

Anticipated acquisition by Adobe Inc. of Figma, Inc.

Provisional findings report

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The Competition and Markets Authority has excluded from this published version of the provisional findings report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [⌂]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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Glossary

Summary

What we have provisionally found

1. The Competition and Markets Authority (**CMA**) has provisionally found that the anticipated acquisition (the **Merger**) by Adobe Inc. (**Adobe**) of Figma, Inc. (**Figma**; and, together with Adobe, the **Parties**), to create the **Merged Entity**, amounts to a relevant merger situation that may be expected to result in a substantial lessening of competition (**SLC**) in each of the following markets:
 - (a) the global market for all-in-one product design software for professional users;
 - (b) the global market for vector editing software; and
 - (c) the global market for raster editing software.
2. The CMA has also provisionally found that the Merger may not be expected to result in an SLC in each of the following markets:
 - (a) the global market for video editing software; and
 - (b) the global market for motion design software.

All-in-one product design software

3. Product design is the process of designing a digital product, such as an app or website that involves some degree of user interaction. Examples of apps and websites include supermarket shopping, food delivery, travel booking, and online banking.
4. Product design software is a dedicated software that allows the product designer to design these apps and websites and hand them over to a software developer so that they can be created. Product design has five main stages: sketching, wireframing, mock-up, prototyping, and handoff.

Figure 1: The product design process



Source: The Parties' Final Merger Notice (FMN).

5. Product design software is a market that was fuelled by the advent of the digital economy. It is a rapidly growing and dynamic market involving continuous product development and innovation. It is a market where the competitive offerings of the main players are continuously shifting. Competition takes place both on current products (eg on price, quality, frequency of updates, fixes of technical problems, etc) and also on the development of new products and features.
6. The Parties are two of the main providers of product design software. Figma has a web-based software product called Figma Design. Figma Design is the leading product design software accounting for over 80% of the market by revenue. Adobe has Adobe XD, a desktop-based product with a 5-10% share. Together the Parties have over 90% of the market. The remaining competitors have significantly lower shares of 0-5% each and less than 10% in aggregate. Figma Design, Adobe XD, and Sketch are the three main products in this market. Sketch was developed by Dutch company Sketch BV and was the first dedicated product design software on the market. Sketch is only available for Mac operating systems (macOS).
7. Figma Design and Adobe XD are both all-in-one product design tools covering all five main stages of product design. There are other types of software that only cover one or more, but not all, of these five stages. These are called point tools. There are also certain narrowly focussed tools that create the

coding for applications or websites directly, called no-code / low code tools. Moreover, whilst there are many different types of users, the Parties' product design software tools are both aimed at professionals. There are other types of software that are aimed at non-professionals, also called 'prosumers' or 'hobbyists'. We do not consider that any of these tools belong in the same market as the Parties' products (ie the all-in-one product design market for professional users). Accordingly, we have considered the constraint by these providers in our assessment as an out-of-market constraint, where relevant (and have also considered whether the answer to the statutory questions would be any different if these tools were to be considered as in-market constraints).

8. Figma Design and Adobe XD are both tools primarily created for product design. However, our investigation has found that sometimes they are also used for marketing design purposes and that some professional designers work on both product and marketing design (using the same software). To the extent relevant, we have considered marketing design in our assessment.
9. Product design software is an area that is characterised by product development and innovation, with existing products generally updated, and new products or features developed and/or launched, on a periodic basis. In this context, prior to the Merger, Adobe had been developing a next generation, web-based product design software, which was conceived as a significant improvement on Adobe XD, called Project Spice. In October 2021 and February 2022, Adobe reduced its engineering resourcing of Adobe XD and shifted these resources to Project Spice in order to accelerate its development.
10. Project Spice was intended to be a web-based tool with product design capabilities that would compete more strongly with Figma in product design by allowing for real-time collaboration between professional users and including functionalities from Adobe's flagship vector editing and raster editing software, Illustrator and Photoshop respectively. Project Spice was planned to be developed in phases: starting with whiteboarding, followed by marketing design, and subsequently product design.
11. The Parties submitted that Adobe XD was placed in 'maintenance mode' in February 2022. They also submitted that Project Spice was not the successor of Adobe XD and was not going to become a product design tool, and that Project Spice was cancelled for reasons unrelated to the Merger. Finally, the Parties submitted that Adobe has effectively exited the market for product design software and does not have the ability and incentive to re-enter organically. In this context, the Parties have not, however, formally made an argument or presented evidence that Adobe is an exiting firm. In particular,

Adobe has not submitted compelling evidence to demonstrate that – despite being a long-standing competitor in product design software (including through its development of new product offerings) – it would have exited the market absent the Merger.

12. Whilst Adobe had significantly reduced the resources allocated to Adobe XD by the time the Merger was announced, the evidence shows that Adobe XD remained one of the two main competitors to Figma Design and would in the absence of the Merger be expected to continue to compete for a few years at least while customers were being moved to Project Spice over time.
13. Internal document evidence shows that before the Merger was announced Figma considered Adobe XD as one of its closest competitors and was consistently aware of the threat it posed, even after Adobe reduced its resourcing on Adobe XD. Similarly, while third parties generally view Adobe XD as a weaker product than Figma Design, Adobe XD is generally considered to be an adequate alternative and often considered the closest competitor to Figma Design.
14. In our view, absent the Merger, Adobe planned to move customers from its existing product design tool, Adobe XD, to Project Spice over time, as the latter developed more features. We consider that in its development of Project Spice, Adobe would also have continued to benefit from its ability to offer a product design tool as part of a bundle through its Creative Cloud suite of products.
15. Adobe's internal documents show that product design remained part of Adobe's plan for Project Spice until at least the end of July 2022. In late July 2022, one week after Adobe and Figma signed an exclusive letter of intent regarding the Merger, Adobe reduced the scope of Project Spice, despite it having been in development for over two years. On 9 September 2022, six days before the announcement of the Merger, Adobe cancelled Project Spice. Our provisional view, given the timing of the cancellation and the evidence on the decision-making process, is that the decision to cancel Project Spice was a consequence of the Merger.
16. We therefore consider that, absent the Merger, Adobe would have continued to compete including through its innovation efforts in all-in-one product design software, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways, and would have remained a close competitor to Figma. We consider that Adobe's efforts in product design over the years and months leading up to the Merger, including through its continued provision of Adobe XD and its development of Project Spice, provide clear contemporaneous

evidence that Adobe had the ability and incentive to continue its efforts in product design.

17. Post-Merger, our provisional view is that the Merged Entity would face limited in-market competitive constraints, including taking into account the product development plans of competitors. Other than Figma Design and Adobe XD, Sketch has the strongest product in the market for all-in-one product design software for professional users. Our provisional view is that while Sketch would provide a moderate constraint on the Merged Entity, other all-in-one product design tools have a much smaller market presence and would provide a weak post-Merger constraint.
18. Our provisional view is that out-of-market constraints are also weak (and, therefore, it is not material to our assessment whether these constraints are considered within or outside the market). Point tools would provide a weak post-Merger constraint on the Merged Entity's all-in-one product design tools and are generally used alongside all-in-one product design tools. The evidence indicates that Framer, which used to focus on an all-in-one product design tool but has since shifted focus to its no-code/low-code tool, would also provide a weak post-Merger constraint. The evidence further indicates that other no-code/low-code providers and prosumer tools would provide no meaningful post-Merger constraint. Competitors generally thought that barriers to entry and expansion were high.
19. Our provisional conclusion is therefore that the Merger would remove competition between close competitors and an important competitive constraint on Figma, in a market in which Figma is already the strongest player by far and there are few other competitive constraints. This loss of competition would reduce choice in relation to the Parties' current offerings on the market and could result in higher prices or worse quality (or both) for customers and would also reduce the incentives of the Parties to improve quality, innovate and develop their products.

Vector and raster editing software

20. We have also provisionally found that the Merger is likely to raise competition concerns as a result of the loss of dynamic competition between the Parties in each of the global markets for vector editing software and raster editing software.
21. Vector editing is the digital process of creating logos, icons, brand graphics, marketing materials, and illustrations. Raster editing is the process of image editing and compositing (eg adjusting or retouching) photos. The vector and raster editing software markets are dynamic markets involving continuous product development and innovation. Competition takes place both between

current products (eg on price, quality, and fixes of technical problems), and on product development and innovation (for new and existing products). These are also two markets where there is an entrenched position by the leading player (Adobe) that has persisted over many years.

22. Adobe's Illustrator and Photoshop products have extensive functionalities and are market leaders with shares of over 70% and 80% respectively. The next biggest competitor has a share of supply under 10% in vector editing and 5% in raster editing. All other competitors are much smaller.
23. Figma Design currently includes limited vector editing functionality and very limited raster editing functionality within Figma Design, although third-party extensions (such as plugins) provide some further functionality.
24. The markets for vector and raster editing software on the one hand and product design software on the other are adjacent, in that they have material customer overlaps, and some customers use vector and raster editing software and product design software as part of the same workflow. There are also adjacencies with other creative design products, such as motion design and video editing, although these appear to be weaker.
25. We consider that Adobe's and Figma's platforms are characterised by network effects. These network effects cause the value of the respective platforms to increase with the number of users. These strengthen Adobe's position in vector and raster editing software. They also strengthen Figma's position in product design software. Network effects operate across markets. For example, the value of using Figma's vector and raster editing offerings is greater the more Figma is used for product design, and vice-versa. Therefore the strength of the Parties' positions in each of these markets is influenced by their strengths in the others, implying that the Parties exert multi-market competitive pressure on each other across vector editing, raster editing, and product design.
26. Adobe derives significant competitive advantages from its multi-market presence and network effects. However, we consider that disruptive technological trends may be threatening Adobe's primarily desktop-based ecosystem of products, with competition from web-based platforms appearing particularly threatening. Adobe's ecosystem also faces some threats from mobile-first players, and over the longer term, may face a threat from AI.
27. We have assessed the threat Figma poses to Adobe's customer base and the extent to which this threat influenced Adobe's product development. We considered the extent of the customer adjacency between Figma Design and

both Illustrator and Photoshop, as well as internal documents and third-party evidence.

28. In relation to the customer adjacency, we assessed the proportion of Illustrator and Photoshop's customer base which overlaps with Figma Design (as these are adjacent markets). In our view, there is a material customer overlap. We consider that the users at risk represent a substantial source of revenue to Adobe, and more users and revenue could be at risk in future were Figma to develop vector and raster editing functionality extending beyond product design and related use cases.
29. In our view, the document evidence shows that Adobe perceived Figma to threaten its core markets for vector and raster editing software, and its flagship apps Illustrator and Photoshop in particular. We note particularly that Adobe undertook detailed analysis of the threat posed by Figma and concluded that Figma posed a risk. In our view, other internal documents consistently show concerns by Adobe management over the threat from Figma in relation to professional users until August 2022, a few weeks before the Merger was announced (on 15 September 2022). Third-party evidence also suggests that Figma Design is already an alternative for some customers to Illustrator, and – to a lesser extent – Photoshop, at least for certain use cases related to product design.
30. The evidence also shows that Adobe undertook actions to mitigate the threat from Figma. Adobe's competitive response to Figma included product development which sought to defend Adobe's wider Creative Cloud suite. This specifically included the development of web versions of Illustrator and Photoshop, but also the prioritisation of certain features in the desktop versions. Furthermore, Project Spice envisaged the inclusion of both vector and raster editing functionality within a web-based app also providing product design functionality for professional users. Both the wider Project Spice, and the inclusion of vector and raster editing functionality in it specifically appear to have been a direct response to the threat from Figma.
31. We have also assessed the extent to which Figma has the ability and incentive to develop its vector and raster editing functionality.
32. In relation to product development to date, we consider the evidence shows that Figma's functionality in both vector and raster editing has improved incrementally over time. Figma users can also access vector functionality developed through third-party extensions, and new vector and raster editing extensions have recently been emerging. Figma has also taken steps in relation to the monetisation of extensions which we consider makes the development of extensions more attractive to third parties. In relation to vector

editing functionality in particular, Figma also has an engineering team in place which could be built out over time.

33. We have examined Figma's discussions, plans, and steps taken for developing its vector and raster editing functionalities. We also considered other factors relating to its ability and incentive to develop these functionalities, particularly technical challenges, resource constraints and strategic fit.
34. We consider that the evidence we have obtained shows that the development of vector and raster editing functionality was under sustained and serious consideration by senior Figma executives at least until June 2022. The development of vector and raster editing functionality consistently received more serious consideration than other projects. The development of vector and raster editing functionality was part of board documents from 2018 onwards.
35. Figma also had made outline plans to develop vector and raster editing functionality organically, had considered a number of acquisitions in these areas and reached an advanced stage in relation to one raster editing opportunity.
36. We have also assessed the challenges that Figma would need to overcome in order to develop its functionality in vector and raster editing. We consider that the Parties identified some credible technical challenges that Figma would face. The evidence shows that the challenges were less severe for vector editing, but in both cases they were surmountable. By drawing on a combination of investment and acquisitions, we consider that Figma could have addressed the challenges to develop vector and raster functionality in the near- to medium-term. Further, we consider that Figma was particularly well placed to do so for vector editing, and relatively well placed in raster editing compared to other software providers (taking into account its business capabilities and resources).
37. We have also considered evidence in relation to the strategic fit of vector and raster editing functionality with Figma's other products, particularly Figma Design. We considered evidence on market adjacency, the size of the opportunity, the impact of product development on Figma's other products, and views from market participants on strategic fit.
38. In relation to the level of market adjacency, we consider that a material proportion of Figma's user base undertakes vector and raster editing and that Figma considers these tools to be part of the same product design workflow. Tapping into this existing customer base would reduce the cost to Figma of

acquiring customers in vector and raster editing, thus contributing to its incentive to develop this functionality. The size of the opportunity for Figma in vector and raster editing appears overall large.

39. Further, the strength of Figma's position in product design is influenced by the strength of its vector and raster editing functionality, which we consider would increasingly be needed to compete for new customers against Adobe. This gives Figma a stronger incentive to develop its presence in vector and raster editing, above what it would already have absent the multi-market competitive pressure the Parties exert on each other as discussed above in paragraph 25.
40. On this basis, we consider that, absent the Merger, Figma represents a particularly credible dynamic competitor to Adobe in vector and raster editing software for professional users, and this threat is already strong for product design and related digital use cases. We have considered other competitors' strengths in vector and raster editing software in the context of Adobe's very strong market positions in both of these markets.
41. The Parties identified more than 45 competitors in vector editing and more than 65 in raster editing. We undertook an assessment to identify the most relevant competitors in each of vector and raster editing software. We considered the extent to which these competitors are referred to in the Parties' internal documents and in third-party evidence. We consider that very few competitors in vector editing software (Affinity and Corel Draw) and raster editing software (Affinity) provide any meaningful competitive constraint on Adobe's product development for professional users, and that constraint is weak to moderate at most. This is particularly true for product design and related digital use cases.
42. We also considered whether the threat of entry and expansion from other sources (such as prosumer tools, mobile products, and AI) may provide a competitive constraint on Adobe's product development, and we found that any such constraint is weak at most. Further, there are significant barriers to entry and expansion in relation to both vector and raster editing software, and neither entry nor expansion would be timely, likely nor sufficient to pose a material constraint on the Merged Entity.
43. On the basis of the above, our provisional conclusion is that the Merger would remove competition between close competitors in product development and innovation in vector and raster editing software, reducing the incentive of the Parties to improve quality, innovate, and develop their products. In particular, the Merger would eliminate an important dynamic competitive threat to Adobe's Illustrator and Photoshop in markets where Adobe has had an entrenched leadership position for decades. Figma has the ability and

incentive to develop vector and raster editing functionality and Adobe was concerned about this, saw Figma as a threat, and took actions to mitigate it. There are very few competitors to Adobe in either vector or raster editing software and barriers to entry and expansion are significant.

Video editing and motion design software

44. Video editing software is used for video assembling (eg cutting, arranging, and enhancing videos). Motion design software is used for creating motion graphics.
45. The video editing and motion design software markets are similarly dynamic markets, involving continuous product development and innovation. In both these markets Adobe has a leading position with Premiere Pro for video editing and After Effects in motion design. In these markets there are other moderate to strong competitors (such as Apple and Blackmagic for video editing, and Apple and Blender for motion design).
46. Our provisional conclusion is that the Merger is not likely to give rise to competition concerns in these markets. The evidence shows that Adobe did not consider Figma a material threat and that Adobe's product development in video editing and motion design software was not materially influenced by Figma. We also consider that Figma has, in the round, only a fairly weak ability and incentive to develop video editing and motion design functionalities over the near- to medium-term. Finally, there would remain moderate to strong competitors post-Merger.

Our provisional conclusions

47. We have provisionally concluded that the anticipated acquisition by Adobe of Figma would result in the creation of a relevant merger situation.
48. We have provisionally concluded that the Merger may be expected to result in an SLC in the global market for all-in-one product design software for professional users.
49. We have provisionally concluded that the Merger may be expected to result in an SLC in each of:
 - (a) the global market for vector editing software; and
 - (b) the global market for raster editing software.

50. Finally, we have provisionally concluded that the Merger may not be expected to result in an SLC in:
- (a) the global market for video editing software; or
 - (b) the global market for motion design software.

Provisional findings

1. The reference

- 1.1 On 13 July 2023, the Competition and Markets Authority (**CMA**) in exercise of its duty under [section 33\(1\)](#) of the Enterprise Act 2002 (the **Act**), referred the anticipated acquisition by Adobe Inc. (**Adobe**) of Figma, Inc. (**Figma**) (the **Merger**) for further investigation and report by a group of CMA panel members (the **Inquiry Group**). Adobe and Figma are referred to collectively as **the Parties** or, for statements referring to the future, the **Merged Entity**.
- 1.2 In exercise of its duty under [section 36\(1\)](#) of the Act, the CMA must decide:
- (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation (**RMS**); and
 - (b) if so, whether the creation of that RMS may be expected to result in a substantial lessening of competition (**SLC**) within any market or markets in the United Kingdom (**UK**) for goods or services.
- 1.3 In assessing the competitive effects of the Merger, we must decide whether there is an expectation (ie a more than 50% chance) that the Merger will result in an SLC.
- 1.4 We are required to prepare and publish our final report by 25 February 2024.¹
- 1.5 Our terms of reference, along with information on the conduct of the inquiry, are set out in Appendix A and Appendix B respectively.
- 1.6 This document, together with its appendices, constitutes the CMA's provisional findings, published and notified to the Parties in line with the CMA's rules of procedure.² Further information relevant to this inquiry can be found on the CMA case page.³

¹ In accordance with [section 39\(1\)](#) of the Act, the CMA shall prepare and publish its final report within a period of 24 weeks beginning with the date of the reference concerned. In accordance with [section 39\(4\)](#) of the Act, the statutory deadline was extended by four days as a result of the failure by Figma to comply with the requirements of a notice issued under [section 109](#) of the Act. The statutory deadline was further extended by eight weeks pursuant to [section 39\(3\)](#) of the Act. For further information, see Appendix B on the conduct of the Inquiry.

² [CMA rules of procedure for merger, market and special reference groups \(CMA17\)](#), Rule 11.

³ See: [Adobe/Figma case page](#).

2. The Parties

Adobe

Principal activities

- 2.1 Adobe is a global software company founded in 1982 that provides products which enable the creation and delivery of digital content. It is a publicly traded company listed on NASDAQ with headquarters in San Jose, California, USA. For its financial year ended 2 December 2022, Adobe generated worldwide revenues of £14.1 billion (USD 17.6 billion), of which £[✂] billion (USD [✂] billion) was generated in the UK.⁴
- 2.2 Adobe is organised into three segments: Digital Media; Digital Experience; and Publishing and Advertising.⁵
- (a) Digital Media provides products, services, and solutions that enable individuals, teams, and enterprises to create, publish, and promote digital content. The Digital Media segment offerings are detailed below in paragraphs 2.5 to 2.7.
 - (b) Digital Experience provides a set of applications and services that enable brands and businesses to create, manage, execute, measure, monetise, and optimise customer experiences that span from analytics to commerce. Digital Experience products include the Adobe Experience platform, Adobe Workfront, Adobe Campaign, amongst others.
 - (c) Publishing and Advertising is made up of Adobe's legacy products which include Adobe PostScript and Adobe PDF printing technologies, and services which address diverse market opportunities, including eLearning solutions, technical document publishing, web conferencing, document and forms platform, web application development, and high-end printing.
- 2.3 Adobe's activities in the Digital Media segment are the most relevant to our assessment of the Merger.

⁴ 'Adobe's annual report on Form 10-K for the financial year ended 2 December 2022', page 3, accessed by the CMA on 23 November 2023; and Adobe response to CMA's section 109 notice.

⁵ Final Merger Notice (**FMN**).

Overview of the Digital Media segment

2.4 Adobe's Digital Media segment comprises the Adobe Creative Cloud business and the Adobe Document Cloud business.

Adobe Creative Cloud

2.5 Adobe Creative Cloud is a cloud-based subscription service that allows members to use its creative products integrated with cloud-delivered services across desktop, web, and mobile devices.⁶ The creative products available under the Adobe Creative Cloud banner are mostly desktop based; there are numerous products, and the product range is wide. This includes but is not limited to:⁷

- (a) '**Illustrator**', a vector editing tool used by creative professionals, including graphic designers, and other types of users. It is used to design precise and infinitely scalable graphics such as logos, icons, and typographies. Adobe submitted that Illustrator is purpose-built for illustration and vector asset creation.⁸
- (b) '**Photoshop**', a raster editing tool used to create and enhance images, graphics, and art. Photoshop is a tool used by commercial photographers and graphic designers, as well as a wide range of other types of users (eg hobbyists, communicators, and students). Adobe submitted that Photoshop is a professional grade tool used by commercial photographers and graphic designers purpose-built for image editing and compositing, as well as a wide range of other types of users (eg hobbyists, communicators, students, etc). According to Adobe, over 90% of the world's creative professionals use Photoshop.⁹
- (c) '**Premiere Pro**', a desktop-based video editing tool used by video editors, such as film studios, TV production, and other professional digital content producers, and other types of users. It is a 'non-linear' video editing tool used to create video content from social media video clips to feature films.

⁶ '[Adobe's annual report on Form 10-K for the financial year ended 2 December 2022](#)', pages 4 and 9, accessed by the CMA on 23 November 2023.

⁷ Dreamweaver, a product which is in maintenance mode is also included in the Adobe's Creative Cloud bundle. See [Creative Cloud pricing and membership business plans | Adobe Creative Cloud](#), accessed by the CMA on 23 November 2023.

⁸ FMN.

⁹ '[Adobe fast facts](#)', accessed by the CMA on 23 November 2023; and FMN. Adobe is currently working on developing the web capabilities of Illustrator (Illustrator web) and Photoshop (Photoshop web) to allow users to edit and review their files directly in their web browsers, see '[Adobe's annual report on Form 10-K for the financial year ended 2 December 2022](#)', page 5, accessed by the CMA on 23 November 2023.

Adobe submitted that Premiere Pro is purpose built for professional video editing.¹⁰

- (d) '**After Effects**', a motion design tool used to enhance videos, animate film titles, edit audio, and create animated graphics.¹¹
- (e) '**Adobe Express**', a web and mobile product that enables easy-to-use, efficient content creation and features guided tools and one-click solutions for quick projects.¹² Adobe submitted that it is purpose built for casual users, typically non-design professionals, with a primary focus on social media users and communicators.¹³
- (f) '**Adobe XD**', a desktop-based all-in-one product design tool with sketching, wireframing, mock-up, prototyping, and handoff capabilities. Adobe is typically used by product designers and marketing designers. Adobe submitted that it is used for less sophisticated use cases, for example a marketing professional could use Adobe XD to design a marketing campaign.¹⁴

2.6 Adobe offers its Creative Cloud applications on a standalone basis (ie its Single Application offering (**Single Apps**)) and as part of a broader range of product plans (eg its **All Apps** offering). The All Apps plan includes over 20 apps and services and includes Adobe's flagship products. Adobe's pricing plans are listed below:¹⁵

- (a) Creative Cloud for Individuals: This is used by individual users and includes the option to purchase 'Single Apps' (from USD 4.99 to USD 29.99 per month depending on the app), the 'All Apps plan' (USD 54.99 per month), or 'mini' multi-product offers focused on photography and 3D modelling (from USD 19.99 to USD 49.99 per month).
- (b) Creative Cloud for Teams: This is used by business customers and includes the option to purchase a 'Single App' (USD 35.99 per month per license) or 'All Apps plan' (USD 84.99 per month per license). Creative Cloud for Teams plans also include business features such as centralised administration tools, integration with productivity apps (eg Slack or

¹⁰ FMN. Non-linear editing is an editing process that enables the editor to make changes to a video or audio project without regard to the linear timeline. See '[A guide to non-linear video editing - Adobe](#)', accessed by the CMA on 23 November 2023.

¹¹ '[What is Adobe After Effects](#)', accessed by the CMA on 23 November 2023.

¹² [Adobe's annual report on Form 10-K for the financial year ended 2 December 2022](#), page 10, accessed by the CMA on 23 November 2023; and [Adobe fast facts](#), accessed by the CMA on 23 November 2023.

¹³ FMN.

¹⁴ FMN.

¹⁵ FMN.

Microsoft Teams), additional cloud storage (1 TB per user) and advanced 24/7 tech support.

- (c) Creative Cloud for Enterprise: Adobe offers negotiated plans designed for enterprise (large business) customers. Creative Cloud for Enterprise plans offer different buying options with customised pricing based on customers' needs (eg, value incentive plans and enterprise term license agreements).
- (d) Creative Cloud for Education: This is an affordable licensing option for small workgroups, departments, classrooms, laboratories, or educational institutions (pricing varies based on number of active licenses and can be purchased as institution-wide licenses). Students and teachers are offered preferential pricing for individual licenses of the All Apps bundle at USD 19.99 per month.

Adobe Document Cloud

2.7 Adobe Document Cloud is a cloud-based subscription service that enables automated digital document and signature workflows across desktop, mobile, web and third-party enterprise applications to drive business productivity for individuals, teams, small businesses, and enterprises. The Adobe Document Cloud includes Adobe Acrobat, Adobe Acrobat Sign, Adobe Scan, and other apps and API services that work standalone or integrate with users' existing productivity apps, processes, and systems.¹⁶

2.8 Table 2.1 below shows that subscription revenues accounts for over 90% of Adobe's revenue in the 2020, 2021, and 2022 financial years.

Table 2.1: Adobe's revenue split by types of revenue from 2020 to 2022

USD million	2022	2021	2020
Revenue			
Subscription	16,388	14,573	11,626
Product	532	555	507
Services and Other	686	657	735
Total Revenue	17,606	15,785	12,868

Source: 'Adobe's annual report on Form 10-K for the financial year ended 2 December 2022', pages 40 and 41, accessed by the CMA on 23 November 2023. Note: Subscription revenue represents fees charged by Adobe on its subscription and hosted service offerings and related support. Product revenue represents fees charged by Adobe on licences for on-premise software purchased on a perpetual basis, for a fixed period or based on usage for certain of Adobe's OEM and royalty agreements. Services and other revenue represent fees charged by Adobe on advertising, consulting, training, maintenance and support for certain on-premise licences.

2.9 As noted at paragraph 2.2 above, Adobe is split into three segments (ie Digital Media; Digital Experience; and Publishing and Advertising). Table 2.2 below sets out the revenue and gross profit earned by those segments as well as

¹⁶ Adobe's annual report on Form 10-K for the financial year ended 2 December 2022, page 11, accessed on 23 November 2023; and Adobe fast facts, accessed on 23 November 2023.

the total operating income earned by Adobe in the years to December 2020, 2021, and 2022.

Table 2.2: Adobe's revenue and gross profit split by business segment and total operating income from 2020 to 2022

<i>USD million</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
<i>Revenue</i>			
Digital Media	12,842	11,520	9,233
Digital Experience	4,422	3,867	3,125
Publishing and Advertising	342	398	510
Total	17,606	15,785	12,868
<i>Gross Profit</i>			
Digital Media	12,281	11,091	8,881
Digital Experience	2,920	2,546	1,999
Publishing and Advertising	240	283	266
Total	15,441	13,920	11,146
Operating expenses	9,343	8,118	6,909
Operating Income	6,098	5,802	4,237

Source: 'Adobe's annual report on Form 10-K for the financial year ended 2 December 2022', pages 41, 54 and 65, accessed by the CMA on 23 November 2023. Note: Revenue represents the total revenue earned by each of Adobe's segments, gross profit represents profits after cost of sales, while operating income represents the profits after operating expenses.

