading and welcome your comments.

### Market Sentiment

Confidence after the General Election appeared to be riding high but once the coalition government took office, the messages of cost cutting and an urgent need to contain soaring national debt became evident. The opposition party stoked fears that aggressive cuts would lead to a double-dip recession, but aside from government spending cutbacks alone this is a possibility that we've mentioned in previous issues of MarketWatch. Yet, those employed in the UK service sector have, on the whole, had a pretty good run this year.

Confidence tells another story and has actually slipped along a downward trend this year and we're more or less back to where we were 12 months ago. 46% of our survey respondents today are feeling more confident about prospects for the next 3 months, which is within a few points of the 49% of Autumn 2009. Those who believe the economic situation will remain static represent 42% of the vote, compared with 26% in our last survey and 12% believe that the outlook will deteriorate.

**“confidence has dipped but the proportion of our survey who are feeling more confident about the months ahead is still encouraging”**

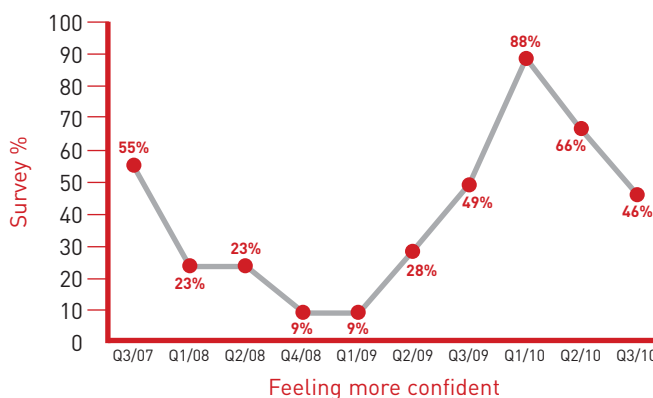
Whilst the proportion of our survey who are feeling more confident about the months ahead is still an encouraging proportion, it's a sizeable shift downward from the 66% of you who felt that life was getting rosier in the summer and a big step down again from a whopping 88% who expressed confidence in our spring issue.

### Outlook for the next 3 months

In this survey we compared the responses on outlook from Test Managers against Test Analysts and found the results to be broadly similar. If anything, Test Analysts are a little more confident than their bosses, with 49% of them remaining more confident about the months ahead versus 45% of their senior counterparts.

Our MarketWatch surveys started in 2004 and in the chart below we track confidence levels for the last 10 surveys, specifically recording the percentage of our survey respondents who feel more confident for the outlook of the forthcoming quarter.

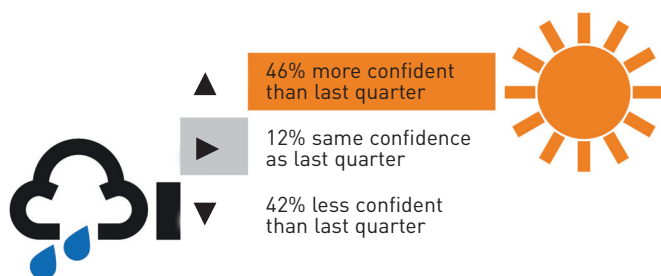
### Tracking confidence

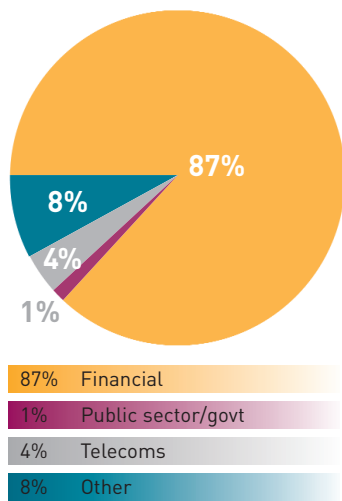


It's highly apparent where confidence took a tumble in the economy at the end of 2007 and it was in the summer months leading up to it that the housing market visibly stalled. But it wasn't until September 2008, when investment bank Lehman Brothers collapsed, that confidence completely fell off a cliff edge. Knee-jerk reactions to impending economic Armageddon ensured that we limped along for the next 12 months and 91% of our MarketWatch survey struggled to see light at the end of the tunnel. However a year ago confidence came back into the market almost as quickly as it left and we charted the recession in a curve akin to the V-Model! In the first quarter of 2010 it seemed like the lemmings were again running off in the opposite direction, with a massive 88% of our survey feeling good about the times ahead. Perhaps with impending government cutbacks, which are now starting to be spelt out in detail, that confidence has naturally petered out but the fact is that organisations have re-started their investment programmes in 2010 and we haven't seen any signs of these being scaled back.

### Sectors in demand

In terms of the sectors where demand is most prevalent, well that's a singular statement now since it's Financial Services that is the run-away sector with 87% of you telling us that it's this area alone which is propping-up the market. What more can we add, except to cry in disbelief at the 1% who pointed to the public sector as the next hot-spot for demand? Perhaps they misunderstood the question or they've a theory that needs to be shared with the rest of us!





