

Management: marketing and adobe

[Business](#), [Marketing](#)



As competitors challenge the sustainability of Adobe's business model for design software and digital media, the firm will be attempting to define new industry standards for the emerging and growing mobile computing platform and will be bidding for domination of the online business optimization market. To address these issues, an analysis that delves into external environmental factors, Adobe's strategies and capabilities, competitor resources, and diversification considerations should be conducted. Adobe's strategy should be designed to secure sustainable growth and revenue streams over the long-run. Examine the external factors affecting Adobe's emerging business environment. What strategic implications surface from this review? * Describe the significant components of the company's business and product strategies. What are the strengths and weaknesses that will impact Adobe's strategic choices? * What can be learned by comparing major industry competitors? * Discuss the characteristics of Adobe's corporate-level strategy. Define the nature of its diversification approach. ANALYSIS What strategic implications surface from this review?

Adobe's dynamic and highly competitive industry is characterized by evolving technologies, short-lived product life cycles, changing customer needs, and intense rivalry. Technology communication is occurring, and informed consumers respond quickly to attractively priced alternatives. As a result, profitability and the ability to differentiate are compromised.

However, some very vigorous growth opportunities do exist in the industry. Digital content, online business, mobile and cloud computing, enterprise marketing, and global trends are particularly promising, but are not without some risks. Including news media, entertainment, books, and music. This

increasing market impacts both consumers and creators of content. Adobe believes that, as the majority of the media creation market transitions to digital formats, increased exposure for its wide-ranging suite of creative and development products creates a great opportunity to obtain a sustainable stream of revenue. New market entrants are inevitable in any mass market expansion, and the proliferation of digital media is no exception. Therefore, the continued market share dominance of Adobe's Flash platform (and its corresponding licensing revenue) is uncertain.

Online Business In addition to powering a major socio-cultural trend for greater consumption of online content (especially among younger generations), Internet genealogy offers businesses the potential for enormous economies of scope, increases connections and stakeholder relationships, and facilitates the smooth flow of expanding global operations. The increasing importance of establishing a presence and maximizing performance in online commerce touches modern corporations of all types and sizes. This trend presents Adobe with a vast and attractive opportunity for sustained growth in an apparently limitless market.

Mobile Broadband Computing Mobile computing is the fastest growing platform in history. It presents opportunities not only for Adobe, but also for new entrants with idiotically different technologies that could threaten the dominance of its popular desktop products. **Cloud Computing** The rapid advent of on-demand software and storage services has introduced significant savings for corporate consumers. By running web applications

from centralized servers, enterprises reduce hardware, maintenance, and licensing costs and increase the efficiency of computing.

This trend threatens Adobe with a low cost, highly responsive, pay-as-you-use software alternative to its premium products. Enterprise Marketing Management The software market targeted for the management of enterprise marketing is estimated to be worth \$2.5 billion per year, and this figure is expected to double annually for the foreseeable future. Global Markets Growth potential in emerging markets is extremely high. As economic interdependence intensifies across regional borders, organizations will increase their reliance on Internet-based information technology.

This provides another opportunity for Adobe to expand the use of its products and services and to secure long-term revenue streams. Adobe must weigh the advantages of pioneering and the company's desire to expand against industry and economic uncertainties. The rapid rate of change associated with the online environment, especially related to media and data exchange platforms and file encoding formats, impacts the company's strategic Adobe is more at risk than its competitors of making an unwise commitment to unproven or tenuous platforms (such as AD) before real acceptance, consumption, or growth trends are determined.

Industry users and developers who adhere to unsound data formats can also disrupt strategic planning. And finally, current economic conditions dictate that home users' delay of expensive upgrades, the increased threat of software piracy, and the floundering fiscal condition of Adobe's state of incorporation (California) be taken into account as the company formulates

its strategic response to the external environment. * Describe the significant components of the company's business and product strategies.