2.10 Table 2.2 above highlights that Adobe's Digital Media segment revenue contributes significantly to Adobe's revenues, making up over 70% of its revenues in 2020, 2021, and 2022 financial years.

2.11 Table 2.3 below sets out the revenues earned by Adobe's Digital Media segment from the Creative Cloud and Document Cloud businesses in the years to December 2020, 2021, and 2022.

Table 2.3: Adobe's Digital Media segment revenues from 2020 to 2022

<i>USD million</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
Creative Cloud	10,459	9,546	7,736
Document Cloud	2,383	1,974	1,497
Total Revenue	12,842	11,520	9,233

Source: 'Adobe's annual report on Form 10-K for the financial year ended 2 December 2022', page 42, accessed on 23 November 2023.

2.12 Creative Cloud and Document Cloud revenues increased by 10% and 21%, respectively between 2021 and 2022; Adobe noted that the increase was due to an increase in user adoption and subscription revenue growth.¹⁷

¹⁷ Adobe's annual report on Form 10-K for the financial year ended 2 December 2022, pages 40 and 42, accessed by the CMA on 23 November 2023.

Figma

Principal activities

- 2.13 Figma is a software development company founded in 2012 and headquartered in San Francisco, California, USA.¹⁸ Figma's worldwide turnover in 2022 was £[REDACTED] million (USD [REDACTED] million), of which £[REDACTED] million (USD [REDACTED] million) was generated in the UK.¹⁹
- 2.14 Figma offers two products: Figma Design; and FigJam.
- (a) Figma Design is a web-based collaboration tool for interactive product design. Its collaboration features enable multiple users to simultaneously design, wireframe and prototype interactive products with shared design systems, and developer handoff.²⁰
- (b) FigJam is a web-based shared whiteboarding space for free-form 'ideation' exchange of ideas and 'brainstorming'.²¹ Launched in beta version in April 2021, FigJam connects seamlessly with Figma Design, offering an integrated solution to its customers.²²
- 2.15 Figma is also expanding its product offering with Dev Mode, a product for developers to translate designs to code faster. [REDACTED]. Figma has submitted that [REDACTED].²³
- 2.16 Figma is also currently developing [REDACTED]. Figma submitted that [REDACTED].²⁴
- 2.17 Figma offers three paid plans for customers in relation to Figma Design and FigJam: Figma Professional; Figma 'Organization'; and Figma Enterprise.²⁵
- (a) Figma's Professional or 'Pro' subscription is used by mostly small professional teams (including designers). For Figma Design, this plan is priced at £11 a month per editor billed annually or £14 per editor on a monthly basis. For FigJam, this plan is priced at £3 a month per editor billed annually or £5 per editor on a monthly basis.
- (b) Figma's 'Organization' or 'Org' licences are typically for companies or groups of teams that want to centralise their users and content in Figma.

¹⁸ FMN; and Figma Internal Document.

¹⁹ Figma's response to the CMA's s109 notice.

²⁰ FMN.

²¹ FMN.

²² [Introducing FigJam | Figma Blog](#), accessed by the CMA on 23 November 2023.

²³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.28.

²⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.30(b).

²⁵ FMN.

This plan is priced at £40 a month per Figma Design editor, billed annually. For FigJam, this plan is priced at £5 a month per editor billed annually.

- (c) Figma's Enterprise or 'Ent' licensees include companies that want enhanced security or administrative features or those operating at a large scale with significant Figma deployment. This plan costs £70 a month per Figma Design editor, billed annually. For FigJam, this plan is priced at £5 a month per FigJam editor billed annually.

2.18 Figma Design and FigJam users can invite up to 500 collaborators to their files (of which 200 can be editors). Figma only charges fees for each editor in relation to the three paid plans listed above. There is also no limit on the number of customers that can be registered on Figma's platforms.²⁶

2.19 Figma also offers a free starter pack for Figma Design, with limited features.²⁷

Key financials

2.20 Table 2.4 shows Figma's revenues, gross profit, and [X] in the three years ended 31 December 2020, 2021, and 2022. [X].

Table 2.4: Figma's financial performance for the three years ended 31 December 2022

<i>USD million</i>	<i>2022</i>	<i>2021</i>	<i>2020</i>
Revenue	[X]	[X]	[X]
Cost of Revenue	[X]	[X]	[X]
Gross Profit	[X]	[X]	[X]
<i>Operating expenses</i>	[X]	[X]	[X]
Research and Development	[X]	[X]	[X]
Sales and Marketing	[X]	[X]	[X]
General and administrative	[X]	[X]	[X]
Total operating expenses	[X]	[X]	[X]
[X]	[X]	[X]	[X]

Source: Figma Internal Documents.

²⁶ FMN.

²⁷ FMN.

3. The Merger and the rationale

The Merger

- 3.1 The Merger will be affected pursuant to a sale and purchase agreement dated 15 September 2022, through which Adobe will acquire Figma's entire issued share capital, in exchange for approximately USD 10 billion in cash and approximately USD 10 billion in stock as well as the issuance of approximately 6 million new Adobe restricted stock units to certain Figma employees valued at USD [X] billion.²⁸
- 3.2 The Parties informed the CMA that the Merger is also the subject of ongoing review by competition authorities in the European Union, the United States, South Korea, and Japan.²⁹
- 3.3 Adobe and Figma had discussed a potential acquisition on at least three occasions since 2018.
- (a) The first discussion occurred in 2018, during a dinner between [X] (Figma's CEO and co-founder)³⁰ and [X] (then Adobe's Chief Product Officer and Executive Vice President, Creative Cloud).³¹
 - (b) The second discussion, which Adobe code named 'Project Fulham', occurred in early 2020 between [X] (Figma's CEO and co-founder) and [X] (then Adobe's Chief Product Officer and Executive Vice President, Creative Cloud), during which [X] on 2 April 2020.³²
 - (c) In March 2021, [X] (Figma's CEO and co-founder) met with [X] (Adobe's CEO) to discuss a potential acquisition of Figma by Adobe. Adobe code named the outreach 'Project Rand'.³³
- 3.4 However, these discussions did not progress beyond initial engagement.³⁴
- 3.5 On 4 March 2022, a 'meet and greet' meeting was held between [X] (Adobe's Executive Vice President, Corporate Strategy and Development,

²⁸ FMN; Adobe response to CMA phase 2 RFI; see Adobe Item, refers to 'Total Consideration' (USD [X] billion) and the 'Total Transaction Value' (USD [X] billion). The total consideration for the transaction is subject to customary closing adjustments.

²⁹ FMN.

³⁰ The job title we give to individuals in these Provisional Findings reflects what we understand to be their current title, which may be different from previous titles (including titles held at the specific time documents were created).

³¹ Figma Internal Document.

³² Parties' response to the CMA's request for information (RFI).

³³ Parties' response to the CMA's RFI.

³⁴ Parties' response to the CMA's RFI.

and Chief Marketing Officer) and [REDACTED] (Figma's CEO and co-founder) [REDACTED], where both parties met and spoke. [REDACTED] (Adobe's Executive Vice President, Corporate Strategy and Development, and Chief Marketing Officer) suggested [REDACTED] (Figma's CEO and co-founder) [REDACTED] (then Adobe's Chief Product Officer and Executive Vice President, Creative Cloud) [REDACTED].³⁵

- 3.6 Adobe submitted that it started active contemplation of the transaction in its current form in April 2022, following [REDACTED] (Figma's CEO and co-founder) expressing an openness to an acquisition to Adobe's [REDACTED] (Adobe, President of Digital Media), on 20 April 2022.³⁶
- 3.7 The Parties entered into a confidentiality agreement on 5 May 2022, and on 5 June 2022, a meeting took place between senior executives of Figma and Adobe to discuss [REDACTED]. On 19 June 2022, Adobe [REDACTED]. On 20 July 2022, the Parties agreed to the letter of intent (**LOI**) and entered into exclusivity up to [REDACTED], following which negotiations and due diligence were carried out through to 15 September 2022 when the sale and purchase agreement was signed.³⁷

Valuation

- 3.8 Adobe submitted that the purchase price reflects [REDACTED].³⁸
- 3.9 Adobe's DCF analysis of September 2022 estimated Figma's value to be between USD [REDACTED] billion and USD [REDACTED] billion. This combined a standalone value of Figma of between USD [REDACTED] billion and USD [REDACTED] billion with four types of synergies which represented an uplift in value of USD [REDACTED] billion, or approximately [REDACTED]% of standalone value.³⁹
- 3.10 At the time the transaction was announced in 2022, it represented around [REDACTED] times Figma's expected annual recurring revenues (**ARR**)⁴⁰ of USD [REDACTED] million for 2022, according to Adobe estimates (see Table 3.1 below). This would be the highest consideration ever paid by Adobe for an acquisition. Prior to this acquisition, the highest consideration Adobe had ever paid was USD 4.75 billion for Marketo in 2018.⁴¹

³⁵ FMN.

³⁶ FMN.

³⁷ Parties' response to the CMA's Phase 1 RFI.

³⁸ FMN.

³⁹ Adobe Internal Document.

⁴⁰ ARR represents Figma's Annual Recurring Revenue which is a metric that considers the annual subscription revenue generated by a firm's customer base rather than the revenue 'booked' with a customer during the year. For example, if a new customer was obtained paying USD 10 per month in December 2022 this would create USD 120 of ARR (12 times USD 10 per month) even if only USD 10 of revenue would be booked by the customer that year. See FMN.

⁴¹ [Adobe - Adobe to Acquire Marketo](#), accessed by the CMA on 23 November 2023.

- 3.11 In a Morgan Stanley note, according to [REDACTED],⁴² the purchase price represents: [REDACTED].⁴³
- 3.12 Adobe's share price fell by 17%, equivalent to USD 30 billion in market capitalisation, on the day the transaction was announced.⁴⁴ Broker commentary following the announcement of the Merger was generally negative due to concerns about the high premium as well as the perceived dilutive and defensive nature of the transaction. By way of illustration, a number of analysts' quotes are set out below:
- (a) [REDACTED].⁴⁵
 - (b) [REDACTED].⁴⁶
 - (c) [REDACTED].⁴⁷
 - (d) [REDACTED].⁴⁸
 - (e) [REDACTED].⁴⁹

Standalone valuation based on Figma's current business

- 3.13 Adobe used a Discounted Cash Flow (**DCF**) method of valuation to determine the standalone value of Figma. This is based on [REDACTED].⁵⁰
- 3.14 To determine the relevant cashflows for its valuation on a standalone basis, Adobe estimated the ARR and revenues expected to accrue from Figma as set out in Table 3.1 below.

Table 3.1: Adobe's projection of Figma's revenues to 2030

[REDACTED]

Source: Adobe Internal Document.

Note: Adobe submitted that [REDACTED]. Adobe's [REDACTED]. Adobe's response to the CMA's Phase 2 RFI.

- 3.15 Adobe noted that Figma had prepared a management case financial model which included an expectation to achieve an ARR of USD [REDACTED] million by [REDACTED]. Adobe adjusted the model [REDACTED] and forecasted an ARR of USD [REDACTED] million by

⁴² [Catalyst Partners – Independent investment bank that provides high impact strategic and financial advice](#), accessed on 23 November 2023.

⁴³ Adobe Internal Document.

⁴⁴ 'Home - Bloomberg DATA <GO>', accessed on 23 November 2023.

⁴⁵ Adobe Internal Document.

⁴⁶ Adobe Internal Document.

⁴⁷ Adobe Internal Document.

⁴⁸ Adobe Internal Document.

⁴⁹ Adobe Internal Document.

⁵⁰ A discount rate of [REDACTED]% was used for the DCF valuation. Adobe Internal Document.

(i) [REDACTED]; (ii) [REDACTED]; (iii) [REDACTED]; and (iv) assigning [REDACTED] to the possible associated revenues of Figma's planned launch of a developer focused tool, [REDACTED].⁵¹

Figure 3.1: Adjusted management case by customer type for Figma Design and expected ARR for FigJam

[REDACTED]

Source: Adobe Internal Document.

3.16 Adobe estimated that [REDACTED] of Figma's standalone ARR (around [REDACTED]%) will be generated from Figma Design.⁵²

3.17 DCF valuations generally indicate that the expected value in the business to be acquired is in the business's potential for growth and development. This is consistent with Adobe's internal documents which demonstrate [REDACTED].⁵³ In its DCF model, Adobe used a discount rate of [REDACTED]% and a terminal free cash flow of USD [REDACTED] billion (including synergies), representing the forecast cash inflow for 2030 multiplied by [REDACTED],⁵⁴ (which represents around [REDACTED]% to [REDACTED]% of the total valuation) as well as an average gross margin of around [REDACTED]%.⁵⁵

Synergies Adobe expects to arise from the Merger

3.18 Adobe identified the following four revenue synergies (see Table 3.2 below) as being key value drivers for the Merger:⁵⁶

- (a) Introduction of a new [REDACTED]: [REDACTED].⁵⁷ This synergy is estimated to generate USD [REDACTED] million (representing [REDACTED]% of the total revenue synergies) in [REDACTED].
- (b) [REDACTED]. This synergy is estimated to generate USD [REDACTED] million (representing [REDACTED]% of the total revenue synergies) in [REDACTED].
- (c) [REDACTED]. This synergy is estimated to generate USD [REDACTED] million (representing [REDACTED]% of the total revenue synergies) in [REDACTED].
- (d) [REDACTED]. This synergy is estimated to generate USD [REDACTED] million (representing [REDACTED]% of the total revenue synergies) in [REDACTED].⁵⁸

⁵¹ FMN; Adobe's response to the CMA's RFI.

⁵² Adobe Internal Document.

⁵³ Adobe Internal Document.

⁵⁴ Adobe said that this represented an estimated industry multiple. Adobe Internal Document.

⁵⁵ Adobe Internal Document.

⁵⁶ FMN; Adobe's response to the CMA's Phase 2 RFI; Response to TOH2 Working Paper; Adobe's Internal Document.

⁵⁷ [REDACTED]. FMN.

⁵⁸ Adobe in its valuation of Figma [REDACTED] (FMN; Adobe's response to the CMA's Phase 2 RFI; Adobe's Internal Document).

Table 3.2: Adobe's projection of synergies from the Merger

[REDACTED]

Source: Adobe Internal Documents. Adobe [REDACTED].

Note: [REDACTED]; Adobe's response to the CMA's Phase 2 RFI.

3.19 The total estimated present value of the synergies is USD [REDACTED] billion, representing an uplift of [REDACTED]% on the standalone value (see paragraph 3.9 above). These synergies arise from Adobe's existing market position and its ecosystem of products. We consider that similar types of synergies could potentially arise from the acquisition of other competitors, or from development by Adobe of its own all-in-one product design offering.

Comparable analysis

3.20 Adobe also performed a comparable analysis involving similar high growth software companies and selected precedent analysis. Adobe has previously used this type of analysis [REDACTED]. Adobe submitted that the purchase price of USD [REDACTED] billion was within the range implied by the comparator analysis and the DCF analysis (which included synergies).⁵⁹

The rationale

Parties' submissions

3.21 Adobe submitted that Figma prepared a total addressable market (**TAM**) analysis as part of Adobe's financial due diligence process which included a 2025 TAM of USD [REDACTED] billion, comprising around USD [REDACTED] billion for product design, around USD [REDACTED] billion for whiteboarding, and USD [REDACTED] billion for developer.⁶⁰

3.22 Adobe submitted that Figma [REDACTED] with a TAM of around USD [REDACTED] billion in the due diligence analysis, as the project was launched by Figma in Q4 2022.⁶¹

3.23 Adobe reviewed Figma's TAM and adjusted it to a TAM of around USD [REDACTED] billion for Figma which encompasses product design (with a TAM of around USD [REDACTED] billion), whiteboarding (with a TAM of around USD [REDACTED] billion), and developer (with a TAM of around USD [REDACTED] billion), which Adobe viewed as a cautious estimate at the time expecting the overall

⁵⁹ FMN; Adobe internal document.

⁶⁰ Adobe's response to CMA's RFI.

⁶¹ Parties' response to the Phase 1 Issues Letter.

2025 developer spend across developer tools to be around USD [REDACTED] billion).⁶²

- 3.24 Adobe submitted that Figma has strong capabilities within these areas with Figma being a leader in product design with web-based collaboration features. Hence, Figma's product design capabilities would complement Adobe's core product line.⁶³
- 3.25 The Parties submitted that Adobe's rationale for the Merger is to allow Adobe to:
- (a) offer Figma's web-based collaboration tools to a significantly larger customer base [REDACTED];
 - (b) use Figma's web-based collaboration technology to innovate new products and solutions for its customers; and
 - (c) improve Adobe's emerging social content creation application, '**Adobe Express**' [REDACTED].⁶⁴
- 3.26 There are internal documents that are consistent with the rationale stated above. For instance, a presentation to Adobe's board of directors in September 2022 highlights [REDACTED].⁶⁵
- 3.27 However, we note that some financial analysts/brokers ascribe a more defensive rationale for the Merger (see paragraph 3.12 above). Some internal evidence in Chapter 8 suggests acquiring Figma was an alternative option to further developing Adobe's product design software.⁶⁶ We also set out evidence in Chapter 9 that Adobe was threatened by Figma's ability and incentive to expand into vector editing and raster editing and that Figma considered that this was part of the rationale of the Merger.⁶⁷

⁶² Adobe's response to CMA's RFI; Adobe's Internal Document. Adobe submitted that a total addressable market (**TAM**) is defined broadly as the estimated dollar opportunity for an audience segment or a product or a service and is quoted as an annualised number for a given year. A total potential market (**TPM**) indicates the number of people who have a certain creative need. A TPM will generally refer to the maximum size of the opportunity for Adobe's products or services in a given year. Adobe's response to the CMA's s109 notice.

⁶³ Adobe's Internal Document.

⁶⁴ FMN. See also Adobe Internal Document.

⁶⁵ See, for instance, Adobe's internal documents.

⁶⁶ Adobe Internal Document.

⁶⁷ Among others, see Figma Internal Documents.

4. Relevant merger situation

- 4.1 In accordance with [section 36\(1\)](#) of the Act and pursuant to our terms of reference we are required to investigate and report on two statutory questions:
- (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of an RMS; and
 - (b) if so, whether the creation of that situation may be expected to result in a SLC within any market or markets in the UK for goods or services.
- 4.2 We address the first of these statutory questions in this section.

Enterprises ceasing to be distinct

- 4.3 The first element of the RMS test is whether arrangements in progress or contemplation will, if carried into effect, lead to enterprises ceasing to be distinct.⁶⁸
- 4.4 The Act defines an ‘enterprise’ as ‘the activities, or part of the activities, of a business’. A ‘business’ is defined as including ‘a professional practice and includes any other undertaking which is carried on for gain or reward or which is an undertaking in the course of which goods or services are supplied otherwise than free of charge’.⁶⁹
- 4.5 We have described the activities of Adobe and Figma in Chapter 2 above. In light of this, we are satisfied that Adobe and Figma are ‘businesses’ and that, therefore, they satisfy the definition of ‘enterprise’ in accordance with the Act.
- 4.6 [Section 26](#) of the Act provides that any two enterprises cease to be distinct if they are brought under common ownership or common control. The Merger is described in Chapter 3 above. On completion of the Merger, Adobe will acquire Figma’s entire issued share capital and Figma will therefore be brought under the common ownership and control of Adobe.

⁶⁸ [Sections 23](#) and [24](#) of the Act.

⁶⁹ [Section 129\(1\)](#) and [\(3\)](#) of the Act.

Jurisdiction test

- 4.7 The second element of the RMS test establishes whether a merger has sufficient connection with the UK on a turnover or share of supply basis to give the CMA jurisdiction to investigate.⁷⁰
- 4.8 In its most recent financial year ending 31 December 2022, Figma generated turnover of £[§] million in the UK.⁷¹ The turnover threshold set out at [section 23\(1\)\(b\)](#) of the Act is, therefore, not met.
- 4.9 Under [section 23](#) of the Act, the share of supply test is satisfied if the merged enterprises both either supply or acquire goods or services of a particular description in the UK, and will, after the merger, supply 25% or more of those goods or services in the UK as a whole, or in a substantial part of it. There must be an increment in the share of supply as a result of the merger.

Parties' submissions

- 4.10 During the phase 1 investigation, the Parties submitted 2022 global share estimates for interactive product design tools, which estimated a combined share of supply of [30-40%] (with an increment of [0-5%]).⁷² The Parties submitted that these global share estimates would not materially differ in the UK.⁷³
- 4.11 The Parties submitted that any increment brought about by Adobe XD represents a 'historic' increment based on Adobe's past activities that are being phased out.⁷⁴
- 4.12 The Parties also submitted global 2022 share of supply data for the narrower segment of *end-to-end* interactive product design tools which estimated a combined share of supply of [60-70%] (with an increment of [0-5%]).⁷⁵ The Parties submitted that, for the purposes of the substantive assessment, considering shares of supply on this basis would not be appropriate as customers mix and match between different types of interactive product design tools to create bespoke solutions.⁷⁶

⁷⁰ [Section 23](#) of the Act.

⁷¹ Figma response to CMA section 109.

⁷² FMN.

⁷³ FMN.

⁷⁴ FMN.

⁷⁵ The terminology describing interactive product design tools as either 'all in one' or 'end-to-end' is interchangeable and the CMA interprets 'all-in-one' and 'end-to-end' to be synonyms in this context. As detailed in Chapter 7, the CMA ultimately considers that the products monitored by the Parties are better defined as 'all-in-one product design tools for professional users', but for the purposes of its jurisdictional assessment has adopted the end-to-end interactive product design terminology used by the Parties in the FMN.

⁷⁶ FMN.

Our assessment

- 4.13 The CMA has a wide discretion when it comes to identifying a specific category of goods or services sold by the merging parties for the purposes of applying the share of supply test.⁷⁷ The CMA will have regard to any reasonable description of a set of goods or services to determine whether the share of supply test is met. The share of supply test is not an economic assessment of the type used in the CMA's substantive assessment; therefore, the description of those goods or services for the purposes of the share of supply test need not amount to a relevant economic market.⁷⁸ Instead, the share of supply test is to identify a merger, which involves a degree of overlap in commercial activity above a certain level, that warrants investigation by the CMA.⁷⁹
- 4.14 We note that the Parties proposed interactive product design tools as the basis on which to determine jurisdiction in phase 1 and have not made any additional representations on this point during the phase 2 investigation. In addition, we consider that end-to-end interactive product design tools are a reasonable description of goods or services within the meaning of [section 23](#) of the Act, in particular because the Parties' internal documents show a focus on monitoring products and competitors which provide this type of software.
- 4.15 In light of the above, our provisional view is that both interactive product design tools and end-to-end interactive product design tools constitute reasonable bases on which to calculate the Parties' shares of supply for the purposes of the share of supply test set out in [section 23](#) of the Act.
- 4.16 On either basis, the Parties' combined global share of supply – which the Parties submit is representative of their combined UK share of supply – exceeds 25%, with Adobe XD bringing about an increment. In this context, we do not consider that Adobe XD's shares should be disregarded as 'historic'. The increment brought about by Adobe XD is based on the 2022 revenues of a product that Adobe continues to offer commercially to customers, and we therefore consider it relevant for calculating the Parties' shares of supply.
- 4.17 Finally, as set out in Chapter 8, the CMA's estimates of the Parties' combined shares of supply in the relevant market also satisfy the jurisdictional threshold set out in [section 23](#) of the Act.

⁷⁷ [Section 23\(8\)](#) of the Act.

⁷⁸ [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2 revised\)](#), as amended on 4 January 2022, paragraph 4.59.

⁷⁹ [Sabre Corporation v Competition and Markets Authority \[2021\] CAT 11](#), paragraphs 144-145.

Jurisdiction test

- 4.18 In the light of the above, we have provisionally found that the Merger constitutes arrangements in progress or in contemplation which, if carried into effect, will result in the creation of an RMS.⁸⁰

⁸⁰ We also note that the Merger has not yet completed and, as such, the four-month time limit for an RMS in the Act is not engaged in the present circumstances (see [section 24](#) of the Act). Furthermore, we consider that applicable statutory time limits in relation to this reference have been complied with by the CMA (see sections [34ZA](#) and [73A\(1\)](#) of the Act).

5. Background for assessment and our evidence base

Industry background

- 5.1 This chapter sets out background information on the design software industry relevant to our assessment of how Adobe and Figma operate in the industry. It does not attempt to define a product market for the purposes of our competitive assessment (see Chapter 7).
- 5.2 Design software is used by a variety of users ie individual consumers and businesses to help create products and experiences for different purposes. Design software has a number of uses, including being used principally to design websites and mobile applications, as well as for creating the user interface of digital products such as video games, desktop application, fliers, banners, etc. Given the nature of software, the precise distinctions between different types of design software are not fixed.
- 5.3 The two broad groups of design software⁸¹ that are relevant to our assessment of this Merger are product design software (within the broader area of screen design) and creative design software.
- (a) Broadly, ‘product design’ software is used to create and design experiences that involve some degree of user interaction, such as websites or mobile applications, and which are built using various underlying creative assets (eg graphics, photographs, videos etc).
 - (b) ‘Creative design’ software is used to create and design visual media, either as standalone work (eg a photographic artwork or a video such as a movie) or underlying assets (eg a website graphic or app icon) which are then used in other design work such as websites, apps, or other digital marketing materials.

Screen design software

- 5.4 Screen design software can be used for work that involves varying degrees of sophistication: for example, the design process for a simple marketing email or website will by necessity include less complicated design work than the process for a multi-functional website or mobile application. We understand

⁸¹ In our assessment, our focus is on two-dimensional (2D) design software, this is where the Parties’ activities overlap, as Figma only offers 2D design software, whilst Adobe offers both 2D and three-dimensional (3D) software (eg [3D modelling software for 3D sculpting - Adobe Substance 3D](#)), accessed by the CMA on 23 November 2023.

that marketing design use cases are typically less sophisticated and product design use cases are typically more sophisticated.

- 5.5 Marketing design⁸² use cases are typically related to simple marketing emails, website landing pages, digital display ads, social media content, billboards and posters. Marketing design use cases require a range of tailored, easy-to-use functionalities for an efficient marketing design workflow, such as features relating to scheduling, running, and analysing marketing campaigns. The primary users of marketing design tools are marketing professionals, influencers, and small business owners.⁸³
- 5.6 Although, product design as noted above is for complicated use cases, product design software can also be used for the creation of 'on screen' marketing material, such as website landing pages and marketing emails.
- 5.7 As set out in paragraph 7.54, while the more advanced functionalities of all-in-one product design tools are typically needed for product design purposes, the evidence shows that these tools can also meet the less sophisticated requirements of marketing designers and may therefore be considered a suitable alternative by this user group. Although there is a degree of differentiation in terms of functionality and use cases between product design and marketing design software, there is evidence that use cases overlap to an extent.
- 5.8 The product design process includes graphical layouts (such as buttons, text, images, sliders, text entry fields, and other items) and a user experience/user interface (**UX/UI**) flow.⁸⁴ Product design can involve a set of standard design options, referred to in the industry, as a 'design system', to apply and maintain a set of consistent design and style guidelines (eg standard typography, colour, spacing, and components).

⁸² Marketing design use cases are for simple marketing emails, website landing pages, digital display ads, social media content, billboards and posters, [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.5.

⁸³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.9.

⁸⁴ FMN. The user interface (**UI**) is the point of human-computer interaction and communication in a device. This can include display screens, keyboards, a mouse and the appearance of a desktop. It is also the way through which a user interacts with an application or a website, [What is user interface \(UI\)? Definition from SearchAppArchitecture \(techtargget.com\)](#), accessed by the CMA on 23 November 2023. User experience (**UX**) design is the process design teams use to create products that provide meaningful and relevant experiences to users. UX design involves the design of the entire process of acquiring and integrating the product, including aspects of branding, design, usability and function, [What is User Experience \(UX\) Design? — updated 2023 | IxDF \(interaction-design.org\)](#), accessed by the CMA on 23 November 2023.

- 5.9 The primary users of product design tools are product designers, UX designers and UI designers, product managers, software developers, and other members of product teams involved in building digital products.⁸⁵

Product design software

All-in-one product design

- 5.10 Some product design software providers focus on one or more elements of the product design process, whereas others have expanded their functionality to offer all-in-one solutions. '**All-in-one product design**' software covers all five main stages,⁸⁶ namely (see below for a diagrammatic representation of the product design process):

- (a) '**Sketching**' is a preliminary step that involves outlining of ideas and concepts;
- (b) '**Wireframing**' involves the creation of wireframes, which are diagrams that represent the skeleton, user interface, and core functionality of an app or website;
- (c) '**Mockup**' involves the creation of high-fidelity diagrams which are representations of the finished product;
- (d) '**Prototyping**' involves the creation of digital 'sandboxes'⁸⁷, which look like the finished product, and are used to simulate and test user interactions; and
- (e) '**Handoff**' involves the creation of a document by the product designer(s) which has all details and digital assets (eg images or graphics) required to develop the end product. This process also involves providing the developer with the document for implementation.

