

Adobe's New Offering Performance Overshoot or Strategic Advantage?

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1. Executive Summary

Technology has empowered multiple domains in the business environment to attain efficiency and reach zenith performance. The use of technology to strengthen the marketing is gaining momentum as the businesses are beginning to realize the benefits of technology enabled marketing tools and platforms. Over the past decade, numerous software companies have offered products and platforms that simplifies marketing for a company; be it a product or a service.

These software companies are now invested in empowering the customer with advanced capabilities to initiate a digital transformation in their marketing campaigns. Adobe is one such company which has pioneered in providing creative software platforms for a company to drive its marketing campaign. With data analytics and AI, Adobe is now leaping into creating a centralized customer data management and processing system. The concern here is whether this would be a performance overshoot concerning the customer needs. Will this offering create enough value for the customer to provide a strategic advantage to Adobe? Or will it increase the risks for an advantage?

In this report, we begin with touching upon the core of Adobe and its offering. With an idea of Adobe's latest offering, we move to understanding the needs of today's marketing world and what are the most painful points in their journey. This is followed by an overview of the industry to analyze the industry's move towards solving these customer pain points and creating value in this space. We look into the key offerings of Adobe's major competitors, and we then position Adobe concerning its competitors and their influence in the current industry landscape.

Understanding the position of Adobe in the industry, we now elaborate on the new features that Adobe has announced to include in its Experience Cloud. These features dictate the future of Adobe in the marketing space. Is this re-bundling and feature addition a strategic move by Adobe? To get a clear view of this, we portray the value proposition of Adobe's experience cloud with the new features. Then we plot the utility the current features provide over the existing features. Does it provide additional value? Has it created additional utility? But this isn't sufficient. We analyze the external forces that could impact the growth of Adobe and what threats they pose.

Thus, at the end of all these internal and external analyses, we will be in a position to conclude if Adobe is going to gain an advantage by leading the customer into a whole new marketing experience.

2. Introduction to Adobe

Adobe Systems is a computer software company originally known for its media software, Creative Suite design tools such as Photoshop or its universal Portable Document Format (PDF). In the recent years, ¹Adobe began to release other software aimed to improve the work of businesses. This portfolio consisted of:

- ❑ Document Cloud: a portfolio of secure digital document solutions aimed to speed business transactions;
- ❑ Marketing Cloud: a portfolio of solutions (Experience Manager, Target, Campaign, etc.) to measure, personalize and optimize marketing campaigns and digital experiences across channels (for marketing professionals);
- ❑ Analytics Cloud: a tool to help a company's customers to turn consumer interactions (Web, social, video, mobile, offline...) into actionable insights. It also helps in market segmentation and integrates third-party data.

²In 2017, Adobe extended its portfolio with an Advertising Cloud tool issued from the combination of its products, Adobe Media Optimizer and TubeMogul, with the purpose of using user data to deliver “just the right ads for just the right audience at just the right time.”

Adobe also released the Experience Cloud, “a platform for businesses gathering the Creative, Document, Marketing, Analytics, and Advertising Cloud tools.” A new AI called Adobe Sensei was also released to help share and analyze data and content across the platform. This led to several data privacy concerns, but a VP at Adobe Advertising confirmed in 2017 that “from an ad perspective [they] do not enable anyone to use personally identifiable data on [their] platform.” So, Adobe's customers currently have to deal with only non-identifiable data to achieve their marketing objectives.

In March 2018, at the Sneaks Summit in Las Vegas, Adobe announced improvements of Adobe Sensei and its new applications for marketing teams in businesses. ³⁴Among them:

¹ <https://www.reuters.com/finance/stocks/company-profile/ADBE.O>

² <https://techcrunch.com/2017/03/20/adobe-unifies-digital-businesses-under-single-experience-cloud/>

³ <http://mobilemarketingmagazine.com/adobe-aims-to-upgrade-marketer-skills-with-experience-league>

⁴ <https://www.businesswire.com/news/home/20180328005637/en/Adobe-Sensei-Leslie-Jones-%E2%80%9CSaturday-Night-Live%E2%80%9D>

- **Experience Cloud Profile:** a multi-channel (online and CRM) analytics tool, unifying data from those various sources;
- **Video Ad AI:** possibility of asking Sensei predictions about the success of media campaigns as well as recommendations about how to adapt media content for a campaign to the different online channels. This is directly linked to the Creative Suite and the AI could possibly modify the video alone;
- **Launch It:** with Adobe Sensei, improved the possibility of hyper-personalization of online ads and metadata for every Adobe's customer's customer;
- **Perfect path:** using the Experience Cloud Profile as well, Adobe Sensei recommends the best customer journey for each individual targeted by Adobe's customers;
- **Experience League:** provide learning guides for marketers and a strong community to enable marketers to discuss their issues with peers and Adobe's experts.