### Rate of pay

Pay rates have ticked-up nicely as confidence has resumed this year and in fact Test Analysts are not far short of the £322 per day that you were predicting for this Autumn, with £318 actually on the cards. That's a healthy rise of nearly 3% in 3 months, from £309 last time around. However, you must be deluded to believe in the £333 per day target that you've set yourselves for early 2011. That simply is not going to happen and in fact the figures are badly distorted by some over-ambitious Test Analysts, probably working in an investment-banking hotspot. Indeed, there are actually more of you, in terms of absolute numbers of respondents, who tell us you'd accept the same rate or even a small cut in the months ahead and its this data which sits most logically with our confidence barometer statistics.

**“testers mindful of continuity of work will accept the same rate or even a small cut in the months ahead”**

Rates for Test Managers have jumped a massive 5% over recent months from £421 per day to £441 and in fact this was the level predicted by this subset in the summer. We apologise for rubbishing your ambitions last time, but just as with a large number of Test Analysts, many Test Managers when asked about the rate expectations for a new contract suggest that “the same or thereabouts” is the order of the day. We think that's realistic.

### Offshore Testing

Forrester stated in their research report on offshore testing in 2006 that “the demand for offshore outsourced testing services is booming; firms are sending testing offshore in the hopes of saving money, reducing time-to-market, improving their testing processes, and ultimately improving quality”. We accept that, just as with development, a proportion of testing has moved offshore and so in this issue of MarketWatch we asked the testing community what type of testing lends itself most readily to being outsourced offshore.

It seems that offshore testing is an evocative topic that elicits a wide range of responses from our audience of professional testers. Just as some believe that certain types of testing can be sent offshore, then it seems that another group argue a strong case against it and counsel caution. It's generally accepted that it's not easy to offshore User Acceptance Testing and the reason is that cultural differences often mean that testers divorced from the mainstream business simply don't have the application knowledge necessary to test the system. That seems perfectly reasonable and following this simple logic, you also told us that the test strategy stage should remain onshore. On another note, the ideology of agile development is undermined if the testing element is sent offshore, after all how effective is a daily scrum meeting via video conference with colleagues in a different time zone? Even offshoring development and testing together results in a disconnect with business users. Performance testing and security testing were classified as taboo for offshoring, presumably because of the technical architecture challenges inherent in a remote model. But it seems there's plenty in-between that can be shipped off.

Regression testing is the single most common facet of testing that's a candidate for sending offshore. More precisely, it's the automation of manual scripts that can be packaged up and then

the running of those scripts that's caught the imagination of some organisations. That still leaves a challenge where manual scripts don't exist and it also requires application knowledge to build and maintain scripts for new functionality introduced in new releases.

Like their counterparts in the development space, offshore testing organisations are often highly process driven and are proud of displaying their certificates of competency and maturity - it seems that the words Capability Maturity Model roll of the tongue. Yet for some UK companies, the journey has gone full-circle. A number of early-adopters of the offshore model have migrated back onshore as the cost differential has dwindled - rates have risen in India for example - and the challenges simply outweigh what savings are left. Those organisations that have built effective, economic offshore models point to a number of headline critical success factors, chief of which are:

- Knowledge transfer
- Confidentiality
- Application knowledge
- Project management
- Technology integration
- Communication

### Summary

We accept there's a case for offshoring certain aspects of testing and as Microsoft lead us all further into a world of Cloud computing then it's likely that geography when it comes to testing may be less of an issue. However, leanly-resourced clients would be well advised to thoroughly investigate the range of managed testing services that are now being offered by onshore testing specialists. In fact, a real win-win scenario might be to engage an onshore testing provider who works with an offshore partner and can take responsibility for managing all of the critical success factors we've identified, thereby considerably de-risking the whole process. The panacea may include a full tools and services wrapper.

**“the panacea might be to engage an onshore testing services provider who manages their offshore partner or division”**

When it comes to confidence in the economic outlook, it's uncertainty that is once again holding us back. None of us knows the extent of the impact on the private sector from cutting costs in the public sector, but there is no doubt that there will be an impact. A member of the Monetary Policy Committee has concurred that the tax increases and spending cuts will impose a “material down-drag” on both growth and inflation. On the other hand, another eminent economist points to the last quarters positive growth figures and adds that we've not yet factored in the benefits of the recent £200bn quantitative easing programme. Perhaps we should remind ourselves of the old ruse that “economists have predicted 7 of the last 3 recessions”! We hope that organisations will hold their nerve and continue to invest in competitive advantage and agility through information technology. Confidence, just like fear, is contagious.

### 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](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)



# Centre4 Testing

Setting the standard in software testing services