⁸⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B2.9 and B2.11.

⁸⁶ FMN.

⁸⁷ A sandbox is an isolated testing environment that enables users to run programs or open files without affecting the application, system, or platform on which they run, [What is a Sandbox? Definition from Search Security \(techtarget.com\)](#), accessed by the CMA on 23 November 2023.

Figure 5.1: The product design process



Source: FMN.

- 5.11 Product design software can be web or desktop based. Web-based software, such as Figma Design, does not require users to download a programme and can be updated for all users simultaneously on the hosting server by the software's developers. Desktop-based software, such as Adobe XD and Sketch, must be installed on each user's computer and requires periodic updates by the user. If desktop based, the software can be available for several operating systems (notably Windows and Mac) (eg Adobe XD) or only for one (eg Sketch which is only available on Mac operating system).
- 5.12 Suppliers of all-in-one product design tools include Sketch, PenPot, Axure, UXPin, Uizard, Lunacy, and InVision. We provide more detail on these suppliers in our competitive assessment (see paragraphs 8.222 to 8.300).
- 5.13 For many customers, collaboration features are an increasingly important element of product design. The Parties state that the product design process requires a collaborative platform enabling designers, developers, engineers, and other stakeholders to work together to build, approve, and develop the final products.⁸⁸ Stakeholders typically involved in the design process often include: creative professionals (who provide images, video, or illustrations), developers (who code the designs into a website or app after the handoff

⁸⁸ FMN.

stage), product/project managers, an agency, and/or end customer (who commissions, oversees, and approves the project). Other collaborators include executives, researchers, product managers, copywriters, and engineers.⁸⁹

Whiteboarding

- 5.14 Whiteboards are web-based collaborative tools used to facilitate discussions and the exchange of assets and ideas by sketching on a shared digital space resembling a whiteboard. In the product design process, whiteboards are typically used at stage 1 of the process (please see paragraph 5.10(a)). Reflecting the importance of collaboration in the product design process, customers are increasingly using whiteboarding software. Whiteboarding tools are often referred to as ‘ideation’ or ‘brainstorming’ tools.⁹⁰
- 5.15 Whiteboarding includes features such as sticky notes, sketching, workshops, media, and user flows.
- 5.16 Whiteboarding software competitors include FigJam, Miro, Mural, and InVision, among others.⁹¹

Point tools

- 5.17 ‘**Point tool**’ software can address one or more of the five steps of the product design process (see paragraph 5.10 above).⁹² As such, designers using points tools would require either a combination of point tools or all-in-one product design software in order to design across the entire design workflow (ie from sketching to handoff). Point tool providers often offer integrations with other software, particularly with Figma, Sketch, and Adobe XD, and generally realise lower revenues than their all-in-one product design competitors.
- 5.18 Point tools include Abstract, Balsamiq, Frontify, Justinmind, Miro, Origami, Principle, ProtoPie, and Zeplin. We provide further detail on these tools in paragraphs 8.301 to 8.320.

No-code/low-code website builders

- 5.19 Product design tools typically do not create applications or websites directly, but rather give designers and developers an idea of how the final product will look and work. However, there are product design tools that skip steps in the

⁸⁹ FMN.

⁹⁰ FMN.

⁹¹ FMN.

⁹² Parties’ response to the phase 1 Issues Letter.

five-step product design process and give designers and developers the look and feel of the final product. These '**No-code/low-code website builders**' provide professional templates to users wishing to design websites with little or no code at all.⁹³ We provide further detail on no code/low code tools in Chapter 8 below.

- 5.20 Suppliers of no-code/low-code tools include Framer, Webflow, Squarespace, Retool, and v0. We provide further detail on these tools in paragraphs 8.321 to 8.346.

Non-professional/prosumer tools

- 5.21 **Non-professional or 'prosumer' tools** include software that offers some product design functionalities, but are typically used for less sophisticated use cases, for example photo and video editing for social media. They are designed to be used by non-professional consumers.
- 5.22 An example of a prosumer tool is Canva, an application used for photo and video editing as well as for the creation of simple template-based marketing materials. We provide more detail on prosumer tools in paragraphs 8.347 to 8.355.

Brief history of product design

- 5.23 Product design is a relatively new market whose creation was being fuelled by the advent of the digital economy.⁹⁴ It is a dynamic market involving continuous product development and innovation.
- 5.24 Prior to the launch of dedicated interactive product design tools around 2010, designers used non-purpose-built tools.⁹⁵ This included (among others) Photoshop⁹⁶ and Illustrator.
- 5.25 In 2010, Dutch company Sketch BV launched the first purpose-built software for product design, named Sketch. Sketch was (and is still) only available on Mac operating systems. In 2011 InVision launched its own software that was targeted to product designers. (Invision has since exited the product design market.)⁹⁷ Figma was founded in 2012, and Figma Design was launched on general release in 2016. Adobe XD was also launched in 2016.⁹⁸

⁹³ FMN.

⁹⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B6.3 and B6.4.

⁹⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B6.2.

⁹⁶ Third-party call note.

⁹⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B6.4.

⁹⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B6.4 and B6.5.

The Parties' product design offerings

- 5.26 Both Figma and Adobe offer all-in-one product design software for professional users:
- (a) '**Figma Design**' is Figma's product design tool.⁹⁹ Launched in December 2015 (on an invite only basis, with a public release in September 2016), Figma Design is a web-based all-in-one product design software.
 - (b) '**Adobe XD**' is Adobe's desktop-based all-in-one product design software that was introduced in March 2016, was sold to new customers as a standalone product until April 2023, and is still offered commercially as part of the Creative Cloud All Apps (**CC All Apps**) offer.^{100,101,102}
- 5.27 In addition to the Adobe XD offering, Adobe had been p project in development from June 2020 to September 2022 to develop a web-based, product design software. The project was renamed several times: first 'Project Fred' or 'CC Web', then 'CC Canvas', and finally 'Project Spice'.¹⁰³ For ease of reference, we refer to all these development plans as '**Project Spice**'.
- 5.28 Figma has been working on expanding its product design offering with Dev Mode, a product for developers to translate designs to code faster. [X].¹⁰⁴

The Parties' whiteboarding and other offerings

- 5.29 Figma also offers a whiteboarding software, '**FigJam**'. Launched in beta version in April 2021, on its website, Figma says that FigJam 'works seamlessly with Figma [Design]', offering an integrated solution to its customers.¹⁰⁵
- 5.30 Adobe submitted that it has no meaningful presence in whiteboarding and only offers a plugin for Adobe XD which had fewer than [X] users in December 2022.¹⁰⁶
- 5.31 Figma is also currently developing [X]. Figma submitted that [X].¹⁰⁷

⁹⁹ [Free Design Tool for Websites, Product Design & More | Figma](#), accessed by the CMA on 23 November 2023.

¹⁰⁰ FMN.

¹⁰¹ Adobe's response to the CMA's s109 notice.

¹⁰² [Creative Cloud pricing and membership plans | Adobe Creative Cloud](#), 'plan & pricing details', accessed by the CMA on 23 November 2023.

¹⁰³ FMN.

¹⁰⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.28.

¹⁰⁵ [Introducing FigJam \(figma.com\)](#), accessed on 23 November 2023.

¹⁰⁶ FMN.

¹⁰⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.30(b).

Creative design software

- 5.32 Designers use certain software to create or enhance assets such as images, illustrations, or videos for both screen and print/off-line uses. The following products are relevant for our assessment and are together referred to as ‘creative design’ software.
- (a) ‘**vector editing**’ software is used for creating content, such as logos, icons, brand graphics, marketing materials, and illustrations;¹⁰⁸
 - (b) ‘**raster editing**’ software is used for point-based image editing and compositing (eg adjusting or retouching photos);¹⁰⁹
 - (c) ‘**video editing**’ software is used for video asset assembling (eg cutting, arranging, and enhancing already available materials) to create video content; and
 - (d) ‘**motion design**’ software is used for creating motion graphics and visual effects to video content.¹¹⁰
- 5.33 Each creative design software can be used by a wide range of users depending on the requirements of the user. For example, professional filmmakers, designers, content creators, and hobbyists might use video editing software. Also, a creative design software could be used for multiple use cases with some software substitutable for some uses but not for others.¹¹¹
- 5.34 The creative design software markets are dynamic markets involving continuous product development and innovation.¹¹² Competition takes place both on current products (eg on price, quality, fixes of technical problems, etc) and also on the development of new products.¹¹³
- 5.35 Some customers use both product design software and creative design software in their workflows. Customers might create an asset using creative design software (eg an edited high-resolution photo), which they then use as an input into product design software.

¹⁰⁸ Also referred to as vector graphics.

¹⁰⁹ Also referred to as image editing or photo editing.

¹¹⁰ Also referred to as motion graphics, compositing, and animation.

¹¹¹ FMN.

¹¹² [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph 1.32.

¹¹³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs 1.33 and 2.1.

Parties' creative design offerings

Adobe

- 5.36 Adobe's Digital Media offering includes the Creative Cloud, a cloud-based subscription allowing members to use its creative products. This is different to CC Web, which was one of the terms used for Project Spice (see paragraph 5.27 above).
- 5.37 Adobe's creative toolset consists of a range of products, including but not limited to the following:
- (a) '**Illustrator**' is a vector editing tool used by creative professionals, such as graphic designers, as well as other types of users. It is used to design precise and infinitely scalable graphics such as logos, icons, and typographies. It is a purpose-built software for illustration and vector asset creation. Illustrator was released by Adobe in 1987 and revolutionised graphic design. Illustrator remains one of Adobe's premier products.¹¹⁴
 - (b) '**Photoshop**' is a raster editing tool used to edit and enhance images, graphics, and art. Photoshop is a tool used by commercial photographers and graphic designers, as well as a wide range of other types of users (eg hobbyists, communicators, students, etc). Photoshop is a purpose-built software for image editing and compositing. Photoshop was created in 1987 and was sold to Adobe the next year. According to Adobe, over 90% of the world's creative professionals use Photoshop.¹¹⁵ The word 'to photoshop' became a verb meaning to 'manipulate an image' in the 1990s and in 2008 the Merriam-Webster dictionary included 'photoshop' to its dictionary.¹¹⁶
 - (c) '**Premiere Pro**' is a video editing tool used by video editors, such as film studios, TV production and other professional digital content producers, as well as other types of users. It is a desktop based non-linear video editing tool used to create video content from social media video clips to feature films.¹¹⁷ Premiere was acquired by Adobe in 1991 while it was still in beta testing and was one of the first non-linear editors on the market. It

¹¹⁴ [Adobe Illustrator | Definition, History, & Facts | Britannica](#), accessed by the CMA on 23 November 2023.

¹¹⁵ [Adobe fast facts](#), accessed by the CMA on 23 November 2023.

¹¹⁶ [How photoshop became a verb - The Verge](#), 19 February 2020, accessed by the CMA on 23 November 2023.

¹¹⁷ Non-linear editing is an editing process that enables the editor make changes to a video or audio project without regard to the linear timeline, [What is Non-Linear Editing](#), accessed by the CMA on 23 November 2023.

became Premiere Pro in 2005. Premiere Pro has become an industry-standard video editing tool.¹¹⁸

(d) '**Frame.io**' is an application for professional film editors with real-time upload, review and approval, frame-accurate commenting and annotations on large video files. It was developed in 1994. Adobe purchased Frame.io in 2021 for USD 1.28 billion.^{119,120}

(e) '**After Effects**' is a motion design tool used to enhance videos, animate film titles, edit audio, and create animated graphics. It was created in 1993 and ultimately acquired by Adobe in 1994.¹²¹

5.38 Adobe's creative design products are considered leaders in their respective markets. In particular in vector and raster editing, Adobe enjoys a long-standing unrivalled market position.

5.39 Adobe supplies its software both on a standalone basis and as part of bundles. Adobe's most popular bundle, CC All Apps, is a bundle of products which includes all the software supplied by Adobe's Digital Media segment, including Illustrator, Photoshop, Premiere Pro, and After Effects.¹²²

5.40 [X] customers, and [X], purchase the CC All Apps bundle. As such, Adobe's revenues [X] from sales of this bundle. The revenue from CC All Apps bundle accounts for [X]% of all Creative Cloud revenue in the financial year 2022 and is around [X] than the standalone sales of Photoshop, Illustrator, Premiere Pro, and After Effects combined ([X]).¹²³

5.41 Adobe's offerings are available standalone but there is some interoperability and there are integration capabilities between them that means they can be effectively used together. For example, one customer explained that a designer working entirely within Adobe's ecosystem can interact between software through shared libraries (eg assets, colour palettes, etc).¹²⁴ Further detail on Adobe's competitive position in the market is provided in Chapters 8 and 9.

¹¹⁸ A Brief History of Premiere Pro (and Fun Facts for my Fellow Video Nerds) - (toolfarm.com), 19 January 2022, accessed by the CMA on 23 November 2023.

¹¹⁹ FMN.

¹²⁰ Adobe buying Frame.io in \$1.28B deal | TechCrunch, 19 August 2021, accessed by the CMA on 23 November 2023.

¹²¹ What is Adobe After Effects? (schoolofmotion.com), accessed by the CMA on 23 November 2023.

¹²² CC All Apps bundle also includes Adobe XD (a product design software) and Dreamweaver, which the Adobe submits are both in maintenance mode.

¹²³ Adobe's Internal Document.

¹²⁴ Third-party call note.

Figma

- 5.42 Figma currently does not have standalone creative design software that competes with Adobe's products. However, Figma currently offers some creative design functionalities as part of its product design software, Figma Design.
- 5.43 Figma Design has vector editing capabilities for simple use cases. For instance, customers can use Figma to draw icons and shapes (the most common kind of vector), spot illustrations and infographics.¹²⁵ Figma does not support, however, more advanced artwork or illustrations.¹²⁶
- 5.44 Figma Design also offers simple raster editing capabilities, such as adjusting exposure or contrast, or adjusting the size and shape of images.¹²⁷ However, Figma's raster editing capabilities do not allow for pixel manipulation, the application of artistic effects in images or the creation of advanced image content.¹²⁸
- 5.45 Figma Design offers simple video editing capabilities, such as scaling and adjusting dimensions.¹²⁹ Figma's video editing capabilities relate specifically to allowing Figma users to import videos into Figma's software, crop them and play them back, however, there is no ability within Figma Design for users to edit the video.¹³⁰
- 5.46 Figma Design offers simple motion design functionalities, such as animating changes in size between frames or applying a transition effect when changing between images.¹³¹ Figma users cannot, however, make or export motion design assets (for example adding animations to websites and presentations, as well as creating custom animated elements).¹³²

Extensions

- 5.47 Extensions offer additional functionality beyond what has been developed by the software supplier. In particular, Figma's offering in product design and

¹²⁵ A spot illustration is an object that stands on its own, without a background scene, [Illustration Types: What is a Spot Illustration? - Aeolidia](#), updated on 27 October 2022, accessed by the CMA on 23 November 2023; an infographic (information graphic) is a representation of information in a graphic format designed to make the data easily understandable at a glance, [What is an infographic? – TechTarget Definition](#), updated in February 2023, accessed by the CMA on 23 November 2023.

¹²⁶ Parties' response to the European Commission's RFI.

¹²⁷ [Figma design – Figma Help Center](#), accessed by the CMA on 23 November 2023.

¹²⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.6.

¹²⁹ [Add video to prototypes – Figma Help Center](#), accessed by the CMA on 23 November 2023.

¹³⁰ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.7.

¹³¹ [Create advanced animations with smart animate – Figma Help Center](#), accessed by the CMA on 23 November 2023.

¹³² [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.8.

creative design can be enhanced using extensions. There are different implementations of this added functionality, and different terminology may be used. The most relevant type of extension today in expanding Figma's capability in these markets is called a '**plugin**', which typically enables more advanced functionality than alternatives such as 'widgets'.¹³³ However, for simplicity, we refer to all additional functionality that is not typically developed by the supplier itself as **extensions**, where it is not necessary to be more specific.

- 5.48 Figma extensions are created by the Figma community of users and typically extend the functionality of Figma's editors. Figma's extensions currently enable some vector and raster editing in Figma Design. Some extensions are free to use (for example Iconify, Unsplash, Lorem Ipsum), while some other extensions require payment (for example Material Design Icons, Remove BG, Icons8, Autoflow, Mockup).¹³⁴ Figma earns a commission for the extensions that are monetised on its platform.¹³⁵
- 5.49 Adobe also allows for the use extensions in their creative software. Adobe submitted it encourages interoperability and allowing third parties to build plugins for its products increases the utility of its products for creative professionals given that they work with a wide range of assets, digital software tools and collaborators.^{136,137} We set out the Parties' use of extensions in paragraphs 8.17 and 9.75 to 9.82. There are a number of companies that have developed extensions for Adobe's products including Zeplin, Mural, and ongoing integration work with Wix.¹³⁸
- 5.50 Competitors also offer extensions. For example, Affinity's extensions include additional vector and raster brushes,¹³⁹ and Sketch's extensions include an image background removal tool.¹⁴⁰

¹³³ For completeness, Figma today lists three types of extensibility on its website. The first are called plugins which provide functionality such as generating content or ideas with AI. The second are called 'widgets' by Figma: in their current form, these provide functionality such as voting or emojis. The third are called a Representational State Transfer Application Programming Interface, which can help with tasks such as data access. [Compare the Figma APIs](#), accessed by the CMA on 23 November 2023. Adobe also appears to refer to plug-ins, add-ons and extensions: see [Photoshop add-ons \(plug-ins and extensions\)](#), last updated on 24 May 2023, accessed by the CMA on 23 November 2023.

¹³⁴ [Introduction | Plugin API \(figma.com\)](#), accessed by the CMA on 23 November 2023; [Powerful Plugins Made Just For Figma](#), accessed by the CMA on 23 November 2023.

¹³⁵ Figma's response to the CMA's section 109 notice; Figma Internal Documents.

¹³⁶ [Adobe Creative Cloud -Make more, better, smarter, together \(Adobe.com\)](#), accessed by the CMA on 23 November 2023.

¹³⁷ FMN.

¹³⁸ FMN.

¹³⁹ See [A guide to installing add-ons in Affinity apps \(serif.com\)](#), accessed by the CMA on 23 November 2023.

¹⁴⁰ [Sketch Plugins - Download Hundreds of Plugins](#), 28 February 2023, accessed by the CMA on 23 November 2023.

Other suppliers

- 5.51 There are a number of other suppliers in the creative design category. For example, other suppliers in the vector editing space include Affinity, Corel, Canva, Inkscape and Sketch. Other suppliers in the raster editing space include Affinity, Corel, GIMP, Pixelmator and Picsart.
- 5.52 We look at these suppliers in more detail in our competitive assessment (Chapter 9) and Appendix F.

Emergence of Artificial Intelligence (AI)

- 5.53 The Parties submitted that in the creative design space, AI has been adding significant value to the user experience, with its use being developed and deployed for digital asset generation and editing.¹⁴¹ The Parties submitted that although the precise parameters of AI's application to product design and development was unclear, competitors like Lunacy, Uizard, and Framer have already been experimenting with AI solutions. The Parties expect that sophisticated digital products may eventually be generated in code using text prompts.¹⁴²
- 5.54 The Parties submitted that Adobe has been developing AI based innovation for [✂] and has deployed various AI-driven functionalities across its products, including Content-Aware Fill¹⁴³ (which can be used to remove unwanted objects from pictures) and Generative Fill¹⁴⁴ (which can be used to add, remove or expand content in images in Photoshop).¹⁴⁵ Adobe has also just recently launched a new generative AI feature for Illustrator in June 2023, called Generative Recolor which helps with viewing colour variants in vector artwork faster.¹⁴⁶ Adobe has recently deployed a family of creative generative AI models, known as Firefly, which is used for content generation and editing.¹⁴⁷
- 5.55 Figma recently added AI features to FigJam which helps with generating templates and creating visual timelines faster.¹⁴⁸

¹⁴¹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph C4.11.

¹⁴² Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B2.24.

¹⁴³ Content-Aware Fill workspace in Photoshop (adobe.com), updated on 18 August 2023, accessed by the CMA on 23 November 2023.

¹⁴⁴ Generative Fill - online & desktop - Adobe Photoshop, accessed by the CMA on 23 November 2023.

¹⁴⁵ Parties' response to TOH2 working paper.

¹⁴⁶ Generative Recolor - AI in Illustrator - Adobe, accessed by the CMA on 23 November 2023.

¹⁴⁷ Adobe Firefly – Generative AI for everyone, accessed by the CMA on 23 November 2023.

¹⁴⁸ Introducing AI to FigJam | Figma Blog, 7 November 2023, accessed by the CMA on 23 November 2023.

Consideration of evidence

5.56 In the following paragraphs, we briefly set out the sources of evidence we have considered during our investigation. We then set out our approach to the assessment of certain types of the Parties' evidence – in particular, internal documents, oral evidence and quantitative analysis as well as our approach to third-party questionnaires.

Evidence considered in this investigation

5.57 In assessing this Merger, we have looked at a wide range of evidence including evidence from the Parties and third parties. In reaching our provisional decisions, we have tested the evidence rigorously, and considered it in the round taking into account the context in which the evidence was produced when deciding how much weight to give it.

Parties' submissions and evidence

5.58 We received a significant volume of evidence from the Parties, including:

- (a) over 3 million internal documents in response to our requests for information and those of the US Department of Justice (**DOJ**). These documents were, for the most part, contemporaneous documents created in the ordinary course of business.
- (b) depositions given to the DOJ, and
- (c) quantitative analysis in the form of market shares and switching and overlap analysis.

5.59 The Parties also have at several occasions made submissions directly to the CMA and other authorities investigating this Merger and provided comments on our emerging thinking throughout the investigation (see Appendix B). This included written as well as oral submissions made directly to the CMA in the context of site visits, formal hearings and informal meetings and presentations to the case team.

Internal documents and oral evidence

- *Parties' submissions*

5.60 The Parties have made a number of submissions regarding our appraisal of evidence in this case and have submitted that our approach to the interpretation of certain documents was incorrect.

5.61 In particular, the Parties submitted that:

- (a) We should give less weight to internal documents that are not probative of corporate intent, in particular documents authored by personnel who are not strategic decision makers – of which there are only two¹⁴⁹ – and documents that are contradicted by other or more recent documents, actual corporate decisions or other relevant evidence (including testimony given under oath and oral evidence given to date to the CMA with the appropriate warnings as to the relevant statutory offences).¹⁵⁰ In particular, in the absence of corroborative evidence of concrete corporate action, ‘brainstorming’ and exploratory documents should not be treated as probative evidence of corporate intent.¹⁵¹ Additionally, the Parties submitted that corporate intent is most accurately evidenced by (i) executive and board communications; (ii) resource allocation; and (iii) available sworn testimony from executives.¹⁵²
- (b) When assessing the relevance and weight to be attributed to internal documents, we should read documents in context and in conjunction with the realities of the Parties’ business decision-making as well as other evidence (including executive testimony)¹⁵³ and we should not appraise documentary evidence selectively and on an inconsistent basis, including by cherry-picking isolated extracts from documents.¹⁵⁴
- (c) We should not draw adverse inferences from the absence of documentary evidence on a particular topic, particularly when other robust evidence is available (such as investment and resourcing decisions made and concrete corporate actions taken).¹⁵⁵ In particular, the Parties argued that it is a well-established legal principle that adverse inferences cannot be drawn from an absence of contemporaneous documentation unless the lack of documentation is conspicuous.¹⁵⁶
- (d) We should accord substantial weight to oral evidence provided directly to the CMA and testimony given under oath to the DOJ by senior decision makers at Adobe and Figma (which in the case of oral evidence is not

¹⁴⁹ According to the Parties, there is only one such strategic decision-maker for each party: for the Adobe Digital Media business, the executive with responsibility for making these strategic decisions is [X] (Adobe, President of Digital Media) and for Figma, it is [X] (Figma’s CEO and co-founder) (Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 2.3).

¹⁵⁰ Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 1.2(a).

¹⁵¹ Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 2.5(a).

¹⁵² Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 2.6.

¹⁵³ Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 2.9.

¹⁵⁴ Parties’ response to working papers.

¹⁵⁵ Parties’ response to working papers and Parties’, Evidence Appraisal Paper, 14 August 2023, paragraph 1.2(c).

¹⁵⁶ Citing *Wetton (as liquidator of Mumtaz Properties Ltd) v Ahmed* [2011] EWCA Civ 610, paragraph 14, and *Stagecoach v Competition Commission* [2010] CAT 14, paragraphs 111 and 131(d).

limited to the [X] (Adobe, President of Digital Media) and [X] (Figma's CEO and co-founder) as argued by the Parties in relation to internal documents),¹⁵⁷ in particular where this testimony has been corroborated directly to the CMA following questioning of the same executives during the Main Party Hearings.¹⁵⁸

- *Our approach to internal documents*

- 5.62 The CMA receives many submissions from merging businesses and other market participants during the course of its merger investigations, which seek to explain how competition works in a particular industry and what the impact of a merger will be. While these provide helpful background and add to the CMA's overall understanding, it is important that the CMA tests those statements made by firms and individuals that have an interest in the outcome of the CMA's investigation. One way of doing so, is by comparing these submissions to statements made in internal documents produced before the merger was contemplated.
- 5.63 Internal documents are an important source of evidence of what businesses are really thinking and what their future development steps are. This is particularly true in respect of documents created in the ordinary course before a merger was in contemplation because such documents cannot have been influenced by merger-related considerations.
- 5.64 Also, CMA guidance recognises that where the assessment of a merger relates to markets which are characterised potential or dynamic effects that are particularly dependent on the evolution of competitive conditions, the types of evidence that are available to the CMA may be more restricted; in such cases, the CMA may place particular weight on internal documents and the views and expansion plans of market participants.¹⁵⁹
- 5.65 In line with CMA guidance, we have weighed different pieces of evidence as appropriate in the circumstances, depending on the relative quality of such evidence.¹⁶⁰ Among the large number of documents that we obtained from the Parties, we identified documents containing information and discussions relating to a range of themes that are of importance to our investigation. By

¹⁵⁷ [Parties', Evidence Appraisal Paper](#), 14 August 2023, paragraph 1.2(d). The Parties submitted that the CAT recently recognised the value of oral evidence in [BGL \(Holdings\) Limited & Others v CMA \[2022\] CAT 36](#), paragraph 234 ([Parties', Evidence Appraisal Paper](#), 14 August 2023, paragraph 4.1).

¹⁵⁸ Parties' response to working papers.

¹⁵⁹ [Merger Assessment Guidelines \(CMA129\)](#), 18 March 2021, paragraph 2.28.

¹⁶⁰ [CMA129](#), paragraph 2.25.

way of summary, the evidence base we have drawn from internal documents includes evidence on:

- (a) The meaning of 'screen design', 'product design', and 'marketing design', including similarities and differences in software, use cases and competitor sets.
- (b) The strength of Adobe XD in the market and its features, including reports from Adobe's [X].
- (c) The meaning of 'maintenance mode', whether and how it affected Adobe XD and the steps Adobe took to communicate its decisions, both internally and to its customers.
- (d) The Parties' competitive interactions, including internal team meetings, discussions and research on each other's software and their users.
- (e) Adobe's perception of a threat from Figma to its flagship creative design products.
- (f) Figma's technical ability and incentive to expand its products by further developing its vector editing tool and/or develop a vector, raster, video or motion editing software, including letters to the board, brainstorming files, acquisition plans, and internal notes and discussions.
- (g) Competitive constraints on the Parties and their products, including from all-in-one tools, point tools, low code / no code website builders, prosumer tools, and visual interface builders.
- (h) Plans for future software development, including financing, resource allocation, internal discussions and decision-making.
- (i) Development plans, roadmaps and timelines for Project Spice, including their connection with Adobe XD and its cancellation.

5.66 In our review of these internal documents, we took care to interpret them in their context and considered the purpose and effect of the internal document. In deciding what weight to attach to internal documents we considered a number of factors, including the identity and role of the staff that prepared, sent, or received them. We have sought to rely on documents produced by or for senior decision-makers within the Parties' businesses. In determining who these decision-makers are, we took into account their roles and seniority within the Parties' respective businesses. However, we have also considered as probative, evidence from senior staff employed in certain teams or divisions of the Parties' businesses (for instance corporate development or

product development teams) where relevant to our assessment. This is in particular the case if these staff were responsible for the day-to-day running of product development and execution of projects and decisions in line with the direction of senior executives and would have direct knowledge if decisions have been communicated to the respective internal teams as well as to customers.