Through a single platform, Adobe seeks to leverage its customers' customers' data to improve its customers' marketing approach and deliver highly personalized content to each end user.

Are the solutions provided now and in the future by Adobe relevant to the market? We look at this in this report and analyze whether the current situation with Experience Cloud platform and its announced improvements are solid enough to give a real strategic advantage to Adobe.

3. Market Analysis

While there are a lot of innovations in the marketing space, we first need to understand what Adobe's target customers need and then understand the market landscape where Adobe's portfolio strategy is evolving. We begin by analyzing the market needs for Adobe's target customers.

A. Job to be done

⁵In a business, the marketing team is looking for ways to enhance and personalize the customer experience to improve its customer acquisition costs.

The job to be done for customers here is to enable marketers to enhance their own customer's experience by customization to address the needs of each customer. Customers want to use the information they collect about their customers and draw insights that can enable them to provide increased customization for each customer.

⁵ <https://e-m-marketing.com/blog/2017/09/how-a-i-can-solve-the-top-3-pain-points-in-marketing/>

B. Pain points for digital marketers

⁶⁷Without the help of a dedicated software, today's digital marketers are facing the following major problems when it comes to fulfilling their job to be done:

- Difficulty to **work in a consistent way** with both the IT teams (for website development) and the design teams (for marketing content development), easily and quickly
- Lack of time to **test and optimize campaigns** before their launch
- Difficulty to **track customers' actions** across different online, offline channels and devices
- Difficulty to gain customer insight from **multiple data sources**, lack of centralized data
- Resulting in a quasi-impossibility of **tailoring marketing campaigns** to individual customers

Understanding the pain-points of the customers, now we graduate towards exploring the solutions present in the market and the extent to which they address those pain points.

4.Competitive Analysis

A. Industry Solutions to Customer Pain-points

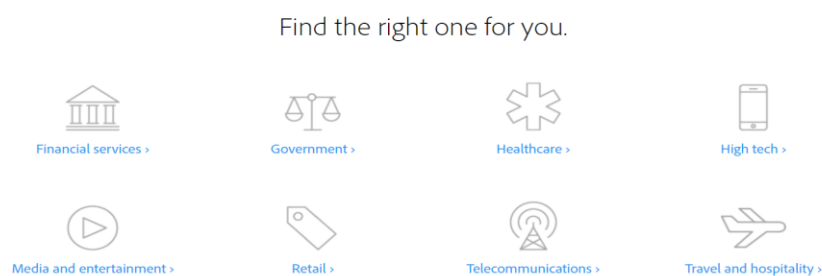
The marketing technology industry is fragmented, and it can be difficult for buyers to select a vendor as they have to make sure the vendor can provide all the tools needed and can do so in a consistent way. Looking at this opportunity, a select few companies with resources and power, began to offer a unified marketing software solution resulting in less time spent integrating the different applications and more quality time spent using the tools. Companies, like Adobe, took advantage of the market need for these products and services and offer this technology at a premium price, but there are also capable freemium model platforms such as Google Analytics, Hootsuite and Mailchimp. However, implementing new technology for

⁶ <https://www.wrike.com/blog/bridging-communication-gap-marketing-creative-teams-infographic/>

⁷ <https://www.americanexpress.com/us/small-business/openforum/articles/challenges-facing-todays-advertising-company/>
<http://www.convinceandconvert.com/digital-marketing/gap-between-marketing-personalization-and-creative/>
<https://www.marketingweek.com/2016/03/04/bridging-the-gap-between-programmatic-and-creativity/>
<https://www.marketingcharts.com/industries/technology-56141/attachment/econsultancysmartfocus-marketing-pain-points-and-impact-jun2015>
<https://e-m-marketing.com/blog/2017/09/how-a-i-can-solve-the-top-3-pain-points-in-marketing/>
<https://www.forbes.com/sites/propointgraphics/2017/06/21/new-challenges-for-marketing-leaders-of-the-future/#5eabb296253a>

businesses is a serious investment and security risk and IT departments are preferring software titans to ensure their core systems are robust and sustainable.

