



Growth Market Software Testing

Market trends,
service providers
and success factors

1 | Study

Businesses are focused on the quality of their IT application landscape: 91% of managers consider software testing and quality assurance to be the most important IT disciplines at their companies.

This finding is taken from the **Growth Market Software Testing** study conducted by the independent market analyst PAC on behalf of SQS Software Quality Systems at the start of 2011. PAC surveyed a range of companies from North America and Europe across all industries in spring 2011. The study indicates a number of ways in which companies can make their software testing and quality management processes more efficient and cost-effective. The potential offered by collaboration with service providers forms one particular area of focus.

Study concept

The survey was completed by...

- ... 309 managers and IT decision-makers
- ... from companies in all industries
- ... in Europe and North America
- ... with over 1,000 employees
- ... and at least 100 IT employees.

2 | Opportunities

Worldwide, companies now invest more than 50 billion euros per year in application testing and quality assurance. Increasing importance is being placed on longer-term test engagements in the form of managed service partnerships based on strictly defined service level agreements. According to estimates from PAC, this form of outsourcing is enjoying double-digit growth on an annual basis and is therefore one of the most dynamic segments within IT services worldwide.

Motivation

Two thirds of those involved in the study have already started to optimise their testing activities or will do so within the next two years. This is primarily motivated by a desire for more fully developed products: 61% of the companies surveyed want to increase the quality of their products through software test management.

47% of those surveyed already work regularly with external (near- / offshore) test centres. The study underscores the fact that demand for external testing services will continue to rise. When asked about their future plans, three quarters of all interviewees confirmed that they were considering using external test centres.

Planned collaboration with test centres

- Yes, definitely within the next 12 months
- Yes, definitely within the next 24 months
- Yes, but time point is unknown
- Yes, but no definite plans
- No

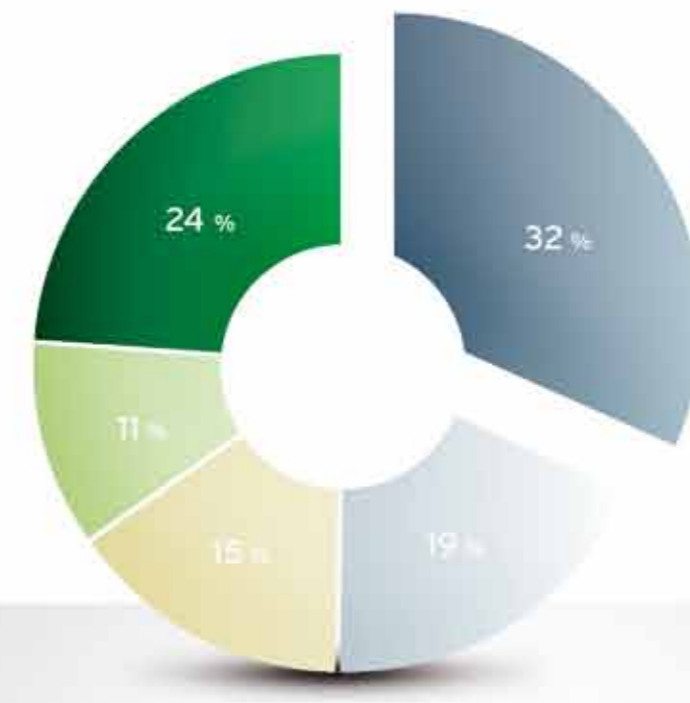


Fig.: Planning status of the surveyed companies in collaboration with testing centres
Source: PAC study Growth Market Software Testing 2011

3 | Market requirements

Added value of (near- / offshore) test centres

The improved access to qualified test specialists is viewed as the greatest benefit by 85% of those companies already using external services. The reduction in costs for testing and of the workload for the internal IT team also receive similar approval ratings. Over 80% of those surveyed also confirm that collaboration with an external test service provider reduces the time required for testing and increases the flexibility of the testing process.

