

Adobe: External Analysis

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ADOBE: EXTERNAL ANALYSIS

The computer software industry includes companies such as Adobe, Google, Microsoft, and Oracle. These companies deal with the designing and publication of computer software and systems (First Research, 2022). This paper will discuss factors that impact the industry, including technological, economic, socio-cultural, and global. It will also cover Porter's five forces for the industry, including the threat of new entrants, power of buyers, power of suppliers, product substitutes, and the intensity of rivalry. The paper will end with a competitor analysis of Google, Oracle, and Microsoft, followed by a conclusion with references and figures.

GENERAL ENVIRONMENT

Technological

Technology is one of the main factors that impact the computer software industry. The industry is impacted by all things technology, including computer sales, computer manufacturing, and new technological advancements. For example, Adobe released a new software early 2020 called Adobe Aero, which is one of the first computer applications that allow users to create their own augmented reality (AR) (ProQuest, 2020). This technological advancement has impacted the industry positively by increasing consumer demand and motivating competitors to bring more to the table. Today, businesses and everyday people have flocked to Adobe Aero to bring their art, business, or advertisements to life through augmented reality. It has recently become trending on the platform TikTok, which is bringing an even younger and wider demographic of consumer demand to the computer software industry (ProQuest, 2019).

Economic

The computer software industry is also driven by business spending. When covid-19 hit in 2020, business and consumer spending was at the lowest in years (First Research, 2022). The computer software industry revenue was also at its lowest at this time, with revenue at -.5% (First Research, 2022). From 2020-2021 this grew to 6.8%, revenue for the US computer software industry is predicted to grow 4% compounded annually between 2021 and 2026 (First Research, 2022). Although, in 2025 revenue is predicted to drop to -.9% (First Research, 2022). It can be seen that overall, economic health and consumer/business spending have a great impact on the computer software industry.

Socio-cultural

Since the beginning of the pandemic, there has been an increasing amount of remote work. Even years after, many people prefer remote jobs over in-person jobs. This phenomenon has even been named "The Great Resignation," as more people want to spend time with their families or do something they love. With this increase in remote working comes an increase in technology and software to make remote work possible. Web-based collaborative tools are now common to host, share, and revise work remotely. This shows us that there is an increasing demand for these types of services as more employees work remotely. This socio-cultural trend is positively affecting the computer software industry by increasing the demand for this type of software (First Research, 2022).

Global

The globalization of products and technology has a significant impact on the computer software industry. With the increasing presence of social media across the world comes a growing digital marketplace or e-commerce. Social media shopping is expected to reach about \$2.1 trillion by 2025 (First Research, 2021). This brings an opportunity for companies to start developing e-commerce assistance software. This will positively affect the computer software industry. Globalization can also harm the computer software industry with supply chain issues immersing, such as chip shortages. Overall, the industry will do well if companies can learn to adjust to supply chain issues and evolve with new innovations.

INDUSTRY ENVIRONMENT

Threat of New Entrants

Risks involved with new entrants in the computer software industry include rapid innovation, which shortens shelf-life and requires strong technical expertise (First Research, 2022). Large competitors also dominate market segments in the computer software industry. Large companies dominate specific market segments making it difficult for smaller companies to have a chance. Smaller companies don't have as much access to leverage resources, budget marketing, and establish partnerships. Broad product portfolios can provide large companies with a competitive advantage over small companies (First Research, 2022). The computer software industry is highly competitive and rapidly changing depending on technology and demand. This makes companies develop a constant stream of new products to stay relevant (First Research, 2021). All of these factors make it difficult for new entrants to be established;

therefore, the threat of new entrants in the computer software industry is low if companies are able to remain innovative and establish a competitive advantage.

Power of Buyers

Buyers typically want the most value for the lowest price. This propels companies to offer incentives such as discounts and offerings. Although great for the customer, this is not always great for the company. The computer software industry has been put under pressure to provide affordable products but also maintain profitability in the long run (Ristoff, 2021). Rapid new innovations can help offset the power of buyers with a constant flow of new products being launched. The increasing customer base will also help limit the power of buyers by giving companies in the computer software industry access to more target markets. Overall, the power of buyers can be contained if companies in the computer software industry are able to remain innovative and broaden their customer base (Department Strategic Management, 2022).

Power of Suppliers

Suppliers carry most of the power when it comes to the computer software industry. Raw materials are purchased from numerous suppliers who set their own rates. This power allows the suppliers to extract higher prices, which in turn decreases profitability for the purchasing company (Ristoff, 2021). Establishing a price agreement with suppliers or considering vertical integration can be an option to deal with the power of suppliers in the computer software industry, but there is still little control over the prices the suppliers decide to extract, and vertical integration can be even more costly. Overall, the power of suppliers lowers profitability for companies in the computer software industry (Department Strategic Management, 2022).