These unified marketing software offerings are now called marketing clouds. The marketing cloud industry's major players have been built through acquisitions over a period of consolidation. It started with Adobe acquiring Omniture and launching the first marketing cloud. Since then, the big four – Adobe, Salesforce, IBM and Oracle, all boarded the acquisition train and show no signs of slowing down. Salesforce have just recently announced the acquisition of MuleSoft in a \$6.5 billion deal, hoping to power its new integration cloud with the acquisition. There are several businesses that benefit from these platforms and have accomplished better marketing performance.



⁸ Fig 1: Some industries using marketing clouds

⁹According to the 'Why customer analytics matter' report by McKinsey & Company, while businesses are paying more for software to help with their customer analytics, there is a notable dip in their perception of these products. The report goes on to say that widespread use of current customer analytics software offerings appears to provide significant value to businesses and has a positive effect on corporate performance.

B. Competitive Landscape

With the success of cloud platforms in businesses, the competition in developing and enhancing such products is soaring. In this section, we will provide an overview of the competitive landscape and the positioning of major players in the industry.

Major Industry Players

Adobe was the first mover in the rise of the marketing clouds and the success of this business turned it into Adobe's biggest asset. The company has spent \$3.2B from 2012 to 2016 in acquiring companies like Livefyre, known for its online commenting system, to integrate into its marketing cloud solution. Adobe's brand strength and recognition contributes significantly to

⁸ <https://www.adobe.com/industries.html>

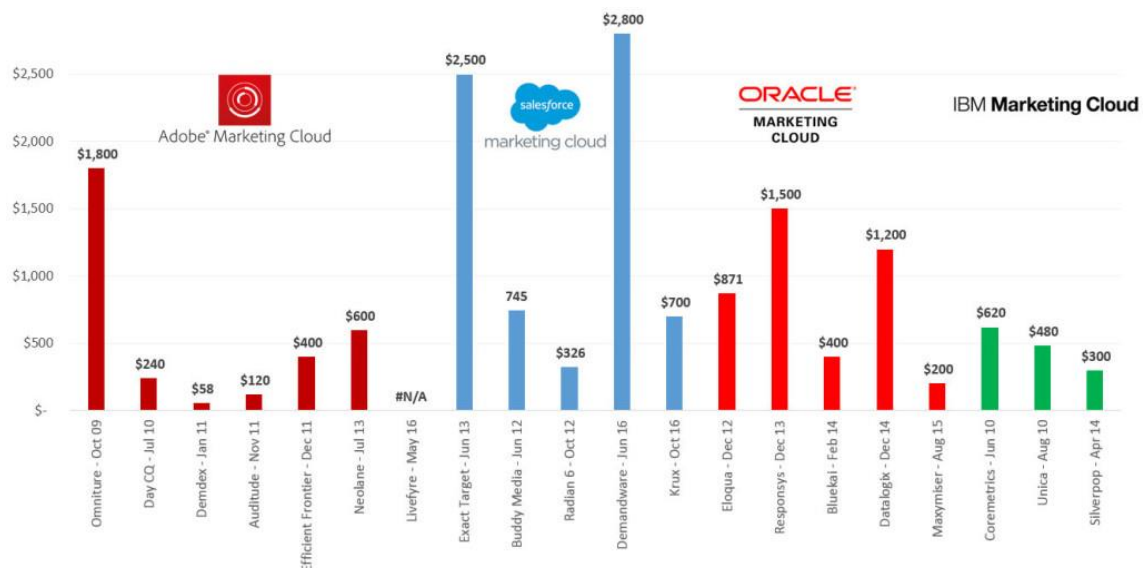
⁹ <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/why-customer-analytics-matter>

its influence in the market. Their creative cloud already sits on the desks of several marketers and designers and it's easy for them to utilize a marketing technology in line with products they're already using. However, despite its superior utility in multiple aspects, Adobe's partners have complained about the platform's cost and complexity and the glut of features.