Advantages arising from collaboration with external specialists

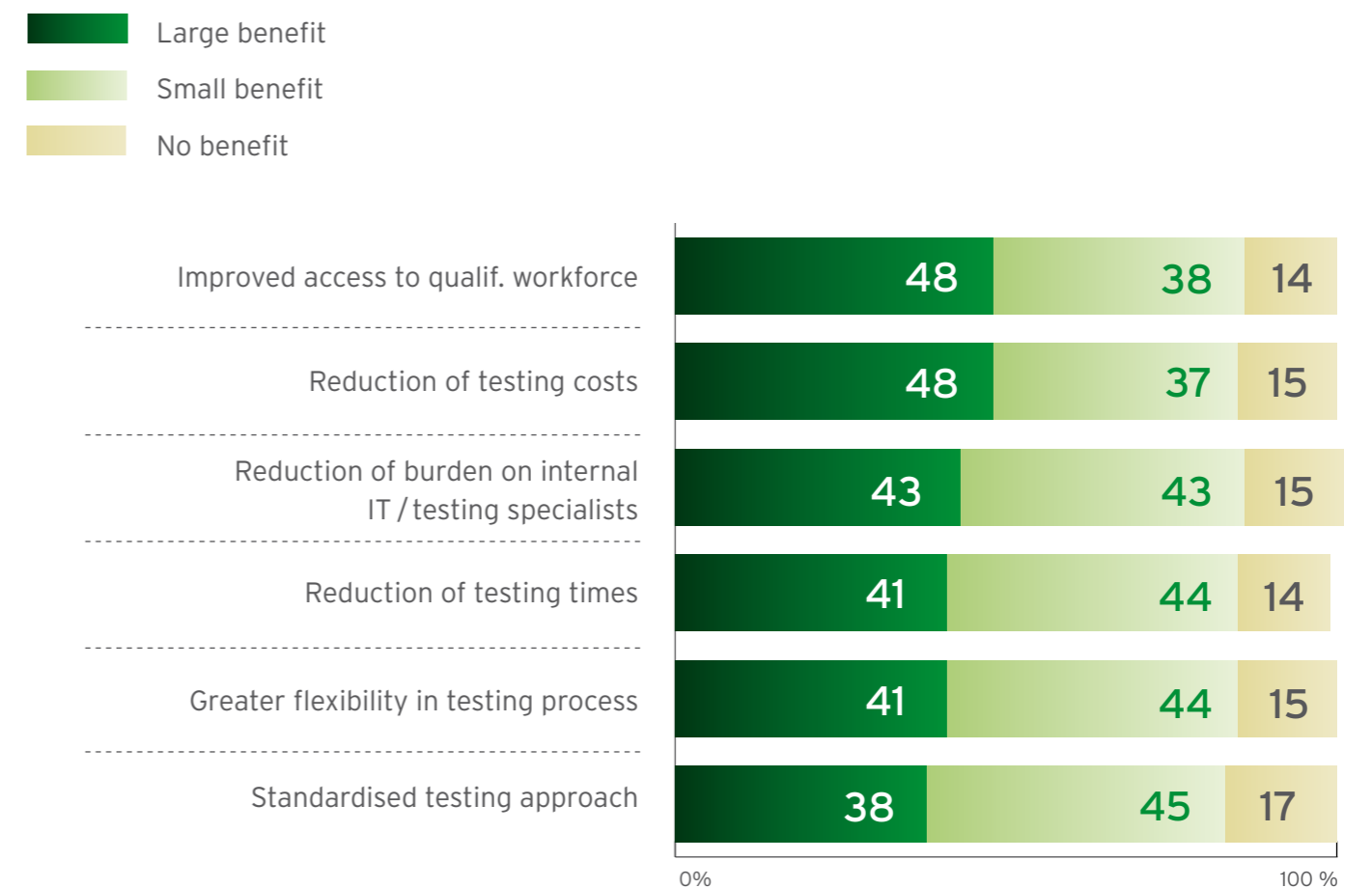


Fig.: Benefits in software testing through collaboration with external specialists
Source: PAC study Growth Market Software Testing 2011

Quality criteria for test service providers

Almost all interviewees rate the technical expertise and the speed of feedback from the test service provider as important or very important. In addition, 60% expect high to very high availability and flexibility on the part of the service provider. The ability to speak different languages is essential for companies operating at the global level and for cross-border testing activities. 74% of the companies surveyed rate this aspect as very important or important. The dominant desire is for contact persons with knowledge of the relevant national language and English.

