

Adobe: Internal Analysis

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Introduction

Adobe is a software company developing a range of digital marketing and media tools/solutions. Its main products include Creative Cloud Express, Photoshop, Illustrator, Lightroom, Premiere Pro, Acrobat, etc (Craft Advanced, 2022). Adobe helps its customers make, manage, measure, and monetize their content by offering creative, marketing, and document tools that enable its customers to create digital content, deploy it across media and devices, measure, and optimize it over time (Craft Advanced, 2022). Diversified customer base, strong distribution network and financial performance are the company's major strengths, whereas overdependence on the Americas remains a cause for concern (Marketline, 2022). Increasing demand for cloud computing solutions, strategic acquisitions, and a growing software market are all factors that are expected to grow firms in related industries, including Adobe. Although, rapid technological changes, fluctuating currency risk, and security vulnerabilities could affect Adobe business operations (Marketline, 2022). The following text will explore Adobe's resources, capabilities, and core competencies, as well as outsourcing, and value chain activities.

Resources, Capabilities and Core Competencies

Resources

Adobe possesses a diversified amount of tangible and intangible resources. Adobe is headquartered in San Jose, CA and has 67 office locations across 26 countries (Craft, 2022). Adobe also possesses 25,988 employees as of December 2021 as well as 249.3 million website visits, and revenue of \$15.8 billion (which is a 22.7% increase from the previous period) (Craft, 2022). Currently, Adobe has 3,558 job openings, a market capitalization of \$203.9 billion, and a market price of \$431.6 as of March 2022 (Craft Advanced, 2022). Adobe also has an employee rating of 4.4 out of 5 and scored an A+ in diversity, compensation, CEO rating, and overall culture (Craft Advanced, 2022). Adobe also possesses many intangible resources such as

Creative Cloud Express, Photoshop, Illustrator, Lightroom, Premiere Pro, Acrobat, etc.(Craft Advanced, 2022). In 2021, Adobe's assets totaled at \$27,241, \$14,488 of the total assets were intangible (Wall Street Journal, 2021). Adobe also has an asset-total-growth rating of 12.18%, asset-turnover rating of .61%, and return-on-average-assets rating of 18.72% as of 2021 (Wall Street Journal, 2021). As you can see, Adobe's resources are vast and highly diversified. Adobe also possesses more intangible resources than tangible resources. This actually creates a potential competitive advantage as the intangible resources are not easy for competitors to imitate. These resources provide an excellent foundation to develop strong capabilities, and core competencies, which we will discuss in the following sections.

Capabilities

Adobe offers over 50 different products and offers services including Consulting, Maintenance and Support, Hosted Services, Photo Backup Services, Certification, Adobe TV, Adobe developer connection, Adobe Marketing Center (MarketLine, 2022). Based on this knowledge, Adobe's capabilities include creating actionable, intelligent, real-time customer profiles, enrich data and derive more insights with AI/ML models and data queries, innovate with open and composable components, enhance delivery and personalization of real-time experiences, gain trust with governance, security, and privacy controls (Adobe Experience League, 2021). The uniqueness of Adobe's intangible resources make it difficult for others to imitate, in turn making these capabilities rare, valuable, non-substitutable and costly to imitate. The analysis of resources above present capabilities that Adobe can use to form a strong foundation when developing core competencies, and thus competitive advantages.

Core Competencies

Adobe's main core competency is its excellent integrated system of solutions across multiple creative industries. Its products have been designed to work well together and each performs well as a standalone product (Cao, 2018). As stated previously, Adobe possesses over

50 different products across many industries. Adobe also offers an array of services including Consulting, Maintenance and Support, Hosted Services, Photo Backup Services, Certification, Adobe TV, Adobe developer connection, Adobe Marketing Center (MarketLine, 2022). This core competency alone is a strong foundation for a sustainable competitive advantage. If Adobe is able to remain innovative and offer a vast amount of variety in products and services, Adobe will obtain strategic competitiveness and earn above-average returns due to the difficulty to be imitated by competitors.