Salesforce dominates in the CRM category with its flagship CRM, adding powerful marketing tools to its CRM means that Salesforce can justify its claim of "putting the customer at the center". Salesforce have spent \$6.3B in recent acquisitions, including their acquisition of Demandware to integrate it into their collection of clouds for sales, marketing and customer service. With its recent acquisition of Mulesoft, salesforce promises to enable enterprises gather deep customer intelligence. Salesforce offers rich and customized experiences for businesses and individuals. The complaints about Salesforce revolve around its premium price and it lacking sufficient WCM (Web Content Management) functionality.

Oracle, one of the major players, started its marketing cloud in 2014 and has spent \$4.2B in acquisitions of companies like Eloqua and Responsys - the leading marketing automation platforms for B2B and B2C marketing. Oracle boasts a solid tech background and leveraged the trust it built with IT teams to establish itself as a competitor in this market. Oracle also has a very wide functional breadth in its offering. Shortcomings of Oracle's offering include complexity with deployment and longer than average implementation time.

IBM is the newest of the big players in the market, spending \$1.4B in acquisitions by 2016. It had great runs in the eCommerce sector with its IBM Commerce Websphere serving big brand retail players. For these retail players, the integration of Websphere and marketing cloud meant a single hub for most actions and was very appealing. However, many companies still experience unnecessary complexity and being too feature-laden. IBM also has the legacy of being too traditional and increasing number of clients favor new product which they believe are on par with technology¹⁰.



¹⁰ <https://www.gartner.com/doc/reprints?id=1-4P4LI7J&ct=180118&st=sb>

Fig 2: Acquisitions by the 'Big Four' in the Marketing Cloud Space

All of these players, except IBM made it into the Leaders section of Gartner's magic quadrant for **digital marketing hubs**, boasting an excellent vision and awareness of what the future holds and the ability to execute. IBM, which could compete in terms of its ability to execute, could not come close to the other three when it came to vision and was named a challenger. The other players such as Marketo and Hubspot (which Gartner chose not to name in this chart) are growing beyond their niche focuses to take on the bigger players¹¹.



Fig 3: Gartner's Magic quadrant on Digital Marketing Hubs

While the figure might show that Adobe is in a premium position with respect to its competition, this advantage depends on the grounds the competition is defined upon. Gartner's magic quadrant only concerns itself with vision and ability to execute, providing a look into the near future. Frameworks like Forrester's wave, which analyze companies on their current offering and current strategy, can give us insight into who the key players are today.

From the Forrester's wave framework¹² we see that Adobe is no longer in a premium position and that IBM and Oracle have a better offering and Salesforce has a better strategy. In terms of offering, Oracle has a well-designed visual campaign builder and an amazing Hypersite builder

¹¹ <https://insights.technologyformarketing.co.uk/rise-of-the-marketing-cloud-adobe-vs-ibm-vs-oracle-vs-salesforce/>

¹² <https://www.forrester.com/report/The+Forrester+Wave+Digital+Experience+Platforms+Q3+2017/-/E-RES137663>

letting users quickly build personalized microsites. Adobe doesn't quite offer the same thing. IBM has a more robust system which can perform sophisticated segmentation¹³. IBM also was an early adopter of AI user experience and engagement which are still in the core of their offering today. Salesforce, leading Adobe in strategy, is massively expanding with acquisitions and leveraging its dominance in the CRM industry.

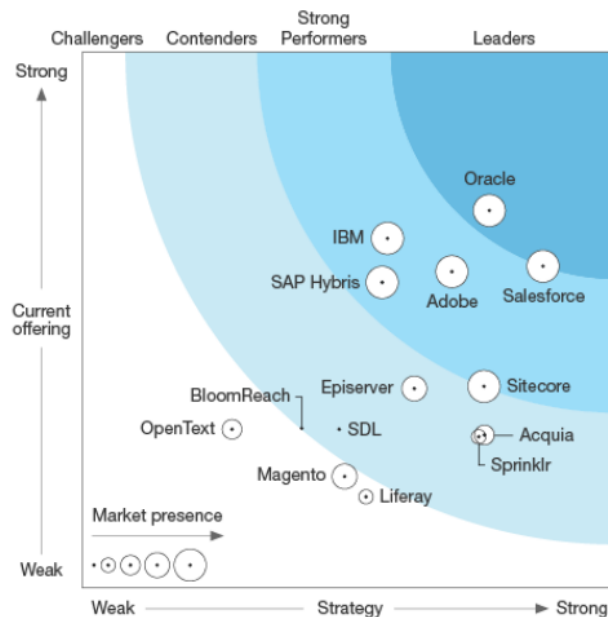


Fig 4: Forrester's wave for Digital Experience Platforms

C. Competitive Radar

Having an understanding of the competitive landscape, let us take a quickly map a simple competitive radar around Adobe.