- 5.67 In line with CMA guidance, where internal documents support claims being made by merger firms, we considered whether those documents were generated prior to the period in which the Parties were contemplating the Merger (on the timeline of the Merger, see Chapter 6) and whether the author of the document was aware of the Merger discussions. In particular, we have placed weight on documents produced in the period before Merger discussions commenced as these would be more likely to offer relevant insights into the pre-Merger competition between the Parties, competitive conditions generally and future strategic plans of the Parties. We also considered whether documentary evidence was consistent with other evidence and attached more weight where this was the case.¹⁶¹
- 5.68 In assessing the weight we can give to internal documents that, according to the Parties, merely reflect high-level ‘brainstorming’ we have considered whether (i) these documents are consistent with other evidence; (ii) whether the Parties have provided documentary evidence that senior decision-makers had opposing views (to those presented in the documents) or thought that the documents were purely hypothetical, or intended to be as such, and (iii) whether the documents themselves include any references to being aspirational for the purposes of ‘brainstorming’ ideas or not intended to inform strategic decision-making.
- 5.69 In relation to the Parties’ submission about adverse inferences being made from the absence of documentary evidence, we note that our assessment and any inferences made are based on our in-the-round appraisal of the Parties’ internal documentary evidence (and other available evidence) and not merely from the absence of documentary evidence. We consider this approach is in line with our legal duties¹⁶² and CMA guidance.¹⁶³

¹⁶¹ CMA129, paragraphs 2.29 and 2.30.

¹⁶² *BAA Limited v Competition Commission* [2012] CAT 3, paragraph 20. In particular, with regard to the Parties’ reference to the CAT judgment in *Stagecoach v Competition Commission* [2010] CAT 14, we note that in this case, the Tribunal found that a reasonable decision maker can reject witness evidence if there is a firm basis for doing so in the contemporaneous documents or in other conflicting witness evidence that is preferred or if the witness evidence is inconsistent, inherently implausible or inexplicable for some other reason.

¹⁶³ CMA129, paragraph 2.25.

5.70 In respect of the Parties' detailed submissions regarding our interpretation of certain internal documents, we have considered these carefully. The commentary above sets out our general reasons for relying on these documents in the way that we have in our assessment. We have also added additional clarification on our views on certain documents as necessary throughout our assessment. Finally, for completeness, we have assessed the Parties' submissions on specific internal documents referred to in our working papers (see Appendix E), taking into account the nature of the statements made in documents, the interests of the relevant party in suggesting an alternative interpretation, and the consistency of any alternative interpretations with other documents and evidence.

- *Our approach to oral evidence*

5.71 In relation to oral evidence, we have reviewed transcripts of oral statements given by certain of the Parties' executives to the US DOJ in sworn depositions. We have also heard oral statements made directly to us during the course of our investigation, including in teach-ins, site visits and in the main party hearings. We have considered these carefully, including how statements made in depositions and to us align with other evidence such as contemporaneous evidence (particularly from before the Merger was in contemplation) from the Parties' internal documents.

5.72 We recognise the value of oral evidence and sworn testimony and we have placed weight on it, in particular when it is supported by other evidence, including internal documents.¹⁶⁴

5.73 Oral evidence provided within the context of merger investigations (either during formal hearings with the CMA or in the course of other regulators' proceedings) is necessarily given after the merger is in contemplation. This is in contrast to ordinary course of business internal documents pre-dating a merger, for example, which provide a contemporaneous record of those matters which cannot be influenced by merger considerations. For that reason, we have sought to attach weight to oral evidence where it was supported by contemporaneous evidence. In this context therefore, we did not

¹⁶⁴ In this regard, we note in particular the Parties' references to the CAT's judgment in [BGL \(Holdings\) Limited & Others v CMA \[2022\] CAT 36](#), paragraphs 232-234. We consider that our approach of assessing the totality of the evidence in the round whilst accounting for the context of each source of evidence is in line with the CAT's statements in this case. We note that the judgment was concerned with the extent to which documentary evidence, if unsupported by witness evidence is of diminished or lesser weight for that reason. We do not consider that the judgment establishes that witness evidence is of greater value if it contradicts contemporaneous documentary evidence and note that the judgment states that in some cases courts and tribunals may often prefer documentary evidence to witness evidence (paragraph 232). The judgment also highlights that 'the choice as to what evidence the CMA adduces is for it, and it is for the CMA to take a critical eye in relation to what it must do to make its case good' and that 'the evidence is to be viewed in the round' (paragraph 235).

consider that oral statements by the same executive which were made to the DOJ and repeated to us (or vice versa) as constituting supporting contemporaneous evidence. We also note that corroboration, to the extent required, should be provided by independent sources.¹⁶⁵

- 5.74 In addition, oral evidence provided during a merger investigation can be often incomplete, for instance because it might depend on recalling past events.¹⁶⁶ The Parties have submitted that the oral evidence from senior executives is probative, for example as it deals with recent events in Adobe's history.¹⁶⁷ Notwithstanding this, we note that senior executives were [REDACTED] unable to recall relevant information. For instance, in their DOJ depositions, [REDACTED] (Senior Director of CC Product Marketing), [REDACTED] (Chief Product Officer of Creative Cloud) (both of Adobe) and [REDACTED] (Figma's CEO and co-founder) responded on a large number of occasions that they could not recall an event or matter in question.

Quantitative evidence

- 5.75 The Parties have submitted that we should place weight on econometric analysis and evidence on customer preferences and behaviour as relevant evidence for assessing the theories of harm.¹⁶⁸ According to the Parties, this is relevant evidence even in the context of assessing dynamic theories of harm because, the Parties submitted, case law has recognised that market dynamics and the Parties' strategic response to them (both today and looking to the future) must be the 'starting point' for any forward-looking analysis.¹⁶⁹

¹⁶⁵ This is in line with case law, in the context of both civil and criminal law proceedings, which has confirmed that corroborating evidence must be independent; thus the previous statement of a witness cannot corroborate his sworn evidence. *R v Christie* [1914] AC 545, HL; *R v Evans* [1924] 18 Cr App Rep 123, CCA; *R v Whitehead* [1929] 1 KB 99, CCA; cf *Milne v Leisler* [1862] 7 H & N 786; *R v Fowkes* [1856] Times, 8 March (statements part of res gestae); *O'Gorman v O'Gorman* [1912] 56 Sol Jo 634; *Stephenson v River Tyne Improvement Comrs* [1869] 17 WR 590.

¹⁶⁶ A number of case judgments have set out guidance as to how witness testimony should be treated – for example *Gestmin SGPS SA v. Credit Suisse (UK) Ltd* [2013], paragraphs 20-22 – we note paragraph 22 which states that: 'the best approach for a judge to adopt...is, in my view, to place little if any reliance at all on witnesses' recollections of what was said in meetings and conversations, and to base factual findings on inferences drawn from the documentary evidence and known or probable facts. This does not mean that oral testimony serves no useful purpose – though its utility is often disproportionate to its length...[A]bove all, it is important to avoid the fallacy of supposing that, because a witness has confidence in his or her recollection and is honest, evidence based on that recollection provides any reliable guide to the truth'. Also, *BGL (Holdings) Limited & Others v CMA* [2022] CAT 36, paragraph 232: 'courts and tribunals in this jurisdiction are well able to review and consider documentary evidence, and will attach significant weight to it, often in preference to the evidence of witnesses, no matter how honest and no matter how desirous they are of assisting the court. That is simply because of the frailty of human recollection' citing *Grace Shipping Inc v CF Sharp and Co (Malaya) Pte Ltd*.

¹⁶⁷ Parties' response to working papers.

¹⁶⁸ Parties', *Evidence Appraisal Paper*, 14 August 2023.

¹⁶⁹ Parties', *Evidence Appraisal Paper*, 14 August 2023, paragraphs 4.7 and 4.8, citing *Meta Platforms Inc. v CMA* [2022] CAT 26, paragraph 100.

- 5.76 In our assessment, we have considered a range of both quantitative and qualitative evidence, and also carefully considered the relative weight to attach to each. Where both types of evidence have been available, we have sought to interpret quantitative evidence alongside qualitative evidence (such as for instance market share estimates in relation to both Theories of Harm and customer overlap analysis in the context of our assessment of Theory of Harm 2). In attaching weight to different pieces of evidence, there is no set hierarchy between quantitative evidence and qualitative evidence, and we have carefully considered the appropriate weight that should be given to the different pieces of evidence, depending on the relative quality of such evidence.¹⁷⁰
- 5.77 While our starting point has been to assess the Parties' current competitive position, in the context of assessing the dynamic effects of the Merger, where the assessment is particularly dependent on the evolution of competitive conditions,¹⁷¹ we have found that econometric analysis on past or current customer preferences and behaviour is less likely to be insightful and therefore have placed less weight on it.

Third-party evidence

- 5.78 We also gathered evidence from a range of the Parties' customers and competitors in the product and creative design markets. This evidence has included oral statements in third-party calls, responses to written questionnaires and obtaining some relevant internal documents. In our third-party evidence gathering, we sought to gain a better understanding of a range of factors relevant to our assessment, including in relation to:
- (a) the relevant products and their use cases;
 - (b) the nature of competition;
 - (c) the costs of product development and other barriers; and
 - (d) the competitive landscape, including in terms of customer views on alternative suppliers' offerings both currently and in a dynamic sense (to the extent of customers' knowledge) and suppliers' respective product development and innovation plans.

¹⁷⁰ CMA129, paragraph 2.25.

¹⁷¹ CMA129, paragraph 2.28.

Our approach to gathering third-party evidence

5.79 The Parties have submitted that:¹⁷²

- (a) We have placed significant weight on third-party views gathered on the basis of flawed lines of inquiry and that the CMA's questionnaires suffer from serious flaws and biases. In particular, the Parties have submitted that the CMA's questionnaires contained leading questions when asking about alternatives to Figma products.
- (b) The CMA failed to reach out to a suitable range of customers for the purposes of establishing the true range of use cases for Adobe's products and, as such, responses it received would have been skewed towards product design.
- (c) The CMA failed to adequately investigate other suppliers' capabilities as dynamic competitors including in relation to their future strategy and plans.

5.80 We have considered each of these points in turn.

- *Leading/inappropriate questions*

5.81 The CMA does not agree that the third-party evidence it has gathered, including in relation to alternatives to Figma is flawed and unreliable.

5.82 As noted above, our evidence-gathering from third parties was largely qualitative, based on responses to questionnaires and interviews. We did not commission a consumer survey in this case as we did not consider this a proportionate way in which to conduct our inquiry and as explained above we have considered relevant quantitative evidence carefully in its relevant context. As recognised by case law,¹⁷³ the CMA has a margin of appreciation in determining how and what evidence it gathers. Given the qualitative nature of the exercise, the third-party questionnaires were designed to be wide ranging and asked a number of questions in a number of different ways in order to ensure that the CMA received an appropriate number of responses. We consider that this constitutes an appropriate approach and is aligned with CMA practice in comparable cases.

5.83 Finally, as highlighted above, questionnaires are not the CMA's only source of third-party evidence: the CMA also conducted calls with a number and range

¹⁷² Parties' response to working papers.

¹⁷³ *Tobii AB (publ) v CMA [2020] CAT 1*, paragraph 302. See also *Ecolab Inc. v CMA [2020] CAT 12*, paragraph 110, and *JD Sport Fashion plc v CMA [2020] CAT 24*, paragraph 97.

of customers, which allowed it to explore questionnaire responses or trends in responses received from questionnaires.

- *Range of customers*

- 5.84 The CMA reached out to a wide range and number of customers (see Appendix B) including customers focused on both product and marketing design. Further, as highlighted above, the CMA's evidence base is large and varied and interactions with third parties were not restricted to questionnaires. As such, we were able to sense check third-party evidence against a variety of sources, ensuring the robustness of the overall evidence base.

- *Third party constraint and plans*

- 5.85 In our third-party questionnaires we asked companies identified by the Parties as competitors about their product development plans and their views on the Parties' alternatives and the degree of competitive constraint exerted by them on the Parties. We considered this evidence alongside other evidence, including the Parties' views of these companies as evidenced in their internal documents as well as customers' views and perceptions of other suppliers' current and future capabilities and degree of constraint they exert on the Parties.
- 5.86 Finally, in weighing third-party evidence, we considered whether third parties have an interest in the outcome of the CMA's investigation and whether third-party documents were produced at a time they were aware of the Merger.

6. Counterfactual

Framework for the assessment of the counterfactual

- 6.1 The counterfactual is an analytical tool used to help answer the question of whether a merger gives rise to an SLC.¹⁷⁴ It does this by providing the basis for a comparison of the competitive situation with the merger against the competitive situation absent the merger.¹⁷⁵
- 6.2 The counterfactual is not, however, intended to be a detailed description of the conditions of competition that would have prevailed absent the merger.¹⁷⁶ The CMA's assessment of those conditions is better considered in the competitive assessment.¹⁷⁷ The CMA also seeks to avoid predicting the precise details or circumstances that would have arisen absent the merger.¹⁷⁸
- 6.3 At phase 2, the CMA will select the most likely conditions of competition as its counterfactual against which to assess the merger.¹⁷⁹ For anticipated mergers, the counterfactual may consist of the prevailing conditions of competition which incorporate the pre-merger trend of market participants competing against each other, or conditions of competition that involve stronger or weaker competition between the merger firms than under the prevailing conditions of competition.¹⁸⁰ We provide further detail on the prevailing conditions of competition relating to this case in our assessment section below.
- 6.4 In its assessment of the counterfactual, the CMA may need to consider multiple possible scenarios, before identifying the relevant counterfactual.¹⁸¹ As part of this assessment, the CMA will take into account whether any of the possible scenarios make a significant difference to the conditions of competition,¹⁸² and if they do, the CMA will ultimately select the most likely conditions of competition absent the merger as the relevant counterfactual.¹⁸³
- 6.5 Counterfactual assessments will often focus on significant changes affecting competition between merger firms, such as entry into new markets in

¹⁷⁴ CMA129, paragraph 3.1.

¹⁷⁵ CMA129, paragraph 3.1.

¹⁷⁶ CMA129, paragraph 3.7.

¹⁷⁷ CMA129, paragraph 3.7.

¹⁷⁸ CMA129, paragraph 3.11.

¹⁷⁹ CMA129, paragraph 3.13.

¹⁸⁰ CMA129, paragraph 3.2.

¹⁸¹ CMA129, paragraph 3.13.

¹⁸² CMA129, paragraph 3.13.

¹⁸³ CMA129, paragraph 3.13.

competition with each other, significant expansion by the merger firms in markets where they are both present, or exit by one of the merger firms.¹⁸⁴

- 6.6 Accordingly, the CMA will generally conclude on the counterfactual conditions of competition broadly – that is, prevailing conditions of competition, conditions of stronger competition, or conditions of weaker competition. If two or more possible counterfactual scenarios lead to broadly the same conditions of competition the CMA may not find it necessary to select the particular scenario that leads to its counterfactual.¹⁸⁵
- 6.7 Establishing the appropriate counterfactual to assess the merger against is an inherently uncertain exercise and evidence relating to future developments absent the merger may be difficult to obtain. Uncertainty about the future will not in itself lead the CMA to assume the pre-merger situation to be the appropriate counterfactual. As part of its assessment, the CMA may consider the ability and incentive (including but not limited to evidence of intention) of the merger firms to pursue alternatives to the merger, which may include reviewing evidence of specific plans where available.¹⁸⁶
- 6.8 We may examine several possible scenarios to determine the appropriate counterfactual, one of which may be the continuation of the prevailing conditions of competition. An example of a situation where the CMA may select a counterfactual different from the prevailing conditions of competition is where the target is likely to exit the market absent the transaction under review. Another scenario in which the CMA may consider an alternative counterfactual to the prevailing conditions of competition is where one of the merging parties would have entered or materially expanded its presence in a market absent the transaction.

Actions happening as a consequence of the merger

- 6.9 As set out in the CMA Guidelines, only events that would have happened in the absence of the merger under review, and are not a consequence of it, can be incorporated into the counterfactual.¹⁸⁷
- 6.10 In assessing whether events are a consequence of a merger, we consider the impact of the merger broadly. For example, where the decision to enter into a merger changes the merger parties' intentions to invest in particular activities or leads them to divest certain lines of business (even if not required to do so by the merger agreements), such actions would typically be disregarded for

¹⁸⁴ CMA129, paragraph 3.8.

¹⁸⁵ CMA129, paragraph 3.9.

¹⁸⁶ CMA129, paragraph 3.14.

¹⁸⁷ CMA129, paragraph 3.4.

the purposes of determining the counterfactual where those actions would not have been taken in the absence of the merger.¹⁸⁸

Exiting-firm scenario

- 6.11 The CMA may consider whether, absent the merger, one of the merger firms is likely to have exited the market. In forming a view on an exiting-firm scenario, the CMA will use the following framework of cumulative conditions:
- (a) the firm is likely to have exited (through failure or otherwise); and, if so
 - (b) there would not have been an alternative, less anti-competitive purchaser for the firm or its assets to the acquirer in question.¹⁸⁹
- 6.12 When considering any exiting firm argument, the CMA will usually attach greater weight to evidence that has not been prepared in contemplation of the merger. It may be particularly important in the context of an exiting-firm scenario for the CMA to understand the rationale for the transaction under review (ie to consider why the purchaser is acquiring a firm or its assets in the context of claims that it would have exited from the market).¹⁹⁰

Entry, expansion, and dynamic competition

- 6.13 Further, the decision by a merger firm to enter or expand through a merger (ie inorganically) may supplant any efforts or plans the firm would otherwise have made towards organic entry or expansion. Therefore, when considering whether a merger firm may have entered or expanded absent the merger, the CMA may consider the incentives and ability of the firm to enter or expand, and other available evidence.¹⁹¹
- 6.14 Where the CMA is satisfied that there is sufficient evidence of incentive and ability of a firm to enter or expand, a lack of direct evidence of efforts or explicit entry or expansion plans made available to the CMA may not be sufficient to demonstrate that the firm would not have entered absent the merger.¹⁹² Drawing on evidence from the merger parties and other market participants, the CMA will reach a view in the round on the ability and

¹⁸⁸ CMA129, paragraph 3.4.

¹⁸⁹ CMA129, paragraph 3.21.

¹⁹⁰ CMA129, paragraph 3.24.

¹⁹¹ CMA129, paragraph 2.29(c).

¹⁹² CMA129, paragraph 2.29(c).

incentive of a firm to enter or expand,¹⁹³ to accelerate efforts to enter or expand, or to respond to an actual or perceived competitive threat.¹⁹⁴

- 6.15 Our assessment of creative design software (vector editing software, raster editing software, video editing software, and motion design software) concerns a loss of dynamic competition (see Chapters 9 and 10). Where the CMA's competitive assessment considers a loss of dynamic competition, and the merger firms compete by making efforts or investments towards entry or expansion (or respond to such efforts made by potential entrants), the CMA may not conclude in the counterfactual on whether entry or expansion would ultimately occur, but rather may conclude on whether or not such efforts would have continued absent the merger.¹⁹⁵

Time horizon

- 6.16 Finally, the time horizon considered by the CMA in its assessment of the counterfactual will depend on the context and will be consistent with the time horizon used in the competitive assessment.¹⁹⁶

The Parties' submissions on the relevant counterfactual

Adobe XD

- 6.17 Adobe offers an all-in-one product design tool, Adobe XD, which it submitted should not be considered an ongoing competitive constraint because it was put into maintenance mode by Adobe in February 2022 for reasons unrelated to the Merger.¹⁹⁷
- 6.18 The Parties submitted that the counterfactual for the Merger should be the current competitive situation save in respect of Adobe's activities in all-in-one product design software, where the Parties submitted that Adobe would not be a competitive constraint in the counterfactual.¹⁹⁸
- 6.19 The Parties submitted that maintenance mode is Adobe's terminology for the process for deprioritising products until they eventually become deprecated, lose their customer base, and are phased out.¹⁹⁹

¹⁹³ For example, see [Amazon/Deliveroo](#).

¹⁹⁴ For example, see [Meta/Giphy](#).

¹⁹⁵ [CMA129](#), paragraph 3.20.

¹⁹⁶ [CMA129](#), paragraph 3.15.

¹⁹⁷ FMN.

¹⁹⁸ FMN.

¹⁹⁹ FMN.

- 6.20 The Parties submitted that Adobe XD was put into maintenance mode and on the path to ‘end of life’²⁰⁰ due to [REDACTED].²⁰¹ The Parties submitted that Adobe XD was a failed attempt to enter product design²⁰² and that it was a flawed product that never gained market traction because it failed to offer collaboration features expected in the market.²⁰³
- 6.21 The Parties submitted that when a product is in maintenance mode, existing customers of the product continue to be supported. However, the Parties submitted that there is no [REDACTED], engineering resources, or investment for significant new feature development allocated to the product.²⁰⁴
- 6.22 The Parties submitted that Adobe XD has been [REDACTED] from the beginning of its development,²⁰⁵ citing that revenue from its standalone customers in the FY 2021 amounted to [REDACTED] c. USD [REDACTED] million globally, while c. USD [REDACTED] million was spent on [REDACTED].²⁰⁶ Further, the Parties submitted that the [REDACTED] over the eight financial years before FY2022, [REDACTED] USD [REDACTED] million.²⁰⁷
- 6.23 The Parties submitted that due to Adobe XD’s poor performance, in October 2021, [more than 100] positions were removed from Adobe XD team. In February 2022, over [REDACTED] engineering resources were reallocated with only around 18 employees allocated to Adobe XD during 2022.²⁰⁸ Currently there are only [REDACTED] FTEs working on bugs, security fixes, and minor updates [REDACTED].²⁰⁹
- 6.24 Further, the Parties submitted that Adobe has ceased, since 3 April 2023, making Adobe XD available for purchase as a single application; following [REDACTED] (SVP of Digital Media Global Marketing) decision in late November 2022/early December 2022.²¹⁰ However, existing users continue to be supported and Adobe continues to honour All Apps subscribers’ entitlement to Adobe XD, consistent with its policy not to remove products in which its customers have invested.²¹¹
- 6.25 In their response to the Theory of Harm 1 Working Paper, the Parties reiterated their submissions regarding Adobe XD, including that (i) there was

²⁰⁰ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph A1.5.

²⁰¹ FMN.

²⁰² Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph A1.8.

²⁰³ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph B3.6(c).

²⁰⁴ FMN.

²⁰⁵ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph B3.14.

²⁰⁶ FMN.

²⁰⁷ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph B3.14.

²⁰⁸ FMN.

²⁰⁹ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph A1.8.

²¹⁰ Adobe response to CMA’s section 109 notice. The decision did not require Adobe’s board of directors’ nor its executive teams’ approvals. Adobe submitted that [REDACTED] (SVP of Digital Media Global Marketing) informed [REDACTED] (President of Digital Media) by way of a telephone call.

²¹¹ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph B3.32.

a clear business rationale for Adobe XD to be put into maintenance mode;
(ii) Adobe XD is exiting the market and is not a material competitive constraint on Figma Design; and (iii) there is [REDACTED].²¹²

Project Spice

Project Spice and product design

- 6.26 The Parties submitted that during the months of May and June 2020, Adobe embarked on an internal project, named Project Spice (also known as CC Canvas, CC Web, and Project Fred), developing its web-based software (an infinite canvas) for mixed-media asset ideation and creation. Adobe submitted that it was intended to be a complementary offering to Adobe's 'Creative Cloud' applications.²¹³
- 6.27 The Parties submitted that the original vision for Project Spice was that creative design teams would be able to use the web-based canvas to simultaneously create, edit, and display multiple assets (eg photographs, illustrations, videos, and animations) in a collaborative environment.²¹⁴
- 6.28 Adobe further submitted that although most of the staff allocated to Adobe XD were reassigned to Project Spice, Project Spice was never intended to be a replacement for Adobe XD. According to Adobe, the focus of Project Spice was to create a mixed-media asset creation canvas – a '[REDACTED]' for its flagship products such as Photoshop and Illustrator.²¹⁵ Project Spice was to be a web-based format bringing together Adobe's flagship products for ease of access and sharing, as well as potentially adding some features of these asset creation tools directly onto the canvas.²¹⁶
- 6.29 With regard to product design, the Parties noted that there was a temporary aspiration to incorporate product design capabilities into Project Spice. However, the Parties submitted, there was [REDACTED] for this and there were [REDACTED].²¹⁷
- 6.30 Further, any plans for product design were discarded due to directions from [REDACTED] (President of Digital Media) in February 2022, who was of the opinion that [REDACTED].²¹⁸

²¹² Parties' response to TOH1 working paper.

²¹³ Parties', Submission to the CMA.

²¹⁴ FMN.

²¹⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.14.

²¹⁶ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.16.

²¹⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.28.

²¹⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.26.

- 6.31 The Parties submitted that [X] (President of Digital Media) instructed the team after consultation with some members of the senior management team, to focus only on ideation and marketing design capabilities.²¹⁹
- 6.32 The Parties further submitted that at the time of its cancellation, the Project Spice team was [X].²²⁰ The Parties also noted a private beta trial held in June 2022, that received [X] feedback from users.²²¹

Cancellation of Project Spice

- 6.33 The Parties submitted that Project Spice was 'discontinued' in September 2022 for reasons unrelated to the Merger. They submitted that Project Spice was cancelled for commercial reasons and due to the lack of market fit necessary for a successful product.²²² The Parties submitted that Project Spice faced significant technical challenges, as well as resourcing and project interdependencies (eg the completion of other Adobe projects that were delayed) that made it commercially unfeasible.²²³
- 6.34 The Parties submitted that, faced with the compelling market opportunity of Adobe Express and its likelihood of success as well as technical challenges and challenges in [X],²²⁴ the decision was made in August 2022 to reallocate resources from Project Spice to Adobe Express.²²⁵ The Parties submitted that this decision would have been made regardless of the Merger.²²⁶

Exit from all-in-one product design

- 6.35 The Parties submitted that Adobe has no plans to enter the product design space organically given the 'failure of Adobe XD', despite eight years of investment, and the need to prioritise and focus on more commercially attractive opportunities in particular Adobe Express, AI for asset creation (including Firefly), and the continued development of its flagship Creative Cloud products.²²⁷

²¹⁹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B4.27-B4.28.

²²⁰ Parties', Submission to the CMA.

²²¹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B4.40.

²²² Parties', Submission to the CMA.

²²³ Parties' response to the phase 2 issues statement, 9 August 2023 paragraph A1.13.

²²⁴ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs A1.18 and B4.80. Adobe announced a [X], which is [X] and was a result of the [X].

²²⁵ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph B5.1.

²²⁶ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph A1.18.

²²⁷ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph A1.20.

- 6.36 The Parties submitted that the fact that Adobe had allocated no resources to developing product design features shows that Adobe internally acknowledged that it had ‘missed the market’ for product design.²²⁸
- 6.37 The Parties further submitted that the counterfactual should be that, absent the Merger, Adobe would have focused on its [X] product and other strategic initiatives that do not compete with Figma, and that Figma would have continued to develop its core functionalities and capture adjacent parts of the product design workflow.²²⁹
- 6.38 On this basis, the Parties submitted that the relevant counterfactual for the Merger should be the current competitive situation save in respect of Adobe’s activities in all-in-one product design where the Parties submit that Adobe is not a competitive constraint in the counterfactual.²³⁰
- 6.39 In their response to the Theory of Harm 1 Working Paper, the Parties reiterated their submissions regarding Project Spice, including that (i) Project Spice was a failed project; and (ii) absent the Merger, Adobe has no organic route back into product design.²³¹
- 6.40 The Parties, in their response to the Annotated Issues Statement and Working Papers, also submitted that [X] (President of Digital Media) decisions in relation to Adobe XD and Project Spice were rational given that neither Adobe XD nor Project Spice [X] due to their poor performance, lack of customer fit, technical challenges and the resourcing constraints Adobe faced.²³²
- 6.41 The Parties also submitted that, taking into account these decisions, there is no incentive (and no intention) to compete in each other’s respective markets, noting that their development plans and commercial incentives show that there is no likelihood of dynamic or future competition between the Parties.²³³

Our assessment

- 6.42 In making our counterfactual assessment, we do not seek to ossify the market at a particular point in time.²³⁴ We note in this context that the Parties both operate in dynamic markets which are growing and evolving quickly, and in which competition revolves around making efforts and investments in new and innovative products with the aim of bringing them to the marketplace.

