

The strategic deal of Microsoft and Adobe

A presentation

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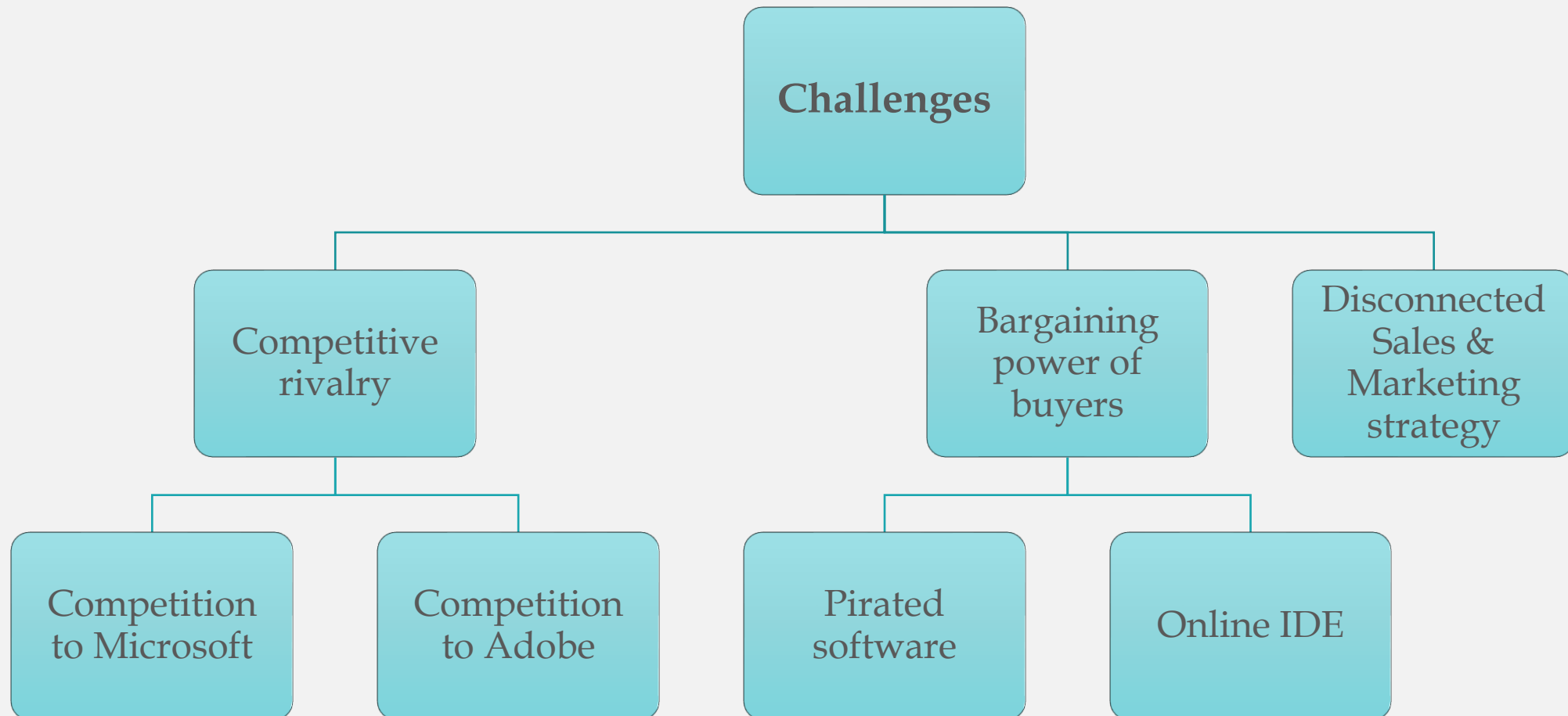