Significance of multi-lingual capability in testing projects

- Very important
- Important
- No, unimportant

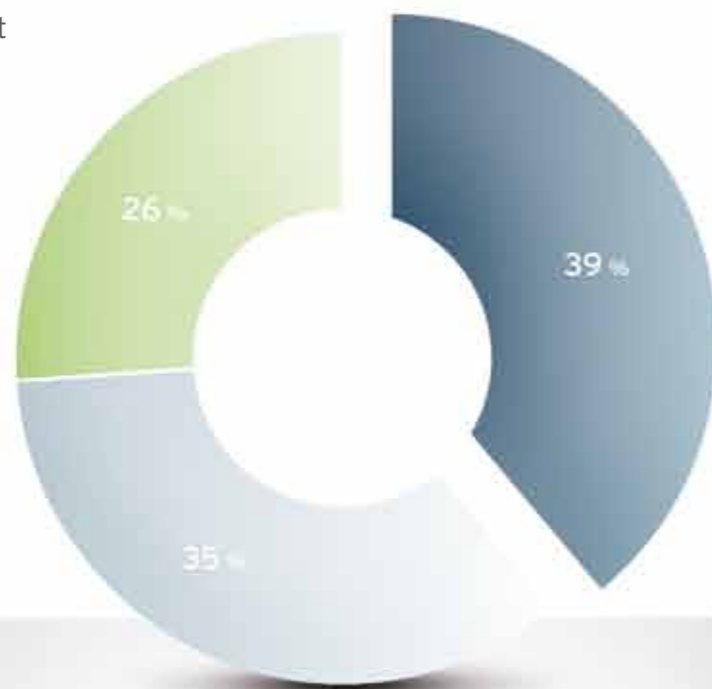


Fig.: Significance of linguistic capability in testing projects
Source: PAC study Growth Market Software Testing 2011

Results-oriented billing

Nine out of ten managers consider it important or very important for test service providers to bill their services based on the results actually delivered and not on the effort involved. The transparency required for this is brought about through key performance indicators set down by the partners in managed services agreements.

Results-oriented payment for test services

- Very important
- Important
- Not important
- Don't know / no answer

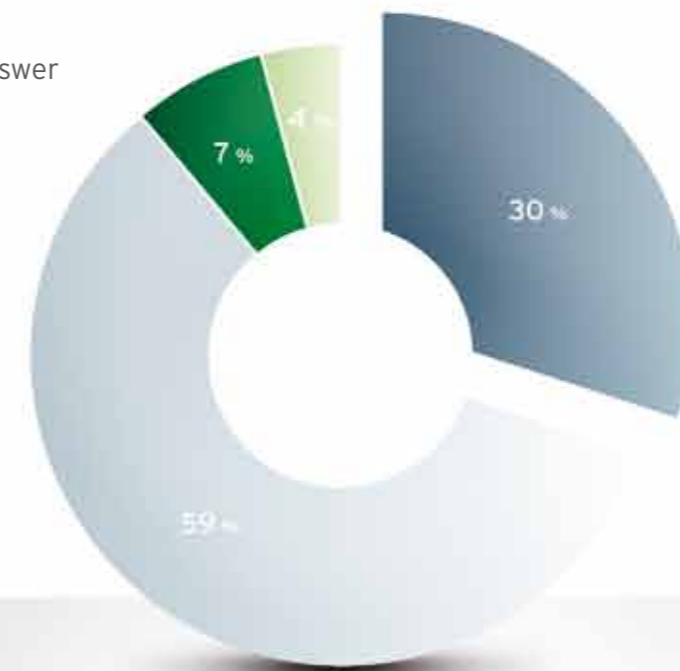


Fig.: Significance of Results-oriented Remuneration of Testing Services
Source: PAC study Growth Market Software Testing 2011

4 | Selection criteria

Having a focus on quality and being largely or exclusively active in the field of software testing are the two key criteria for selecting service providers. Just under two thirds of those surveyed assign great importance to these two aspects. In addition, over 50% of managers place high demands on the industry and business process knowledge of their test partners. More than half also require a high level of technology and product knowledge. This analysis of selection criteria is based on responses from companies that already work with external providers of test services.