¹³ <https://www.gartner.com/doc/reprints?id=1-4P4L17J&ct=180118&st=sb>

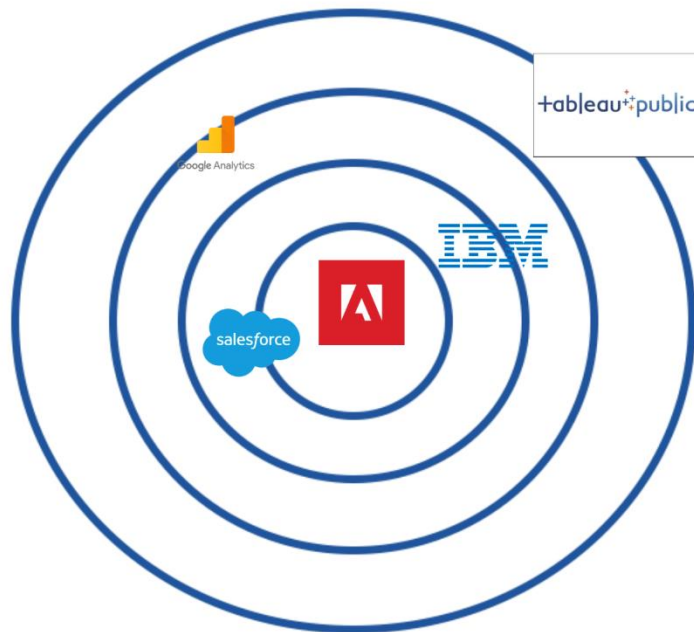


Fig 5: Competitive Radar

From Adobe's competitive radar, we can see that companies like Salesforce and Oracle are the closest to Adobe in business model and customer issues it addresses. Companies like IBM, while similar to Adobe, are only challengers because they do not compete directly on market share or on breadth of customer issues addressed. As we go farther away from Adobe on the radar, we encounter companies like Google Analytics that are currently followers and niche players but display a lot of potential because of the size of the company that backs their solution or because of the novelty of needs they address. There are also products like Tableau public that provide only a good enough solution for small businesses or customers that need a quick and easy to use tool. These tools are usually free and are viable solutions for customers that do not need a product with a bulky solution set like what Adobe provides. These "good enough" offerings are a substitute to Adobe.

5. Adobe's Future

A. Adobe's Latest Features

As we discussed in above sections, the digital experience platform market is getting highly competitive, and Adobe is in a race to differentiate themselves from the rest of the pack. Also, from the Gartner's magic quadrant used above, we see that Adobe has an only marginal competitive advantage over other players. However, we will discuss the direction and new features Adobe is using to gain a significant competitive advantage over its competitors and substitutes.

At the 2018 Adobe Summit, Adobe announced the following features they believe would give them a competitive advantage over their competitors:

1. *Adobe Cloud Platform Auditor*: This feature will provide recommendations to marketers on how they can improve their data collection. With this feature, marketers will get recommendations on how you can improve your data collection.

2. *Adobe Streaming Audio Analytics*: With Audio Analytics, advertisers will get insights about the online and offline audio (i.e. Podcast, streaming music and digital books). It will provide insights to the advertisers into customers reactions to podcast advertising¹⁴.

3. *Adobe Experience League*: This is an online community where users of Adobe Experience Cloud can share experiences and learn from others. It is aimed to improve understanding of Adobe Experience cloud among users.

4. *Adobe Attribution IQ*: Adobe will provide this feature using Adobe Sensei to assign marketing attribution to an activity¹⁵. For example, it will help users understand how much contribution a banner ad and how much contribution does an email blast play, if a user bought their product or service.