²²⁸ [Parties’ response to the phase 2 Issues Statement](#), 9 August 2023, paragraph B4.37.

²²⁹ Parties’ response to the phase 1 Issues Letter.

²³⁰ FMN.

²³¹ Parties’ response to TOH1 working paper.

²³² Parties’ response to the Annotated Issues Statement and Working Papers.

²³³ Parties’ response to the Annotated Issues Statement and Working Papers.

²³⁴ [CMA129](#), paragraph 3.3.

Therefore, the prevailing conditions of competition in this Merger include the pre-Merger trend of market participants competing against each other; amendments or developments in strategy to reflect changing market conditions; and innovations, such as the continued emergence of all-in-one product design and creative design software.

- 6.43 Our assessment first covers the counterfactual in relation to all-in-one product design software for professional users, then the counterfactual in relation to creative design software (ie vector, raster, video, and motion editing).

All-in-one product design software for professional users

- 6.44 The Parties state that the counterfactual should be the prevailing conditions of competition (rather than an ‘exiting firm’ counterfactual). However, the Parties also argue that in the prevailing conditions, we should not take into account the presence of Adobe XD and Project Spice in the market and should consider that Adobe would not be present in the market for all-in-one product design for professional users, absent the Merger.
- 6.45 We set out our provisional assessment in relation to the appropriate counterfactual for all-in-one product design for professional users below. While we address the Parties’ submissions in relation to both Adobe XD and Project Spice, we do not consider that the relevant question for the purposes of the counterfactual assessment is whether Adobe XD or Project Spice specifically would have continued in their pre-Merger form or indeed been successful. The key question for the determination of the counterfactual is whether Adobe would have exited the market for all-in-one product design for professional users or would have continued its innovation efforts in all-in-one product design software absent the Merger, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways.

Adobe XD

- 6.46 Our starting point is that Adobe XD was available as a standalone software product until 3 April 2023, ie over seven months after the Merger was agreed and publicly announced in September 2022.²³⁵
- 6.47 Moreover, Adobe XD is currently available to existing customers (as a single application) and is included in the Adobe Creative Cloud bundle for new and existing customers.²³⁶

²³⁵ Adobe response to the CMA’s s109 notice.

²³⁶ ‘[Adobe Creative All Apps](#)’, accessed by the CMA on 23 November 2023.

- 6.48 We also note that Adobe continues to provide ongoing support to its Adobe XD customers and allocate some resources ([REDACTED]) to the product. Adobe also continues to develop Adobe XD by releasing new features and functionalities. In the year-to-date Adobe has released new features twice (in January 2023 and May 2023).²³⁷
- 6.49 In relation to Adobe XD [REDACTED] USD [REDACTED] million over the course of eight years,²³⁸ we note that Figma has also made [REDACTED] USD [REDACTED] million in Figma Design and incurred [REDACTED] USD [REDACTED] million between 2020 and 2022.²³⁹ This demonstrates that accumulating losses whilst developing a product does not imply that the product will not be successful and eventually generate profits, as evidenced by the price paid by Adobe for Figma.
- 6.50 The Parties have submitted that ‘Adobe has placed Adobe XD in maintenance mode and that Adobe’s history of maintenance mode products shows Adobe XD is not coming back’.²⁴⁰
- 6.51 As set out in Chapter 8, it is not clear what the decision to place Adobe XD in ‘maintenance mode’, or to ‘disinvest’ in the product means in practice. We acknowledge that Adobe has over time reduced the resource allocated to Adobe XD. We also note that some of the contemporaneous documents refer to a ‘pause’. We set this out in more detail in Chapter 8.
- 6.52 We note that certain decisions and actions by Adobe at the time of the Merger are likely to have affected the status and market perception of Adobe XD today.
- 6.53 For example, between February 2022 (when the Parties submitted that they put Adobe XD in maintenance mode) and September 2022 (when the Merger was made public), there was no public reference to Adobe XD being ‘put on maintenance mode’ or ‘disinvested’. [REDACTED] (Chief Product Officer of Creative Cloud) in [REDACTED] US Department of Justice (**DOJ**) deposition states that [REDACTED]. [REDACTED] (Chief Product Officer of Creative Cloud) explains [REDACTED].²⁴¹
- 6.54 Similarly, [REDACTED] (SVP of Digital Media Global Marketing) says in [REDACTED] DOJ deposition that [REDACTED] and that this is [REDACTED].²⁴² However, [REDACTED] also told us that

²³⁷ ‘Feature summary | Adobe XD (January 2023 release)’, accessed by the CMA on 23 November 2023; and ‘Feature summary | Adobe XD (May 2023 release)’, accessed by the CMA on 23 November 2023.

²³⁸ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph 3.14.

²³⁹ Figma response to the CMA’s s109 notice and Figma Internal Documents.

²⁴⁰ Parties’ response to the phase 2 issues statement, 9 August 2023, paragraph A1.9(c).

²⁴¹ Adobe, Submission to the CMA.

²⁴² Adobe, Submission to the CMA.

‘[REDACTED]’.²⁴³ Internal documents show that Adobe continued to promote Adobe XD as an active product during that period of February to September 2022.²⁴⁴

- 6.55 It was only at the time of the announcement of the Merger that Adobe for the first time announced publicly that Adobe XD had been ‘a flop’ and had been ‘put on ice’. Adobe disclosed this in interviews in which Adobe’s executives explained the decision to acquire Figma.²⁴⁵ The announcement of the Merger gave rise to speculation amongst Adobe and Figma’s customers in the public domain as to which product Adobe was going to keep and support (ie Adobe XD or Figma).²⁴⁶ As there was no reference in these discussions that Adobe XD was no longer being developed, we take this to indicate that customers at the time were not aware of Adobe’s decision to ‘disinvest’ in Adobe XD in October 2021 and place it on maintenance mode in February 2022.²⁴⁷
- 6.56 Similarly, within Adobe, at the time of the announcement of the Merger there was a shift to how Adobe XD was considered. As set out in Chapter 8, Adobe’s [REDACTED] continued to monitor [REDACTED]. These reports ceased in September 2022, around the same time that the Merger was announced.
- 6.57 We consider that Adobe’s positioning of Adobe XD in the market could be a relevant indicator of how the product offering could evolve in future. We investigated the extent to which it is widely known (including by Adobe’s customers) that Adobe XD is in maintenance mode. The Parties submitted that it made public announcements that Adobe XD was in maintenance mode in September 2022. However, the majority of customers who responded to our questionnaire were not aware that Adobe XD was in maintenance mode.²⁴⁸ Adobe only updated its public Adobe XD support website on 31 August 2023 to include the disclaimer that Adobe XD is in maintenance mode.²⁴⁹

²⁴³ Adobe Main Party Hearing transcript.

²⁴⁴ For instance, see Adobe Internal Documents.

²⁴⁵ For instance, see ‘[Adobe’s Figma acquisition is a \\$20 billion bet to control the entire creative market](#)’, dated 17 September 2022, accessed by the CMA on 23 November 2023; and ‘[Adobe defends its \\$20 billion deal for Figma](#)’, dated 23 September 2022, accessed by the CMA on 23 November 2023. In an interview to The Verge, when he was presented, that Adobe announced it was going to sunset Adobe XD, Figma’s competitor, Dylan Field responded ‘I don’t think they announced that’, on 8 November 2022. See, ‘[Why Figma is selling to Adobe for \\$20 billion, with CEO Dylan Field](#)’ accessed by the CMA on 23 November 2023.

²⁴⁶ For instance, see ‘[Adobe Is Acquiring Figma: What Does This Mean for Users?](#)’, accessed by the CMA on 23 November 2023. See also ‘[What will happen to Figma and Adobe XD after the takeover?](#)’, accessed by the CMA on 23 November 2023, which published an email Adobe sent to Adobe XD’s customers announcing that it has reduced investments in Adobe XD, only after announcing the Merger, on 15 September 2022.

²⁴⁷ For instance, see ‘[Why is everyone so upset about adobe buying figma?](#)’, accessed by the CMA on 23 November 2023; ‘[Adobe buying Figma is terrible and should not be celebrated](#)’, accessed on 21 September 2023; and ‘[Figma vs Adobe XD: Which are you?](#)’ accessed by the CMA on 23 November 2023. See also, [Parties’ response to the phase 2 issues statement](#), 9 August 2023, paragraphs B3.12.

²⁴⁸ Adobe response to the CMA’s s109 notice. See also, third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire. [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

²⁴⁹ Adobe response to the CMA’s s109 notice.

- 6.58 Further, as set out in paragraph 8.99, a vast majority of the customers we contacted that provided alternatives to Figma Design, listed Adobe XD as an alternative.²⁵⁰ This indicates that Adobe XD remained and still remains a competitive force in the market (we discuss the strength of Adobe XD in more detail in Chapter 8). We also note that Adobe XD is often mentioned in third-party user reviews and comparisons alongside Figma and Sketch in relation to product design software.²⁵¹
- 6.59 We also note that the decision to transfer engineers from one product to another is not, by its nature, irreversible. Therefore, we consider that Adobe could in practice reverse its decision and reallocate resources to Adobe XD, if there is a business opportunity to exploit.
- 6.60 Finally, we have not seen evidence in the internal documents, that maintenance mode equals the ‘end of life’ of Adobe XD. We have seen that Adobe has a number of products that are placed in maintenance mode and continue to remain active for several years. For example, see Adobe’s submissions about [REDACTED].²⁵²
- 6.61 We have also seen evidence regarding Adobe’s formal end of life process for all its products (standalone and bundled), which consists of [REDACTED] phases:
- (a) [REDACTED];
- (b) [REDACTED]; and
- (c) [REDACTED].²⁵³

- 6.62 We consider that the evidence does not suggest that Adobe XD has been placed towards ‘end of life’ path or is within any one of the phases detailed in paragraph 6.61 above.
- 6.63 On this basis, we consider that, for the purposes of assessing the counterfactual, Adobe XD should be treated as a competitive constraint in the market for all-in-one product design for professional users, within the conditions of competition that would have prevailed absent the Merger. In this context, however, we consider that certain decisions and actions by Adobe at the time of the Merger are likely to have affected the status and market perception of Adobe XD today. Given that such decisions and actions are a consequence of the Merger, they do not form part of the counterfactual.
- 6.64 We assess the strength of Adobe XD as a competitor in the market in our competitive assessment.

Project Spice

Project Spice and product design

- 6.65 As set out in Chapter 8, we consider that some of the evidence demonstrates that Project Spice was intended to contain product design features and was seen by Adobe as a continuation or successor to Adobe XD.
- 6.66 We note that while a number of documents discuss the [X], it was nevertheless envisaged that Adobe’s ultimate goal was to work towards product design features.²⁵⁴ We also note that some of the later documents are from a time when the Merger was already in contemplation, as set out in paragraph 8.157).

Cancellation of Project Spice

- 6.67 We have assessed whether Adobe would have cancelled Project Spice absent the Merger.
- 6.68 In this context, we note that some of the key dates in relation to the Merger are as follows:
- (a) March to April 2020: the Parties held discussions on a potential acquisition of Figma. These involved Figma’s [X] (CEO and co-founder of Figma) and Adobe’s [X] (then Chief Product Officer of Creative Cloud). Adobe used the project name ‘Project Fulham’ (also known as ‘Fullmer’ or

²⁵⁴ Parties’ Submission to the CMA; and Adobe Internal document.

'Fulmer') and the Parties executed a Non-Disclosure Agreement on 2 April 2020. The discussion did not progress further, as the next day [X] informed Adobe that Figma was not interested.²⁵⁵

- (b) March 2021: The Parties restarted discussions on a potential acquisition of Figma. These involved Figma's [X] (CEO and co-founder of Figma) and [X] (Chairman and CEO of Adobe). Adobe used the project name 'Project Rand' and informally engaged with [X]. but discussions did not progress further as [X] (CEO and co-founder of Figma) informed Adobe on 12 March 2021 that Figma was not interested.²⁵⁶
- (c) 4 March 2022: a third outreach was initiated. [X] (then EVP, Corporate Strategy and Development, CMO of Adobe) met [X] (CEO and co-founder of Figma) at the [X]. [X] (then EVP, Corporate Strategy and Development, CMO of Adobe) suggested [X] (CEO and co-founder of Figma) follow up with her peer [X] (then Chief Product Officer of Creative Cloud) to explore business opportunities.
- (d) 20 April 2022: [X] (President of Digital Media) and [X] (then Chief Product Officer of Creative Cloud) asked [X] (CEO and co-founder at Figma) whether he would be interested in discussing the possibility of Adobe acquiring Figma.
- (e) 5 May 2022: Adobe and Figma entered into a confidentiality agreement.
- (f) 5 June 2022: A meeting took place between Figma's senior executives - [X] (CEO and co-founder), [X], (CFO) and Adobe's senior executives – [X] (Chairman and CEO), [X] (President of Digital Media), and [X] (CFO and EVP of Finance), to discuss [X].
- (g) 19 June 2022: Adobe delivered a first non-binding indication of interest to acquire Figma (**LOI**).
- (h) 20 July 2022: Adobe and Figma agreed to the letter of intent and entered into exclusivity up to [X].
- (i) 15 September 2022: Adobe and Figma executed the merger agreement and publicly announced the Merger.²⁵⁷

²⁵⁵ FMN.

²⁵⁶ FMN, page 25. See also Parties' response to the CMA's RFI. Adobe also submitted that it did not contemplate acquiring or investing in Figma prior to 2018.

²⁵⁷ FMN. See also Parties' response to the CMA's RFI.

6.69 In relation to the cancellation of Project Spice, we note the following Adobe internal documents:

- (a) A presentation titled '[X]' prepared for a meeting on 27 July 2022 attended by [X] (President of Digital Media) and [X] (Chief Product Officer of Creative Cloud) amongst others, which indicates that at that time, plans for the development of Project Spice was ongoing, as Project Spice was described as a '[X]'.²⁵⁸
- (b) Following the meeting on 27 July 2022 there was a clear shift in direction coming from [X] (President of Digital Media) and [X] (SVP of Digital Media Global Marketing) to focus only on marketing design. We note that this happened after Adobe and Figma had agreed to the LOI as noted above and entered into exclusivity up to [X].²⁵⁹ This shift in direction came as a surprise to senior executives at Adobe as detailed in paragraph 8.162.
- (c) A message from [X] (VP of CC Web App) to [X] (then Chief Product Officer of Creative Cloud) on [X] where [X] and added '[X]'. [X] (then Chief Product Officer of Creative Cloud) responded that they should talk.²⁶⁰ We note that this is over three months after the Parties entered into a non-disclosure agreement in relation to the Merger.
- (d) An email from [X] (then Chief Product Officer of Creative Cloud) circulated on 9 September 2022 [X] to cancel Project Spice, [X].²⁶¹ This is the first reference to a decision to cancel Project Spice that is communicated internally. We note that the date is six days before the Merger was announced on 15 September 2022.

6.70 The Parties have submitted that the recommendation to move resources from Project Spice to Adobe Express was made in August 2022.²⁶² The Parties submitted that the recommendation from [X] (VP of CC Web App)²⁶³ is akin to a decision to cancel Project Spice. The Parties also argued that this recommendation stemmed from [X] (VP of CC Web App) who was not aware of the Merger discussions.

6.71 [X] (VP of CC Web App) states in [X] deposition to the DOJ '[X]'.²⁶⁴

²⁵⁸ Adobe Internal Document.

²⁵⁹ Parties' response to the CMA's RFI.

²⁶⁰ Adobe Internal Document.

²⁶¹ For example, see Adobe Internal Document, announcing the decision to cancel Project Spice, with immediate effect. See also Parties', Submission to the CMA; and Adobe Internal Document.

²⁶² Parties' response to the phase 2 issues statement, 9 August 2023, paragraph A4.70.

²⁶³ Adobe Internal Document, where [X] (VP of CC Web App) suggested to '[X]' and added '[X]'.

²⁶⁴ Adobe, Submission to the CMA.

6.72 We do not consider that the available evidence reliably supports a conclusion that the decision to cancel Project Spice was not related to the Merger. In particular:

- (a) Adobe is a single group operating under common direction and control. On this basis, our starting point is that when a transaction is in contemplation, all of the business of the group is conducted taking that transaction into account (in particular because even staff that are not directly aware of the transaction ultimately operate under the control and influence of more senior staff that are aware of the transaction).
- (b) In this case, even if [REDACTED] (VP of CC Web App) was personally unaware of the Merger at the time that Project Spice was purportedly cancelled,²⁶⁵ more senior staff (including [REDACTED] (President of Digital Media) and [REDACTED] (then Chief Product Officer of Creative Cloud)) were aware of the Merger at this time (as detailed in Chapter 8).
- (c) As detailed in paragraph 8.162, senior figures at Adobe were surprised at the decision to change strategy in relation Project Spice (ie the direction to focus only on marketing design).
- (d) Moreover, the timing of Adobe's decision to change strategy and ultimately cancel Project Spice, in relation to the public announcement of the Merger, indicates that the Merger negotiations were at a highly advanced stage when Project Spice was cancelled (as detailed in paragraphs 8.161 to 8.182).

6.73 Further, we note that according to the internal documents that have been provided to us, [REDACTED] (VP of CC Web App) only suggested to '[REDACTED]'. [REDACTED] also suggested that [REDACTED]. This indicates a suspension or delay, rather than a full cancellation.²⁶⁶ By contrast, the first reference of cancellation of Project Spice is in [REDACTED] (then Chief Product Officer of Creative Cloud) [REDACTED] on 9 September 2022.²⁶⁷

6.74 Accordingly, the contemporaneous evidence available to us does not indicate that the decision to cancel Project Spice was made by [REDACTED] (VP of CC Web App). Instead, that evidence suggests that this decision was either made (or at least effectively determined) by people [REDACTED] (President of Digital Media) and

²⁶⁵ The Parties submitted that [REDACTED] (VP of CC Web App) was unaware of the Merger at the time this message was sent. [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.70.

²⁶⁶ Adobe Internal Document.

²⁶⁷ See Adobe Internal Document, announcing the decision to cancel Project Spice, with immediate effect. See also Parties', Submission to the CMA.

[X] (then Chief Product Officer of Creative Cloud),²⁶⁸ in contradiction to [X] (VP of CC Web App) recommendation to pause. Further, [X] (VP of CC Web App) suggestion only came after a message by [X] (then Chief Product Officer of Creative Cloud) indicating [X] was in '[X]' on '[X]'.²⁶⁹ [X] (President of Digital Media) in his DOJ deposition states '[X]'.²⁷⁰ We note that both [X] (President of Digital Media) and [X] (then Chief Product Officer of Creative Cloud) [X].

- 6.75 On this basis, we consider that the decision to cancel Project Spice, which was first documented in the email of [X] (then Chief Product Officer of Creative Cloud) and announced on 9 September 2022, was a consequence of the Merger which was executed six days after.²⁷¹ On this basis, it is our provisional view that this decision should be disregarded for the purposes of the counterfactual.

Exit from all-in-one product design software for professional users

- 6.76 As noted in paragraphs 6.9 to 6.10, according to the CMA guidance, only events that would have happened in the absence of the Merger, and are not a consequence of it, can be incorporated into the counterfactual.²⁷²
- 6.77 Moreover, in assessing the relevant counterfactual, the key question is not whether Adobe XD or Project Spice specifically would have continued in their pre-Merger form or indeed been successful. The issue of what would have happened if the Merger does not now proceed or what situation would exist if the Merger is blocked by the CMA is also not relevant to our counterfactual assessment. The key question for the determination of the counterfactual is whether Adobe would have exited the all-in-one product design for professional users market or would have continued to compete including through its innovation efforts in all-in-one product design absent the Merger, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways. We consider that these projects highlight Adobe's commitment to all-in-one product design and show that Adobe has been competing and innovating in all-in-one product design over a significant period of time.
- 6.78 In this context, we note that Adobe developed Adobe XD for over eight years before deciding to place it on maintenance mode, and at the height of Adobe's investment, Adobe had [X] engineers assigned to Adobe XD incurring direct

²⁶⁸ Adobe, Submission to the CMA.

²⁶⁹ Adobe Internal Document.

²⁷⁰ Adobe, Letter to the CMA.

²⁷¹ Adobe response to the CMA's RFI.

²⁷² [CMA129](#), paragraph 3.4.

product/engineering costs of over USD [REDACTED] million.²⁷³ Similarly, Adobe discontinued Project Spice after investing in the project for three years and allocating significant resources to the project (ie [REDACTED] FTE) including the [REDACTED] resources reallocated from Adobe XD.²⁷⁴ Further, the total addressable market (of USD [REDACTED] billion) for product design is [REDACTED] and adjacent to Adobe's core product (ie vector and raster editing), we provide further detail around this in paragraph 9.13.²⁷⁵

- 6.79 In relation to this, we note that Adobe in an internal document of February 2022, titled '[REDACTED]', sets out possible strategies for [REDACTED]. The document, prepared for a discussion between [REDACTED] (Senior Director of CC Product Marketing), [REDACTED] (VP, Generative AI, and Sensei), and [REDACTED] (President of Digital Media) states that to [REDACTED] there were two options: either '[REDACTED]'.²⁷⁶ This document did not consider exiting the market was an option.
- 6.80 We have considered whether Adobe would have continued to compete including through its product development and innovation efforts in all-in-one product design absent the Merger. While we have seen evidence of corporate decisions taken in relation to putting Adobe XD into maintenance mode, we have not seen evidence that it was on an end-of-life path. We consider that the decision to cancel Project Spice was a consequence of the Merger, and therefore we do not consider it as part of the counterfactual. We have not seen compelling evidence that Adobe would have decided to abandon its efforts in the all-in-one product design market (or any segment thereof), absent the Merger.
- 6.81 As a result, we do not consider it appropriate to adopt what would effectively amount to an exiting-firm counterfactual (as described in paragraph 6.11) in all-in-one product design for professional users. Furthermore, we also do not consider that the Adobe's arguments, framed as its incentives to 're-enter' this market, are relevant for our counterfactual assessment, which does not have Adobe leaving it. The question we need to answer when determining the counterfactual is not what will happen if the Merger does not now proceed. Instead, we are required to determine what the most likely conditions of competition would have been absent the Merger.²⁷⁷ In other words, what would have happened if the Parties had not agreed to, or contemplated, the Merger. We have provisionally concluded that the cancellation of Project Spice was a consequence of the Merger. Given that the counterfactual cannot

²⁷³ Adobe response to the CMA's s109 notice.

²⁷⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B4.14.

²⁷⁵ FMN.

²⁷⁶ Adobe Internal Document.

²⁷⁷ [CMA129](#), paragraph 3.13.

incorporate events that are a consequence of the Merger,²⁷⁸ it follows that Project Spice was not cancelled in the counterfactual. Accordingly, any issues relating to market ‘re-entry’ that may exist today are not relevant when it comes to the assessment of the impact of the Merger on competition as assessed against the counterfactual.

- 6.82 On the basis of the above, our provisional view is that the available evidence suggests that, in view of Adobe’s substantial and long-term efforts in all-in-one product design, absent the Merger, Adobe would have continued to compete and innovate in all-in-one product design software for professional users.

Creative design software

- 6.83 As noted in paragraph 6.15 above, in the markets for creative design software (ie vector editing, raster editing, video editing, and motion design) are dynamic markets involving continuous product development and innovation, and responding to such efforts made by dynamic competitors. Therefore we are not assessing whether entry or expansion would ultimately occur, but rather whether or not such efforts would have continued absent the Merger.²⁷⁹
- 6.84 We first assess the likely counterfactual scenario for vector and raster editing software. We then assess the counterfactual for video editing software and motion design software. Our assessment of the counterfactual draws on our assessment of the relevant evidence set out in Chapters 9 and 10.

Vector and raster editing software

- 6.85 Our assessment of the evidence of Adobe’s actions in relation to vector and raster editing software is set out in detail in paragraphs 9.125 to 9.214. We have found that Adobe had adopted a product development strategy which involved improving its vector and raster editing functionality. This included development of its flagship products, Illustrator and Photoshop. Furthermore, Project Spice envisaged the development of both vector and raster editing functionality, and both this development and the wider project appear to have been a direct response to Figma. In the absence of the Merger, we consider that these efforts would have continued.
- 6.86 For Figma, we have assessed its efforts and investments in vector and raster editing software, and its ability and incentives to develop these functionalities further. This includes its product developments to date; its discussions, plans

²⁷⁸ CMA129, paragraph 3.4.

²⁷⁹ CMA129, paragraph 3.20.

and steps taken; challenges and resource constraints; and strategic fit. Our assessment is set out in detail in paragraphs 9.215 to 9.370.

- 6.87 We consider that developing vector and raster editing functionality was under serious and sustained consideration, and that Figma had taken some steps in this direction. We also consider that technical and resourcing challenges in relation to developing vector and raster editing functionality could have been overcome, and Figma had good access to funding and a track record of delivering new products to market over short timescales. We therefore consider that Figma was particularly well placed to challenge Adobe in vector editing, and relatively well placed to do so for raster editing, compared to other software providers (taking into account its business capabilities and resources).
- 6.88 In the absence of the Merger, we consider that Figma would have continued to make efforts and investments to develop its vector and raster editing software functionality.

Video editing and motion design software

- 6.89 Our assessment of the evidence of Adobe's actions in relation to video editing and motion design software is set out in paragraphs 10.25 to 10.36. We consider that Adobe would have continued to develop and compete with its products in these markets in line with prevailing conditions of competition.
- 6.90 Our assessment of the evidence of Figma's actions in relation to video editing and motion design software is set out in paragraphs 10.63 to 10.76. Based on this evidence, we consider that – in line with the prevailing conditions of competition – while Figma would have made efforts to keep its options open in video editing and motion design software over the longer-term, it would have had only a fairly weak ability and incentive to develop video editing and motion design functionality over the near- to medium-term.

Our provisional conclusion on the counterfactual

- 6.91 On this basis, we provisionally conclude that the relevant counterfactual is the prevailing conditions of competition. This includes:
- (a) Adobe continuing its product development and innovation efforts in product design tools for professional users, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways;

- (b) Figma continuing to compete in line with the prevailing conditions at the time the Merger was first contemplated, enhancing and improving its offerings in product design tools for professional users;
- (c) Figma continuing to make efforts and investments to develop its vector and raster editing functionality;
- (d) Adobe improving its vector and raster editing software offering in response to Figma's efforts;
- (e) Adobe continuing to develop and compete with its products in video editing and motion design software; and
- (f) Figma having a fairly weak ability and incentive to develop its functionality in video editing and motion design software.

7. Market definition

Introduction

- 7.1 Where the CMA makes an SLC finding, this must be ‘within any market or markets in the UK for goods or services’.²⁸⁰ An SLC can affect the whole or part of a market or markets. Within that context, the assessment of the relevant market(s) is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.²⁸¹
- 7.2 Market definition involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.²⁸² While market definition can sometimes be a useful tool, it is not an end in itself. The outcome of any market definition exercise does not determine the outcome of the CMA’s analysis of the competitive effects of the merger in any mechanistic way. We may, for example, take into account constraints outside the relevant market, segmentations within the market, or other ways in which some constraints are more important than others. In many cases, especially those involving differentiated products, there is often no ‘bright line’ that can or should be drawn.²⁸³ The CMA may take a simple approach to defining the market – for example, by describing the market as comprising the most important constraints on the merger firms that have been identified in the CMA’s assessment of competitive effects.²⁸⁴
- 7.3 In this case, as in other digital markets, the relevant products are differentiated, complex and have been – and will continue to be – subject to change and development over time. The issues under analysis in this case largely relate to how competition between the Parties and their rivals dynamically evolves over time. For our first theory of harm (see Chapter 8) our competitive assessment considers a concern that relates not only to the loss of competition on current offerings but also around the loss of competition in relation to product development and innovation. For our second theory of harm (see Chapters 9 and 10), our competitive assessment relates to the loss

²⁸⁰ Section 35(1)(b) of the Act.

²⁸¹ CMA129, paragraph 9.1.

²⁸² CMA129, paragraph 9.2.

²⁸³ CMA129, paragraph 9.4.

²⁸⁴ CMA129, paragraph 9.5.

of dynamic competition, where the Parties compete over innovation and product development (or respond to such efforts made by potential entrants).