Significance of the expertise of test service providers

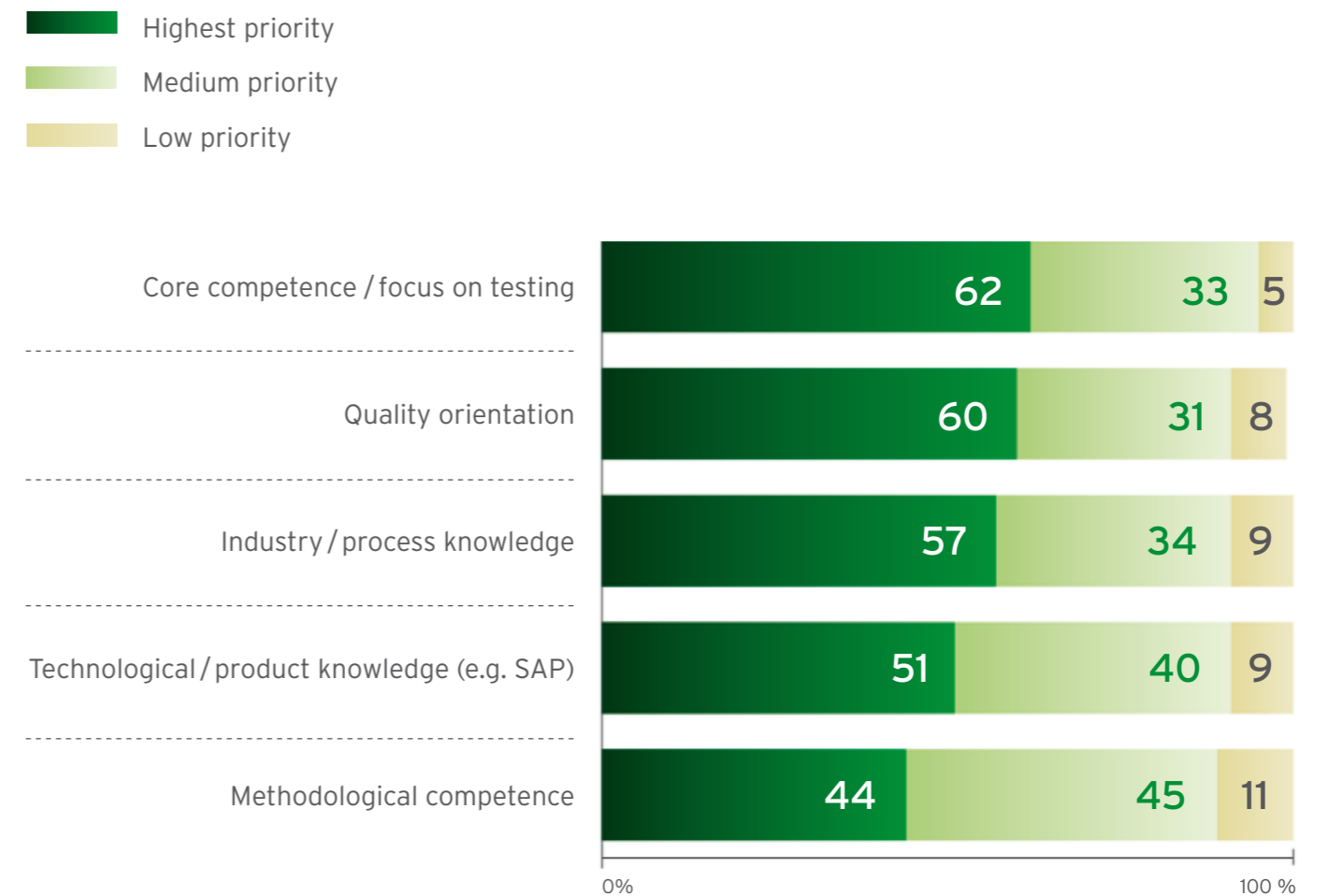


Fig.: Prioritised competences of the testing service provider
Source: PAC study Growth Market Software Testing 2011