Outsourcing

Increasing technological innovation, competition, complexity, and shrinking profit margins have led to a trend towards outsourcing, alliances, consortia and partnerships in the computer industry. Many companies have realized that it is not feasible for them to develop everything themselves, leading to a decision to cut internal R&D budgets in order to gain the expertise of others. Companies used to all do their own operating systems, our own storage devices, our own chips or CPUs (ABI/INFORM Global, 2022). Today companies buy those, and then bring specific functionality to these boxes in order to differentiate your product (ABI/INFORM Global, 2022). Adobe Systems, Inc. has created an approach that some call unusual. Adobe has set up a \$25 million venture capital fund to invest in fledgling software companies (ABI/INFORM Global, 2022). So far, Adobe has made four such investments and is expected to make eight to 10 more (ABI/INFORM Global, 2022). "Fred Mitchell, director of business development at Adobe, said his firm hopes these start-ups will take Adobe technology into markets it could not easily penetrate itself" (ABI/INFORM Global, 2022). Although outsourcing comes with benefits, it also comes with some drawbacks. Managing complex relationships and the absorption of external work is one main issue. "It's hard enough for a company's internal R&D laboratory to communicate with its own sales, marketing and production departments, It's even more difficult when the R&D work is being done externally" (ABI/INFORM Global, 2022). Employee's of

Adobe have even left company reviews stating that “Adobe is a company relentlessly outsourcing anything it can in order to cut costs”(GlassDoor, 2022). The employee recommends that Adobe should “stop thinking about cutting costs, start thinking about how to grow revenue in a new market” (GlassDoor, 2022).

Value Chain Activities

Supply-chain management

Supply chain management activities of Adobe's Adobe are associated with receiving, storing and disseminating the inputs of the products. This includes material handling, warehousing of physical products, as well as architecture to receive and store customer information for digital media companies. Adobe has outsourced most of its inbound logistics activities (EMBA, 2020).

Outbound logistics include the activities such as material handling, warehousing, scheduling, order processing, transporting and delivering to the destination. These activities help get the product to the customer. Adobe has an opportunity to create value in outbound logistics and thus creating a competitive advantage. According to Byrne, “when outbound activities are timely managed with optimal costs and product delivery processes put a minimum negative effect on the quality, it maximizes the customer satisfaction and increases growth opportunities for the firm”(Byrne, 2018). Adobe should pay close attention to its outbound value chain activities when it offers products that are perishable and require quick delivery to the end customer (Byrne, 2018).

Operations

Operations can be defined as activities that help transform raw material into finished products (EMBA, 2020). When raw materials arrive, the importance of understanding operational activities increases. The more Adobe analyzes operational activities, the more

Adobe will be ready to process raw materials into finished goods to launch on market. Some examples of operational activities are equipment repair, packing, maintenance, assembling, machining, and testing (Byrne, 2018). Adobe has an opportunity to provide additional value in operations activities. If Adobe properly analyzes and understands its operational activities in order to improve productivity and maximize efficiency, it will help Adobe to achieve consistent economic growth, increase profitability and set a powerful basis for competitive advantage (Byrne, 2018).

Distribution

Adobe is known for its strong distribution network. The company distributes its products through its direct sales force, a network of distributors, value-added resellers (VARs), independent software vendors (ISVs), systems integrators, software developers, retailers, and original equipment manufacturers (OEMs) (MarketLine, 2022). Adobe also possesses contracts with several software distributors and other strategic partners, including independent businesses. This strong distribution network allows Adobe to broaden its customer base and expand its reach. This created value also allows Adobe to minimize risks related to dependence on a single channel (MarketLine, 2022).

Marketing

Marketing activities are undertaken by Adobe to create promotional channels to apply to customers or buyers. These activities include advertising and promotion, channel selection, pricing, marketing, sales force management, quoting and building relations with channel members. (EMBA, 2020). When marketing, Adobe highlights the benefits and uniqueness of offered products to persuade the customers that its products are superior to competitors (Byrne, 2018). Adobe can not expect to sell a high quality product at affordable costs with unique features if customers do not know where to learn about or purchase the product. This is why investing in marketing and sales activities is so important. Adobe can use a marketing funnel

approach to better structure its marketing and sales activities to create added value. Effective and efficient integrated marketing activities can develop a competitive advantage for Adobe and help it better stand out from competitors. Although, Adobe should be aware of the implications of false commitments regarding product features that are not feasible by the production. This indicates the need for coordination between different value chain activities (Marketing and Production) (Byrne, 2018).

Customer service

The pre-sale and post-sale customer services offered by Adobe will play a significant role in developing customer loyalty (Byrne, 2018). Today, customers consider post-sale services just as important as marketing and promotional activities. Poor support service cannot be ignored in the current technologically advanced era. Many customers take to social or review platforms if they are not satisfied with services. This can lead to a negative domino effect of negative reviews and decreasing customer loyalty. Adobe must analyze its support activities to avoid damaging brand reputation, and instead use it as a tool to spread positive word of mouth due to quick, timely and efficient support services (Byrne, 2018).