- 7.4 In these circumstances, we place more emphasis on the competitive assessment as opposed to static market definition.²⁸⁵ In the assessment of the impact of the Merger on competition, we consider evidence on concentration measures alongside evidence of closeness of competition. This involves assessing the strength of the current and likely future constraints between the products of the Parties and their rivals. Evidence on concentration and on closeness of competition can be interpreted and taken into account without the need for a precise definition of the relevant markets.²⁸⁶
- 7.5 The starting point for our assessment of the relevant market(s) are the products/services provided by the Parties. In the Phase 1 Decision and phase 2 issues statement we considered the impact of the Merger in the supply of: (i) all-in-one screen design software; and (ii) creative design software.²⁸⁷
- 7.6 As regards screen design software, the Parties submitted that there is no plausible market for 'all-in-one screen design software' and put forward an alternative market definition of interactive product design software.²⁸⁸ Accordingly, in the first part of this chapter we consider product design software, and whether that forms part of a wider market for screen design software. We then consider whether the market for product design software includes, in addition to all-in-one tools such as those offered by the Parties, other tools such as point tools. Lastly, we consider the geographic scope of the relevant market.
- 7.7 In the second part of this chapter, we consider the relevant product and geographic market(s) for creative design software.

²⁸⁵ See [Meta Platforms, Inc. v CMA \[2022\] CAT 26](#), paragraph 66 and 101: 'Dynamic competition involves a much more fluid competition between innovating firms, and this may require more than one, connected, market to be considered, and so defined' and 'dynamic competition involves much more fluid competition, with the potential for disruptions and incursions from participants in different markets'.

²⁸⁶ [CMA129](#), paragraph 9.3.

²⁸⁷ See: [phase 1 decision \(Phase 1 Decision\)](#), 30 June 2023, paragraph 106; and [phase 2 issues statement](#), paragraph 24.

²⁸⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph A1.6; and Parties' response to working papers. The field of interactive product design (also termed 'user interface/user experience' or 'UI/UX' design) enables product designers to create the design of websites and mobile applications. These products incorporate interactive components such as buttons, menus, and navigation which users can click through (ie interact with) in the prototyping stage to experience how the product works as if browsing a finished product. We consider that interactive product design and product design are terms which can be used interchangeably, and we use product design throughout this report. For further details see [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.6; and FMN.

All-in-one product design software

- 7.8 The Parties overlap in the supply of all-in-one product design software for professionals, through Figma Design and Adobe XD.²⁸⁹ Further, Adobe had been developing Project Spice, a web-based collaborative design software, until September 2022.²⁹⁰
- 7.9 In this section we first consider the relevant product market, starting with the Parties' submissions on screen design software, before turning to their submissions on whether there is a relevant market for all-in-one software. We then consider the geographic scope of the relevant market.

Product design software

- 7.10 In the Phase 1 Decision, the CMA considered that the relevant frame of reference should be the supply of screen design software, which includes both product design and marketing design.²⁹¹ We adopted the same approach in our issues statement.²⁹² In this section we consider the Parties' submissions that product and marketing design use cases do not form part of the same product market, ie there is no relevant product market for screen design software.

Parties' submissions

- 7.11 The Parties submitted that both Figma and Adobe currently provide an interactive product design tool, through Figma Design and Adobe XD, respectively.²⁹³
- 7.12 The Parties submitted that there is no plausible market for 'all-in-one screen design software'.²⁹⁴ Specifically, the Parties submitted that this market incorrectly includes marketing design software, and that because marketing design use cases do not require all-in-one functionality such a market definition is internally inconsistent.²⁹⁵

²⁸⁹ FMN.

²⁹⁰ FMN.

²⁹¹ [Phase 1 Decision](#), paragraph 106.

²⁹² [Issues statement](#), paragraph 24.

²⁹³ FMN.

²⁹⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph A1.7; and Parties' response to working papers.

²⁹⁵ Parties' response to TOH1 working paper.

7.13 The Parties submitted that marketing design substantially differs from product design, in terms of use cases, the required functionality, types of users, and competitor set.²⁹⁶

- (a) Use cases and functionality: the Parties submitted that marketing design output, such as simple landing webpages, marketing graphics (eg posters, banner ads, logos) and simple email marketing campaigns can be created without the level of functionality required for interactive product design use cases. Instead, marketing design use cases require a range of tailored, easy-to-use functionalities for an efficient marketing design workflow, such as features relating to scheduling, running, and analysing marketing campaigns. As such, the Parties submitted, an 'all-in-one' solution for these use cases would look very different to the one required for sophisticated digital products like mobile based applications (apps) and cover only some of the stages of 'all-in-one' functionality defined in the Phase 1 Decision (these being sketching, wireframing, prototyping, mock-up, and hand-off).²⁹⁷ The Parties also submitted that internal documents indicate that there are some very basic features that all design tools require and both product and marketing designers need, but that Adobe internal documents in relation to Project Spice [REDACTED].²⁹⁸ Further, the Parties submitted that from Adobe's perspective [REDACTED].²⁹⁹ Finally, the Parties submitted that, while Figma Design can be used for marketing design, [REDACTED].³⁰⁰
- (b) Target users: The Parties submitted that the primary users of marketing design tools comprise marketing professionals, influencers, and small business owners, whereas users of interactive product design and development tools are product designers, UX designers and UI designers, product managers, software developers, and other members of product teams involved in building digital products.³⁰¹
- (c) Competitor set: The Parties submitted that there is a group of competitor products that are optimised for marketing design – such as Canva,

²⁹⁶ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs A1.7(a), B2.1(a), B2.4-B2.5, B2.7-B2.9, and B2.11-B2.13; and Parties' response to TOH1 working paper.

²⁹⁷ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B2.11.

²⁹⁸ Parties' response to working papers, 'Appraisal of Evidence'; and Parties' response to TOH1 working paper.

²⁹⁹ Parties' response to TOH1 working paper.

³⁰⁰ Parties' response to TOH1 working paper. The Parties also submitted that the customer testimonial from Whatagraph on Figma's website (referenced at Figma's Main Party Hearing on 5 October 2023) does not suggest that Figma Design serves marketing design use cases. They stated that Whatagraph's design team, in order to facilitate speedy construction of 30-40 variations of a landing page, 'used Figma's Component and Auto Layout features to create around 20 building blocks that form the basis of the landing pages' which could then be handed off to the marketing design team to apply basic changes to the layout of these components. The Parties submitted that the complex construction of these components is primarily a product design use case. See Parties' response to TOH1 working paper.

³⁰¹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B2.9.

Microsoft Designer, Mailchimp, Visme, Pixlr, Piktochart, and HubSpot – which differs from the group of competitors whose products are optimised for product design such as Figma, Sketch, Framer, Penpot, and ProtoPie (and many others).³⁰² The Parties highlighted Adobe internal documents that show that Adobe thinks of marketing design competitors as occupying a distinct space – marketing design – and lists a number of these competitors.³⁰³ Further, the Parties submitted that weight ought to be placed on evidence from Figma, and how Figma perceives its competitors and therefore maps its product path, target audience and innovation.³⁰⁴ The absence of internal documents showing Figma monitoring marketing design providers is reflective of the fact that Figma does not consider its product design software offerings to be competing with marketing design software, and Figma Design is not constrained in any meaningful way by marketing design tools (either those currently in the market, or those in development).³⁰⁵

- 7.14 The Parties also submitted that the CMA’s observation that there is limited variation in the competitor set faced by Figma for marketing and product design use cases is not relevant to the assessment of the relevant market.³⁰⁶
- 7.15 The Parties further submitted that if marketing design is included in the same market as product design, then the market should include ‘all marketing design tools’ for consistency.³⁰⁷ The Parties submitted that our assessment must include Canva, Microsoft Designer, Mailchimp, Visme, Pixlr, Piktochart, and HubSpot, which offer marketing design tools.³⁰⁸
- 7.16 Finally, the Parties submitted that an example of a CMA questionnaire was passed to the Parties by a customer. The Parties submitted that some of the terminology used in our customer questionnaires may not be well understood by market participants and the questions are leading, skewed and ill-constructed.³⁰⁹ In particular, they submitted the following:

³⁰² [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.4.

³⁰³ Parties' response to TOH1 working paper. Adobe Internal Document. Adobe Internal Document.

³⁰⁴ Parties' response to TOH1 working paper.

³⁰⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.34(c); and Parties' response to TOH1 working paper.

³⁰⁶ Parties' response to TOH1 working paper. As set out in paragraph 9.8 of [CMA129](#), the CMA will consider the competitor set across different products where several narrower markets may be aggregated to form one broader market as a result of supply-side factors. Accordingly, the Parties' submission on this point is not discussed further in this chapter. We do, however, further consider the Parties' submissions that competitors with dedicated marketing design tools should be included in the relevant market.

³⁰⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B2.17; and Parties' response to TOH1 working paper.

³⁰⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B2.4 and B2.17; and Parties' response to TOH1 working paper.

³⁰⁹ Parties' response to working papers; and Parties' response to TOH1 working paper.

- (a) The term ‘screen design’ is an imprecise term that, understood literally, encompasses anything designed for a screen which covers a spectrum of products that have quite different applications, and that, its usage has changed over time (bifurcated into complex design tasks like product design and less complex ones like marketing design). They submitted that the explanatory text provided by the CMA in its questionnaires leads to further misunderstanding as the definition includes ‘digital marketing’ which would generally be understood to encompass the design of banner ads but then the definition describes functions (eg, prototyping, handoff, or production of the coded product) that would have no relevance to designing marketing material.³¹⁰ Further they noted that all-in-one screen design is defined to involve all steps in the screen design process while functions such as prototyping, handoff, or production would not typically be associated with the creation of digital marketing collateral like a banner ad or social media post.³¹¹ Finally, the Parties submitted that the questions do not allow respondents to state that they do not work with ‘screen design and/or creative design’ and they cannot indicate that their work relates to product design only.³¹²
- (b) The questionnaires asked whether Figma Design ‘could’ be used for both product and marketing design, which the Parties claim is a leading question and provides no evidence that marketing design software is part of the relevant market or a constraint on Figma Design.³¹³

Our assessment

7.17 In this section we first consider the overlap between the Parties’ products, which is the starting point for our assessment. We then consider whether the Parties’ internal documents and other evidence provided by the Parties and third parties suggest that their products compete in a broader market for screen design (which includes both product and marketing design), before considering evidence on whether the Parties’ products are used for marketing design use cases, and differences in end users and functionality across marketing and product design use cases.

³¹⁰ The definition used in the CMA’s customer and competitor questionnaires was ‘Screen design refers to the creation of the graphical layout and the design flow for websites, applications, and digital marketing, including any of sketching, wireframing, mock-up, prototyping, and handoff. Screen design can involve a ‘design system’ to apply and maintain a set of design and style guidelines (eg standard typography, colour, spacing, and components). Screen design can also involve production (ie where the digital design is built in code and launched into the world for people to actually use). Screen design includes all-in-one screen design software, point tools, prosumer tools and low/no code web building tools’.

³¹¹ Parties’ submission on the Customer Questionnaire; Adobe, Submission to the CMA.

³¹² Parties’ response to TOH1 working paper.

³¹³ Parties’ response to TOH1 working paper.

- 7.18 The Parties, through their products Figma Design and Adobe XD, offer all-in-one product design software to professional users.
- 7.19 As submitted by the Parties, Figma Design is a product design tool.³¹⁴ Similarly, Adobe XD is designed with, and advertised as providing, product design functionality. For example, Adobe's website on a page titled 'What is Adobe XD and what is it used for?' explained that Adobe XD can be used for both website and app design and highlights its prototyping and developer handoff features.³¹⁵ This is in line with the Parties' submissions that Adobe XD operates in the market for product design and development, and provides basic UI/UX design features including wireframing, mockup, prototyping, and handoff capabilities.³¹⁶
- 7.20 It is also consistent with [REDACTED] (Adobe, President of Digital Media) deposition to the US Department of Justice (**DOJ**) [REDACTED], when asked about [REDACTED], [REDACTED] states that '[REDACTED]'.³¹⁷ Further, a document submitted by Figma titled '[REDACTED]', dated 10 August 2022, a few weeks before the announcement of the Merger, quotes an interview with a Product Manager and survey data from Forrester and Design Tool to show usage of Adobe XD in product design teams.³¹⁸
- 7.21 Both Parties' products are used by customers for various use cases, including product design and to some extent marketing design.³¹⁹ Product design use cases include the designing of websites and mobile based applications, whereas marketing design use cases include the designing of landing websites, marketing emails, and banner ads. In the FMN the Parties submitted that '[XD] has tended to be used in relation to less sophisticated use cases, such as marketing professionals designing a landing page for a marketing campaign rather than more complex use cases involving cross-team collaboration'.³²⁰ However, in response to Working Papers, the Parties submitted that from Adobe's perspective [REDACTED]. The Parties submitted that Adobe XD was intended to serve [REDACTED] but failed due to [REDACTED].³²¹ As set out further below, [REDACTED], we consider that the evidence shows that Adobe XD was used for marketing design in more than a limited number of cases.

³¹⁴ FMN.

³¹⁵ 'What is Adobe XD and what is it used for?', accessed by the CMA on 26 September 2023.

³¹⁶ FMN.

³¹⁷ Adobe, Submission to the CMA.

³¹⁸ Figma Internal Document.

³¹⁹ The Parties' internal documents categorise users in a number of different ways, suggesting that there may be other uses cases in addition to product and marketing design. For example, one Figma internal document identifies the following categories of designers: [REDACTED]. See Figma Internal Document.

³²⁰ FMN.

³²¹ Parties' response to TOH1 working paper

- 7.22 As set out in paragraph 8.146, Adobe's Project Spice planned to focus sequentially on (i) ideation, (ii) marketing design, and (iii) product design, with more functionality added over time.
- 7.23 As set out in paragraphs 2.5(f) and 2.14(a) the Parties' products cover all of the five main stages of product design (namely sketching, wireframing, mockup, prototyping, and handoff), and are therefore considered 'all-in-one' software tools.³²² The Parties have submitted that, unlike no-code/low-code tools (discussed further below), Figma does not create the end product, so it is not an all-in-one tool.³²³ However, we consider that the evidence shows that Figma does provide functionality for each of the key product design stages described by the Parties, and as such it can be considered an all-in-one product design tool.
- 7.24 Figma Design is targeted at professional users, with paid plans available for professionals, organisations, and enterprises (see paragraph 2.17). Adobe also targets professional users with Adobe XD and Project Spice (see for example paragraph 5.26 and paragraph 8.157).³²⁴
- 7.25 For the purposes of defining the relevant product market, we therefore consider the overlap between the Parties' products in all-in-one product design software for professional users as the narrowest starting point for our analysis. As the product design process consists of a number of separate stages (eg sketching, wireframing, etc), some of which are also served by point tools, we have assessed whether the relevant market should include such tools further below.

Screen design

- 7.26 In this section, we consider whether the evidence suggests that the Parties viewed their products as competing within a wider market for screen design (ie including both product and marketing design).
- 7.27 As shown below, Adobe's internal documents and testimonies of its executives refer to the 'screen design' category. The term 'screen design' is often used as the market in which Adobe XD is active and irrespective of a

³²² We consider that end-to-end and all-in-one tools both mean tools that cover all of the five main stages of product design. We refer to all-in-one tools throughout this report.

³²³ Specifically, the Parties submitted that the rise of both design-to-code and AI critically undermine the notion of an 'all-in-one' tool. Figma Design is not truly all-in-one tool because it currently remains primarily focussed on design, not the creation of the end product. As such, this is a critical area of competitive pressure that it must respond to. See Parties' response to TOH1 working paper.

³²⁴ Adobe also submitted that creative professionals are its core customer base. See [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C.4.11(a).

specific use case for product or marketing design.³²⁵ [REDACTED] (Adobe, Chief Technology Officer) also confirmed that [REDACTED].³²⁶ On the contrary, Figma's internal documents generally do not seem to refer to a 'screen design' market.³²⁷

7.28 The evidence on whether the Parties viewed their products as being part of a wider market for screen design is mixed. There is some evidence that product design forms part of a broader category for screen design, but there is also evidence that the use cases and functionality may differ across product and marketing design, indicating that demand side substitution may be more limited.

(a) [REDACTED] (Adobe, Chairman and CEO) in [REDACTED] deposition given to the US DOJ on [REDACTED] testified that product design refers to the design of mobile applications for multiple screen formats, [REDACTED].³²⁸ [REDACTED] adds that [REDACTED].³²⁹ [REDACTED] also indicates that '[REDACTED]'.³³⁰

(b) [REDACTED] (then Adobe, Chief Product Officer of Creative Cloud), in [REDACTED] DOJ deposition, stated that '[REDACTED]'.³³¹

(c) In [REDACTED] deposition to the US DOJ, dated [REDACTED], [REDACTED] (Adobe, President of Digital Media) described interactive product design as '[REDACTED]'.³³² About marketing design, [REDACTED] states that '[REDACTED]' and continues '[REDACTED]'.³³³

(d) [REDACTED] (Adobe, SVP of Digital Media Global Marketing) in [REDACTED] DOJ deposition submitted that '[REDACTED]'.³³⁴ When asked whether screen design is a bigger category that includes both marketing and product design, [REDACTED] testified that '[REDACTED]'. As examples of marketing design, [REDACTED] mentioned [REDACTED].³³⁵

(e) [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud services) described marketing design as '[REDACTED]'. [REDACTED] also described product design as '[REDACTED]'.³³⁶

³²⁵ Among several others, see the following: Adobe Internal Documents.

³²⁶ Parties' teach-in meeting with the CMA.

³²⁷ Few exceptions include, for instance, Figma Internal Document.

³²⁸ Adobe, Submission to the CMA.

³²⁹ Adobe, Submission to the CMA.

³³⁰ Adobe, Submission to the CMA.

³³¹ Adobe, Submission to the CMA.

³³² Adobe, Submission to the CMA.

³³³ Adobe, Submission to the CMA.

³³⁴ Adobe, Submission to the CMA.

³³⁵ Adobe, Submission to the CMA.

³³⁶ Adobe, Submission to the CMA.

- (f) [REDACTED] (Adobe, Senior Director of Strategic Development) in [REDACTED] DOJ deposition stated that '[REDACTED]'. [REDACTED] continues that '[REDACTED]'.³³⁷
- (g) A study dated 16 August 2022, one month before the announcement of the Merger, produced for [REDACTED] and titled '[REDACTED]', referred to '[REDACTED]' and that it '[REDACTED]'.³³⁸

Marketing design use cases

7.29 In this section we consider whether the Parties' products are used for marketing design use cases and whether there is a difference in users and functionality for product and marketing use cases. We also consider the Parties' competitor set for marketing design and in particular which products are considered alternatives by the Parties' customers.

- *Internal documents*

- 7.30 The Parties submitted that there are differences in the use cases and functionality across product and marketing design, and there are differences in the target users. However, some internal documents show that there is a significant overlap between the two use cases for Adobe XD. For example, one Adobe document, titled '[REDACTED]' presented on 20 May 2022, shows the results of a survey of Adobe customers. The results show that '[REDACTED]'.³³⁹ The document shows that [REDACTED]% of respondents did marketing design work only, [REDACTED]% did both marketing design and product design, and [REDACTED]% did product design only.³⁴⁰
- 7.31 Other Adobe internal documents focus on identifying the marketing design user base and the software functionalities they seek. For example, a March 2022 document titled '[REDACTED]' states that [REDACTED] and discusses '[REDACTED]'. Marketing designers are described as a subset of creative professionals. The document states that [REDACTED]. The document lists a range of deliverables that might be produced by marketing designers, ranging from banner ads and social media graphics to website or app design, with website and app design being activities that the Parties highlighted in other submissions as typically being undertaken by product designers. The document also states that [REDACTED].³⁴¹
- 7.32 Adobe internal documents indicate that there is a degree of differentiation, in terms of functionality and use cases, between product design and marketing

³³⁷ Adobe, Submission to the CMA.

³³⁸ Adobe Internal Document.

³³⁹ [REDACTED].

³⁴⁰ Adobe Internal Document.

³⁴¹ Adobe Internal Document.

design software. However, the Parties' internal documents also show that both Adobe XD and Figma Design are used for both product design and marketing design.

- (a) An Adobe presentation titled '[REDACTED]', suggests that '[REDACTED]'. A graph seems to show '[REDACTED]'.³⁴²
- (b) Adobe expressed concerns about '[REDACTED]'. A presentation titled '[REDACTED]', dated 11 August 2020, states that Adobe XD '[REDACTED]'.³⁴³
- (c) An Adobe internal document, titled '[REDACTED]', dated 12 March 2021, states that '[REDACTED]'.³⁴⁴
- (d) A presentation titled '[REDACTED]', dated October 2021, distinguishes between marketing designers and product designers. It highlights that '[REDACTED]' and that marketing designers '[REDACTED]'. It shows that professional marketing and product designers have different needs from a software tool. '[REDACTED]'. Adobe's proposal within this document is to '[REDACTED]'.³⁴⁵
- (e) A document dated 15 March 2022 reads '[REDACTED]'.³⁴⁶
- (f) A document dated 24 March 2022 on CC Web (Project Spice) shows notes from a meeting involving '[REDACTED]' (Adobe, Chairman and CEO), '[REDACTED]' (Adobe, President of Digital Media), and key stakeholders. The document contains an '[REDACTED]' section titled '[REDACTED]'.³⁴⁷
- (g) An internal document titled '[REDACTED]' of 10 August 2022 shows differences and similarities of both workstreams. In this document Adobe analyses '[REDACTED]'. Adobe provides an extensive list of capabilities required for both workstreams. For those listed under each specific category, '[REDACTED]'.³⁴⁸ The document shows the two categories '[REDACTED]'.³⁴⁹
- (h) A study by Adobe and '[REDACTED]' dated August 2022, titled '[REDACTED]',³⁴⁹ highlights how '[REDACTED]'. The study shows that both categories '[REDACTED]'. It highlights that '[REDACTED]'.

7.33 While the Parties submitted that Project Spice documents do not show a continuum from marketing to product design, Adobe's internal documents do

³⁴² Adobe Internal Document.

³⁴³ Adobe Internal Document. The Parties also submitted that that they agreed there was some overlap between product and marketing design. See Parties' response to TOH1 working paper.

³⁴⁴ Adobe Internal Document.

³⁴⁵ Adobe Internal Document.

³⁴⁶ Adobe Internal Document.

³⁴⁷ Adobe Internal Document.

³⁴⁸ Adobe Internal Document.

³⁴⁹ Adobe Internal Document. See also an early summary of the report, Adobe Internal Document.

show that Project Spice planned to focus sequentially on (i) ideation, (ii) marketing design, and (iii) product design. Adobe planned to add more functionality over time, suggesting there is no bright line separation between marketing and product design, and that functionality can be added incrementally. Further, Adobe's efforts to develop the marketing design functionality in its new screen design tool (through Project Spice) were seen as helping Adobe compete with Figma Design for marketing design use cases.

- (a) A message from [REDACTED] (Adobe, VP of Experience Design and Collaboration)) on 3 March 2022 talks about '[REDACTED]' in Canvas (ie Project Spice), noting that '[REDACTED]'.³⁵⁰
- (b) Messages between [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, VP of CC Web App) on 16 March 2022 discuss whether marketing and product design are in scope for Project Spice. [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) expresses that he thought [REDACTED]. [REDACTED] (Adobe, VP of CC Web App) replies that [REDACTED]. However, he states that there '[REDACTED]' and that '[REDACTED]'.³⁵¹
- (c) An email from [REDACTED] (Adobe, VP of CC Web App) dated 16 March 2022 (a follow up to his chat with [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) referenced above) states that product design features are '[REDACTED]' and that Project Spice will '[REDACTED]'.³⁵²
- (d) Another document submitted by Adobe, titled '[REDACTED]',³⁵³ focuses on [REDACTED]. The document recognises that '[REDACTED]' is not a job title used in the industry, and that its tasks are generally attributed to a Designer, Digital or Graphic Designer and Creative Director, according to each company's type or size.

7.34 A presentation dated May 2022 presents user research on Project Spice focused on marketing designer needs. The presentation describes features including design systems and interactivity and makes references to Figma being a competitor in marketing design, with several mentions of Figma in the notes and comments regarding whether it includes certain features.³⁵⁴ Some Adobe documents suggest that there will be a convergence between marketing and product design:

³⁵⁰ Adobe Internal Document.

³⁵¹ Adobe Internal Document.

³⁵² Adobe Internal Document.

³⁵³ Adobe Internal Document. When looking at examples of marketing designers and the software they use [REDACTED].

³⁵⁴ Adobe Internal Document.

- (a) A message from [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) dated 12 April 2022, in relation to Project Spice, states that [REDACTED].³⁵⁵
- (b) A message from [REDACTED] (Adobe, VP of CC Web App) dated 7 May 2022, states that '[REDACTED]', going on to state that Adobe should make sure that '[REDACTED]'.³⁵⁶
- (c) A message from [REDACTED] (Adobe, VP of CC Web App) dated 25 July 2022 states that Adobe needs to '[REDACTED]'.³⁵⁷
- 7.35 Some Figma internal documents show that Figma Design is primarily aimed at product designers. For example, an internal document analysing Adobe XD, titled '[REDACTED]', dated 10 August 2022, a few weeks before the announcement of the Merger, notes that Figma should '[REDACTED]' and should '[REDACTED]' as Adobe XD use is [REDACTED]. The same document states that marketing design roles '[REDACTED]'.³⁵⁸ We consider that this shows Figma actively chose to target product designers, rather than other user groups.
- 7.36 The Whatagraph testimonial on Figma's website (referenced at Figma's Main Party Hearing on 5 October 2023) appears to relate to the use of Figma Design for a product design use case, with the outputs handed off for use in marketing design.
- 7.37 However, a Figma internal document, while indicating that there is some degree of differentiation in functionality and use cases, notes that there may be convergence between marketing and product design software over time. In Figma's [REDACTED] product strategy plan, Figma includes discussion on what it describes as one of its '[REDACTED]' which is '[REDACTED]'. Responses to this question by senior Figma staff taken together indicate [REDACTED].³⁵⁹
- 7.38 A Figma presentation titled '[REDACTED]' shows that Figma's [REDACTED] include the following weekly active users: Designers ([REDACTED]%), Developers ([REDACTED]%), Product Managers ([REDACTED]%) and Marketers ([REDACTED]%), among others.³⁶⁰
- 7.39 A Figma presentation titled '[REDACTED]' shows that, at the date of the document, Figma's addressable market includes [REDACTED].³⁶¹ The same document discusses business risks driven by [REDACTED].³⁶²

³⁵⁵ Adobe Internal Document.

³⁵⁶ Adobe Internal Document.

³⁵⁷ Adobe Internal Document.

³⁵⁸ Figma Internal Document.

³⁵⁹ Figma Internal Document.

³⁶⁰ Figma Internal Document.

³⁶¹ Figma Internal Document.

³⁶² Figma Internal Document.

7.40 Finally, in relation to the Parties' submission that there is a broader competitor set for marketing design, the CMA is not aware of any Adobe internal documents discussing its marketing design plans for Project Spice that refer to any of the specialist marketing design competitors listed in its submission (Microsoft Designer, Mailchimp, Visme, Pixlr, Piktochart, and HubSpot).

7.41 In its submission in response to the CMA's TOH1 Working Paper, Adobe relied on two documents to show that it sees marketing design as a distinct category with a separate set of competitors:³⁶³

(a) An Adobe internal presentation titled '[X]' of July 2019 notes its customers have different needs based on their sizes and the scale of their operations. It includes a variety of software divided under the headings '[X]', '[X]' and '[X]'. Adobe includes [X], among others, [X], and others [X].³⁶⁴ It appears, however, that Adobe did not consider all these players as its competitors but [X]. An earlier slide of the same document, titled '[X]' only includes [X] (original emphasis).³⁶⁵

(b) Another Adobe internal presentation titled '[X]' of April 2020 groups [X] for all business; players such as [X].³⁶⁶ The same document however shows product design and digital marketing as outputs of '[X]',³⁶⁷ suggesting that [X].

7.42 The CMA is not aware of any evidence demonstrating that Figma regularly tracks marketing design competitors.

7.43 Additionally, as explained in Chapter 8, only Canva was listed as an alternative to Adobe XD or Figma Design by one customer. None of the remaining marketing design competitors identified by the Parties (see paragraph 7.15 above) were listed as alternatives to Adobe XD or Figma Design by any customers.

- *Adobe depositions*

7.44 While Adobe XD was intended to be a product design software tool, there is evidence from depositions to the DOJ that Adobe XD is used for marketing design:

³⁶³ Parties' response to TOH1 working paper.

³⁶⁴ Adobe Internal Document.

³⁶⁵ Adobe Internal Document.

³⁶⁶ Adobe Internal Document.

³⁶⁷ Adobe Internal Document.

