

Adobe and Figma: Today and tomorrow



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Table of contents

3 In Brief

5 Background

7 Adobe acquires Figma

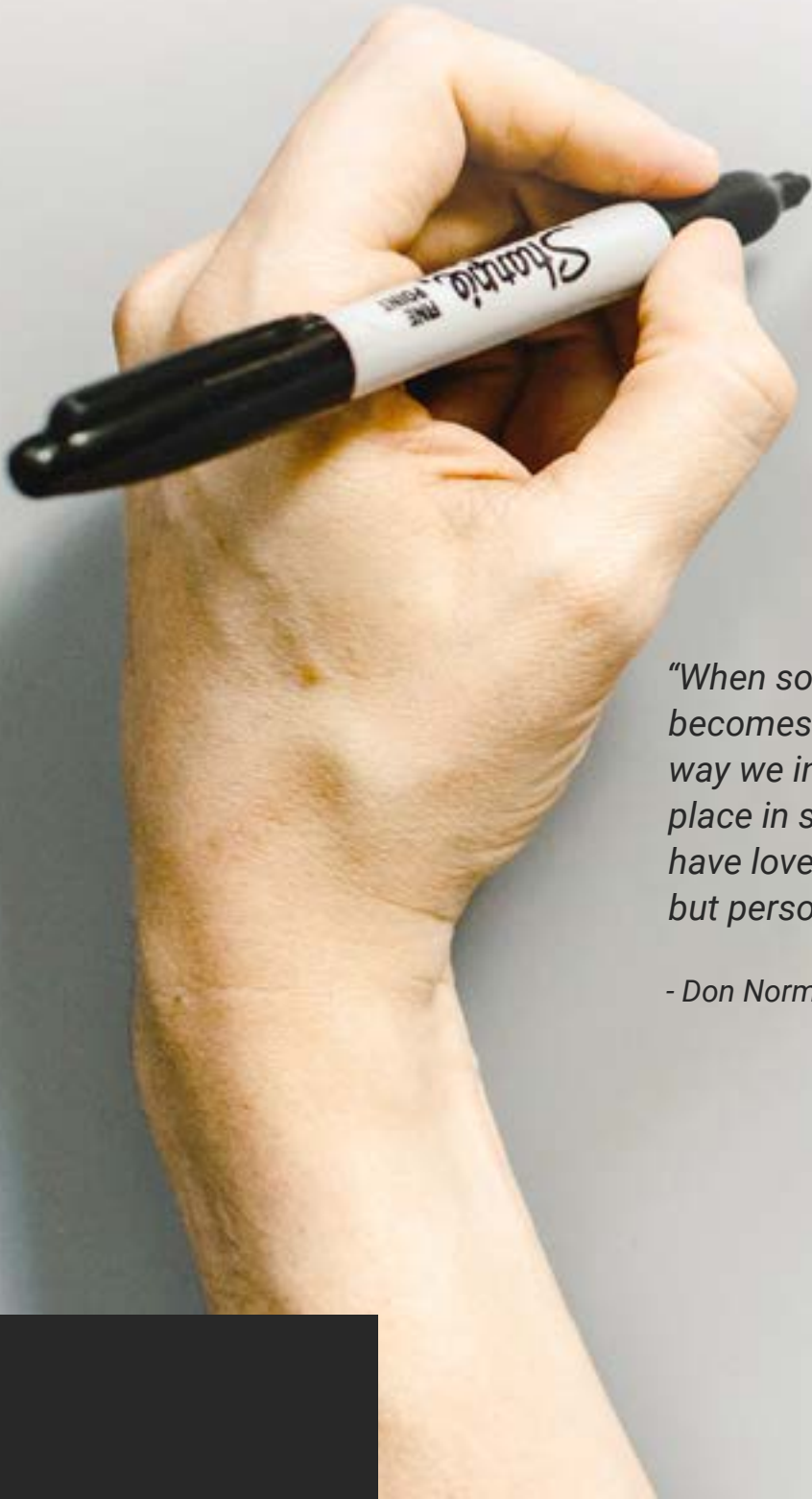
14 Figma: The successful challenger

21 Adobe: The industry leader

Adobe + Figma: The fab couple 29

Adobe's future: Beyond Figma 32

Conclusions 44



In Brief

"When something gives pleasure, when it becomes a part of our lives, and when the way we interact with it helps define our place in society and in the world, then we have love. Design is part of this equation, but personal interaction is the key"

- Don Norman, Emotional Design Author -

Adobe's recent acquisition of Figma, opens up a wide range of opportunities for both companies, and can bring exciting new developments to the product design industry across several areas (design, product, engineering).

After briefly reviewing the acquisition, this paper aims to highlight the **strengths and weaknesses** of each company, to then dive into the **opportunities and pitfalls** that this acquisition brings. We also look into **Adobe's future** above and beyond this acquisition, focusing on the role the company can play in the creator's economy, metaverse and 3D-gaming, EdTech and HealthTech.



Background

Adobe and Figma are two growth companies playing in the creative space. They are also in two very different stages of growth.



Adobe is the **40-year old** incumbent, and over time has converted a range of stand-alone tools (some developed internally, many acquired), into **a suite of integrated subscription-based solutions**. This suite includes Creative Cloud (to cover all needs for creative projects), Experience Cloud (to easily manage the entire customer experience with real-time data and scalable personalization) and Document Cloud (to solve all digital documents and eSignature needs, featuring Adobe Acrobat and Adobe Sign).



Figma is a 10-year old design software solution that has gathered about **4M customers** by making it easy for design-led cross-functional teams to prototype the full customer journey and experience of websites and apps. There are three ingredients to its success: **intuitive and simple** to use UI, web-based tool to enable easy **real-time cross-team collaboration** (design & share in the same place), and **friendly pricing** that offers free-users a great experience. It is often called the 'Google Docs for UI design', and with its Open Design Philosophy, it has become 'GitHub for designers'.

Adobe's acquisition of Figma has polarized the opinion of designers

- many are wary of the consequences of an incumbent acquiring a fast-growing innovator, but more and more voices are coming up highlighting its potential benefits if well executed. In all fairness, Adobe has successfully purchased and integrated many companies before, so there are reasons to believe this will be the case.

Adobe acquires Figma



Adobe acquired Figma for

\$20B in September
of 2022

(pending approval at the time of this writing)

with an additional

\$2.3B

in retention packages.