5. *Audience Marketplace for Data buyers*: With this feature, marketers can now subscribe to data feeds, and these feeds are provided by third-party vendors who use Adobe marketplace to sell data¹⁶. It will help advertisers to get easily from other data sources.

6. *Document Analysis Feature*: Adobe is planning to introduce this feature with which Adobe Sensei can tell you the tone of the article you shared and will be able to provide a summary of the article. Moreover, it will also be able to provide you white papers and other sources having the similar content as in your document library.

7. *Adobe Ad AI*: This new feature will use Adobe Sensei to make a video more suitable for the platform it is used. For example, if a video is too long for a platform, then Adobe Sensei will modify the video appropriately to make it suited for that platform¹⁷.

¹⁴ "Adobe Analytics now can measure audio – PPC Land." 2 Apr. 2018, <https://ppc.land/adobe-analytics-now-can-measure-audio/>.

¹⁵ "The first general session at Adobe Summit: the future is bright. Here's" 28 Mar. 2018, <http://blog.cognetik.com/2018/03/28/first-general-session-adobe-summit-future-bright-heres-need-know-new-adobe-launches-updates-features/>.

¹⁶ "Audience Marketplace for Data Buyers - Adobe Marketing Cloud." https://marketing.adobe.com/resources/help/en_US/aam/c_marketplace_buyer.html.

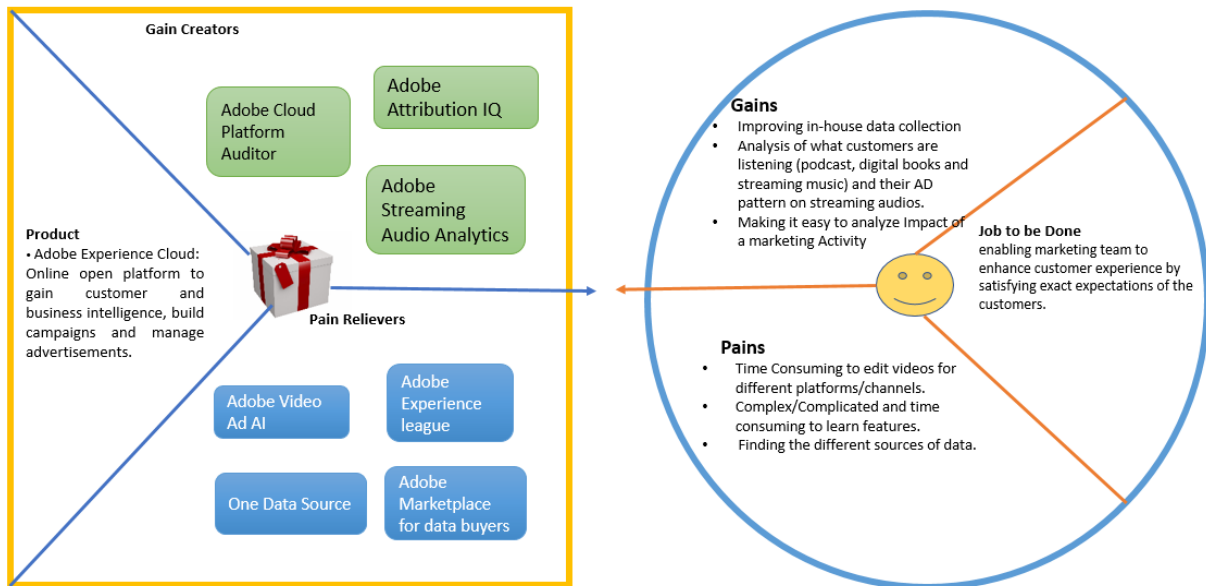
Along with these features, Adobe also announced a partnership with Nvidia with the aim to make use of Virtual Reality (VR), Augmented Reality (AR) and Artificial Intelligence (AI) to enhance user experience and to provide marketers/advertisers even more features that will help them personalize their products more.

It is clear from the above features and plans that Adobe is planning to invest heavily in its Experience Cloud and is aiming at getting a strategic advantage with these plans. These features indicate Adobe's willingness to provide solutions to the customer pain points discussed earlier in this report. For example, Adobe's focus on implementing Artificial Intelligence in its solutions is in response to their customers complaints about a lack of time to test campaigns before launch, and the new Cloud Platform Auditor that provides suggestions to improve data collection is in response to customer issues working with different data sources. With its Experience Cloud, Adobe is looking to create an integrated solution for marketers that eventually address all the pain points they could have.