Let's get the overview



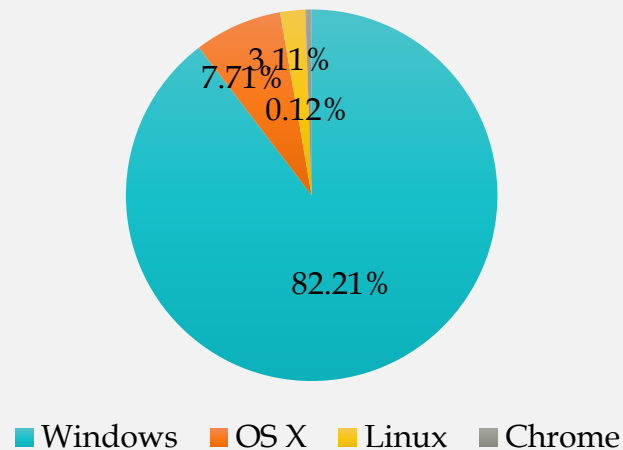
- Adobe and Microsoft have joined hands to give a personalized experience to its users.
 - Adobe was ready to forgo its own competitive product if its partner provided a better version of it.
 - Adobe and Microsoft engineers work together to make sure that the integration of Adobe clouds is at the byte level.
- However, the enterprise is worried about its successful market entry in India.
 - Pirated versions of Adobe software are easily available.
- The key questions are
 - How will the enterprise make a profit in the markets of India?
 - How will they curb the use of pirated Adobe software?
- The enterprise's main focus should be
 - To create awareness of their collaboration and give its advantages to the users.
 - To appoint a strong legal team to curb piracy.

Diving into the challenges



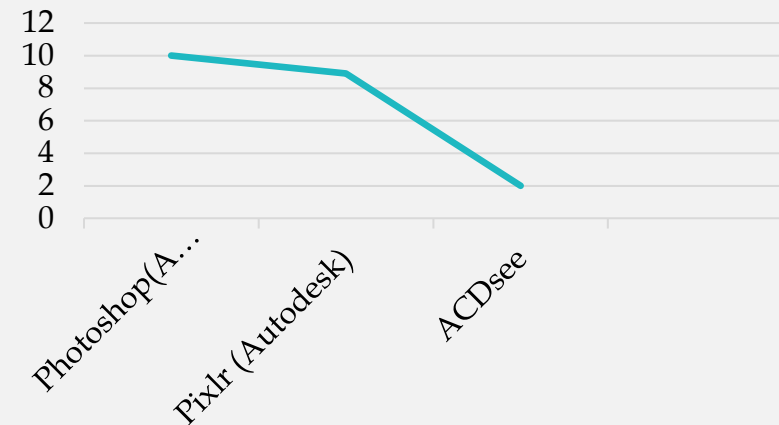
- India is a price-sensitive country. Here people give more importance to the product cost. They are not loyal towards a particular brand.

Market Share in India



- Operating systems like Mac OS or Linux won't be a major competition to Windows.
- Also, the market share of Microsoft is much higher than any other OS company.

Price(\$) paid per month



- Adobe's tough competition will be with firms like Autodesk, ACD systems, etc.
- The graph shows a comparison of one of the software. It is clearly visible that the price of Adobe software is much higher than the rest.

Crack versions of Adobe software is easily available for free.

- It has been noticed that more than 95% of the users use the pirated version of the Adobe cloud.
- Around 60% of people are unaware of the difference between pirated and original version.
- Adobe is not taking major actions to stop piracy.

Online IDE like Visual Studio, etc are highly preferred by the users.

- They offer accessibility.
- They allow us to write the code on any device provided the device is connected to the internet.
- They are device flexible meaning can be used on laptops, PCs, tablets, or mobile.

Too often, sales and marketing are siloed departments, each with individual goals that appear compatible. Marketing creates sales messaging and tools and generates leads for the sales team. Sales teams use the messaging and tools to transform those leads into revenue. Ultimately, these two teams share – and must be aligned to achieve – one purpose: to persuade buyers to choose you.

Every problem has a solution!



The strategic partnership with Microsoft is going to boost Adobe's client base, boosting its top line.

- They would require a strong legal team in their support to curb piracy.
 - They'll need to know the correct legal action to be taken against such users.
- They can offer different subscription plans.
 - They can provide a 1-year free license to students & professionals and the current users.
 - They can also give in-built Adobe cloud with Microsoft dynamics to all the new buyers.