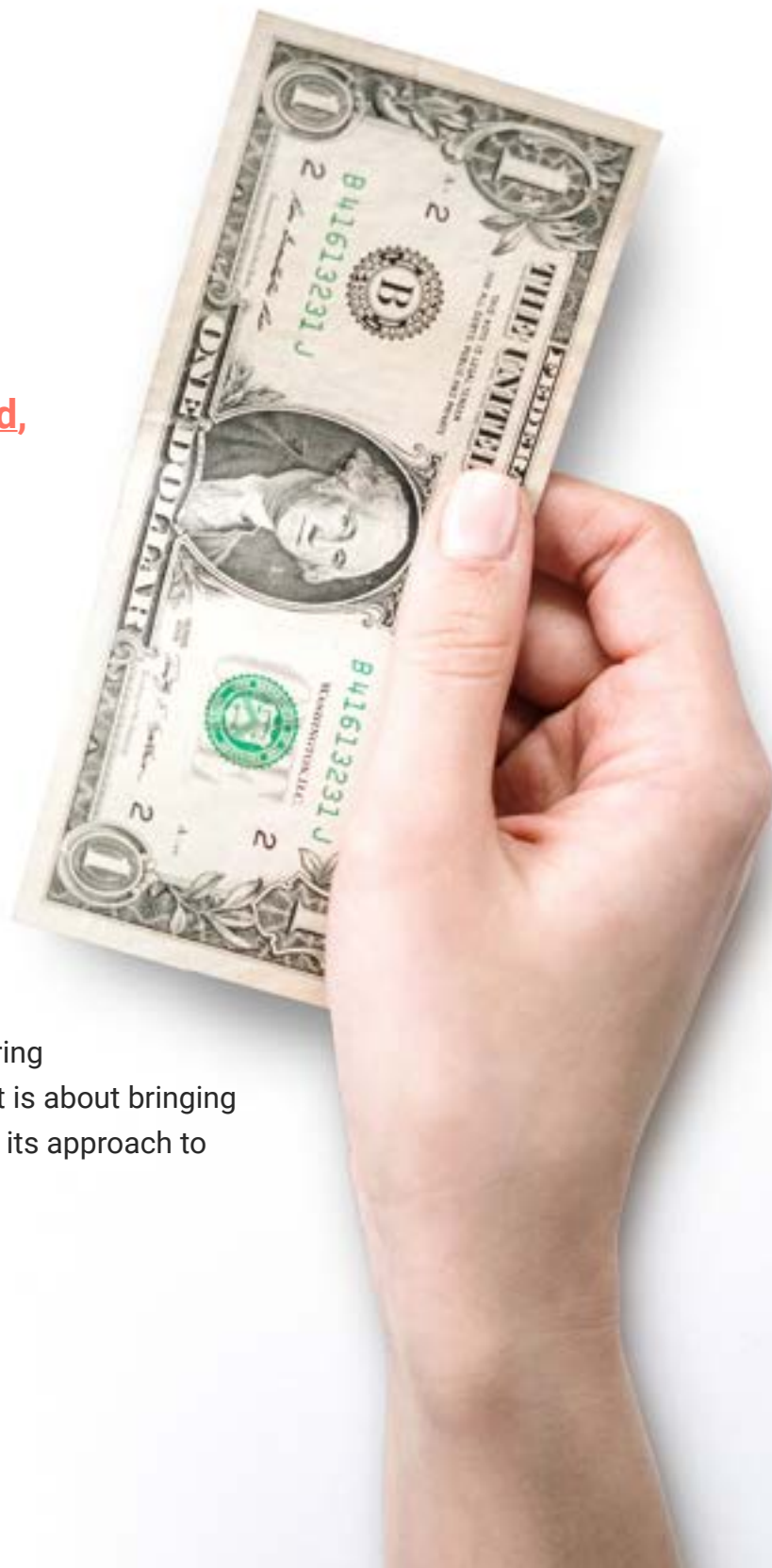
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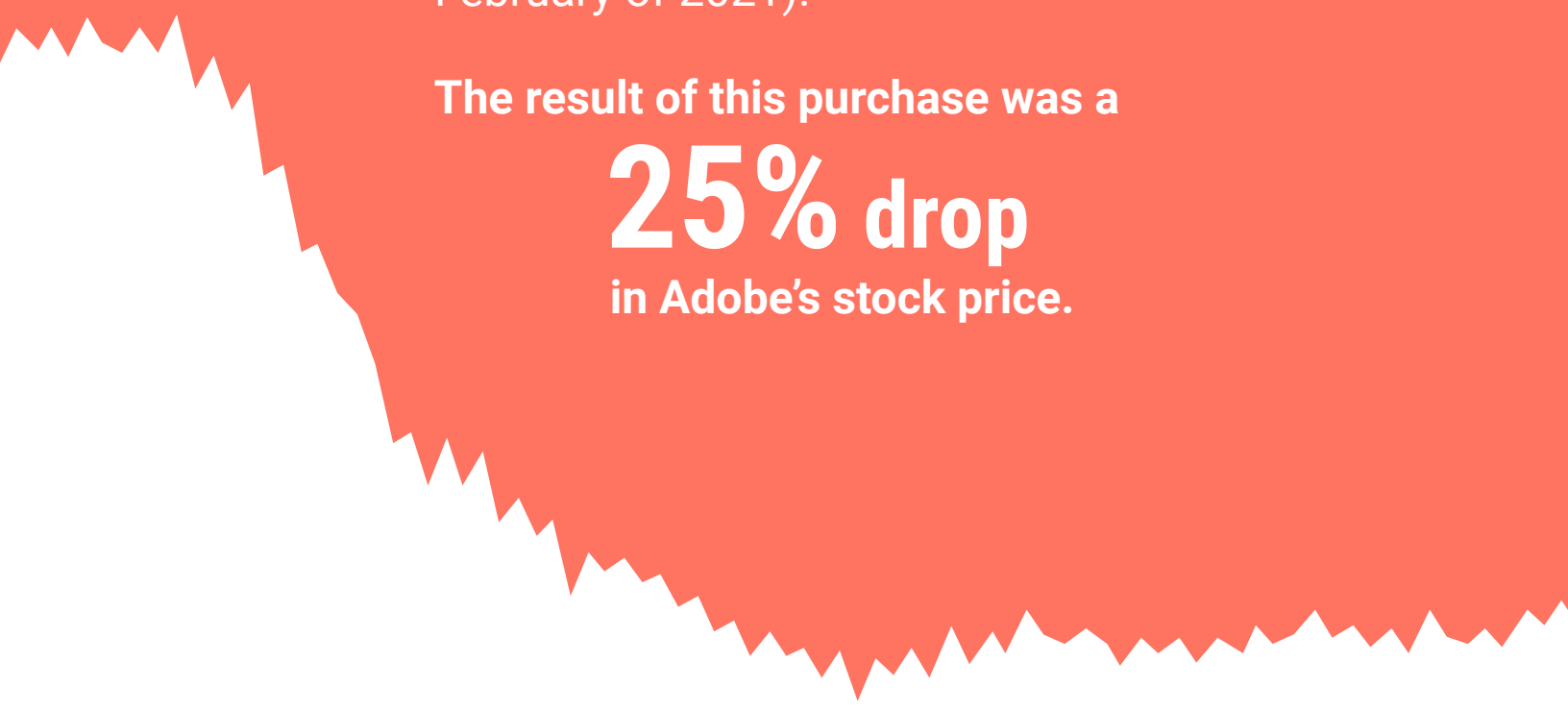
\$1B

for Figma's CEO Dylan Field,

and includes additional
compensation in the form
of **six million restricted
stock units**, or RSUs, that
vest over four years for
employees.

This historically high retention package shows that the transaction is as much about acquiring technology and customer base, as it is about bringing in-house Figma's culture, along with its approach to building product and community.





This was an expensive acquisition, roughly 50 times revenue (and twice Figma's valuation in its 2021 funding round), at a time multiples for top cloud companies have gone down to just over 9 times revenue (from a high of 25 in February of 2021).

The result of this purchase was a

25% drop
in Adobe's stock price.

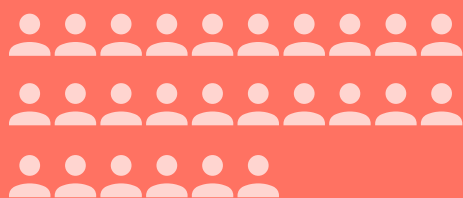
This drop underestimates the synergies between the two companies and how the combination can sustain Adobe's growth for years to come, by integrating and combining functionalities that will create new capabilities and attract millions of additional 'creatives', particularly developers, that don't currently use the tool.

