FROST & SULLIVAN

QUALITEST
software testing experts

2016 Global
Software Testing Services
Customer Value Leadership Award

Contents

Background and Company Performance

Industry Challenges

Regulations pose significant challenges for companies across industries due to growing cyber security concerns, increasing network function virtualization (NFV), greater connectivity, and the growth of software. Regulations are becoming increasingly important in the healthcare IT, telecom, and automotive industries, among others, and this drives the need for more testing and test coverage.

Meanwhile, companies across industries also need to remain competitive in the wake of an increasing pressure with regard to the time to market. Striving to get to market faster than their competitors, companies are looking to innovate, experiment, and fail quickly (if need be), increasing their need for flexibility.

To increase their competitiveness, most companies must also strike a difficult balance between internal resources and the recourse to third parties. With more and more innovation coming from technology, they must make difficult decisions on functions that need to remain internal to drive their market strategy. When it comes to testing, aspects that come into consideration include cost, the level of expertise available in-house, resource availability and best use of their time, and the value of having an unbiased third party performing this task (risk mitigation).

Customer Impact and Business Impact

Customer Service Experience

QualiTest is a leading provider of software testing and Business Assurance services. It employs over 2,700 professionals worldwide to serve the needs of customers in the financial, high-tech, communications equipment, aerospace and defense (A&D), healthcare, telecom, Media and medical devices industries. The company benefits from a number of references across industries from prestigious companies including Philips, Intel, Fujifilm, and Elbit Systems, among others.

Solely focused on testing, QualiTest is able to provide customers with a higher service experience than competitors using deep expertise in testing and industry-specific knowledge that spans processes and trends. QualiTest has a deep understanding of technological trends and regulations in each of the industry verticals it serves. The company's industry knowledge also goes much further than general industry knowledge. In the medical devices industry, for example, QualiTest has specific knowledge in sub-verticals including radiology, vision, diabetes, telehealth, surgical, and more. Its testing competencies span areas such as Big Data and security as well as testing-related areas such as configuration management, change management, risk management, and data management. In addition, it has expertise in managed crowd services, Web services, test

process improvement as well as Agile and DevOps.

To provide such a level of expertise, QualiTest augments it's test engineers team with people that have specific vertical industry knowledge from previous work experience. Through training and mentoring, the company equips them with the necessary testing knowledge to deliver on its vision of providing the best software testing solutions in the world.

Its global footprint encompasses the United States, Europe, the Middle East, and India with 20 test centers. QualiTest provides Right-shore testing through a mixture of Off-Shore, On-Site and On-Shore testing. QualiTest designs a solution tailored to your needs and requirements, whether that solution is comprised of a single testing team working solely in one location, or as a combined effort from our testing experts worldwide.

In addition to onshore services, the company is highly flexible and also provides offshore services from India as well as onsite services and crowd testing services through its own capabilities as well as through partners such as Applause and Mob4Hire. QualiTest stands out in the market through its ability to make testers available anywhere in the world, including in highly specific regions, which may be required by customers due to network conditions, language, localization, or time-to-market reasons.

Price/Performance Value

QualiTest mostly operates according to an <u>outcome-based pricing</u> model that guarantees results contractually for quality improvement and cost reduction. QualiTest strives to understand the desired outcome and takes this into consideration in the effort. The company structures such engagements on efficiency and cost key performance indicators (KPI), which establish the baseline for continuous improvement; also referred to as 'Results Based Testing'.

<u>KPI</u>s can relate to service, quality, and value. Ramp up time and schedule deadlines are examples of service KPIs. Quality KPIs include the identification of high severity defects, rules and regulations compliance, and test execution timeliness, among others. Value KPIs include factors such as productivity improvement and the cost per bug.

Over 60% of its services are delivered through a managed service model, which is essential for multi-year service-level agreement (SLA)-based agreements. The majority of QualiTest's SLA-based services are outcome-based services. Other engagement models include staffing, consulting, and crowd testing.

While there is significant price pressure in the testing outsourcing services market, QualiTest's capabilities in terms of thought leadership and experience alleviate the price challenge for the company by enabling it to deliver higher value to customers. Its onshore test centers are strategically located in the same time zone as that of customers, so that

personnel can go to customer sites on an as-needed basis. This enables customers to save greatly in comparison to having staff on site all the time. QualiTest provides its customers with the ability to leverage some talent onsite and the rest from test centers, resulting in an optimal solution that addresses the challenges faced by most companies.