Go-To-Market Strategy



Target Population

Sr. No.	Age group	% of total population	Population
1.	0 to 14	26.16%	36.10 crores
2.	15 to 65	67.27%	92.83 crores
3.	More than 60 years	6.57%	9.06 crores

Demographic

- As of 2020, the estimated total population of India is 138 crores, according to UN data.
- The *target population* is of the age group 15-65 years.
- Gender division is not important here because both men and women use the software equally.
- On the basis of occupation, target audience include students, employees and professionals which again, lie in the age group of 15-65 years.

Geographic

- The *target population* is urban sector.
- According to the World Bank, total population of India in 2018 was 135.26 crores.

Sr. No.	Type of population	% of total population	Population
1.	Urban population	34.03%	46.02 crores
2.	Rural population	65.97%	89.23 crores

- Microsoft and Adobe must focus on the urban and young to the middle-aged population of India.
- Their challenge would be to fulfil the needs of their target population.

Value Proposition

There are no other brands which come close to Adobe and Microsoft in their fields. Still, there is a need to make a strong first impression of their collaboration.

How the product or service solves/improves problems?

- ✓ Connects content, data, and processes to deliver a more compelling and personalized experience to each customer.
- ✓ Creates next-generation integrated solutions for the digital enterprise.

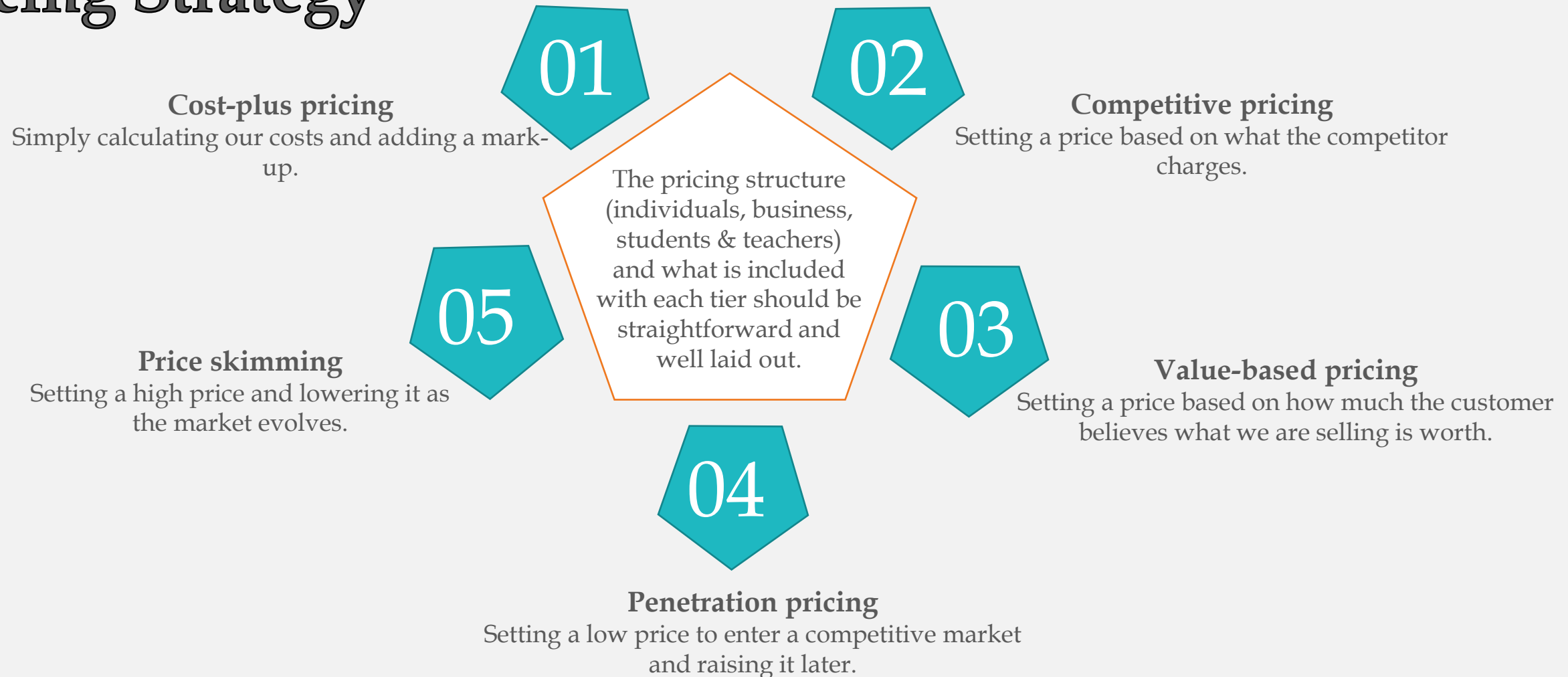
What benefits customers can expect?