Value Supporting Services

Finance & Accounting

Growth in revenue and profitability has enhanced Adobe's ability to allocate adequate funds for growth and expansion (MarketLine, 2022). In FY2020, Adobe reported revenue of US\$12,868 million, an increase of 15.2% as compared to US\$11,171.3 million in FY2019 (MarketLine, 2022). In FY2020, the company's operating margin was 32.9%, compared to an operating margin of 29.3% in FY2019 (MarketLine, 2022). Improving operating performance indicates the company's focus on efficient cost management (MarketLine, 2022). In FY2020, the company recorded a net margin of 40.9%, compared to a net margin of 26.4% in FY2019 (MarketLine, 2022). Strong financial performance enables the company to provide higher

returns to its shareholders, and attract further investments (MarketLine, 2022). This efficiency in regards to finance and accounting creates added value for Adobe. Strong performance in these areas allows for more diversified resources and better company operations overall.

Human resources

In a society where people and businesses are striving to learn more and increase the triple bottom line, Human Resources Management becomes crucial. HRM support activities include Recruiting, Training & Development, People Planning, Rewarding, Selection, Skill Assessment, Performance Management, Hiring and Compensation at both business unit level and corporate level (EMBA, 2020). Human resource management, if managed properly, is a source of competitive advantage for many firms. In most industries it is a defining factor (EMBA, 2020). Effective and efficient HR management practices can reduce competitive pressure based on motivation, commitment, and skills of its workforce (Byrne, 2018). Adobe can also increase cost efficiency by analyzing hiring and training costs with their relative return. Return on investment is a method used by many companies to better establish themselves and a competitive advantage. This heavy dependence of Adobe on employees' talent to create a value added activity or competitive advantage will increase the importance of human resources value chain support activity (Byrne, 2018).

Conclusion

The above text explored Adobe's resources, capabilities, and core competencies, as well as outsourcing, and value chain activities. Diversified customer base, strong distribution network and financial performance are the company's major strengths, whereas overdependence on the Americas remains a cause for concern (Marketline, 2022). Increasing demand for cloud computing solutions, strategic acquisitions, and a growing software market are all factors that are expected to grow firms in related industries, including Adobe. Although, rapid technological changes, fluctuating currency risk, and security vulnerabilities could affect

Adobe business operations (Marketline, 2022). In the end, Adobe will remain successful if they are able to sustain their resources, capabilities and core competencies, remain cost efficient while growing revenue in new markets, and properly manage it's value chain activities.

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Appendices: Adobe Latest Updates & Human Capital Metrics

Latest Updates

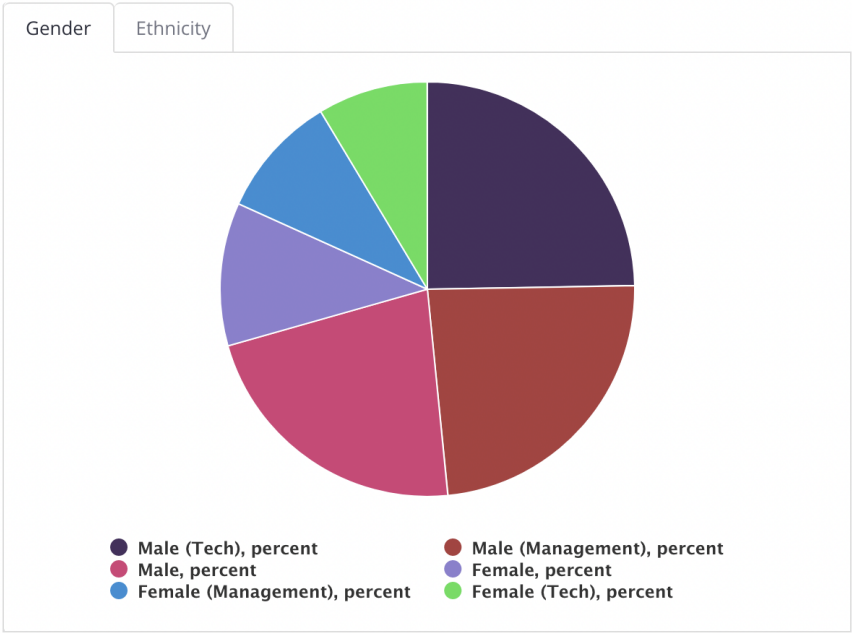
Company Growth (employees)



(Craft Advanced, 2022)