There is certainly the opportunity to cross-sell:



2/3

of Figma's **4 million users** aren't among Adobe's core designer customers



and Adobe's Creative Cloud has

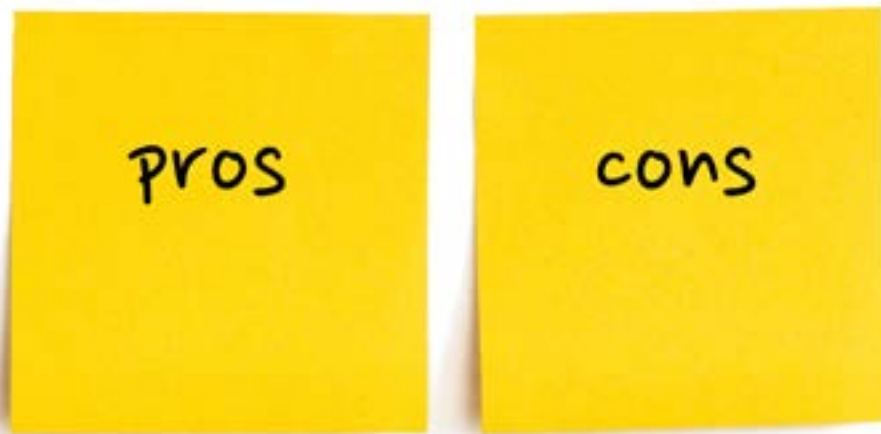
26 million
customers

But this is just the beginning. More exciting will be bringing Adobe's integrated suite of apps (e.g. AI / ML immense capabilities, photo and video editing tools), and its integrations with many other key players (e.g. Unity and Unreal gaming engines) to Figma, which all will provide a clear path to create new value, and potentially new markets.

Of course, **the challenge will be to integrate Figma without hurting its growth**, or losing the characteristics that have made it so beloved among the design community. We have good reasons to believe this will be the case, as top Adobe executives have been clear about what Figma has gotten right and Adobe has gotten wrong. For example, Scott Belsky, Adobe's Chief Product Officer, in an interview with *Business Insider*, clearly outlined how Figma's tool surpassed Adobe's own XD app 'features for developers; tools for design-systems operations; plug-ins that help designers and developers work together; and being a collaborative, web-based tool.'

Belsky acknowledged that Figma pioneered the world of design-systems operations (the practices companies use to ensure all their systems behave the same and can all be updated at once), and highlighted **FigJam** - Figma's virtual whiteboard tool - as an opportunity for Adobe to go into new markets.

From a user's perspective, there are many voices in the design community sharing their concern around the acquisition and voicing their expectations that Figma's innovation will slow down, and even that some beloved features will disappear (e.g., friendly pricing, support for design systems). There is a Figma page created by the community reflecting this sentiment called '[RIP Figma](#)'. This negativity may also be behind very recent moves by the VC community to fund competing products. This is the case of the **\$8 million raised by Penpot, the open-source design software, just two weeks after the acquisition was announced.**



But more and more there are 'contrarian' views focusing on the benefits of the acquisition. An example of these voices is [Fons Mans, a well-known Dutch designer](#), who via his Twitter feed has acknowledged some of the possible challenges but has also highlighted the great opportunity it brings.

As we detail in a later section, Adobe has a long history of successful acquisitions and well-executed bold moves.



Successful acquisitions

For example, Belsky came into Adobe via the acquisition of **Behance**, the company he founded, which has grown 30-fold in the last 10 years under Adobe. The company also successfully integrated and grew other major acquisitions, such as **Macromedia** (now part of Creative Cloud), **Omniture** and **Magento** (both now part of Experience Cloud).



Bold moves

Management is long-term focused and is willing to take hits on its market cap / stock price in order to steer the company in the right strategic direction. This was the case in the early 2010s when Adobe switched from perpetual-licenses into a **full subscription model**, effectively making the company a Software-as-a-Service provider. This was beneficial for users (increased affordability and more frequent updates), and for Adobe (more steady stream of revenue / profits).

Adobe's CEO, Shantanu Narayen, explained best **the synergies between the two companies** in Adobe's September's investor's conference call. He called out:

The acquisition positions Adobe to be a leader in developing collaborative solutions for the creator industry, with **a much larger market reach than Figma's current TAM (Total Addressable Market) of \$16 billion**. He explicitly called out **FigJam** - an 'incredible product' - as an example of a solution that can be much more broadly used than it is today.

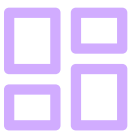
Joining technologies, Adobe and Figma can create the '**Holy Grail**' for creators (and their teams - designers, developers...) **across any device, screen or digital platform**.

Figma: The successful challenger

Apps before they launch.
at apps coming soon.
that are coming soon.
my soon! (these apps.

BEYOND THE
PLOTTER

As we explained before, at its core **Figma is a design software solution**. Its main use is to make it easy for designers to prototype the full customer journey, and experience of websites and apps. Figma has emerged as a challenger for the design industry - garnering popularity among a new generation of designers who have grown up without legacy software and are demanding modern tools that are available anytime, anywhere. There are three key ingredients to its success:



Intuitive and simple-to-use UI

Easy to learn for the design team, but also for the product and engineering teams. Even legal and compliance teams, who can often be involved in the review and approval process, will not have a significant learning-curve with Figma. The tool was easily accessible by everyone and is a time-saver, specially for engineers.



A web-based tool to enable easy real-time cross-team collaboration (design & share in the same place)

The latest version of every design file is immediately available to everyone in the team via their favorite browser, with features that are useful for that user's specific function. Figma has often been called the 'Google Docs for UI design'.



Friendly pricing that offers free-users a great experience

Figma learned very early on that in order to turn users into advocates (e.g. designers going from using Figma for side projects, to campaigning for its use in their company), Figma needed to keep their product's magic moments free and available to everyone, at all times.

In addition to these core characteristics, there are a handful of other capabilities Figma has developed over the years that have set it further apart:



Figma Community

Before Figma created its community platform, there were already sites for designers to share their work, such as [Adobe Behance](#), and [Dribbble](#), but Figma's offering is a bit different. easily accessible by everyone.

- Figma Community hooks directly into Figma itself, and since all Figma work is stored in the cloud, **it is easy for designers to share as they build**, and allow others to inspect their work, learn from and...
- ... build on top of it. Figma has been a leader in the Open Design space, to the point that it could be considered the 'GitHub for design'. The platform allows users to share their work in a way that can easily be used by others as the starting point for their own projects.



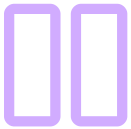
Developer support

As the design flows are created, **Figma displays code snippets on any selected frame or object in CSS** (a language used to style HTML documents), iOS, or Android formats for developers to use when reviewing a design file. This is very useful to front-end coders, and shows how Figma understands and supports cross-functional collaborations.



Plug-ins

There are many **Figma and community-based plug-ins available** that have helped the tool evolve from 'simple' UI design, into a general purpose design platform that can be used for presentations, project management and data visualization. The power of these plug-ins, jointly with the no-code and low-code trends, also supported by Figma (as explained in the previous bullet), showcases how Figma could become the front-end for the entire design process.



Legacy support

Sketch was the most popular design software when Figma launched. In a smart move that benefited both Figma's adoption, as well as designer's productivity, **the tool supported Sketch files from day one**. This made the migration from Sketch to Figma much easier, and has continued to provide a bridge between the two communities.

All of this is strong evidence that Figma's phenomenal growth is both product-led, as well as community-led. The product was, and continues to be, a clear step up from the competition, but this would not have been enough without the team's focus on creating and feeding the famous, but often elusive flywheel to make its product 'viral'.

The company had to be very intentional to build a flywheel from the beginning, and patient to see it actually working. A great example of this effort is how Claire Butler, Figma's first marketer, worked with the team to really focus on generating buzz and creating a tight-knit community with strong advocates once they emerged from stealth. Figma has continued to nurture their community to this day, and we believe Adobe will do so as well.