B. What value does this provide?

We used value proposition to understand whether these features aim to solve the right customer problems and whether these features can result in performance overshoot because it is **sometime** sufficient for a platform to be 'good enough'. We started with an analysis of gains as created by these features and these features are helping users in improving their data collection process, analyzing the customers' behavior on streaming audio platforms and helping attribute impact of marketing activity on customer conversion. The **pains relievers** due to these new features are a community helping in understanding Adobe technology better, using artificial intelligence to remove the burden of video editing for different platforms from the shoulders of marketers and making it easy to get third-party data for improved customer and business intelligence.

¹⁷ "Peek at Video Ad AI, Adobe's Video Marketing ... - Onlinevideo.net." 2 Apr. 2018, <http://www.onlinevideo.net/2018/04/peek-video-ad-ai-adobe-video-marketing/>.

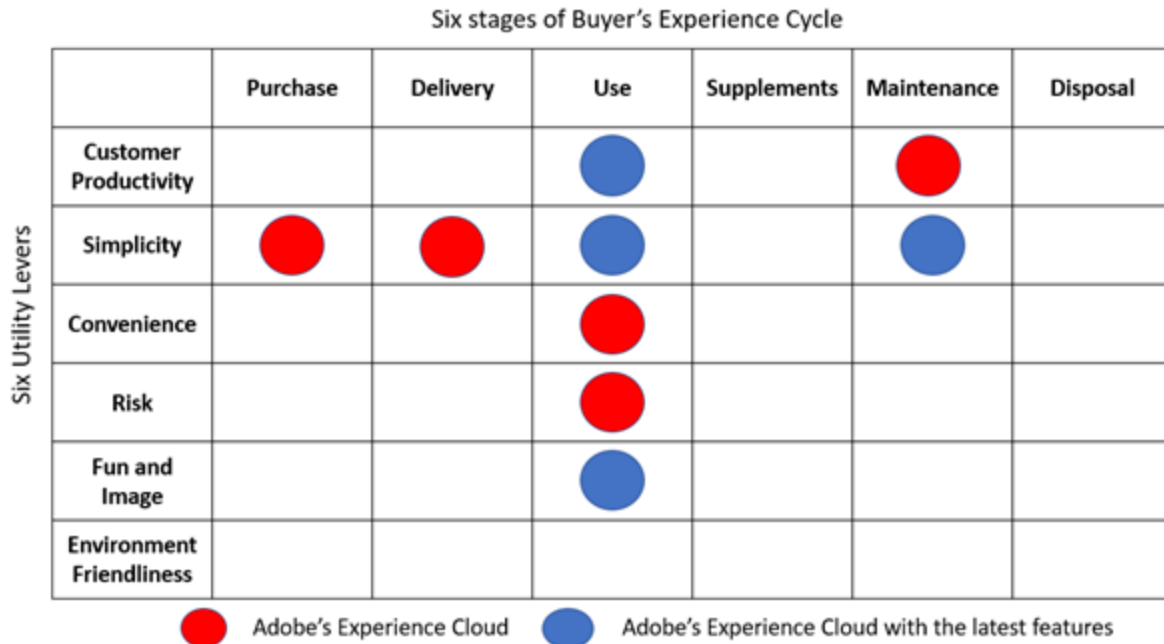


c. How will this affect customers?

¹⁸By providing a single platform for carrying out all the major marketing functions with the data available across the Adobe products, the company was successful in delivering a good platter to the marketers using the Adobe Experience Cloud. With the latest announcement in the 2018 Summit, Adobe is trying to unify the entire customer data across all data sources in a company into a single platform with Adobe's 'Experience System of Record' and enable the data scientists to utilize the AI facility within the Experience Cloud as per specific organizational needs.

How are these new features enhancing the buyer's experience? The Buyer's Utility Map helps us to outline the levers that the company is pulling with the new features to deliver utility to a buyer.