What are the strengths and weaknesses that will impact Adobe's strategic choices? For 30 years, Adobe has been a groundbreaking software developer. With current annual sales of \$17 billion, the company is an industry leader whose products are commonplace and pervasive in the workplace and in the home. Its reputation for reliable, industry-standard tools and top-grade innovations is the basis for unique, sustainable competitive advantages that secure enterprise and business customers worldwide. Its company mission is to "revolutionize how the world engages with ideas and information. Adobe's strong brand identity, customer loyalty, and product prestige challenge potential market contenders. User perception of Adobe products is that they offer efficient, useful, effortless, meaningful, immersion experiences. Adobe products are oriented toward professional use in a variety of design fields and are accordingly priced at a premium. Product support includes a high level of regularly released product upgrades, supplemental networks and online services, and attractive, user-friendly interface continuity.

The company's extensive product offerings constitute entire product "ecosystems" for users to create, market, and mass distribute across a broad range of media platforms. Adobe tunders one of the most diversified product lines in the multimedia design world. Innovation has given Adobe a significant edge in the marketplace, deterring new entrants while reinforcing the company's industry leadership role. It is the authoritative first mover in

the tech industry, competitively posturing to deliver products with no real substitutes.

Committed to identifying unmet needs of the market, Adobe has set the standard for communication and collaboration via pioneering software and technologies. Adobe Systems traditionally focused on the creation of a variety of high-end multimedia and creativity software products, and proprietary software rights remain an important source of revenue for the company. However, through exploration, the company has more recently become a broad-based Internet application and software developer. In addition to internal development, the company has successfully used into data and content delivery formats.

Despite its strengths, Adobe's product line does face criticisms from the marketplace. These include accusations of expensive and slow-to-load updates that offer only marginal improvements to functionality, unfair pricing policies (particularly in international markets), security flaws, stability issues, and closed source development of its player in the Flash system (which is the industry standard for online streaming video development and delivery). Internally, Adobe fosters a culture of creativity and innovation.

The company's four core values-? Authenticity, Excellence, Innovation, and Involvement-? shape everything it does, are instilled in all employees, influence how products are developed and marketed, and determine how the organization's stakeholders are served. The company values integrity and treating others with respect. It seeks to produce exceptional quality (in products and employees), eliminate forces that build resistance to change,

and accept ideas from " everywhere" to create and introduce innovative business solutions.

Claiming that human capital is the company's greatest asset and the source of an employee-based competitive advantage, Adobe recognizes the link between company and employee growth and success. Recruiting the best talent to support the firm's first mover strategy is deemed a priority for discovering the next big idea in the constantly evolving industry environment. The percentage change in the past year for key indicators of financial performance is calculated in the following table.

The highlighted items draw attention to potentially problematic conditions. Though total assets grew at 12% in 2010, debt and capital lease obligations increased by more than 50%. The cost of revenue, sales and marketing, G&A, and total operating expenditures grew disproportionately to revenue growth. Meanwhile, R&D investments went down as a portion of operating expenses relative to increased sales. And, both operating and net income were lower than 2009 earnings levels.

Millions	2009	2010	% Change
Channel current Assets	1 2473. 1	3, 216. 1	130%
Total Assets	7, 282. 2	8, 141. 1	112%
current Liabilities	844. 6	1, 068. 1	
Obligations	1, 000. 0	1, 513. 7	2, 948. 8
Stockholders' Equity	4, 890. 6	5, 192. 4	3, 800. 0
Cost of Revenue	362. 6		
Research and Development	403. 5	662. 1	26%
Debt and Capital Lease			
Total Liabilities	2, 391. 7		
Revenue	3, 579. 9		11%
Operating Expenses	680. 3		
Sales and Administrative	2, 403. 4		337. 3 383. 5
Total	993. 1	774. 7	-11%
Operating Income	1, 028. 0		
Net Income	871. 8		

* What can be learned by comparing major industry

competitors? Adobe's proactive innovation strategy and its delivery of engaging customer experiences have kept the company competitive in a market of intense rivalry. Using acquisitions to expand its product portfolio and to eliminate threatening competitor products has reinforced the company's position of market leadership, despite the availability of several well-performing, lower-priced (sometimes cost-free) alternative products in the industry.