Details of some of the key steps taken by Figma in those early days are listed in **Exhibit 1**.

Performing many **demos with potential customers**, looking for strong positive reactions. Only a high level of enthusiasm was a good indicator of future adoption. Direct interaction with the design community is what gave Figma the strongest signals about the product, and would make the company memorable for future consideration, and involvement.

Tapping into the vibrant design community - #DesignTwitter - in a consistent and analytical manner. Looking to engage with the influencers in different areas - iconographers, illustrators, product designers, typographers... It was a carefully orchestrated effort to make sure the full community of future users was exposed to the company in the best light possible.

Listening to their own designers with regards to the content that would most excite and interest their audience. Authenticity is important with any audience, but designers have specific preferences about what they find useful and really adds value. Figma realized that designers did not want 'how-to' tutorials, but rather enjoyed incredibly deep technical content. This was not the common wisdom at the time, but they followed what their own designers were telling them, which helped build a loyal following

Picking **evangelists that were truly excited about the product.** How? Not by posting the job in the career's page, but by tweeting 'Does anyone want to come over to the Figma office and grab pizza with the team?' Ten people showed up, one was the perfect fit. Only those that love the product, the mission and the vision would welcome the opportunity to directly interact with the team. You are selecting the best from an already fantastically aligned group.

Exhibit 1. Key steps taken by Figma's marketing team after coming out from stealth mode.

Marketing professor Scott Galloway developed the **T-algorithm**: A methodology to gauge if a company has the necessary traits to reach a trillion-dollar valuation.

The below table lists the eight strategies the T-algorithm identifies, along with a short explanation, and notes how Figma stacks against each of them. In general, Figma is strong across all dimensions, and integration with Adobe will strengthen Figma in the areas where it may be weaker.

T-algorithm - Figma

Strategy	Explanation	How Figma stacks up against each strategy
Appealing to Human Instinct	Today's most successful businesses appeal to a core human instinct, typically one tasked with an element of survival, such as brain (rational), gut (consumption), genitals (status), or heart (safety)	Figma appeals to the Brain & the Heart <ul style="list-style-type: none"> • Brain: It is the smart choice Much better pricing (more bang for your buck), more features, and high responsiveness (better product). • Heart: Collaboration • Inside the company: Bring the full team along, connect with non-designers, be inclusive. • Outside the company: Create a community, Open Design, sharing and helping others build.
Accelerant	A firm that serves as an incredible springboard for a person's career	Figma is a great career springboard It is a company that has achieved explosive growth by building a differentiated product, with a great community that feeds their flywheel (elusive to many companies). Working there is a great experience that makes their employees much more valuable to future employers.
Balancing Growth & Margins	Explosive growth and strong margins	Figma made their best features (e.g., collaboration) available in the free product version. This helped users fall in love with the product, use it in the free version for personal projects, become loyal, and bring it to their companies as soon as possible, resulting in exponential growth in paid subscriptions.
Rundle	A bundle of goods/services that justifies recurring revenue	Figma follows this model, as its pricing is around annual and monthly subscriptions, mainly around teams, with different prices based on size.

Vertical Integration	A firm's ability to control end-to-end customer experience by owning as much of the value chain as possible	Yes and no. <ul style="list-style-type: none"> • Yes: Adding its built-in capabilities, with everything available via plug-ins, and its support for developers, it is on its way to become the Operating System for Design. • No: This is one of the places where their acquisition by Adobe can help. Adobe truly has a full ecosystem of apps, and is a powerhouse around AI / ML, video, photos, illustration... Together they can really address the end-to-end customer (designers and cross-functional teams) experience.
Benjamin Button Products	Products or services that age in reverse (get more, rather than less, valuable to users over time) due to network effects	It does become more valuable due to network effects (more people using it, makes it more valuable - e.g., your full company is using it, it becomes a 'must have' for you). Once they integrate with Adobe, and bring in AI / ML capabilities, the user experience can also get better over time, as the system learns about your preferences or working style.
Visionary Story Telling	The ability to articulate and demonstrate progress against a bold vision for the company to shareholders and stakeholders	Figma articulated a bold vision from day one: 'Make design accessible to everyone' It is well on its way to make it real!
Likeability	The ability of a company's leaders to insulate the firm from government and media scrutiny, strike favorable partnerships, and attract top talent	Dylan Field is an inspiring character. Someone you can easily admire and respect. <ul style="list-style-type: none"> • He went from an intern at LinkedIn to the co-founder and CEO of Figma. During the internship he secured seed investment from his manager, and also Index Ventures. • He met his co-founder, Evan Wallace, at Brown, before he dropped out after winning the Thiel Fellowship (grant program that offered students \$100,000 in funding to pursue entrepreneurship and drop their degree.)
Strategy	Explanation	How Figma stacks up against each strategy

Table 1. Applying T-algorithm to Figma

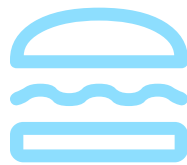
Adobe: The industry leader



If we had to associate Adobe with a physiological need (as outlined in the T-algorithm), it would be **status**. Adobe and its Creative Suite have traditionally been perceived as the tool for consummated designers. Becoming proficient with Adobe's design tools is a necessary rite of passage for any designer worth their salt. You now belong to a cool community (and you have earned it!).



Rational



Consumption



Status



Safety

Fig 1. Product and it's correlation to physiological needs

There are other products or tools in the design ecosystem that can be appealing to other needs. Figma, for instance, is more on the *Rational* spectrum as it can accompany stakeholders across different stages of Product Development and other disciplines.

We cannot forget that **Adobe also has a great growth story behind it**. From printing language, to applications to elevate visual design as a must-have, **Adobe has been able to transform its business models and strategy to adapt early to new market needs**. When we think of SaaS companies, we tend to forget Adobe, but its trajectory is a solid example of resilience, relevance, and adaptation to industry trends. Adobe has converted a range of stand-alone tools (some developed internally, many acquired), into a suite of integrated solutions:



Creative Cloud

A suite of apps, web services, and resources to cover all needs for creative projects – photography, graphic design, video editing, UX design, drawing and painting social media.



Experience Cloud

Suite of products and services to easily manage the entire customer experience with real-time data and scalable personalization.



Document Cloud

Turns manual document processes into efficient digital ones, featuring Adobe Acrobat and Adobe Sign (a robust and trusted e-signature solution).

Adobe, and its set of products, bring a horizontal, as well as vertical depth:

- **Horizontal:** We can find solutions across Creativity and Design (34 products), PDF and Signatures (12 products), Marketing and e-Commerce (18 products) and Other cross functional ones (30 more products).
- **Vertical:** Each of these categories bring a deployment of vertical solutions, to tackle different areas within each cluster. Just for the purpose of illustrating this point, let's take a look at the Marketing category. As a user, you can find solutions focused on Insights and Audiences, but also on growth and scalability.

This approach is not a coincidence. If we take a look at some of the key moments in Adobe timeline, we can easily understand the company's trajectory and current positioning.

1982



Get funded

John Warnock and Chuck Geschke met while working as engineers at the Xerox Palo Alto Research Center. Adobe was created on December 1982.

1983



PostScript

Adobe released PostScript. The software could control output devices like laser printers from personal computers. Apple acquired 15% and became the first licensee.

1987



Illustrator

Adobe released Illustrator, which was especially remarkable for its Pen feature that allowed users to draw curved lines.

1988



Photoshop

Adobe released Photoshop, a photo editing tool, as an add-on to Illustrator. It allowed users to work on photos from external sources like a scanner.

1991



Premiere

Adobe launched Premiere, a video editing tool, after understanding where the market was moving (Apple launch of QuickTime player).