Growth Potential

QualiTest has grown significantly over the past few years, typically at a double-digit growth rate in the mid-to-high twenties. In 2015, the total company's revenue reached approximately $90 million. With an addressable market in the $15 billion range and growing in the high single digits to low double digits range, QualiTest has ample room for growth. Migrating to single account management for service delivery is expected to drive significant growth for the company over the next 5 years. The company is also looking to increase its penetration in the large-deal market segment in which annual contracts range from $10 million to $30 million in value. Technology trends such as the Internet of Things (IoT) also provide opportunities for business expansion for QualiTest. Other areas offering growth potential to QualiTest include radio frequency (RF) testing, NFV, and standard compliance.

QualiTest intends to continue developing its key differentiators by further expanding its industry knowledge in the various segments of the industries and technologies it covers. It also intends to increase its focus on business assurance as well as expand into new industry verticals. Its growth potential will also be heightened through geographic expansion, notably in China and Latin America. QualiTest's growth strategy is based on strong organic growth supplemented with strategic mergers and acquisitions (M&A). The company's strong financial position is expected to allow it to fund such acquisitions.

Customer Purchase Experience

With an offering spanning on-site, on-shore, off-shore, and crowd testing services, QualiTest offers many options for customers that address their unique needs and constraints. In certain industries, such as radiology, for example, access to the hardware is an issue. On-site services are, therefore, the best option for such customers. QualiTest is able to maximize customer satisfaction because its global solutions and locations have been established to meet each customer's unique needs. The company's results-based testing model further enhances customer satisfaction by using KPIs outlined in an SLA to reach customers' efficiency objectives and drive improvement.

Customer Acquisition

Historically, QualiTest has consistently shown a high growth rate, demonstrating its ability to retain customers while adding new ones. The company has also been able to grow with current accounts, migrating accounts from separate, regional customers into single global customers. Today, most of QualiTest's engagements are in the $5 million range. While the

bigger engagements may have only been accessible to larger companies in the past, the time-to-market pressure on customers is driving the need for greater flexibility and vendor diversification. They are looking to work with vendors having specific expertise, representing a huge opportunity for customer acquisition for QualiTest.

Conclusion

In the growing software testing services market, QualiTest stands out with its strong thought leadership, innovation, and flexibility. Purely focused on testing, the company differentiates itself in the market by providing superior customer service experience enabled by its deep expertise in testing and industry knowledge and a stronger emphasis on their clients' business context.

Because of its strong overall performance, QualiTest is recognized with Frost & Sullivan's 2016 Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. Delighting customers is therefore the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: customer impact and business impact. These two sides work together to make customers feel valued, and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Customer Impact and Business Impact—according to the criteria identified below.

Customer Impact

Criterion 1: Price/Performance Value
Criterion 2: Customer Purchase Experience
Criterion 3: Customer Ownership Experience
Criterion 4: Customer Service Experience
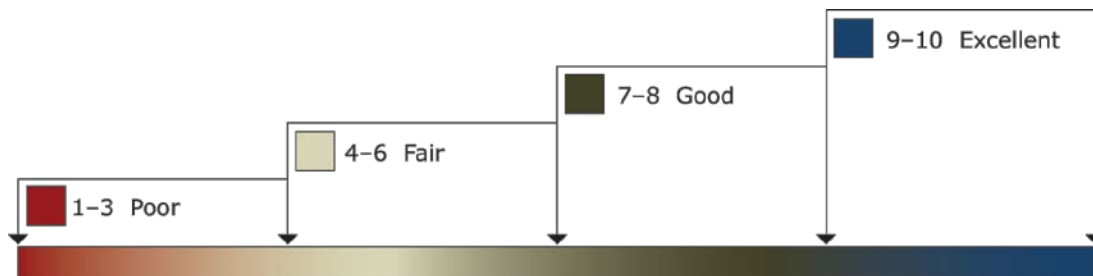Criterion 5: Brand Equity

Business Impact

Criterion 1: Financial Performance
Criterion 2: Customer Acquisition
Criterion 3: Operational Efficiency
Criterion 4: Growth Potential
Criterion 5: Human Capital

Best Practice Award Analysis for QualiTest
Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES

9–10 Excellent
7–8 Good
4–6 Fair
1–3 Poor

The Decision Support Scorecard is organized by Customer Impact and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players as Competitor 2 and Competitor 3.