- ✓ Wide range of products and services will be offered on a single platform.
- ✓ Different subscription plans for individuals, business, students & teachers.

Why customers should buy from us over our competitors?

- ✓ Trustworthy and reliable.
- ✓ The quality of the products and services is the best to date.
- ✓ Clean and minimalistic design.

Pricing Strategy



Distribution Plan

Direct
selling

Selling
through
intermediaries

Marketing
channels

Dual
distribution

Reverse
channels

According to the

- ☐ Target users and their preferences,
- ☐ Firm's pricing strategy,
- ☐ Overall product strategy through branding, policies, and willingness to stock,

Direct selling and through intermediaries are the most suitable marketing channels.

Direct Selling

- ☐ Internet is the place where target customers would like to buy and where our competition is selling.
- ☐ This can be done by selling products on the official website of their association.

Selling through intermediates

- ☐ Sales can also increase with the cooperation of computer and laptop developing companies.
- ☐ Products and services can be pre-installed for the users.

Determining Revenue Potential

Microsoft

- Microsoft India's revenue

Fiscal Year	Revenue
2017	Rs. 6,392 crores
2018	Rs. 6,456 crores
2019	Rs. 7301 crores
Average =	Rs. 6,716 crores

- Company's growth is majorly boosted by Azure, its cloud business, and Office 365 in the Indian market.

Adobe

- The company does not announce its country-specific annual revenue.
- Therefore we have to make an assumption here.
 - According to the company's official website, in FY2019, Adobe achieved record annual revenue of Rs. 84,057 crores (\$11.17 billion).
 - Now, the Asia Pacific region contributes about 14% to the global revenues for Adobe, which is Rs. 11,768 crores.
 - India is one of the major contributors in this region. Therefore assuming that 50% of Asia Pacific revenue comes from India, its contribution is about Rs. 5,884 crore.

We can therefore safely conclude that both firms will benefit from the partnership as there is a huge potential in India looking at it's market size.

Strengths

- Microsoft has world leading OS.
- Adobe offers a wide range of products and services in the digital marketing segments.
- No other partnership will develop trust within its users.

Weaknesses

- The creative software packages and suites of Adobe are too costly and hence they are relatively less attractive for the customers.
- They have not been able to curb piracy over the years.

S W O T

Opportunities

- Global digital marketing spend is growing due to the increased use of mobile phones and the internet.
- Microsoft can capitalize over the growing demand of smartphones.
- There is an increasing demand for cloud computing in the coming years.

Threats

- There are several open source softwares launched which are free to the market.
- India accounts for major market which is involved in illegal use of Microsoft's software.
- The major threat to Adobe is the piracy of its softwares due to torrent sites.

Marketing Strategy

<i>Brand Awareness</i>	<i>Pipeline Generation</i>	<i>Lead Quality</i>
<ul style="list-style-type: none"> ▪ The target audience is quite familiar with the brands and they recognize it well. ▪ It can be promoted on/through the following platforms: <ol style="list-style-type: none"> a) Website b) Content marketing c) Social media d) Search advertisements e) E-mails f) Webinars g) E-books 	<ul style="list-style-type: none"> ▪ Acquire leads: Brand awareness and value proposition are the key to attract leads. ▪ Nurture existing leads: Setting up email auto responders can be a good option. ▪ Score each lead: Decides which leads in our system are more valuable than others. The marketing team needs to measure the lead quality. The methods to do this are mentioned in the next section. ▪ Pass along leads to sales: For the continuous flow of leads from the beginning to end of the sales funnel, setting different stages in our own lead management process is important. ▪ Evaluate lead generation process: To ensure the effectiveness of the lead management system. Bringing in new leads, nurturing them, converting them into customers and retaining those customers overtime should be the motive of the marketing team. 	<ul style="list-style-type: none"> ▪ Driving more qualified leads is the secret to generating more revenue. The higher the quality of our leads, the more likely they become our customers. ▪ A few methods to determine whether a prospect is right for our business are: <ol style="list-style-type: none"> a) Download tracking: To find how many times visitors download our content. b) Pre-sale query submission: To find how many times visitors contact our sales team to ask pre-sale questions. c) Important pages visit: To find how many leads browse through various product or pricing pages.