Product Substitutes

A threat of product substitutes is present when a product meets a similar customer's needs in a different way. This, in turn, results in the suffering of industry profitability. An example of this is Dropbox and Google Drive, which are substitutes for storage hardware drives (Ristoff, 2021). Companies in the computer software industry can lessen the threat of product substitutes by being service-oriented rather than product-oriented. Another method is to better understand customer needs, wants, and preferences. One last method is to increase the switching cost for customers so they will be less incentivized to switch. Overall, if companies in the computer software industry are able to sustain a unique competitive advantage and better understand customer needs, they will be able to overcome the threat of product substitutes (Department Strategic Management, 2022).

Intensity of Rivalry

Intense competition in the computer software industry is known to drive down prices, decreasing profitability in the industry (Ristoff, 2021). Companies try to remain competitive by lowering their prices to appeal to the consumer, but in the end, this hurts both the company and the industry. Companies in the computer software industry need to build a sustainable competitive advantage instead of lowering their prices to differentiate themselves. This will help eliminate the rivalry among existing competitors. Companies should also stop competing for a smaller market and consider collaborating with competitors to help increase market size. Overall, if companies in the computer software industry are able to create a sustainable competitive advantage and increase the market size, they will have a better chance to lessen the intensity of rivalry. (Department Strategic Management, 2022).

COMPETITOR ENVIRONMENT

Google

Google is a tech giant known for its specialization in internet-related products and services. It employs over 120,000 employees, which is six times more than Adobe's workforce (Business Strategy Hub, 2021). Google's revenues increased 12.89% in 2020, and its annual turnover is about fifteen times more than Adobe's (Business Strategy Hub, 2021). One product Google and Adobe compete on is Google Analytics and Adobe Analytics. They both perform the same tasks and are highly competitive. While Adobe Analytics costs \$500 per month, Google Analytics is free to use. This alone makes it extremely difficult to compete. Another competing product between the two companies is Google's Cloud Platform and Adobe's Marketing Cloud. Google's comprehensive ecosystem makes it Adobe's top competitor in the computer software and digital experience segment (Business Strategy Hub, 2021).

Oracle

Oracle employs over 136,00 employees worldwide, making it six times bigger compared to Adobe (Business Strategy Hub, 2021). It is a multinational company that specializes in enterprise software products as well as cloud-based business solutions. In 2021, Oracle's revenue was \$40.5 billion (Business Strategy Hub, 2021). Adobe and Oracle compete with business-to-business cloud transformation platforms for digital experience. Adobe offers Adobe Experience Cloud, and Oracle offers Oracle CX Marketing. Currently, Oracle controls 10% of the enterprise public cloud market, making it the sixth biggest provider in this market segment (Business Strategy Hub, 2021). Although Oracle contains more of the market share than Adobe, Oracle's

growth rate is significantly lower than Adobe's, at about 2% per year (Business Strategy Hub, 2021).

Microsoft

Microsoft has over 144,00 employees in 2020 with revenues at \$125.8 billion (Business Strategy Hub, 2021). This multinational tech company offers consumer electronics, PCs, and software with a diversified portfolio, including Windows OS, Microsoft 365, and Azure. Adobe and Microsoft compete in segments such as publishing and enterprise cloud services. One competing product between the two companies is Microsoft Azure and Adobe Marketing Cloud. Azure is the world's second most popular cloud computing service, with about 17% market share (Business Strategy Hub, 2021). Microsoft's vast portfolio makes it a formidable competitor for Adobe. Although Adobe and Microsoft engage in heavy competition, there is also some collaboration going on. For example, Adobe's SaaS (Adobe Sign) is integrated into Microsoft 365 applications.

CONCLUSION

The Computer Software industry includes companies such as Adobe, Google, Microsoft, and Oracle. These companies deal with the designing and publication of computer software and systems (First Research, 2022). This paper discussed factors that impact the industry, including technological, economic, socio-cultural, and global. It also covered porter's five forces for the industry, including the threat of new entrants, power of buyers, power of suppliers, product substitutes, and the intensity of rivalry. The paper ended with a competitor analysis of Google, Oracle, and Microsoft. After external analysis of the computer software industry, it is safe to say that the future of the industry looks promising as long as companies are able to create a

competitive advantage, remain innovative, increase the market size, and remain knowledgeable about consumer needs/trends.