1993



Acrobat

Adobe launched Acrobat as a solution for computers to communicate between them. And that's how Adobe coined the term Portable Document Format (PDF) .

1996



PhotoDeluxe

Adobe released PhotoDeluxe and bundled it with their other image editing software.

2000



Leadership change

Bruce Chizen became President and his vision was focused on turning Adobe into a diverse software company. Both founders retired that year or decided to spend more time with family.

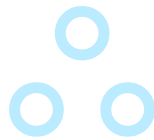
2001
-2002



InDesign

Adobe released InDesign, a page layout app.

2003



Adobe Creative Suite

Adobe Creative Suite is born.

2011
-2012

2010

2009

2007

2005



Flash out! and Behance

Adobe announced they will leave Flash behind, as it was rejected by Apple mobile devices. It also acquired Behance in 2012 (designers portfolio).



e-Signature

Adobe releases e-Signature.



Omniture

Adobe acquired Omniture, opening a new category for the company, Analytics.



Change in Leadership

Shantanu Narayen becomes CEO and this is how the transition to a full-service enterprise cloud provider starts for the company.



Macromedia

Adobe acquired Macromedia which positioned Adobe as an even more appealing tool for graphic designers.

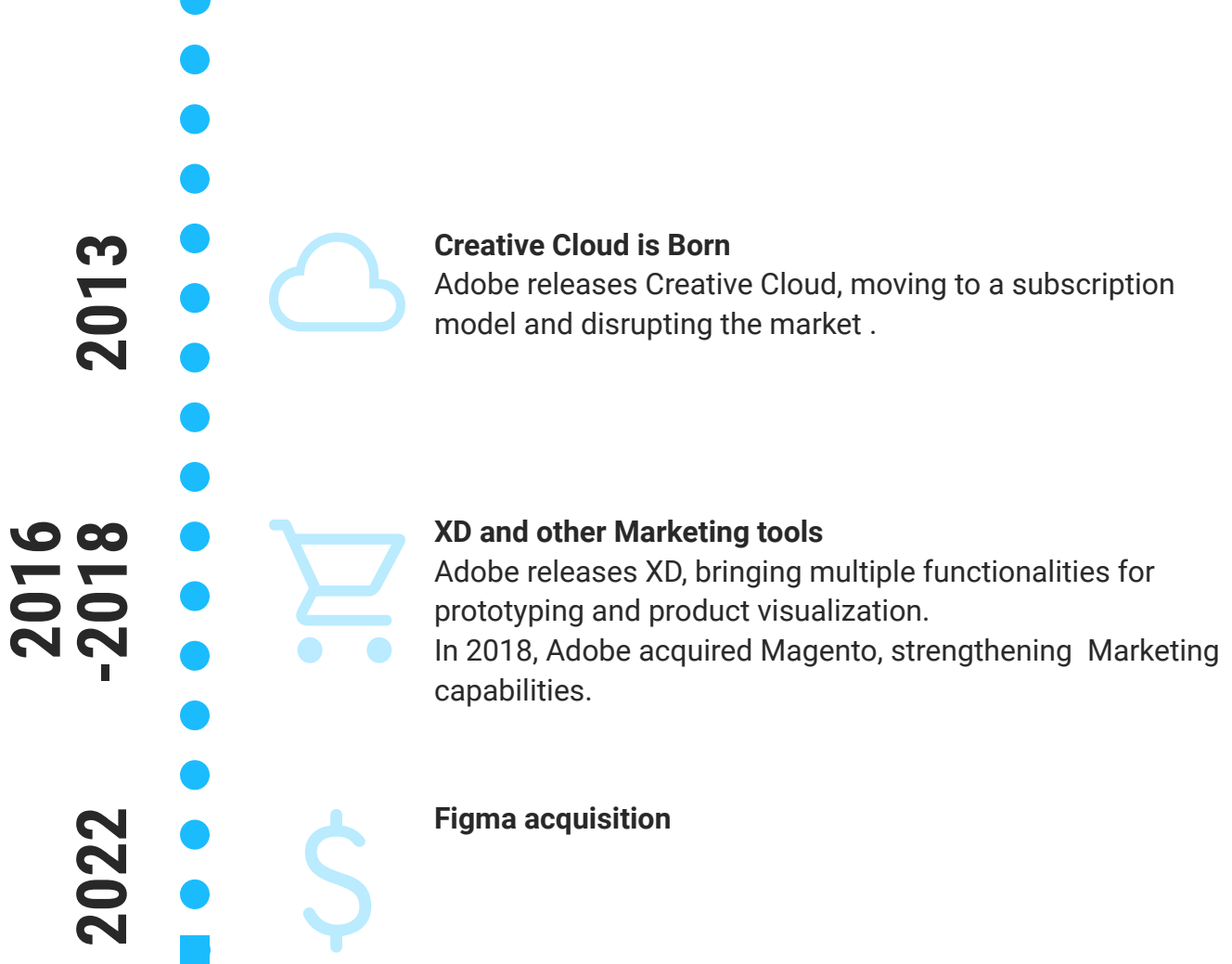


Fig 2. Adobe timeline. Source: internal

Adobe is a leader in the creators' economy, eCommerce, and now Web3. As design becomes more and more important and understood, Adobe is poised to become even more relevant. In a world where grabbing user attention is the obsession, being able to synthesize ideas using visuals in a meaningful way, has become a secret sauce for those who get it. However, understanding that design is a need for all disciplines is a key insight for Adobe to position themselves with **a portfolio that can solve all needs, from basic to sophisticated**. This is all about vertical growth, adding to the horizontal prowess that Adobe brings (from Marketing & Analytics to Storytelling with Behance).

What has contributed to Adobe's success over the past decades?

- Always able to recognize early signals and needs in the market.
- Able to understand and leverage technology in key moments. Allow real disruption to happen and be an agent of it.
- Able to adapt to new trends, including mobile revolution and migration to the cloud.
- Keen to execute partnership and acquisitions as an instrumental element in the corporate strategy.
- Recognize the power of the bundle, elevating the offer for mainstreams and increasing lifecycle of all products.
- Capable of understanding the relevance on building stack for consumers and companies, from Design to Marketing, including Analytics and beyond.

Adobe + Figma: The fab couple



Again, in the words of Scott Belsky for Business Insider, 'XD was made in the image of the old', and as result it 'has become a pretty immaterial product for us based on its growth and its business contribution.' Although the company continues to support existing XD users, it has deprioritized the business and wound down the team. **'Once Figma comes in, we have to reevaluate where we want to shift our resources and focus.'**

Figma has been successful with individuals and companies of all sizes, ranging from the very small (Notion and Dribbble), to the very large (Microsoft and Volvo), and everything in between (GitHub, Zoom, AirBnB, Uber). As a result, our expectation is that in 2023, some time after the acquisition is completed, Adobe will sunset XD, and will focus all efforts and resources on Figma. It will be about how to bring Adobe's capabilities into Figma, and how to bring everything that is good with Figma into other parts of the Adobe organization.

Indeed, there is much goodness that can be brought from Adobe's Creative Cloud portfolio to Figma. **Adobe has years worth of usage data** that will inform the technology and capabilities that are most important to port over, but some likely options include:



Photo, video, and illustration editing, along with 3D modeling. The ability to link Photoshop, Premier, and Substance projects.



Access to Adobe's impressive library of fonts and stock images, along with new media-editing features.



Bring Adobe XD prototyping capabilities that allow users to easily and intuitively 'transform static designs into clickable, interactive prototypes that look and feel like the finished product.'



Enable users to create beautiful and professional presentations, filled with images and video to bring them to life, as it is possible today with Adobe XD.