Although the company has clear product competitors, only a limited number exist with full product lines and services that mirror Adobe's hegemony in multimedia software development. Prominent retail competitors who offer competitive solutions at competitive prices to the same markets include MM, Microsoft, Oracle, Quark, and Apple. Strategic threats and performance strengths for these competitors are indicated in the table below. Competitor I Strategic Threats I Performance Strengths I

Microsoft I - Aggressive competitor with large stake in the software and operating systems industries- Exploring hybrid technologies for desktop and web-based multimedia I - Highest EBITDA, operating, and pretax margins- Best return on sales and investments- Lowest debt ratios I IBM I - Pursuing the enterprise marketing management software market- Entered web analytics with the acquisition of Chronometric- Acquired Sterling Commerce to get into BIB commerce solutions I - Highest total revenues (50% higher than 2nd largest rival) Microsoft in terms of sales volume- Greatest return on equity I Quark I - Uses high switching costs to retain invested printers and desktop publishing customers in Creative and Interactive Solutions segment I

I Apple I - Stiff competition in digital imaging solutions with differentiation and integrated bundling strategies- Does not allow Flash content on its popular devices, phone and pad- Public attacks against Flash with highly publicized claims of security flaws I - Market value exceeds all rivals (50% higher than 2nd largest rival Microsoft)- Highest PEPS and return on assets- Strongest revenue and cash flow growth I Adobe is smaller than these key competitors. In terms of market capitalization and total revenue, the company is less than 1/10th the size of its major industry rivals. But when compared to the entire industry average, the company's market capitalization ranks in the 98th percentile, and revenue is in the 97th percentile. Despite the scale differential against its larger rivals, Adobe has a remarkable 12- months running gross margin of 95. 07%.

It has the industry best current leverage ratio, return on capital, and PEPS growth. On the downside, the company has low advantage (yielding inferior operating and pretax margins). * Discuss the characteristics of Adobe's corporate-level strategy. Define the nature of its diversification approach. Adobe manages a successful portfolio of popular, ubiquitous, design-related software packages that process content across a wide variety of media and formats. The company recently diversified beyond its traditional multimedia focus and now can claim to be a broad-based solutions developer. Adobe is developing products to address online business needs and to improve enterprise functionality.

It is expanding into areas such as online marketing, videoconferencing, web analytics, and optimization services to take advantage of significant business

technology trends ND rising demand for integrated IT systems. Adobe is penetrating the market with powerful new products, like Adobe Air, which enhance Internet applications, introduce competitive advantages, and generate business efficiencies for customers. 54% of Adobe's revenues are generated in the company's Creative and Interactive Business Solutions segment. Its Knowledge Worker segment represents 17% of sales, and the other four segments each have less than 10% of the company's total revenues.

Geographically, 44% of sales come from the US, and 31% are derived from emerging markets. With Adobe's dominant business or region constituting fewer than 0% of its total sales, the company has a moderate to high level of diversification. And, as its businesses share product technologies and distribution linkages, Adobe employs a related constrained diversification strategy. STRATEGY Both Adobe's diversified portfolio and the variety of growth opportunities in the technology marketplace indicate that the company will require multiple strategies to achieve its distinct mixture of objectives and to address the assorted competitive challenges it faces.

Based on the analysis of environmental forces conducted above, suitable business strategies are proposed for principal market sectors in the following table and then discussed below. Marketer's I Competitiveness I

Recommendation's I Digital Content I New entrepreneurs/Rectifications Apple
Free software I First mover, innovativeness switching cocktails rival
weaknessesprotect and defend Flabbergasting Differentiation I Online
Business I Early race for leadership entrants Committed revivification's Video

content format | First mover, innovation Differentiation Manage explosive characteristic alliances and counterterrorist and defend Flash | count.