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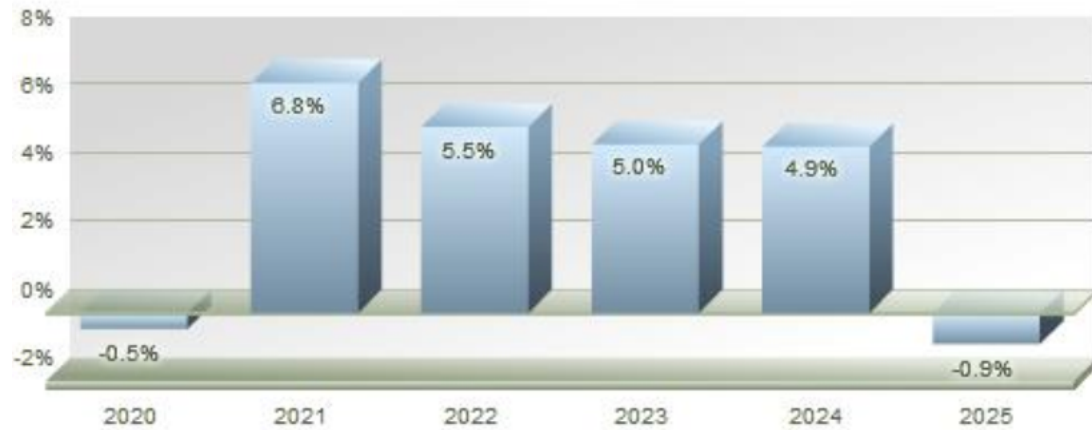
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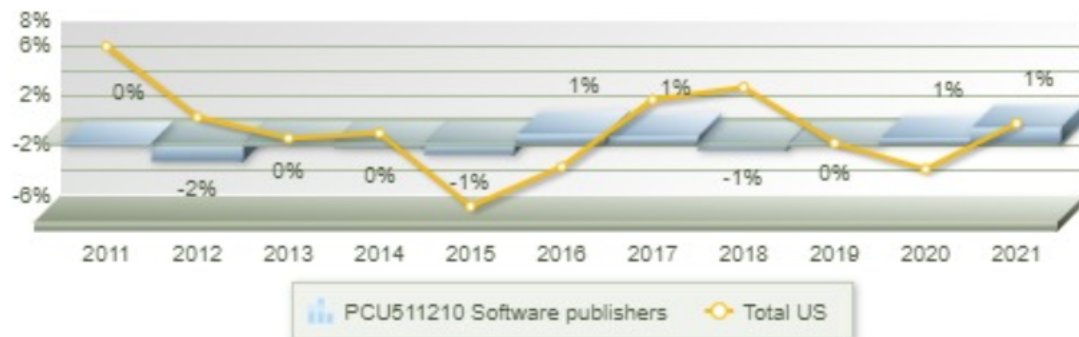
APPENDIX/FIGURES

The Computer Software Industry Forecast 2020-2025



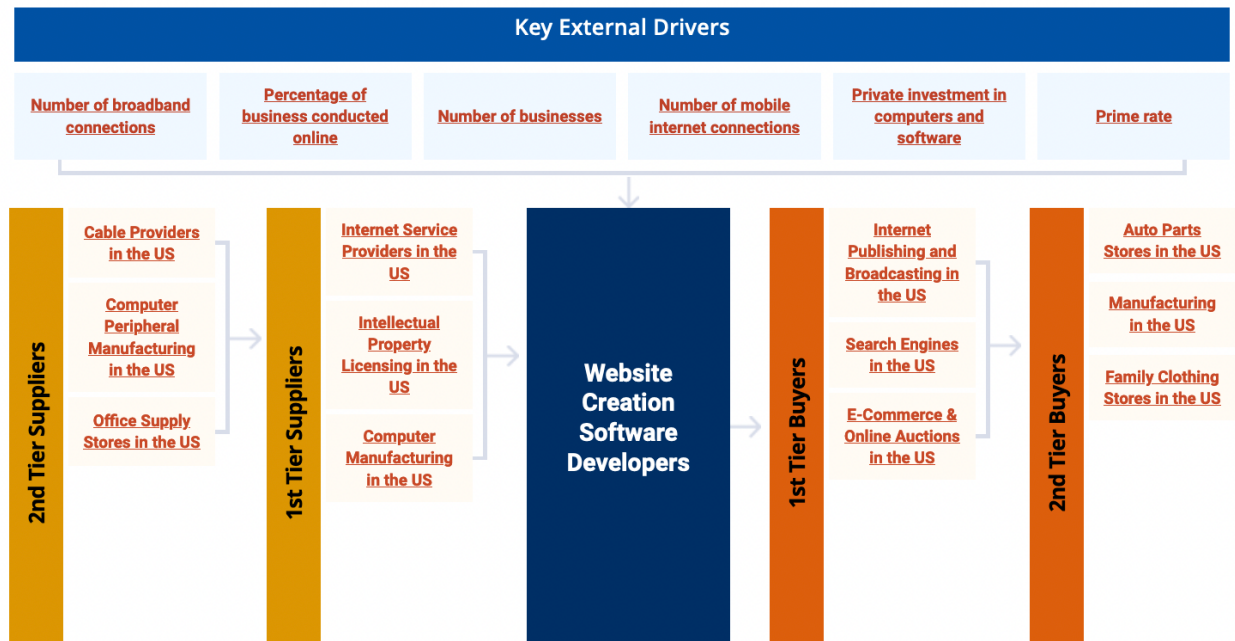
(First Research, 2022)

Financial Information: Change in Producer Prices – Bureau of Labor Statistics 2011-2021



(First Research, 2021)

Computer Software Industry Supply Chain



(Cook, 2020)