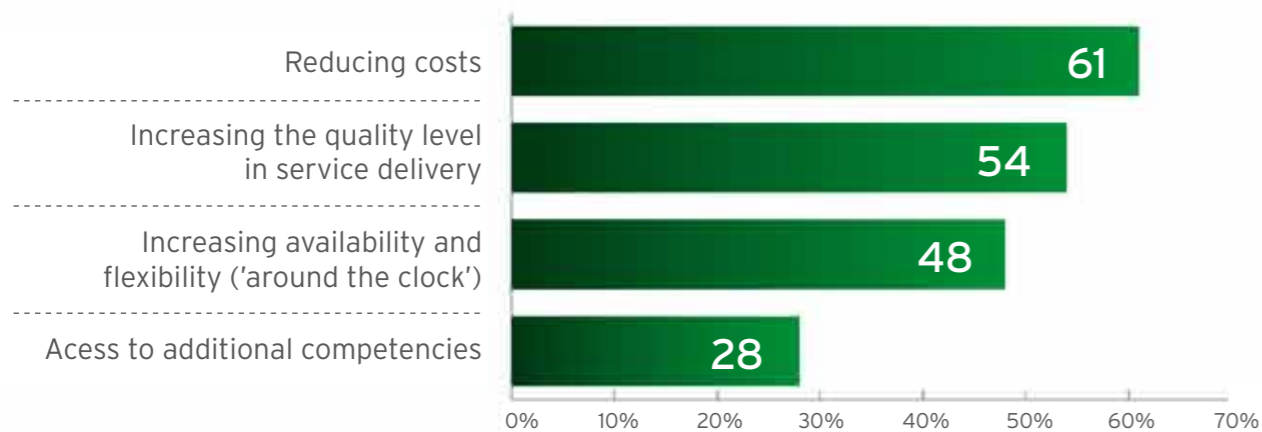
5 | Acceptance of managed services

Drivers for the use of test centres

Blended service delivery - the use of local resources in combination with near and offshore resources in test centres - is rated highly: three out of four companies that have assigned their testing activities to service providers, either in whole or in part, already work together with external test centres.

The companies use their strategies for blended service delivery to pursue a range of goals. Reducing costs (61%) and increasing the quality of services (54%) play a major role for over half of those surveyed.

Reasons for using test centres



Optimal contractual term

Two thirds of companies involve external service providers in their testing activities. In the majority of cases, this occurs on a regular basis or on the basis of managed services agreements that span several years. 30% of those surveyed prefer contractual terms of three years or longer.

Longer-term engagements often involve the service providers taking on responsibility for results and the project risks. For example, ensuring that the applications are reliable and do not crash. The agreed objectives of such multi-year collaborations also often include the optimisation of test processes, a further increase in the level of test automation, and the application of universal best practices.

Fig.: Reasons given by companies surveyed for the use of testing centres
Source: PAC study Growth Market Software Testing 2011

About SQS Software Quality Systems

SQS is the largest independent provider of software quality management, quality assurance and testing services, with principal focus on Europe. Established in Cologne in 1982, SQS employs round 2,000 staff. SQS has a strong presence in Germany and the UK, as well as subsidiaries in Egypt, Finland, India, Ireland, the Netherlands, Norway, Austria, Sweden, Switzerland, South Africa and the USA. SQS also has a minor stake in an operation in Portugal and a partnership operation in Spain. In 2010, SQS generated sales of 162.9 million euros.

With over 5,000 completed projects under its belt, SQS has a strong client base, including half of DAX 30 companies, nearly a third of STOXX 50 companies, and 20 FTSE 100 companies. These include Allianz, Beazley, BP, Centrica, Commerzbank, Daimler, Deutsche Post, Generali, JP Morgan, Meteor, Reuters and Volkswagen as well as companies from every other conceivable sector.

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