Even Adobe's expertise organizing global events such as Adobe MAX and Adobe Summit could be priceless to bring bigger and better things to Friends of Figma.

Of course, **the challenge will be updating and expanding Figma's capabilities, while keeping its simplicity**, and without clogging up the software.

On the other hand, although Dylan Field will continue to focus its attention on Figma, he is likely to advise Adobe about how to bring more collaboration and multiplayer capabilities into the overall suite of products. For example, InDesign could particularly benefit from additional collaboration workflows.

Adobe's CEO and CPO have both explicitly mentioned FigJam as a pioneer in its space, and with a much larger addressable market than was initially thought. Integrating it into Adobe Express and Acrobat could be a first step towards that expansion.

Figma has done a fantastic job creating viral products for individuals and companies alike, and Adobe will want to learn from and amplify this virality.

To summarize the benefits each brings to the other:

Adobe brings to Figma many new capabilities, and the opportunity to make their user's designs / presentations / prototypes richer, more beautiful, and therefore, more meaningful.

Figma brings to Adobe their simplicity, and openness, which result in their 'mass-market' and cross-functional appeal. Figma will also bring the scrappy mentality of a challenger, and their focus on building viral products with a design-for-all approach.

Even more importantly, and as we discuss in the last section, Adobe can leverage all of its apps (including Figma in the future) and develop a full 'creator operating system' that helps new creators learn the ropes, create, share, grow and monetize their content, so that they can turn their passion, into their livelihood.



Adobe's future: Beyond Figma

Adobe's integrated suite of products supports creators and designers across - all mediums (audio, video, illustration...), all levels of complexity, and for all purposes (education, entertainment, gaming, commerce...). **Adobe allows users to turn ideas into reality**, and while the acquisition of Figma will enable exciting new products, there are many other opportunities that Adobe can capitalize on to move the industry forward in significant ways.

Creator's operating system

We believe that Adobe has the potential to become **the creators' operating system**. This OS has seven key layers, described in Figure 3.

Building Designer Stack with Adobe + Figma

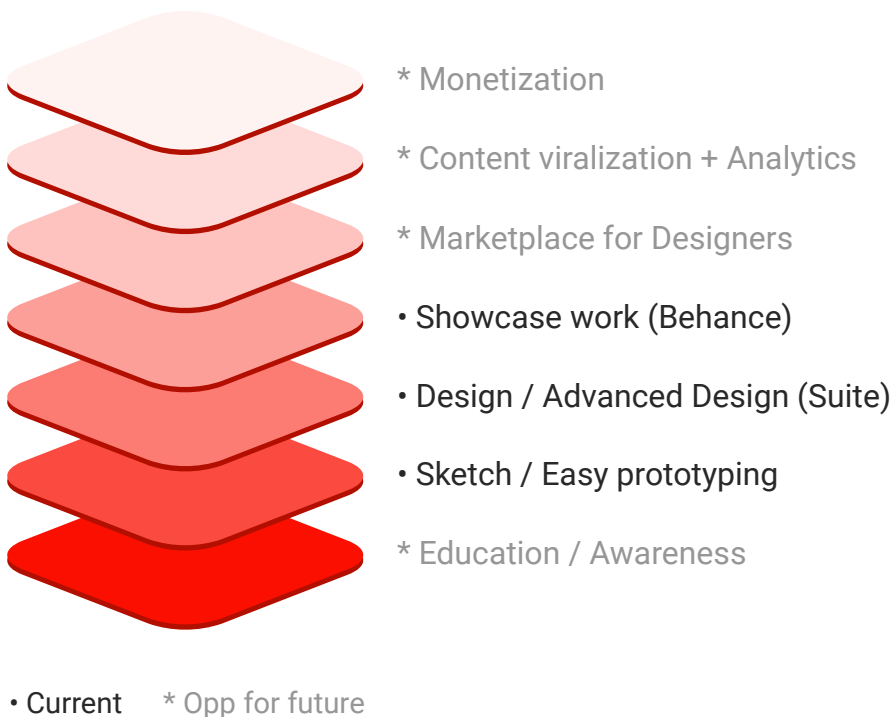


Fig 3. Creator's OS stack. Source: Internal

Adobe is already strong in three areas: Sketch and easy prototyping, design and advanced design, and finally in providing creators with a platform to showcase their work and collaborate (Behance). There is still a lot of work to be done across the other four layers for Adobe to truly build a strong ecosystem, or operating system, for creators.

Creator core (Education + Sketch + Design)

The creator's economy is growing at a very rapid pace, with many **creators aspiring to become business owners**. There is an opportunity for Adobe to become relevant in even more areas of a creator's life by making it easier for them to learn the ropes and accompany them from the very beginning of their journey. Specifically, and according to Adobe's 'Creators in the Creator Economy' global study:

- **The number of creators world-wide in the last two years has almost doubled, from 165M to 303M, including a 40% increase in the US (+34M new creators) and 69% in Brazil (+73M new creators).**

They come from all walks of life, and many learn about the design and creation tools available to them on the fly, via very informal methods, and sometimes in a haphazard way through trial and error. This makes their ramp up slower, and more painful, than it needs to be. Providing structured training, classes and practice materials would help demystify the creative process, and give confidence to the new creators.

Sensei, Adobe's AI system, is embedded across all the products, greatly improving productivity by automating tedious and complex tasks, and also opening a world of new possibilities for professional designers. Gavin Miller, Adobe's Head of Research, explains that 'Creating with AI can feel like dreaming out loud', and David Wadhvani, President of Adobe Digital Media wants Sensei to become 'your creative co-pilot'.

This co-pilot could become a guiding light for newbies, maybe taking the shape of a more concrete 'presence' that provides specific suggestions on next steps, and actively asks users about their intentions at the beginning of a session.

- About **40%** of creators aspire to become a business owner, but often come from non-business backgrounds.

Examples of topics that would be important for creators to better understand and manage include:

- **Time management:** Creators and influencers spend an average of 9 and 15 hours a week respectively creating content. This is real time that hundreds of millions of people are putting into this effort, and it needs to be managed wisely.
- **Money management:** Creators commonly have very industry-specific financial issues, including uneven revenue streams (with possible great month-to-month variations), and recurrent late payments. The income they receive from their activities make up 62% and 70% of their monthly income respectively, so lack of awareness or management of these issues can have a real impact in their lives.

Showcase + Marketplace for designers

Behance (and Friends of Figma) are great platforms to share and collaborate, but fall short of a full-blown marketplace that would truly enable and support business transactions - from discovery, to negotiation, contracting and payments. Of course, creators can use existing marketplaces for freelancers, but they are not necessarily a great fit for this very special type of creative worker.

One of Adobe's initiatives that makes it particularly well-suited to build this marketplace is the Content Authenticity Initiative (CAI). The reason why this is important is because creators need to protect their IP in order to do business. Demonstrating that a piece of art (illustration, photograph, video, audio...) was created by them, is paramount. Please, refer to **Exhibit 2** for additional information on CAI.



Content viralization and analytics

Creating great content is only part of what a creator needs to do to build a successful business. She also needs to define and understand her audience, find the best channels to connect with her 'tribe', tailor the content for each channel, connect with other creators to collaborate and create new value... And of course, measure the results, to then change and refine her strategy to achieve, and then sustain, growth. These are all activities that would fall under 'content viralization and analytics', and that currently are not well supported by Adobe.

There are new companies that are focusing in this area. For example, [Jellysmack](#) initially targeted well-known creators, to help them grow even larger (and become more viral), but are now using their AI to target the creators' economy 'middle class', and thus going mass-market. Players such as this one cannot offer (yet) the full gamut of services required by a creator, so someone like Adobe could add these services to become a true ecosystem for creators.