Sales Strategy



Build a Powerful Value Proposition in Messaging

If you sell a truly remarkable product, buyers probably won't recognize the real value you offer to them. That's why you need to create your value with a powerful and persuasive message.

Telling personal stories and using metaphors and analogies helps bring your message alive in a more compelling way than simply reciting facts and data. Start sharing stories in your sales conversations, your customer relationships will become deeper and more rewarding.

Give short product demos

By showcasing upfront how your product will specifically address your prospect's challenges, you're leaving no room for ambiguity. Focus on showing the solution your prospect is most interested in rather than running through a laundry list of product features.

Your customers are highly underrated yet powerful growth engines within your company. The challenge is, retention and expansion require a distinct messaging and customer conversation approach. Existing customers are in a different position than your prospects – one that carries a unique buying psychology.

Speak to the Deciding Journey, Not the Sales Process

Tailor Sales Strategy for Customer Expansion

Other sector in which the partnership has scope

By plugging into Microsoft's ecosystem, Adobe can pull rich insights from Microsoft's customer relationship management and data visualization tools, among other platforms.

A financial services client working within Adobe Analytics can take existing Adobe data, combine it with Microsoft's data ecosystem, and then feed all of that information into Sensei.

Utilizing artificial intelligence (AI), machine learning and deep learning, Adobe Sensei's intelligent services glean insights from content and data; apply "human" skills like judgment and creativity; and automate processes, all to help Adobe customers work faster and more effectively.

Globally, no one is doing AI(Artificial Intelligence) innovation for the social sector. India can lead here.

Adobe Sensei is innovating in AI and Machine learning(ML) for digital experiences. This will attract the users of India who work in the field of AI and ML.

Adobe and Microsoft have joined forces, combining Adobe's Sensei artificial intelligence (AI) with Microsoft's data to give Adobe customers more automated, intelligence-based business feedback.

India is contributing substantially for Adobe's R&D efforts across its cloud businesses, with over a third of its total engineering headcount based out of the country

Adobe Sensei is placing AI at the center of various customer experiences, helping the customers tackle complex experience challenges like image matching across millions of images, and among many others.

Financial uplift in the deal-making firms

According to global report:

- We expect the combined entity to witness an incremental revenue gain (or synergy) of 5% of the total revenue of the two standalone companies due to the complementary nature of offerings across divisions.
- This points to potential revenues of \$160 billion for the combined entity in FY2021.
- Using our revenue forecast of \$160 billion and a P/S multiple of 9.1x for the combined entity, we arrive at an implied valuation of \$1.46 trillion for the combined entity.
- Notably, if a deal actually is inked around this level, then it would make Microsoft's acquisition of Adobe the largest M&A deals.

Conclusion



❑ Challenges:

- Considering the external forces, the partnership must focus its attention on competitive rivalry and the bargaining power of buyers. Customers tend to use pirated versions of the software.
- One of the classic challenges faced by enterprises is their disconnected Sales & Marketing efforts.
- Successful market entry in India is also a concern.

❑ Much of its effort should be to strengthen its position against competitors and to keep attracting customers to the products. This can be done through the following :

- Legal actions should be taken against piracy.
- A good value proposition should be given to attract customers' attention. They can also offer different subscription plans.
- The pricing strategy and distribution plan should be well laid out, keeping in mind the target users and their preferences.
- Sales and Marketing strategy should be good enough to generate maximum revenue for the enterprises.

❑ Other sector in which the partnership has scope include AI and ML.

❑ Thus we can conclude, the collaboration will provide an exponential growth trajectory to both businesses in India.