- (a) [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) on [REDACTED] testified to the DOJ that [REDACTED].³⁶⁸ [REDACTED] further affirmed that Adobe [REDACTED].³⁶⁹
- (b) [REDACTED] (Adobe, President of Digital Media) on [REDACTED] stated that '[REDACTED]'.³⁷⁰
- (c) When asked about Adobe XD, [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud services) testified to the DOJ on [REDACTED] that it is [REDACTED]. He stated that Adobe XD was '[REDACTED]'.³⁷¹
- (d) [REDACTED] (Adobe, VP of CC Web App), in his deposition given to the US DOJ, stated that '[REDACTED]'.³⁷²

- *Third-party evidence*

- 7.45 Third-party survey evidence shows that Figma and Adobe XD are used by both product and marketing designers. A December 2019 document from Coatue, an investor in Figma, outlines the responses to its Design Software Tools Survey, and shows that just over half of Figma and Adobe XD users are UI/UX designers, while a much smaller proportion (around one fifth) are Marketing Creatives.³⁷³
- 7.46 In relation to the Parties' submissions on our questionnaires, we first note that when setting out the questions, we provided definitions for various key terms (such as screen design), in line with submissions from the Parties on this point.³⁷⁴ We further note that screen design is a broad term used in different contexts, and this is captured in our questionnaires. We also note that no respondents to our questionnaires raised any questions regarding the terminology used, and these respondents are well informed customers of the Parties' products. Finally, for those questions which were designed to test demand side substitutability, we intentionally avoided framing the question within a particular market definition. Instead, we asked open questions about alternatives to understand the main competitive constraints in an unbiased way.

³⁶⁸ Adobe, Submission to the CMA.

³⁶⁹ Adobe, Submission to the CMA.

³⁷⁰ Adobe, Submission to the CMA.

³⁷¹ Adobe, Submission to the CMA.

³⁷² Adobe, Submission to the CMA.

³⁷³ Coatue Internal Document. This excluded 'I don't know' responses. UX/UI Designers includes: UI/UX designer, UX designer, Technical product manager, Product manager, Product design manager and Product designer. Marketing Creative includes: Marketing product manager, Marketing generalist, Digital marketer and Brand manager.

³⁷⁴ Parties', Submission on technical terminology use in CMA market testing.

- 7.47 Through our customer questionnaire we asked large and mid-size customers³⁷⁵ whether Figma Design could be used for both marketing design and product design use cases.³⁷⁶ The majority of respondents to this question thought that Figma Design could be used for both marketing design and product design use cases.³⁷⁷ We asked the same question to small customers where the vast majority of respondents thought that Figma Design could be used for both marketing design and product design use cases.³⁷⁸ This is consistent with evidence provided by respondents to the competitor questionnaire. For example, one third party confirmed there is no marked difference between marketing design and product design and Adobe XD and Figma can be used for marketing design use cases as well as product design use cases.³⁷⁹ While we acknowledge that the majority of customers stating that they could use Figma Design for marketing design does not necessarily imply that Figma Design is used by marketing design customers, it does suggest that there is a degree of overlap in the functionality required for marketing design and product design. Furthermore, we have interpreted this evidence in conjunction with evidence that Figma Design is in practice used for marketing design by a significant number of customers and does compete in this space (for example as discussed above the '[X]') was a core assumption in its [X] product strategy plan (see paragraph 7.37 above) and indicates that Figma competes in marketing design).
- 7.48 We also asked large and mid-size customers to list and rate the alternatives to Figma Design specifically for: (i) product design use cases, and (ii) marketing design use cases. For both use cases, Adobe XD and Sketch were the two most-commonly listed alternatives.³⁸⁰ While some customers (out of all customers who answered both questions) listed the exact same alternatives for both cases,³⁸¹ there were some differences in alternatives

³⁷⁵ Including education customers.

³⁷⁶ In our questionnaires we used the following definitions for market design and product design. Marketing design refers to simpler screen design use cases including banner ads or simple landing pages. Product design refers to more sophisticated screen design use cases such as designing complex websites and apps (for example Spotify). For further details on the responses to the question 'What do you use Figma Design for?' and the equivalent question for Adobe XD, please see paragraph 8.102.

³⁷⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [yes: 21 out of 28: [X], [X]; no: 6 out of 28: [X], [X], [X], [X], [X], [X].]

³⁷⁸ Third-party responses to the CMA's phase 2 small customer questionnaire.

³⁷⁹ Third party call note.

³⁸⁰ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Product design use cases: Listed Adobe XD: 23 out of 27: [X], [X]; Listed Sketch: 23 out of 27: [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X]. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Marketing design use cases: Listed Adobe XD: 14 out of 25: [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X]; Listed Sketch: 9 out of 25: [X], [X], [X], [X], [X], [X], [X], [X], [X]. Adobe XD and Sketch had average ratings of 3.4 and 3.2 respectively for product design use cases, and 4.1 and 3.9 respectively for marketing design use cases.

³⁸¹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [7 out of 25: [X], [X], [X], [X], [X], [X], [X].]

listed by use case. The next most commonly listed alternatives (after Adobe and Sketch) for product design use cases were InVision, Axure, and Balsamiq;³⁸² while for marketing design use cases were products from Adobe's Creative Cloud (namely Photoshop, Illustrator) and Canva.³⁸³ No other alternatives were listed by more than two customers for either market or product design use cases.

- 7.49 Further, respondents to our customer questionnaire did not list, as alternatives to Figma for marketing design use cases, many of the marketing design competitors that the Parties submitted should be considered if we were to widen the market to include marketing design. For example, the following competitors were not listed as an alternative to Figma Design by any customers: Microsoft Designer, Mailchimp, Visme, Pixlr, Piktochart, and HubSpot.³⁸⁴
- 7.50 We do not agree with the Parties' submission that our questionnaires are fundamentally flawed because they start from a basis of assuming Figma Design is used for marketing design use cases. Our questionnaire sets out a number of different questions to test alternatives to Figma Design, how Figma Design is being used, if Figma Design can be used for product design and marketing design, and the alternatives to Figma Design for product design and marketing design and does not therefore assume that Figma Design is used for marketing design.³⁸⁵ We also disagree with the Parties' submission that we should have asked about the best tools to conduct marketing design before posing any questions relating to Figma Design. This is not a relevant question to assess the effects of the Merger. As set out in the CMA's guidance, our assessment considers the competitive constraints which may be eliminated by a merger.³⁸⁶
- 7.51 The Parties submitted that our questionnaires may be subject to confirmatory bias, as Figma customers are likely to accept that Figma Design can be used for all of their needs and may therefore list other product design tools as alternatives to Figma rather than specialist marketing design tools.³⁸⁷ We disagree that our third-party questionnaire responses are likely to be subject to bias. The Parties' customers are well-informed professionals, with a clear

³⁸² Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Invision: 6 out of 27: [X], [X], [X], [X], [X], [X]; Axure: 5 out of 27: [X], [X], [X], [X], [X]; Balsamiq: 4 out of 27: [X], [X], [X], [X]].

³⁸³ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Listed Adobe Photoshop, Adobe Illustrator, or Adobe InDesign: 13 out of 25: [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X]; Listed Canva: 3 out of 25: [X], [X], [X]].

³⁸⁴ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire.

³⁸⁵ CMA's phase 2 large and mid-sized customer questionnaire.

³⁸⁶ See for example [CMA129](#), paragraph 4.2.

³⁸⁷ Parties' response to TOH1 working paper.

understanding of the products available to them (as the responses to our questionnaire and third-party calls show), and we consider it unlikely that a confirmatory bias could exist in this context. However, to the extent such bias exists in the responses, we may expect any such bias to affect also the customers' purchasing behaviour, ie these customers would be more likely to switch to other product design tools for their marketing design use cases. We further note that our third-party questionnaires set out open questions to test the alternatives available to the Parties' customers (for their needs), and the results of our customer questionnaires are consistent with other evidence available to the CMA (see for example internal document evidence at paragraphs 7.38 to 7.41 above).

7.52 We followed up with a number of the Parties' customers to further explore any differences between product and marketing design use cases, including to test whether Figma Design and Adobe XD are used for both product and marketing design use cases, and to identify any relevant differences in functionality.

(a) One large customer told us that it has a dedicated product design team that uses Figma Design, and a dedicated marketing team that uses other tools including Adobe's Creative Cloud. However, digital marketing materials may be designed by either team, depending on the circumstances. For example, digital marketing for use on third-party sites would typically be designed by the marketing team, while digital marketing for use on the customers' app or website would likely be designed in Figma Design by the product design team. The customer also told us that the team responsible for designing digital marketing materials can change over time. Specifically, following a rebrand exercise around 18 months ago, more of the marketing design use cases are being dealt with by the product design team. However, as the rebranded templates and sites are built out, some of these digital marketing activities may switch back to the marketing team.³⁸⁸

(b) One large customer told us that the software it uses can vary by client, as end clients may work with other third-party agencies who have a set of approved design applications which must be used. As a result, it uses Figma Design, Adobe XD, and Photoshop for digital design work. Where the budget is available, it would recommend Figma Design (over Adobe XD) for product and marketing design use cases as it is faster and more accurate, but it did consider Adobe XD to be a good alternative for both product and marketing design use cases and is using both Figma Design

³⁸⁸ Third party call transcript.

and Adobe XD for product and marketing design use cases. The customer told us that the key point of differentiation between marketing and product design use cases is the level of interactivity and complexity of the final output, with marketing design typically involving static outputs.³⁸⁹

- (c) One large customer told us that it uses Figma Design predominantly for developing digital experiences and would use Adobe XD ‘for almost exactly the same category of work’, adding that the tool used would depend on the preferences of the client or the designers. InVision is used for wiring together different parts of prototypes. For marketing design, the customer also uses Adobe XD and Figma Design. The customer described product design to be quite different to marketing design, with marketing design being more campaign-led whereas product design would be driven by the need to deliver functional changes to a software product. It explained that designers can be seen working across both product design and marketing design, but that teams tend to work in silo and designers tend to specialise in either product design or marketing design. When asked how much Figma Design is used for marketing design versus product design, the customer estimated that the majority of work carried out using Figma Design would be for marketing design.³⁹⁰
- (d) One large customer told us it predominantly uses Figma Design for UI/UX design, screen design, and interface design. Some users in the organisation continue to use Adobe XD based on personal preference. The customer described them as a ‘slightly adjacent team, where they do not necessarily have to collaborate with everybody else in the business... but they are doing the exact same stuff (as those using Figma Design).’ The customer also added that there is little crossover between those who do product design and those who do marketing design within their organisation. The marketing design department would generate marketing websites on Figma, either in-house or via freelancers. The customer named Adobe Illustrator, Adobe InDesign, and Canva as alternative tools for marketing design. It added that Framer and Webflow could be considered as alternatives in the future with further developments, especially in the AI space, but are not currently considered as alternatives by the customer. On Framer’s capabilities compared to Figma Design, it commented ‘[A] bit more limited, because Figma you can sort of push the boundaries of what code can do, whereas Framer is necessarily constrained by it’.³⁹¹

³⁸⁹ Third party call transcript.

³⁹⁰ Third party call transcript.

³⁹¹ Third party call transcript.

(e) An employee in a marketing agency told us that Figma Design is their primary tool, although other tools, including Adobe CC, are also used. The employee also told us that their team operates as a single experience and design team, which can handle both product and marketing design use cases. Although the brief from the client would be differentiated, it would be the same team doing both use cases. Figma Design may therefore be used for some digital marketing design use cases, such as website digital adverts and landing pages.³⁹²

- *Our provisional view on product and marketing design*

7.53 Based on the evidence set out above, we provisionally conclude that the overlap between the Parties' products is in relation to all-in-one product design software for professional users, and this should be the narrowest starting point for our analysis.³⁹³ The Parties' products are designed for use by professional product designers for product design purposes. These tools are differentiated products encompassing a range of functionalities which can be built incrementally over time.

7.54 While the more advanced functionalities of all-in-one product design tools are typically needed for product design purposes, the evidence shows that these tools have functionalities that also meet certain requirements of marketing designers. Although there is a degree of differentiation in terms of functionality and use cases between product design and marketing design software, the evidence does not point to a bright line delineation between product and marketing design functionality, and there is evidence that use cases overlap to an extent and that both Adobe XD and Figma Design can and, to varying degrees, are used for both product and marketing design purposes. The product design software itself is agnostic to the specific use case, as the same functionality is available to all users and the price is the same irrespective of what the product is used for.

7.55 The evidence on whether there are distinct categories of users for marketing and product design purposes is mixed, as in some cases the same user may be performing both product and marketing design tasks, while in others different users may be performing these tasks.

7.56 The evidence set out above shows that competitors offering marketing design tools (such as Canva, Microsoft Designer, Mailchimp, etc) should not be

³⁹² Third party call transcript.

³⁹³ As noted in paragraph 7.23 above, the product design process consists of a number of separate stages (eg sketching, wireframing, etc), some of which are also served by point tools. We have therefore assessed whether the relevant market includes such tools further below.

included in the relevant market. These competitors are not tracked in the Parties' internal documents as competitors to Figma Design, Adobe XD and Project Spice, and only one customer respondent to the CMA's third-party questionnaire listed one of these competitors (Canva) as an alternative.

7.57 Overall, we therefore do not presently consider it appropriate to widen the scope of the relevant market to include marketing design software. Accordingly, we have, on a conservative basis, provisionally concluded that the relevant product market includes product design software but does not include marketing design software.

7.58 However, in our competitive assessment we have taken into account the fact that the Parties' products are often used for marketing design purposes, that product and marketing are ancillary use cases in a number of organisations, and that sometimes the same designer would work on both product design and marketing design functions using the same software tool. We have also taken into account any relevant differences in the competitive constraints across use cases, and in particular for product and marketing design use cases.

All-in-one product design software

7.59 In this section we consider the Parties' submissions that there is no relevant market for all-in-one software, and that the market should be defined more widely. In particular, we set out the Parties' submissions, then we consider whether the market (or markets) should include one or more of the following:

- (a) point tools;
- (b) no-code/low-code website builders;
- (c) prosumer tools;
- (d) AI and ML tools;
- (e) visual interface builders / IDE; and
- (f) whiteboarding tools.

Parties' submissions

7.60 The Parties submitted that to understand competition in an innovation-driven sector the analysis must include the innovation drivers, and that a static and

backward-looking approach to the market definition would be inconsistent with assessing future impacts in dynamic markets.³⁹⁴

- 7.61 The Parties submitted that there is no plausible market for ‘all-in-one screen design software’.³⁹⁵ The Parties submitted that this market fails to consider additional tools used in interactive product design that exert competitive pressure on the Parties, as customers are being provided with an increasing number of different routes for creating their desired end product, and customers mix and match for different elements of their workflow using a variety of different tools.³⁹⁶ The Parties submitted that the relevant product market should include: end-to-end/workflow tools (ie including all key features), point tools, and tools providing interactive product design functionalities including prosumer tools, and integrated-design-to-production low-code and no code tools.³⁹⁷ Additionally, the Parties submitted that visual interface builders / integrated developer environments (**IDEs**) and tools using AI and machine learning (**ML**) technology have recently developed or expanded their propositions to offer competitive solutions to product teams seeking to design and build commercially deployable digital software in code.³⁹⁸
- 7.62 In relation to point tools, the Parties submitted that these are meaningful competitors to Figma Design as, from a demand perspective, customers use a combination of such tools for product design and development.³⁹⁹ The Parties also submitted that the finding of limited demand-side substitutability is inconsistent with evidence of multi-homing; customers do not need to switch away entirely from all-in-one tools to a combination of point tools for them to be a constraint and the majority of customers do not need to consider point tools an alternative for them to be included in the relevant market, which is particularly true in this case given software markets are characterised by low marginal costs and high incremental margins.⁴⁰⁰ The Parties also submitted that there appeared to be at least some respondents to the CMA’s market questionnaires that thought that a combination of point tools could be a good alternative to an all-in-one tool and a tool does not need to provide an ‘all-in-one solution’ to compete with Figma.⁴⁰¹

³⁹⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.30; and Parties' response to TOH1 working paper.

³⁹⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph A1.6; and Parties' response to working papers.

³⁹⁶ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.32 and B2.34(b), and Parties' response to TOH1 working paper,

³⁹⁷ FMN; and Parties' response to TOH1 working paper.

³⁹⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.24.

³⁹⁹ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.20.

⁴⁰⁰ Parties' response to TOH1 working paper.

⁴⁰¹ Parties' response to TOH1 working paper.

- 7.63 The Parties submitted that significant competitive pressure in this market comes from innovative point tools which: (i) deliver advanced functionality in discrete parts of the design and development workflows, and then typically seek to expand from discrete tasks to offer increasingly comprehensive solutions later in their lifecycles; and/or (ii) improve efficiency by removing steps from these workflows.⁴⁰² The Parties submitted that the questionnaires' focus on assessing alternatives to all-in-one screen design tools through a combination of point tools does not adequately capture the importance of partial competition imposed by point tools, in particular the fear of being superseded in one part of the workflow (with the risk of further expansion to other parts of the workflow) that causes product design tool providers to innovate.⁴⁰³ The Parties submitted that point tools exert 'important innovative constraints on Figma', including in particular, in terms of innovation competition.⁴⁰⁴ Figma submitted that it added features, such as [✂], to its offering with the aim of [✂] and therefore enhancing its offering against [✂].⁴⁰⁵
- 7.64 On the CMA's questionnaires, the Parties also submitted that the request for responses from customers whose 'work has a screen design element' as a way of screening respondents before asking if they had used various types of tools (including point tools) means that responses gathered will include customers engaged in designing marketing material, and there was no option for customers to indicate if their work relates to product design use cases only.⁴⁰⁶ However, the Parties submitted that these point tools cover many functions that are not relevant to design of marketing material such as prototyping or handoff, and therefore, the CMA will receive responses from many respondents for whom the point tools are not relevant to their role. Further, the Parties submitted that, the CMA's screen design definition stated that it can also involve production and design systems, however, these were not listed as one of the stages of screen design in the questionnaire which gives a misleading impression of the nature of competition from point tools.⁴⁰⁷
- 7.65 In relation to no-code/low-code tools, the Parties submitted that these tools allow the customer to go straight from design to final product, but that this does not mean they are distinct from traditional all-in-one tools, rather it

⁴⁰² Parties' response to the phase 1 Issues Letter; [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.31; Parties' response to TOH1 working paper.

⁴⁰³ Parties' submission on the Customer Questionnaire.

⁴⁰⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.18; and Parties' response to TOH1 working paper.

⁴⁰⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.18; and Parties' response to TOH1 working paper.

⁴⁰⁶ Parties' submission on the Customer Questionnaire; and Parties' response to TOH1 working paper.

⁴⁰⁷ Parties', Submission on the Customer Questionnaire.

relates to the underlying technology used.⁴⁰⁸ They also submitted that the market is undergoing a shift towards design-to-production, [✂].⁴⁰⁹ They further submitted that, at the moment, no-code/low-code tools are focused on websites rather than apps, but they will likely soon be able to deliver the latter.⁴¹⁰ Finally, the Parties submitted that due to a factual misunderstanding as regards Framer's offering, which includes an all-in-one 'screen design' tool and advanced prototyping functionality in addition to offering design-to-production capabilities (ie a no-code/low-code offering), the CMA has erroneously discounted documentary evidence that no-code/low-code tools are a constraint.⁴¹¹

- 7.66 The Parties submitted that prosumer tools are designed to cater to a growing pool of non-professional users who demand professional-grade asset creation software tools, and that as this user group are utilising these tools at a rapidly increasing rate, Adobe must find innovative ways to respond to these providers in order to remain competitive.⁴¹² The Parties also submitted that prosumer tools offer customers new features and capabilities (in addition to point tools and no-code/low code tools), as well as those that address multiple parts of the design-to-code workflow.⁴¹³
- 7.67 On the constraint from AI and ML technology, the Parties submitted that although the precise parameters of AI's application to product design and development are yet to crystallise, it seems possible that sophisticated digital products may eventually be generated in code using simple text prompts.⁴¹⁴ The Parties also submitted that AI technology represents a [✂] threat to Figma, as was confirmed in [✂] (Figma, Chief Product Officer) testimony to the DOJ.⁴¹⁵ The Parties further submitted that responses to the CMA's questionnaires provide evidence that customers and competitors anticipate the disruptive impact that AI will have on the product design and development space.⁴¹⁶
- 7.68 In relation to visual interface builders/IDEs, the Parties submitted that these developer-centric design tools are increasingly adding easy-to-use, visual design functionality, integrated into their native coding environments.⁴¹⁷

⁴⁰⁸ Parties' response to TOH1 working paper.

⁴⁰⁹ Parties' response to TOH1 working paper.

⁴¹⁰ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B6.7(b).

⁴¹¹ Parties' response to TOH1 working paper.

⁴¹² [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C4.11(a).

⁴¹³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B1.7(a).

⁴¹⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.24(c).

⁴¹⁵ Parties' response to TOH1 working paper.

⁴¹⁶ Parties' response to TOH1 working paper.

⁴¹⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.24(b).

7.69 The Parties submitted that whiteboarding tools ‘should not be included in the same market as product design software, as they are used for wider purposes’.⁴¹⁸ Specifically, the Parties submitted that users of whiteboarding tools do not necessarily need other functionalities of product design and development tools and might therefore use whiteboarding tools, such as FigJam, on a standalone basis.⁴¹⁹ The Parties further submitted that if whiteboarding tools are included in the market, then a similar approach should be taken for ‘later stages of the design process, such as the production stage’. Namely, according to the Parties the market should include design-to-production tools and visual interface builders.⁴²⁰

Our assessment

7.70 We note the Parties’ submission that there may be different pathways available in the marketplace to solve a product design and development problem, ie how to build commercially deployable websites and apps.⁴²¹ We therefore consider whether the market for product design software includes, in addition to all-in-one tools such as those offered by the Parties, other tools such as point tools; no-code/low code tools; tools for non-professional users (or ‘prosumers’); AI and ML tools; visual interface builders / IDEs; and whiteboarding tools. In doing so, we take account of evidence on whether these tools are among the most important constraints on the Parties that have been identified in our assessment of competitive constraints.⁴²²

Point tools

7.71 In this section, we examine whether the market should include point tools, ie software that only serves one or a few stages of the design process.

7.72 We agree with the Parties’ submissions that for point tools to form part of the same relevant market, it may not be necessary to show that the majority of customers would switch to point tools. However, whether point tools should be in the same relevant market as all-in-one product design tools must be determined by reference to the evidence, and in particular whether the evidence shows that they are one of the most significant competitive alternatives available to customers of the merger firms.⁴²³

⁴¹⁸ [Parties’ response to the phase 2 issues statement](#), 9 August 2023, paragraph A1.7(b).

⁴¹⁹ [Parties’ response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.27.

⁴²⁰ [Parties’ response to the phase 2 issues statement](#), 9 August 2023, paragraph B2.28.

⁴²¹ Parties’ response to TOH1 working paper.















⁴²² [CMA129](#), paragraph 9.5.

⁴²³ [CMA129](#), paragraph 9.2.

respondents stated that it was not a good alternative for reasons including the convenience and cost saving of using an all-in-one tool.⁴²⁷

- 7.77 The above evidence shows that while customers' views were mixed in relation to whether a combination of multiple point tools could potentially be a good alternative to an all-in-one tool, most customers considered all-in-one tools to be the best alternatives to Adobe XD and Figma Design. When considering responses on suitable alternatives to Figma Design coming solely from Figma Design customers (ie the list of customers provided to the CMA by Figma), most customers did not consider point tool providers as an alternative to Figma Design.⁴²⁸ The Parties have submitted that Figma's customers are Product Designers,⁴²⁹ therefore, we do not think that the limited identification of point tools as alternatives to Adobe XD or Figma Design were driven by marketing design customers.
- 7.78 In relation to the Parties' submission that point tool providers may supersede the Parties' product design offerings and then may be well placed to expand their offering into different stages to become an all-in-one provider, no point tool providers responding to our questionnaire indicated that they had significant plans to expand their offerings to become an all-in-one provider. Further, point tool providers responding to our questionnaire generally considered barriers to entry and expansion into all-in-one screen design to be high or very high.⁴³⁰
- 7.79 Overall, based on the evidence, we provisionally conclude that point tools should not be included in the relevant product market on the basis of the relatively limited demand-side and supply-side substitutability (based on evidence on expansion by point tool providers into additional stages of the product design workflow). While certain point tool features may be a motivating force for some of Figma's product innovations, we have seen only limited evidence that point tool providers are perceived as strong competitive threats. In any event, we have considered the out-of-market constraint that

⁴²⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [good alternative, 7 out of 12: ☒, ☒, ☒, ☒, ☒, ☒, ☒; not a good alternative 5 out of 12: ☒, ☒, ☒, ☒, ☒].

428 Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [25 out of 32: , , , , , , , , , , , , , , ,

429 For example, the Parties stated that ‘the customer questionnaire was sent to users of Adobe XD and users of Figma Design, ie product design teams or the very small set of users who utilise XD incidentally for certain marketing design use cases’ (Parties’ response to working papers).

⁴³⁰ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 5 point tool providers who answered this question: [☒], [☒], [☒], [☒], [☒]]. The average score for barriers to entry for firms from scratch was 5.00, while this was 3.60 for point tool providers, 3.25 for no-code/low-code web building tools providers, and 3.75 for prosumer tools providers.

point tool providers impose on the Parties' products on a case-by-case basis in the competitive assessment below.

No-code/low-code tools

- 7.80 In this section we consider whether the market should include no-code/low-code tools.
- 7.81 The Parties have submitted that developments in no-code/low code tools are part of a broader industry trend, and that these tools represent a threat to Figma. However, as set out in Chapter 8, while Figma's more recent internal documents indicate that Figma is aware of and monitors [X] from no-code/low-code providers, and in particular [X], our view is that these documents indicate a perception within Figma that no-code/low-code providers provide a constraint for marketing design use cases and non-designers, rather than for professional product design use cases.
- 7.82 The exception to this is Framer, which used to be a competitor only in relation to all-in-one product design software, but which we consider has since shifted focus after launching a no-code/low-code solution in May 2022.⁴³¹ The Parties have submitted that Framer continues to offer its 'all-in-one screen design tool' and advanced prototyping functionality in addition to offering more advanced design-to-production capabilities (ie its low-code offering).⁴³²
- 7.83 The Parties have submitted that these tools allow the customer to go straight from design to final product, but that this does not mean they are distinct from all-in-one tools. However, as set out further in Chapter 8, it is clear from third-party evidence that the Parties' customers and respondents to our competitor questionnaire do not consider no code/low code providers to be alternatives to Figma Design or Adobe XD.
- 7.84 On the basis of this evidence, we provisionally conclude that no-code/low-code solutions should not be included in the relevant product market. In any event, we have considered the out-of-market constraint that no-code/low-code tools impose on the Parties' products on a case-by-case basis in the competitive assessment below.

⁴³¹ 'Framer', accessed by the CMA on 23 November 2023; Third party call. See also [Framer | Cédric's Stack \(cedric.design\)](#), accessed by the CMA on 23 November 2023, describing Framer as a web builder which evolved from a UI and prototyping tool in 2020 into a no code web builder in 2022. Similarly, see '[Webflow vs. Framer - no code tools comparison \(thalion.pro\)](#)', dated 24 April 2023, accessed by the CMA on 23 November 2023.

⁴³² Parties' response to TOH1 working paper.

Tools for non-professional users or prosumers

- 7.85 In this section we consider whether the relevant product market should be defined narrowly to only include tools that are aimed at professionals or whether it should also include prosumer tools, ie tools for non-professional use.
- 7.86 Our starting point are the Parties' products, Figma Design, Adobe XD, and Project Spice, which, as set out at paragraph 7.24 above, are all created and targeted towards professional users.
- 7.87 As detailed in paragraph 8.349, there is very limited internal document evidence indicating that Adobe XD or Figma Design competes with any prosumer tools.
- 7.88 We note that Adobe has a separate tool aimed at prosumers, Adobe Express. The Parties themselves acknowledge that Adobe Express is not well placed to compete against Figma Design or [X].⁴³³
- 7.89 As noted in paragraph 8.351, one third party prosumer tool provider told us its product competes with Adobe Express (ie Adobe's prosumer tool), rather than with Adobe XD and Figma Design (the Parties' tools aimed at professionals).⁴³⁴
- 7.90 As set out further in Chapter 8, third-party evidence was clear that prosumer tools are not good alternatives to Figma Design or Adobe XD.
- 7.91 On the basis of this evidence, we provisionally conclude that prosumer tools should not be included in the same market as tools for professionals. In any event, we have considered the out-of-market constraint that prosumer tools impose on the Parties' products on a case-by-case basis in the competitive assessment below.