Monetization and financing

This is truly the last piece of the puzzle, supporting business payments, and also providing financial products for creators.

We are not only talking about helping these businesses raise funds -through grants, scholarships and equity investments- which Adobe already does. We also strongly believe in the need to provide them with everyday financial products (debit & checking accounts, credit cards) and also with financing based on the viability of their business, just as banks do today with traditional entrepreneurs. Obviously, the viability of a creator's business cannot be judged with traditional tools, but it could be by companies that truly understand the creator's economy, and can measure risks more appropriately.



Exhibit 2. Content Authenticity Initiative (CAI)

CAI was founded by Adobe, The New York Times, and Twitter in 2019, and is now 800+ members strong. It is an Open Source Technology available to all that helps establish provenance and attribution of a piece of content. This is achieved via counter-credentials that show who created the content. For example, hardware manufacturers, such as Leica and Nikon, are adding counter-credentials to their machines. Others, such as Adobe, also include these counter-credentials in the pieces that are built with their tools.

Two examples of how CAI helps creators build viable businesses by protecting their IP, and reducing fraud are:

- In the case of NFTs (Non-Fungible Tokens), it allows digital art to be attributed to the actual creator of the piece, not just to the person that minted it.
- Generative Technology (GenTech) with CAI will help us know what was created by a human, and what was created by a machine. This will not only help us understand whose story we are experiencing, but also recognize original IP used to build the final product, and therefore also enable revenue sharing.



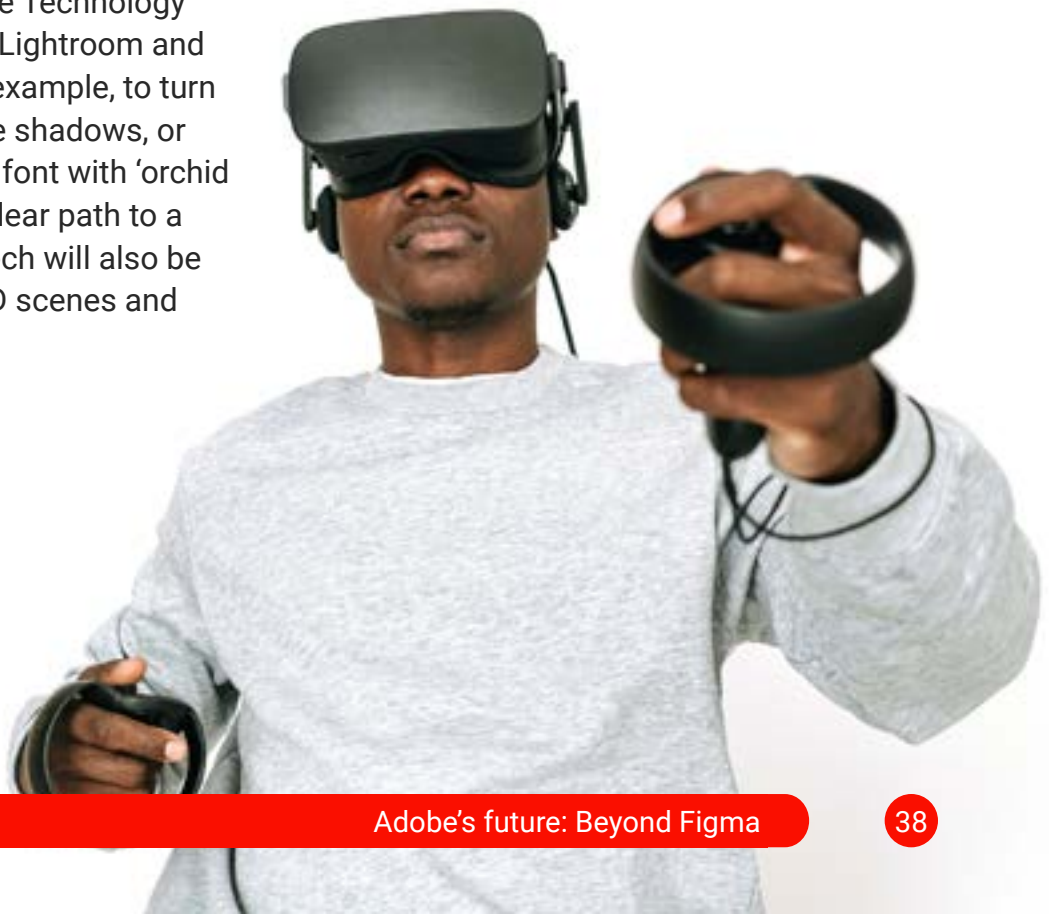
Note: *The jury is still out about the role that CAI will be able to play in GenTech, as the AI may lose reference to the original pieces of work in the mathematical process followed during their training.*

Other big opportunities

Metaverse and 3D Gaming

Adobe has a strong foothold in the 3D space via many of its apps. For example:

- **Adobe Substance** is a collection of tools and content to create, capture, and texture 3D assets, as well as compose and render 3D scenes. You can choose models, lights and materials from a fantastic high-end 3D asset library. You can then use Modeler to create 3D objects from scratch, modeling them from virtual clay, either on a laptop, or using VR tools that allow you to model with your hands, just as a sculptor would. You can then paint life into them, and finally stage them into the perfect shot, or give them motion and insert them into a moving scene.
- Adobe has tools to support the design, prototyping and user testing.
- The same way that Adobe is starting to enable Generative Technology in their Photoshop, Lightroom and Express tools - for example, to turn night into day, move shadows, or create a brand new font with 'orchid petals' - there is a clear path to a future where GenTech will also be available on fully 3D scenes and movies.



But if we think about the full stack of services needed to create a metaverse - the stack to create a 3D game is a subset of this one - and take the model proposed by McKinsey for the metaverse with four building blocks and 10 layers, we can start to think about natural areas of expansion for Adobe (see **Exhibit 2**).

Metaverse layers

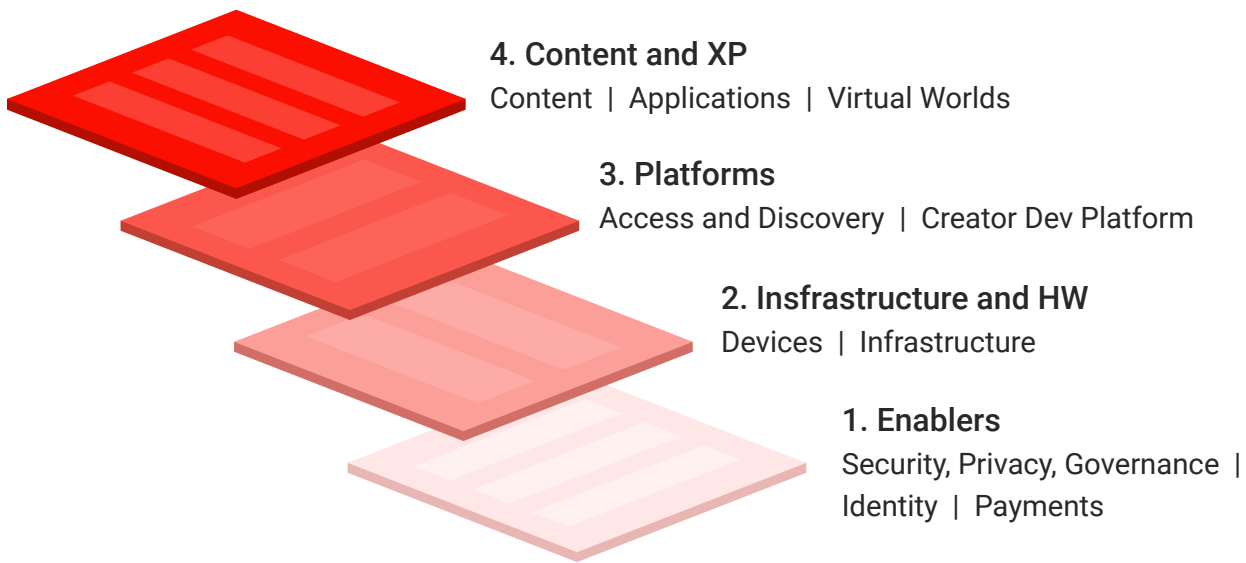
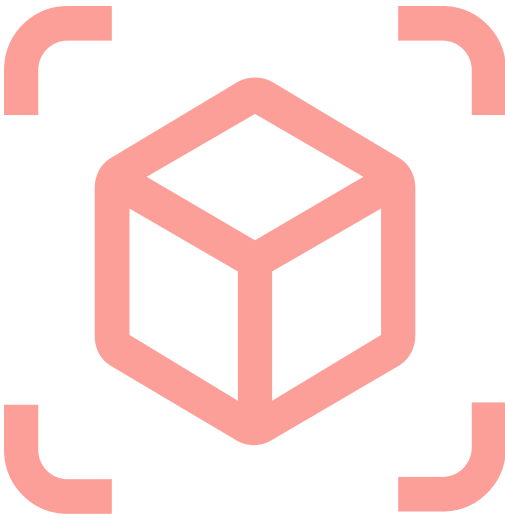


