

Figma & Adobe

WHY THE FTC BLOCKED THE MERGER

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BEHIND THE BRANDS

Adobe

Mkt Cap 235 Bln

Adobe is a software company that offers reoccurring subscriptions for a suite of creative design applications, like Photoshop. Adobe provides value with their large selection of products and the interoperability between them.

Figma

Mkt Cap 9 - 20Billion

Figma is UX/UI web design tool with the main selling point of streamline collaborative work and comprehensive tools. Figma's fair market value is estimated to be around 9 billion. Whereas, Adobe's failed acquisition valued Figma at 20 Billion

WHY ADOBE WANTS FIGMA

ECONOMIES OF SCOPE AND SCALE

Adobe's acquisition of Figma stood to compress cost's by integrating much of Figma costs into Adobe's.

Economies of Scope:

- Corporate Functions: Leadership and Human Resources
- Marketing and Advertising
- Customer Acquisition

Economies of Scale:

- Customer Support
- Infrastructure: Cloud and Computing
- Distribution



Combined Costs

WHY ADOBE WANTS FIGMA

ELASTICITY

Adobe's vast and comprehensive suite of software offerings makes their product relatively inelastic. Their brand always has high recognition and loyalty.

On its own, Figma is a relatively elastic product, due to its single focus offering and competition, like Canva.

The addition of Figma to Adobe's suite would strengthen Adobe's product offering and reduce their price elasticity further. Additionally, it'll reduce potential substitution pressure from Figma in the future

WHY THE FTC ISN'T ON BOARD

HERFINDAHL-HIRSHMAN INDEX

In the “Collaborative Design and Prototyping” Market

Figma

40.61%

Market Share

Adobe

37.26%

Market Share

HHI Pre-Merge

$$(40.61)^2 + (37.26)^2 + (8.06)^2 + (2.9)^2 + (1.78)^2 =$$

3114 HHI

HHI Post-Merge

$$(77.87)^2 + (8.06)^2 + (2.9)^2 + (1.78)^2 =$$

6140 HHI



HHI = 3026

CONCLUSION

Adobe's potential acquisition of Figma stood to substantially increase their market power by expanding their software catalog and decreasing substitute options in the Collaborative Design market.

By integrating Figma, Adobe would have been able to capture operational cost saving. Additionally, the new market power would allow Adobe to leverage higher prices with lower price elasticity.

The FTC, in their role to ensure fair and competitive markets, was unable to allow the Adobe and Figma merger to occur due to the overwhelming market concentration that would occur, exemplified by an increase in the Herfindahl-Hirshman Index to over 6000.

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