Mobile Computing | Plethora Misapplication developers | Environmental scaremongers and countersignature's alliances | Cloud Computing | Micrometeorite providers | Defensive gastroenteritis's competition Develop new pricing model | Enterprise Marketing | Behemoth services | Offensive strategies; employ competitive advantages Diversification synergies | Global Markets | Region-specific rivals and factors | Targeted market and product strategies | Digital Content Because of the rapid and explosive growth of digital content and the intense competitive pressures in Adobe's mainstay field of business, the company needs to remain an offensive first mover to maintain its prominence in the industry. Growing markets also attract new entrants and investors, and it will be important for Adobe to anticipate future needs or desires of the market and to remain out front with technological improvements. Adobe should be cautious about over-relying on its current strengths, instead relentlessly striving for continuous innovation and new product development to meet the needs of this emergent landscape.

This should involve finding new uses for its products, discovering new families of products, fitting the product to meet consumer needs in emerging countries, and promoting high- frequency use of Adobe products. In addition to using innovative product offerings, strong brand identity, and enhanced integration with other suite products to earn market share from runner-up rival Quark, Adobe should intensify efforts to reduce switching costs.

Microsoft's new efforts to compete in the multimedia design business should

be countered by attacking the rival's weakness in professional design talent. Adobe has the cultural and brand leadership advantages to attract the best developers and professional design talent in the industry, making it difficult for Microsoft to strengthen its design capabilities.

Continued success in this sector depends, in part, on sustaining the market share dominance of Flash content and the steady growth in licensing revenue associated with this valued product. Adobe Flash Player is installed in over 98% of Internet-enabled desktops, and increasing direct sales of Flash content is an important component of Adobe's software strategy.

Recent efforts by Apple to diminish its value not only justify fortification and defensive actions, but also warrant a strong and explicit competitive response to Jobs' highly publicized claims against the product. Adobe should not underestimate Apple's market reach. Aggressively combating the competitor's increasing market share should involve focused marketing messages, including an informational awareness campaign to negate Jobs' damaging claims of security flaws.

Additionally, Adobe should initiate an aggressive relationship-building program aimed at Apple product owners, communicating ways that Adobe products add value for users, offering special promotional deals, or extending preferential treatment of sorts. When it comes to this powerful competitor, Adobe needs to exert incisive competitive pressure. It is worth noting that attacking the competitor's attacking the rival's strengths. Perhaps the biggest challenge to protecting and strengthening Adobe's market leadership position in design software and digital media is the free

integrated digital imaging software bundled with Apple and other MEMO devices or offered by Web service providers. Differentiation is critical for retaining cost-sensitive customers who are likely to consider alternative products.

It is essential for the company to contest the stark contrast of free alternatives to Adobe's premium pricing by differentiating the brand through product enhancements, more attractive features and services, and real efficiencies for segment customers. Online Business This market is growing at an extremely fast rate, and it is enormous in size. But, can it be shaped by the actions of a first mover? The answer is yes. ' Positioning to capture a dominant share of the online business optimization market will, however, require the ability to prevent competitors from capturing valuable or substantial market share and to manage rapid expansion to meet large-scale demand. Getting a head start on the learning and experience curve drives down costs and provides scale benefits as volume increases. To win the early race for industry leadership requires bold innovation.

This is not a time to shy away from promising technologies. Differentiation tied to technological or product superiority is the best approach for gaining an early competitive advantage. While pursuing the technology, product quality, and performance features needed to secure a lead in the market, competitors need to be kept at bay. Once established, it is necessary to build a fortified competitive position to deter new entrants and reactive rivals who are rich in resources and determined to stake a market claim. Microsoft's bid

to compete with Adobe in the multimedia design business extends onto the online segment with its exploration of hybrid technology.

Competitive attacks should be aimed at Microsoft's SO limitations, gaining advantage from the fact that Adobe runs on a wide variety of systems. Again, targeting the rival's weaknesses is a better strategy than striking at its strengths. Adobe Flash is the most prevalent format for online video content. Its success drives the burgeoning licensing fees the company is earning for online advertising. The company needs to employ defensive strategies to protect this valued member of its product line and to safeguard its market position. To fully capture the potential of online business opportunities, Adobe also needs to strengthen the organization's ability to manage an explosive rate of growth.