Measurement of 1–10 (1 = poor; 10 = excellent)			
Customer Value Leadership	Customer Impact	Business Impact	**Average Rating**
QualiTest	**9.2**	**9.4**	**9.3**
Competitor 2	8.6	8.8	8.7
Competitor 3	8.4	8.6	8.5

Customer Impact

Criterion 1: Price/Performance Value
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

Criterion 2: Customer Purchase Experience
Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

Criterion 3: Customer Ownership Experience
Requirement: Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service

Criterion 4: Customer Service Experience
Requirement: Customer service is accessible, fast, stress-free, and of high quality

Criterion 5: Brand Equity
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

Business Impact

Criterion 1: Financial Performance
Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Customer Acquisition
Requirement: Customer facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers

Criterion 3: Operational Efficiency
Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard
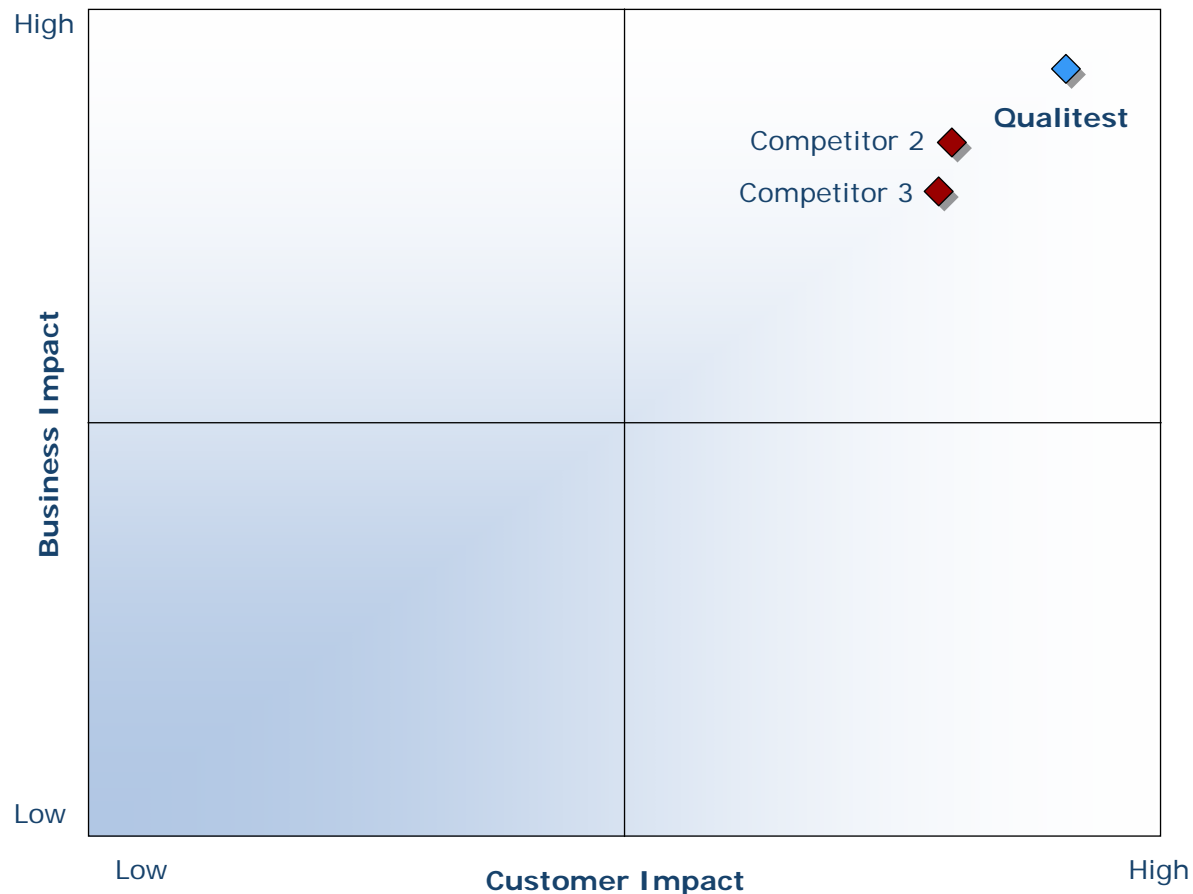
Criterion 4: Growth Potential
Requirements: Customer focus strengthens brand, reinforces customer loyalty and enhances growth potential

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 **Monitor, target, and screen**	Identify award recipient candidates from around the globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2 **Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates	Matrix positioning all candidates' performance relative to one another
3 **Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4 **Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 **Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized award candidates
6 **Conduct global industry review**	Build consensus on award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible award candidates, representing success stories worldwide
7 **Perform quality check**	Develop official award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8 **Reconnect with panel of industry experts**	Finalize the selection of the best-practice award recipient	• Review analysis with panel • Build consensus • Select winner	Decision on which company performs best against all best-practice criteria
9 **Communicate recognition**	Inform award recipient of award recognition	• Present award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of award and plan for how recipient can use the award to enhance the brand
10 **Take strategic action**	Upon licensing, company may share award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning	Widespread awareness of recipient's award status among investors, media personnel, and employees

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.