Exhibit 2. Metaverse layers. Based on McKinsey research [here](#).



Today Adobe is strongest in the 'Creators / 3D development platforms' layer. This layer includes a core set of tools and platforms for building 3-D experiences - including design, game engines, AI services, and creator tools. Adobe provides great design and creator tools, along with innovative AI services. The gap is in the game engine part of the development. With Adobe you can create the characters, the environments, and the movements in 3D, but not the interactions between the different

elements, the actual game. At the moment, Adobe closes this gap by providing great plugins into, for example, **Unity** and **Unreal**, the two major game engines that are also used to power several of today's metaverses, such as **Decentraland**. But as these game engines extend their capabilities into Adobe's core areas, would it make sense for Adobe to also grow in that direction, either organically or via acquisition?

We consider Unity (one of the largest game engines, and an independent company) a potential acquisition target for Adobe to extend their capabilities, and neutralize Unity's reach into Adobe's strong areas. Two examples of this reach are:

- **Unity's recent acquisition of ironSource** allows Unity to help creators and developers to 'create and grow successful apps in gaming and other consumer-facing verticals like eCommerce', said Unity's CEO John Riccitiello. 'This is a step further toward realizing our vision of a fully integrated platform that helps creators in every step of their RT3D journey.'
- In addition, they are making a strong push into supporting brands in their **3D sales and marketing efforts**, and in enabling new revenue sources for gamers through physical merchandising with plugins into Shopify.

These are all traditional Adobe strongholds. As Unity diversifies and extends its business, covering more of the needs of creators, designers, and developers, could it become a direct competitor to Adobe? Actually, a younger, hungrier Adobe? Does this justify Adobe going into the game engine space? In our opinion, it very well could.

Two other layers where expansion would be natural for Adobe are 'Identity' and 'Access and discovery'.

■ **Identity: Platforms that manage digital identity, avatars, and social graphs.**

The [Content Authenticity Initiative](#) (please, refer to **Exhibit 2** for additional information on this initiative) aims to secure the 'preservation of provenance and attribution data for digital content to counter the rise of misinformation'. Adobe wants creators to protect their intellectual property (IP) and prove ownership of the assets they create. They also want users to identify who created the content that moves and influences them, and know if it was created by a human, or an advanced AI system.

In order to prove provenance, there is also a need to identify creators and smart bots / AI systems, so that attribution can be accurate. There is a (relatively) small step to go from identification of creators and smart bots, to identification of general users and avatars.

■ **Access and discovery:** Platforms that facilitate distribution and discovery of content, experiences, apps - including browsers, search / visual search, apps stores, in-app storefronts.'

Adobe already has Behance to enable creators to showcase their work and collaborate. Moving this to a more structured and richer approach, that would include searching within 3D worlds, and across different sources. There is a long way - and much opportunity - for Behance to evolve into a powerful tool for creators, companies and end-users alike.

Education Technology (EdTech)

- The same way that Adobe could transform the onboarding process of new creators into this space by providing design and business training, it could also become **a trusted issuer of professional credentials and certifications** for professional designers and developers. It could take a page from Google, and their flexible online training programs in IT support, data analytics, and project management, to name a few, and create innovative programs backed by the reputation, and experience of a design powerhouse.
- Creative thinking, design thinking, critical thinking are disciplines that have gained incredible importance and popularity in the last couple of decades, because they enable creativity. Unfortunately, they are not part of the core curriculums in K-12 education, and not even part of the standard curriculum in higher education.

At its core, Adobe believes that 'great experiences have the power to inspire, transform and move the world forward. And every great experience starts with creativity'. The company could do a lot to bring this creativity to the classroom, by bringing simple, yet rich, tools to help teachers apply these methodologies to everyday class discussions and lessons. In Adobe's words: **'The future belongs to those that create'**, but creating is as much art, as it is science, and there are key parts of this process that can be taught, with Adobe providing tools and methods to facilitate that learning.



Health Technology (HealthTech)

Adobe's tools could be used much more widely across the medical field to design and deliver more efficient, relaxing, comfortable and restorative experiences for patients. A purposefully crafted environment can reduce the normal anxiety felt at certain doctor visits, and becomes particularly important when we think about long hospital stays, or continued visits to treat chronic illnesses and long recovery processes.

Adobe launched **Adobe Experience Cloud for Health Care** in 2021, which included applications such as Adobe Experience Manager Managed Services, Marketo Engage (engaging experiences even in complex customer journeys), and Adobe Sign (digital self-service experience to reduce friction). With privacy, security and compliance (e.g. HIPAA) at top of mind.

There are already many brands - such as Pfizer, Walgreens Boots Alliance, Mercy Health and Change Health - innovating with Adobe around streamlined digital portals for experiences like billing, communication, and digital check-ins. AR, VR, and generally 3D experiences can become part of the care process: During the actual interaction with medical professionals and staff to help with explanations and delivery of care; to entertain and inform while waiting; to guide in the right direction through long hospital corridors.

The same way that creators and designers can greatly benefit from a 'creator co-pilot', Adobe could work with partners to deliver a 'medical guide' to benefit patients.

Always on

Keep updating the tech stack, incorporating elements like Artificial intelligent to enhance capabilities and reduce frictions in the creation process (we recently discovered [Uizard](#) and fell in love), or continue expanding features to become a SuperApp in the field (record demos , video editing, copywriting recommendations etc).

Conclusions

All in all, although Adobe has many opportunities to grow, innovate and expand, it is certainly true that it is also facing increased competition on many fronts. From other players that are close competitors to Figma that keep gaining traction - such as Miro and Canva -, to the likes of Unity expanding their reach in the 3D world and marketing, to eCommerce platforms providing more design and analytic tools to merchants - such as Shopify. . **Adobe will need to make bold moves in order to sustain its lead in the long term.**

Adobe has already proven its ability to morph and evolve, ahead of the competition, acting with the courage of conviction, even in the face of very negative market and user responses, as was the case in their move to a SaaS business model. The fact that many of the thoughtful leaders that took the company through this transformation are still at the helm, including Shantanu Narayen, Adobe's CEO, should give us further comfort for their future, as we witness the beginning of **Adobe's next big evolution.**