This involves securing and maintaining adequate resources to execute the company's strategy and to deliver enormous volume levels. Entering complimentary cooperative partnerships aimed at opportunity minimization is a viable option for reinforcing acquisitions are also fairly quick methods of infusing operational resources to keep pace with a rapidly growing business. Mobile Computing Adobe is seeking to define new industry standards for this merging platform. To achieve this ambitious goal requires heavy investments in new product development and explicit market research efforts to understand the consumer market, which varies from the company's customary enterprise or home software user. It may be necessary to supplement available resources to support these efforts.

Recent R&D expenditures have been overshadowed by increasing operating expenses and a substantial jump in debt and capital lease obligations, indicating that Adobe may be intellectualized to fund the innovation needed to win this technology race. Again, the company can turn to cooperative partnerships and mergers and acquisitions as viable strategic options.

Though it has been suggested that Microsoft would be a good alliance to compete with Apple in the mobile phone market, Adobe's past relationship with Microsoft did not deter competitive behavior from the partner. Any collaboration with Microsoft should be entered into with caution. In the absence of trust, Adobe should formalize all arrangements and assign dedicated resources to coordinate and manage tangible and intangible assets to protect itself from possible opportunistic behavior from Microsoft.

The rapid growth of the mobile broadband computing industry is certain to draw new entrants with radically different technologies. Entry barriers are extremely low, and Adobe cannot underestimate the reactions and commitments of rival firms also hoping to gain leadership positions in the massive market. The development of revolutionary computing models could pose a serious threat to the hegemony of Adobe's Flash platform. For these reasons, emerging and existing rival actions must be closely monitored to identify preemptive or retaliatory competitive behavior that will advance Adobe's market interests. Cloud Computing The applications segment of cloud computing threatens to render Adobe's premium software business model obsolete.

Adobe is not an SO developer or server provider, so is not in a position to lead the cloud computing movement. However, the company will need to prevent its software from being boxed out of the market or becoming irrelevant. This involves reinforcing its ability to anticipate rapidly evolving technologies and react to new developments. A defensive strategy is required to respond as needed to quickly changing conditions and to defend and protect the company's position. In addition, where multiplied competition exists (for instance, against Microsoft and Apple), Adobe can exercise retaliatory competitive measures against rivals in markets where it has a greater advantage.

On-demand software services vary in their pricing schemes and methods of delivery to the end user. To ensure that Adobe's software finds a place in this new seeking on-demand solutions. One possibility is a hybrid program by which the end user pays a licensing fee, but then accesses the software over the Internet from centralized servers. Enterprise Marketing Expansion into this business territory is well-timed and aligned with significant business technology trends and rising demand for integrated IT systems. In this very attractive market, Adobe is going to bump up against powerful and well-funded rivals like MM, who gained access to enterprise marketing software with the acquisition of Inca.

Wing to be the digital command center for business marketing departments, Adobe has followed suit with its own acquisition strategy. The company needs to proceed with an offensive strategy that draws from its internal strengths: product prestige, brand power, customer relationships, and

reputation for delivering product cages that engage the user in positive, immersion experiences. Adobe's ability to identify unmet market needs and to set unrivaled standards for professional markets and the company's internal culture of creativity and innovation are competitive advantages that can pay off in the effort to pursue this market. Finally, significant advantages can be realized through the company's diversification synergies.

The ability to share or transfer the firm's resources and capabilities across business units can enable the company to create value and exploit economies of scope between businesses. The less tangible the assets used to create value (such as tacit knowledge, rather than more-obvious financial resources), the greater the potential for Adobe's related constrained diversification strategy to expand the company's market power without the threat of competitor imitation. Global Markets Conditions in emerging markets indicate very strong potential for growth. With 31% of current revenues earned in developing nations, Adobe has room to expand efforts in the most promising regions.