¹⁸ <https://blog.treasuredata.com/blog/2017/03/31/adobe-experience/>



From the map, we see that by providing a unified database, the marketers can better understand their customer and tailor the customer's journey accordingly. With insights provided by Sensei and the improved user experience makes it a fun platform to work on. The most important point here is the reduced complexity in maintaining customer information within one product. This eliminates the additional integration cost required by the companies to compile customer data and also eliminates multiple vendors for marketing tools. Speaking about the benefits of these new features, it becomes essential to evaluate the risks involved in such a centralized data management system.¹⁹The following are identified as risks involved:

- Security of deeper customer details as in integrates Adobe and non- Adobe data
- Unauthorized access to the cloud
- Compliance with the industry and the government issued protocols and regulations
- Losing access to your services when the cloud is down
- Cost involved in supplements for data recovery and backup

As we all know 'With Great Power Comes Great Responsibilities', Adobe should ensure that these security and privacy concerns are met. A failure in managing these risks puts the product and company in jeopardy.²⁰Adobe has taken several measures to keep these risks in check and ensures compliance with the required standards.

¹⁹ <https://www.techopedia.com/is-your-organization-aware-of-these-6-key-public-cloud-risks/2/32651>

²⁰ <http://www.images.adobe.com/content/dam/acom/en/security/pdfs/adobe-experience-cloud-security.pdf>

6. Conclusion

In this report, we have looked at customer needs, the competitive landscape and Adobe's offerings and place in this market. While it is obvious that Adobe is making moves to gain an advantage over its competitors by addressing customer pains head on, is its offering now too complex for its customers? Are there good enough offerings from competitors that can usurp Adobe's position in the market and neutralize its current actions?

To answer these questions, we will look at how Adobe's offering addresses customer needs relative to the market, how Adobe will be affected by external factors, and then draw our conclusion.

A. Does Adobe's offering address customer needs?

As we showed with Gartner's magic quadrant earlier in the report, Adobe's offerings are currently viewed as the market leader because they address the most customer pain points. Adobe's focus on creating features that address the customer's job to be done had given it the competitive advantage over bigger players like IBM and Oracle. By unifying their cloud offerings into 1 product and adding the features we discussed earlier, we can see that Adobe is crossing off entries from customers pain point list. With their current offerings and the features in the works, Adobe is clearly creating a product that addresses all feasible customer needs.

B. Is Adobe susceptible to external factors?

To understand if Adobe is vulnerable to external factors, we will use the Porter/Hopper Forces framework to illustrate our previous analysis.



As we pointed out in Adobe's feature is planning for experience cloud and its value proposition, we will look at the external factors to know whether these factors can limit our ability to get the strategic advantage. We found that Government and Industry rivalry are the external factors that can limit our profit. As analyzed in the competitive landscape, we found that there is an aggressive competition going to become the go-to digital experience platform. On the other hand, government, with recent concerns about the privacy of the netizens and misuse of their data, the government can bring legislation to regulate the use of data on digital experience platforms by the marketers. As technology like Artificial Intelligence, Virtual Reality, and Big Data Analytics are changing very fast, they can also have an impact on our profits if we fail to master these technologies before our competitors. Other factors such as the threat of entrants, supplier power, buyer power, globalization, threats of substitutes and social & cultural changes have very low power to impact our profits.

D. Final thoughts

From our analysis, we can see that Adobe is the market leader and its future feature plans address known customer issues. We can also see that Adobe is in a good position to respond to external threats. This all is good for Adobe but they face a significant threat from good enough substitutes. Customers have long complained about Adobe's offering containing too many features, so Adobe is at risk of losing customers to those "good enough" offerings. Adobe has already started responding to these threats by changing from a pipeline sales model to a more subscription-based model, where customers pay as they use.²¹ This move will help keep competition from good enough substitutes at bay because customers aren't put off by the large upfront investment required to access Adobe's products. Adobe will do well to extend this subscription model to even more of these features to give more choice freedom to its customers.

²¹ <http://ww2.cfo.com/transformations/2015/08/adobe-completes-swift-business-model-transformation/>

Adobe has listened to its customers and made features that easily address their pain points. While Adobe solves the difficult problems customers have, it also solves the simple problems and it doesn't force customers to pay for features they don't need. The combination of a pipeline of features that solve customer needs and the ability for customers to pay for just what they use gives Adobe a strong competitive advantage.