Human Capital Metrics

FY, 2020 ▾

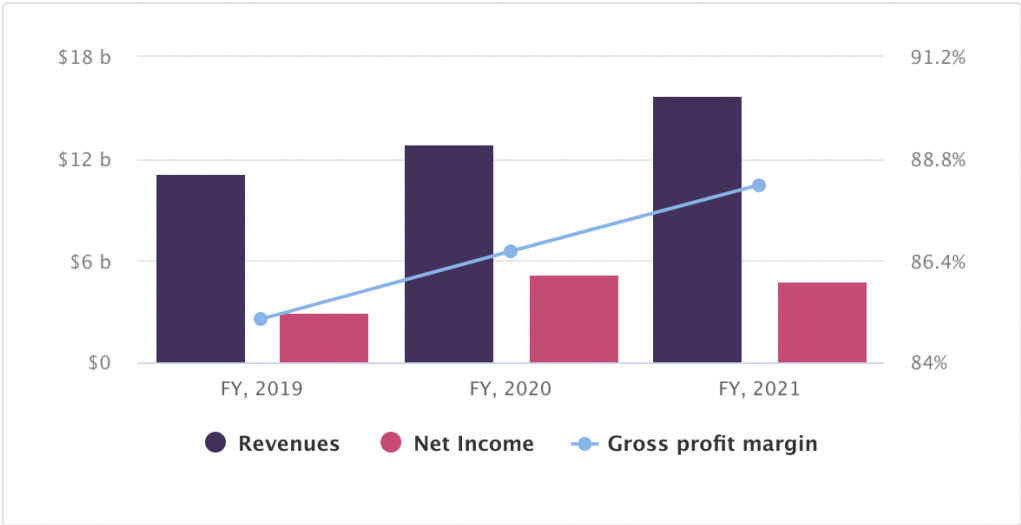


Source: www.adobe.com, www.adobe.com, www.adobe.com

(Craft Advanced, 2022)

Appendices Continued: Adobe Revenue & Company Culture

Adobe Revenue



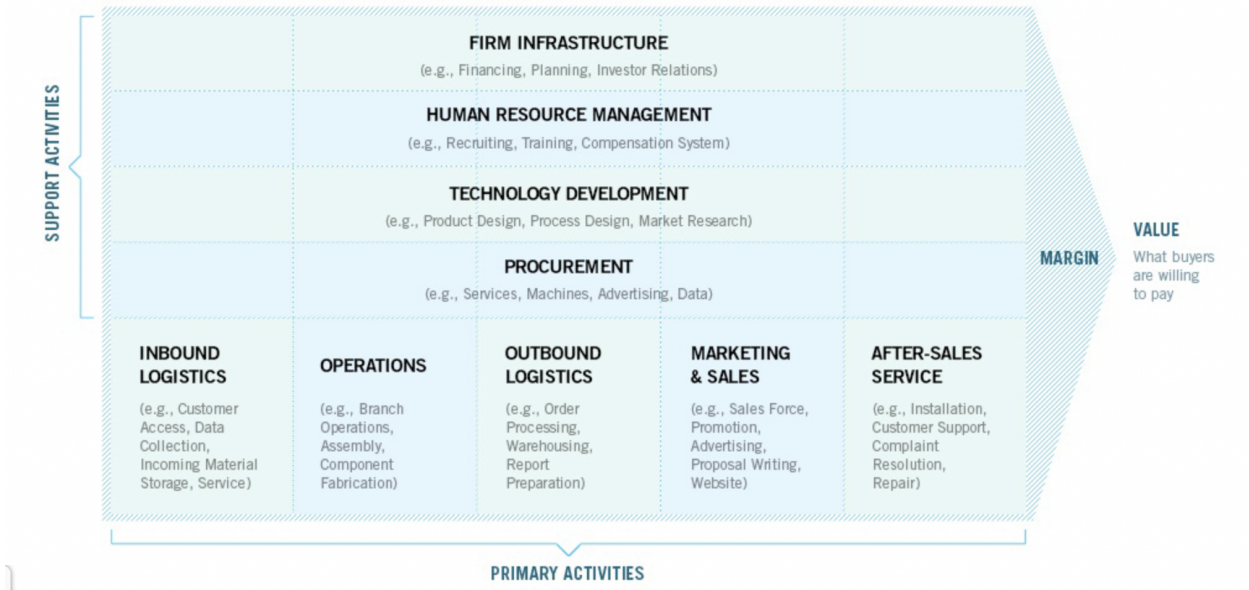
(Craft Advanced, 2022)

Adobe Company Culture



(Craft Advanced, 2022)

Value Chain Analysis of Adobe Systems, Inc. Case Study



(EMBA, 2020)