AI and ML tools

- 7.92 As detailed in paragraph 8.364, AI and ML tools seem to be considered a development opportunity for Adobe and Figma.
- 7.93 As also set out in paragraphs 8.360 to 8.362, third-party evidence indicated that AI would impact the market for all-in-one product design software, but

⁴³³ FMN: 'Adobe's other "Creative Cloud" products such as Photoshop, Illustrator, Premiere Pro, InDesign, and Adobe Express are asset creation tools that do not compete with Figma. None of these asset creation tools has specific functionality for assembling product designs.' Adobe: [X].

⁴³⁴ Third party call transcript.

was unclear what this impact would be, and whether it would benefit existing providers or potential new entrants.

- 7.94 As set out in paragraph 7.2, the purpose of market definition is to identify the most significant competitive alternatives available to customers. To the extent that providers are using AI and ML learning in order to strengthen their competitive offering we will consider that in the competitive assessment. Further, we have considered the potential disruptive threat of AI and ML more generally in our competitive assessment.

Visual interface builders/IDEs

- 7.95 In this section we consider whether the relevant product market should include visual interface builders / IDEs. These are coding tools that include some design functionality.
- 7.96 The CMA has not found internal document evidence indicating that Adobe XD or Figma Design competes with any visual interface builders/IDEs such as Microsoft's Visual Studio, Alphabet's Android Studio and Apple's Xcode. Interface builders/IDEs appear in internal documents when discussing [X].⁴³⁵ For instance, an Adobe internal document titled '[X]' of February 2021, mentions an '[X]'.⁴³⁶ Other documents⁴³⁷ and the Adobe website refer to Adobe XD's integration with Microsoft Visual Studio Code allowing teams to integrate their design libraries with development tooling to create a complete design system.⁴³⁸
- 7.97 No visual interface builders or IDEs were listed as an alternative to Figma Design or Adobe XD by small, mid-sized, or large customers⁴³⁹, or by any respondents to our competitor questionnaire.⁴⁴⁰
- 7.98 On a call, a third party stated that visual interface builders and IDEs were 'not a competitor at all' with Figma or Adobe XD, as 'you cannot create designs with these tools'.⁴⁴¹
- 7.99 On the basis of this evidence, we provisionally conclude that visual interface builders / IDEs should not be included in the relevant product market. In addition, we consider that visual interface builders and IDEs do not appear to

⁴³⁵ Among others, see Adobe Internal Document.

⁴³⁶ Adobe Internal Document.

⁴³⁷ See, for instance, Adobe Internal Document.

⁴³⁸ 'Working with the Adobe XD extension for Visual Studio Code. | Adobe XD', accessed by the CMA on 23 November 2023.

⁴³⁹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. Third-party responses to the CMA's phase 2 small customer questionnaire.

⁴⁴⁰ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

⁴⁴¹ Third party call note.

impose a material out-of-market constraint on the Parties' products. On this basis, we do not currently consider them further in our competitive assessment.

Whiteboarding tools

- 7.100 In line with submissions of the Parties, we consider that whiteboarding tools should not be included within the relevant product market. To the extent that whiteboarding tools are used as a partial alternative to the Parties' all-in-one product design tools for certain stages of the design process (for example sketching), these are considered as an out-of-market constraint where we discuss point tools.

Provisional conclusion on product market definition

- 7.101 Based on the above evidence, we have provisionally concluded that the relevant product market is the supply of all-in-one product design software for professional users.
- 7.102 As set out above, in line with the approach set out in the CMA's Merger Assessment Guidelines, we consider that market definition is a tool to aid our assessment and that the outcome of our market definition exercise does not determine the outcome of the CMA's analysis of the competitive effects of the Merger in any mechanistic way. On this basis, where appropriate, we take into account out-of-market constraints from point tools, no-code/low code tools and tools for non-professional users on a case-by-case basis in the competitive assessment. We consider that our competitive assessment and provisional conclusions would not materially change if these tools were included in the relevant product market.

Geographic market

- 7.103 The Parties submitted that the geographic scope of the market is global as the conditions of competition are very similar across regions:⁴⁴²
- (a) Interactive product designers operate on a global basis, and their demand is not driven by their location or that of interactive product design vendors.
 - (b) The main players active in the market for interactive product design operate, offer their products, and compete on a worldwide scale and are

⁴⁴² FMN.

generally present in all regions of the world and in particular in all main European countries, as the Parties themselves.

- (c) There are no material price differences across regions. Transport costs do not play a role in this industry.
- (d) Suppliers offer interactive product design tools to global customers, in countries where they operate, without any differences based on their region. There are no differences in the quality and other characteristics of interactive product design tools between countries. Product development and innovation takes place on a global basis.

7.104 For the reasons set out above, we agree with the Parties' submissions that the geographic scope of the relevant market is global.

Provisional conclusion on geographic market definition

7.105 For the reasons set out above, we have provisionally concluded that the relevant geographic market is global.

Creative design software

7.106 As set out in Chapter 5, the Parties are active in vector, raster, video editing, and motion design software.

7.107 We take the Parties' overlaps in each of these products as our starting point for determining the relevant markets.

Product market

7.108 The Parties submitted that the markets for asset creation software should be segmented into separate product markets for each of vector editing, raster editing, video editing, and motion design.⁴⁴³

7.109 Following the Merger Assessment Guidelines,⁴⁴⁴ we have assessed demand side factors, and have also considered supply side factors, drawing on internal documents and third-party evidence.

⁴⁴³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C2.2 and FMN. For vector and raster editing, see also Parties' response to TOH2 working paper.

⁴⁴⁴ [CMA129](#), paragraph 9.6.

Vector and raster editing software

- 7.110 Vector editing software is used to create content such as logos, icons, brand graphics, marketing materials, and illustrations. Raster editing software is used for point-based image editing and compositing. Below we consider, on the basis of demand and supply side substitution, whether the relevant markets should be widened.
- 7.111 At present, market participants do not generally deem vector editing products to fulfil the same use cases as raster editing products, and vice-versa, suggesting limited demand side substitutability between them.⁴⁴⁵ On the supply-side, engineers and pre-existing codebases do not appear to be routinely applied to product development activities across both vector and raster editing, suggesting limited supply side substitutability. Moreover, in a dynamic context there appear to be differences in the capabilities required to operate in vector and raster editing, which may further limit supply side substitutability.⁴⁴⁶
- 7.112 Some suppliers have both vector and raster editing products, such as Adobe, Affinity, and Corel, and certain products combine vector and raster editing features (directly or through plug-ins), such as Project Spice, Adobe Express, Figma Design and Canva.⁴⁴⁷ In general, however, the suppliers in vector editing are currently not the same as the suppliers in raster editing, and there are differences in the competitive conditions in the supply of these products.⁴⁴⁸
- 7.113 On the basis of the evidence set out above on demand side factors and supply side factors, we provisionally conclude that the relevant product markets should be defined as vector and raster editing separately and should not be defined more broadly.
- 7.114 In assessing whether a merger may give rise to an SLC, the CMA may take into account segmentation within a relevant market, for example depending on customer uses. In this case, we consider in the competitive assessment the competitive interactions between the Parties' products and the competitive constraints across different use cases within the markets for vector and raster editing. The Parties submitted that 'screen design use cases' is not an appropriate frame of reference. We note that our market definition is not segmented by different use cases, so we do not have a frame of reference

⁴⁴⁵ See for example Figma Internal Document, and our assessment of the Parties' key business documents in the competitive constraints section.

⁴⁴⁶ See for example our summary of barriers to entry in Chapter 9.

⁴⁴⁷ See for example the competitive assessment in Chapter 9.

⁴⁴⁸ See the Parties shares of supply in Chapter 9.

that is predicated on use cases.⁴⁴⁹ We further address the Parties' submissions in relation to 'screen design use cases' in the competitive assessment. Finally, we note the Parties submission that they 'take issue with a number of propositions that appear to underlie the CMA's emerging thinking on market definition' and that the 'conceptual exposition of the alleged "benefits" that the Parties enjoy from their "multi-market presence" and network and ecosystem benefits is confused, entirely theoretical, and is not supported by evidence'.⁴⁵⁰ We consider this submission in Chapter 9 below.

Video editing and motion design software

7.115 Video editing software is used to create video content from social media video clips to feature films,⁴⁵¹ and motion design software is used by animators, designers, and visual effects artists to create cinematic movie titles, add effects and create animations.⁴⁵²

7.116 Market participants considered that the use cases and audiences for video and motion products were not the same as those for vector and raster editing.⁴⁵³ In contrast to vector and raster editing software, video editing and motion design software generate video and motion as outputs, rather than static outputs.⁴⁵⁴ For example, while raster editing software such as Photoshop can be used for image compositing, this is only possible for static images, unlike motion design software such as Adobe's After Effects which enables composite motion (ie still images which display over time).⁴⁵⁵ On the supply side, there was some evidence that technology stacks and skillsets to develop products for motion and video share relatively low commonality with those in vector and raster.⁴⁵⁶

7.117 Market participants also do not appear to consider motion design software and video editing software themselves substitutable. Motion design software is used to create motion graphics and visual effects for video, the web, apps etc.⁴⁵⁷ In contrast, video editing software is intended for video asset assembling by cutting, arranging, and enhancing materials already available through import.⁴⁵⁸ On the supply-side, there is some evidence that suppliers of both video editing and motion design software have designed their products

⁴⁴⁹ Parties' response to TOH2 working paper.

⁴⁵⁰ Parties' response to TOH2 working paper.

⁴⁵¹ FMN.

⁴⁵² FMN.

⁴⁵³ Third party transcript.

⁴⁵⁴ FMN.

⁴⁵⁵ FMN.

⁴⁵⁶ Third party transcript.

⁴⁵⁷ FMN.

⁴⁵⁸ FMN; Third party transcript.

to be interoperable, such that some market participants use aspects of the same underlying technology to provide both products.⁴⁵⁹ However, suppliers in video editing are not generally the same as suppliers in motion design software, and there are differences in the competitive conditions in the supply of each product.⁴⁶⁰ For example, Adobe monitors competition separately across motion and video products.

Provisional conclusion on product market definition

7.118 Based on the above evidence, we have provisionally concluded that the relevant product markets are the supply of:

- (a) vector editing software;
- (b) raster editing software;
- (c) video editing software; and
- (d) motion design software.

7.119 We have considered customer and use case segmentation within the relevant markets in the competitive assessment in Chapters 9 and 10. As regards the distinction between vector and raster editing, we note evidence that some products today contain both vector and raster editing. We consider that any evolution of the market which reduces the distinction between vector and raster editing products, such as more products offering both, would not affect our competitive assessment.⁴⁶¹ This is because the internal document and third-party evidence we are considering is relatively agnostic to the precise definition of the market. Our competitive assessment considers how the Parties' and their rivals' presence in adjacent markets, including in the 'creative design space', may affect their competitive strength at present and in the future.

Geographic market

7.120 The Parties' submissions treat the geographic scope as global.⁴⁶²

⁴⁵⁹ Third party transcript.

⁴⁶⁰ See the Parties shares of supply in Chapter 9.

⁴⁶¹ For example, the recently launched Adobe Express contains both vector and raster editing capability. Further, this was consistent with some third-party evidence: See for example Third party response to the CMA's questions.

⁴⁶² Eg global shares of supply were submitted: FMN. For vector and raster editing, see also Parties' response to TOH2 working paper.

7.121 There do not appear to be any material barriers for consumers using vector, raster, video, and motion design editing products originating in different countries. In general, the Parties appear to monitor competitors without regard to their geographic origin.

Provisional conclusion on geographic market definition

7.122 For the reasons set out above, we have provisionally concluded that the relevant geographic markets are global.

Provisional conclusion on market definition

7.123 For the reasons set out above, we have provisionally concluded that the relevant markets are:

- (a) the global market for the supply of all-in-one product design software for professional users;
- (b) the global market for the supply of vector editing software;
- (c) the global market for the supply of raster editing software;
- (d) the global market for the supply of video editing software; and
- (e) the global market for the supply of motion design software.

8. Theory of Harm 1

Introduction

- 8.1 This theory of harm relates to horizontal unilateral effects as a result of a loss of competition between the Parties, both on their current offerings and on their product development/innovation, in all-in-one product design tools for professional users (or in any relevant segment of this market).
- 8.2 In this chapter, we consider the following:
- (a) the nature of competition;
 - (b) the framework for assessment in this context;
 - (c) Figma's and Adobe's position in all-in-one product design, focusing on shares of supply;
 - (d) closeness of competition between the Parties, focusing on competition between Figma Design and Adobe XD, and the extent of competition in product development and innovation; and
 - (e) the constraints the Merged Entity will face from other competitors.

Nature of competition

- 8.3 This section sets out our provisional assessment on the nature of competition between the Parties and their competitors in all-in-one product design software for professional users. In particular, we have considered and assessed:
- (a) the customer landscape;
 - (b) sales and purchasing behaviour;
 - (c) how firms compete; and
 - (d) the costs of supply.
- 8.4 The provisional views set out in this section are important context for our provisional assessment of whether the Merger may be expected to result in an SLC in the supply of all-in-one product design for professional users.

Customer landscape

- 8.5 As discussed in Chapter 7, product and marketing design software is typically used by professionals, and in education settings in which professional design is taught. Some product and marketing design software is also used by creative professionals, as set out in Chapter 9.
- 8.6 The Parties submitted that approximately [X] of all users (both paid and free) of Figma Design and FigJam are designers, while the other [X] comprise non-designers (most of these are [X], but this also includes [X])⁴⁶³ engaging with the Figma platform. The Parties submitted that currently, developers usually use Figma in a (free) viewer mode reviewing and commenting but do not usually need to subscribe to a paid Figma licence, given the nature of their work, though they expect this to change with the recent implementation of Project Lego, now called Dev Mode (Figma's new developer handoff tool which is available as a free open beta alongside Figma Design in 2023).⁴⁶⁴
- 8.7 The Parties submitted that both Figma and Adobe offer discounts to education users. Adobe offers discounts to students and teachers on its CC All Apps plan,⁴⁶⁵ which includes Adobe's creative tools and Adobe XD.⁴⁶⁶ Figma offers Figma Professional (for both Figma Design and FigJam) to education users for free, [X].⁴⁶⁷

Sales and purchasing behaviour

- 8.8 We consider the sale of the Parties' applications on a standalone basis and as part of bundles comprising multiple adjacent products, switching costs, network effects, and multihoming below.

Sale of the Parties' applications on a standalone basis and as part of bundles comprising multiple adjacent products

- 8.9 The Parties submitted that Adobe offers its applications on a standalone basis, as well as through bundles, eg its CC All Apps plan. As set out in Chapter 5, all of Adobe's offerings were available standalone at the time of the Merger, but as of 3 April 2023, Adobe XD is no longer offered to new customers as a standalone product.⁴⁶⁸ The Parties submitted that the general

⁴⁶³ The CMA understands the role of a '[X]' to involve [X]. [X]. See [X], accessed by the CMA on 23 November 2023.

⁴⁶⁴ FMN. 'Figma – Pricing', accessed by the CMA on 23 November 2023.

⁴⁶⁵ FMN.

⁴⁶⁶ FMN.

⁴⁶⁷ FMN. Figma Professional and Figma Organization are two of the three paid plans for Figma Design and FigJam. The other is Figma Enterprise. 'Figma – Pricing', accessed by the CMA on 23 November 2023.

⁴⁶⁸ Adobe response to the CMA's s109 notice.

presumption is that, if a potential customer is likely to require use of more than two distinct Adobe applications, then it may make sense to purchase a broader plan.⁴⁶⁹ The relevance of Adobe's creative product bundles to the competitive strength of Adobe XD is discussed further below (see paragraphs 8.95 and 8.96, and 8.103 and 8.104).

- 8.10 Despite the majority of Adobe's offerings being available standalone, there is some interoperability and there are integration capabilities between them (see paragraph 5.41). For example, one customer explained that a designer working entirely within Adobe's ecosystem can interact between software through shared libraries (eg assets, colour palettes, etc).⁴⁷⁰ The relevance of this on Adobe's market strength across creative products is discussed in paragraphs 9.102 to 9.116.
- 8.11 As discussed further below, the Parties submitted that in FY2022 Q1, approximately [90-100%] of Adobe XD users were also CC All Apps users.⁴⁷¹ Further, all of the respondents to our phase 2 customer questionnaire who stated that they currently use Adobe XD said that they purchase it as part of Adobe's CC All Apps bundle.⁴⁷²
- 8.12 Figma internal documents suggest that bundling plays a significant role in competition between Figma Design and Adobe XD.
- (a) An email dated 6 April 2021 from [REDACTED] (Figma, Head of Corporate Development and Strategy) to [REDACTED] (Figma, CEO and co-founder) (among others) states, '[REDACTED]'.⁴⁷³
- (b) In an internal message to [REDACTED] (Figma, Chief Product Officer) dated 4 November 2021, [REDACTED] (Figma, VP of Product) notes that '[REDACTED]'.⁴⁷⁴
- 8.13 The Parties submitted that there are three paid plans for Figma Design and FigJam: Figma Professional; Figma Organization; Figma Enterprise, as well as a free Starter pack. A paid subscription to Figma Design provides access to the free Starter version of FigJam (and vice-versa).⁴⁷⁵ Beyond this, and a few exceptions, [REDACTED].⁴⁷⁶

⁴⁶⁹ FMN.

⁴⁷⁰ Third-party call note.

⁴⁷¹ FMN.

⁴⁷² Responses to this questionnaire were received from August-September 2023. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [18 out of 18: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. Third-party responses to the CMA's phase 2 small customer questionnaire.

⁴⁷³ Figma Internal Document.

⁴⁷⁴ Figma Internal Document.

⁴⁷⁵ FMN.

⁴⁷⁶ FMN.

Network effects

- 8.14 We have considered the role of network effects in product design software and closely related markets. Products are typically characterised by network effects where the value of the product for customers on one side of the platform depends on the volume of users, either on the same side (direct network effects) or on the other side (indirect network effects). Digital platforms are particularly likely to be characterised by network effects. Where network effects are strong, the growth of a platform may be self-reinforcing.⁴⁷⁷
- 8.15 In this case, we consider that the more users within an organisation that use the same product design software, the higher the value the users, and organisation, derive from it. Collaboration functionality may enhance these network effects, as users benefit from more users (and groups of users) to collaborate with. We also consider that extension functionality may give rise to indirect network effects, as users benefit from more extensions, and extension developers benefit from more users.
- 8.16 Collaboration between multiple product designers working on the same output (for example an app) is made possible by using the same software, otherwise, product designers would not be able to work concurrently on the same files. Using the same tools also minimises inconsistencies and ensures interoperability. Network effects arise within organisations that want to use the same software in order to maximise efficiencies, and these effects extend beyond the design team to non-designers and clients, increasing the size of these network effects. Third-party evidence on network effects included:
- (a) One customer told us that it is ‘in favour of centralising into Figma because of the efficiencies that are gained by all design teams working on the same tool’.⁴⁷⁸
 - (b) Another customer told us that having the whole team working in the same software is very important because ‘[w]e do not want things like colour profile shifting, we do not want inconsistencies being added, we do not want fonts to be adjusted because different versions are being used’.⁴⁷⁹
 - (c) Another customer told us that it has ‘an objective towards standardising, selecting the best tools, and centralising those agreements, as opposed

⁴⁷⁷ CMA129, paragraph 4.22 and 4.23.

⁴⁷⁸ Third-party call transcript.

⁴⁷⁹ Third-party call transcript.

to having so many individual fragmented agreements’ and this is particularly relevant when ‘operating at the scale [they] do’.⁴⁸⁰

- (d) An employee in a marketing agency told us that within an agency everyone would use the same software, stating that ‘[a]n agency normally pins its flag on a certain set of programs, and everyone who uses them because then it means everyone can open them, everyone who you hire, you hire on the basis that they know these programs. Whereas if everyone is just using multiple different programs, it just can become a real logistical nightmare in that sense, when it comes to switching between stuff’.⁴⁸¹

8.17 Further, evidence suggests that extension systems also generate material indirect network effects in product design (and closely adjacent markets, such as vector and raster editing, see paragraphs 9.75 to 9.77). As more organisations use the software, more extensions become available and fewer frictions are experienced for cross-agency work.⁴⁸²

- (a) Notes produced by [redacted]⁴⁸³ in March 2021 (a third-party document which was submitted to us by Figma) notes that ‘[redacted]’.⁴⁸⁴
- (b) An Adobe competitive assessment on [redacted] dated May 2022, which gathered insights from [redacted], indicated that [redacted].⁴⁸⁵

8.18 There is further evidence that these factors in combination are particularly significant for Figma in particular, based on its web-based platform and community offering.

- (a) A CEO update authored by [redacted] (Figma, CEO and co-founder) dated October 2019 and sent to the board indicated that [redacted].⁴⁸⁶
- (b) A Figma internal document from Q1 2021 on Figma’s [redacted] states that Figma’s platform ‘[redacted]’.⁴⁸⁷
- (c) An email from an investor in Figma to their colleagues dated 16 May 2021 states that ‘[t]he product [Figma’s] network effects are just starting to kick in – launched community product about 18 months ago, and it’s slowly

⁴⁸⁰ Third-party call transcript.

⁴⁸¹ Third-party call transcript.

⁴⁸² CMA129, paragraph 4.25.

⁴⁸³ [redacted], last accessed by the CMA on 23 November 2023. No website was found.

⁴⁸⁴ Figma Internal Document & response to s109 notice.

⁴⁸⁵ Adobe Internal Document.

⁴⁸⁶ Figma Internal Document.

⁴⁸⁷ Figma Internal Document.

starting to build network durability as designers share templates, etc. I think this should prove to be extremely durable’.⁴⁸⁸

(d) A Figma investor presentation dated 9 June 2021 shows network sharing graphs in relation to a case study on a customer which indicate that introducing the ‘organisation tier’ (which we take as a reference to the pricing plan) resulted in ‘increased cross-team and cross-functional collaboration’ for that particular customer.⁴⁸⁹

- 8.19 We consider the evidence shows that network effects are material in product design software and will be greater for those offerings which enable collaboration (eg through technological functionality like multi-player editing) and/or have associated extension ecosystems. As discussed further below, Adobe XD and Figma Design both benefit from network effects, with Figma’s position in the market being strengthened more significantly than Adobe XD’s position due its superior real-time collaboration functionality.
- 8.20 The Parties submitted that “network effects” have no bearing on the competitive assessment [...] for several reasons, including [...] users regularly multi-home between multiple tools’.⁴⁹⁰ We discuss multi-homing below.
- 8.21 Collaboration is also important for the process in which creative tools are used to produce inputs into a product design (for example a vector illustration being used as an icon in an app). We consider that the third-party responses highlighted above imply that where creative designers are involved in the product design process, directly or in collaboration with separate product designers, network effects arising in product design are likely to apply to creative design markets as well and vice-versa. We consider this further in paragraphs 9.11 to 9.20.

Switching costs

- 8.22 The Parties submitted that ‘switching costs are limited given the presence of free and freemium options.’ They submitted that several interactive design tools have free or freemium offerings, including Framer, Miro, ProtoPie and Axure (to name a few), and a number more have free trials available.⁴⁹¹
- 8.23 We have considered the evidence from customers on the extent of switching costs, as set out below. More generally, we disagree with the Parties that the mere existence of free or freemium options limits switching costs for

⁴⁸⁸ Third-party Internal Document.

⁴⁸⁹ Figma Internal Document.

⁴⁹⁰ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers – Executive Summary.

⁴⁹¹ FMN.

customers, particularly considering the Parties' customers are professionals who opt for paid software and may not consider free or freemium options an adequate alternative in the first place.

- 8.24 Evidence shows that network effects drive customers to use the same software, and reduces switching to alternatives. For example, a prosumer tool provider told us that 'the network effect that is built around these products [all-in-one product design tools] is also a key defensive strategy as well, because [...] people collaborate around these tools, and so it is a huge shifting cost to move between these tools, which is why you find these industries are generally dominated by one or two primary tools, because the industry centralises around these tools; they become the language that everyone talks through when it comes to design, and these different tools cannot talk the same language'.⁴⁹²
- 8.25 A number of third-party responses suggest that switching costs are high in this market, particularly for large enterprise customers who are more likely to use the same software within their organisation as mentioned above.
- (a) One customer stated that barriers to switching software 'depends on various factors, such as the size of the team' as 'smaller teams or companies with recent UX teams may find it easier to make software changes, while larger teams [...] may find it more difficult'.⁴⁹³
 - (b) Similarly, another customer stated that barriers to switching software are 'a huge barrier for large or enterprise teams as it affects many people and overall process'.⁴⁹⁴
 - (c) One respondent to our competitor questionnaire stated that 'barriers to entry are represented by the very large switching costs for large enterprise customers' and '[i]n particular, training and change management represent extremely high costs'.⁴⁹⁵
- 8.26 We considered whether other factors also affect switching costs between product design tools and whether such costs are material. This provides important context for our assessment of the Parties' switching analysis, discussed below and in Appendix C.
- 8.27 The majority of respondents to our customer questionnaire considered the barriers to switching to be medium or high, with the most commonly listed

⁴⁹² Third-party call transcript.

⁴⁹³ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

⁴⁹⁴ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

⁴⁹⁵ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

‘did the same thing with Figma’. It summarised that ‘we are constantly in this fluid state where we have got experts and even foundational expertise in both toolsets and then we have got power users in both.’⁵⁰¹

- 8.32 As detailed in paragraphs 9.28 and 9.29, some respondents to the customer questionnaire stated they would prefer having the best tools for the job, even if that is multiple tools.⁵⁰² However, most respondents stated that they prefer to purchase from providers who offer a suite of software products, rather than multi-homing.⁵⁰³ The most common justification for this was improved interoperability across products or workflow improvements,⁵⁰⁴ and a simplified procurement process.⁵⁰⁵
- 8.33 We consider that the evidence above shows that there is some multihoming between all-in-one product design tools (notably Adobe XD and Figma Design), which may mitigate the impact of network effects and switching costs to a limited extent.

How firms compete

- 8.34 We considered evidence on which parameters of competition are important in this market.
- 8.35 The Parties submitted that ‘each Party operates in dynamic software markets. Product development, innovation and speed are the keys to success’.⁵⁰⁶
- (a) The Parties submitted that ‘Figma is focused on keeping up with the significant innovation that is delivering alternative competitive solutions to product teams’ from a number of providers, including innovative point tools (eg ProtoPie, Zeplin and Origami), design-to-production no-code/low-code tools (eg Framer and Webflow), and AI-driven solutions (Uizard, Lunacy and Galileo).⁵⁰⁷
- (b) The Parties further submitted that ‘Figma faces significant competitive constraints from the ongoing innovation threat by competitors’, highlighting InVision’s recent exit from the market ‘despite it, only three

⁵⁰¹ Third-party call transcript.

⁵⁰² Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire. [12 out of 25: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵⁰³ Third-party responses to the CMA’s phase 2 customer questionnaire. [14 out of 25 who stated a preference: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵⁰⁴ Third-party responses to the CMA’s phase 2 customer questionnaire. [7 out of 14 who stated they prefer to purchase from a single provider: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵⁰⁵ Third-party responses to the CMA’s phase 2 customer questionnaire. [8 out of 14 who stated they prefer to purchase from a single provider: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵⁰⁶ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers – Executive Summary.

⁵⁰⁷ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers – Executive Summary.

years ago (in 2020), holding a ca. 50% market share in a hypothetical “all-in-one” space’.⁵⁰⁸

8.36 The Parties submitted that the wider landscape of actual and potential competitors, especially in terms of innovation competition and competition around the development of new features ought to be considered.⁵⁰⁹

8.37 Internal documents support that innovation in product development is important in this market, and it is one of the parameters in which participants compete. There is a history of innovation involving the Parties’ and Sketch in all-in-one product design, as is discussed below (see paragraph 8.81).

(a) A 2022 Figma document, on [REDACTED].⁵¹⁰

(b) Figma regularly announces multiple new features at its annual Config conference. In 2022, new features included dark mode, new widgets for FigJam and variable fonts.⁵¹¹ At Config 2023, new features and products included Dev Mode, new variables to assist with creating adaptable designs at scale, and new features to facilitate the creation of prototypes with fewer frames.⁵¹²

(c) Project Spice is an example of major product innovation from Adobe which has been, in a significant part, driven by Figma’s innovation in its web-based offering. This is discussed further below (see paragraphs 8.150 to 8.155).

(d) An Adobe internal document dated 16 December 2021 notes that its Creative Cloud is ‘[REDACTED]’.⁵¹³ A document on Adobe XD’s [REDACTED], dated September 2021, proposes [REDACTED]. Innovation is regularly emphasised in the [REDACTED].⁵¹⁴ For example, an Adobe presentation [REDACTED] focuses on [REDACTED].⁵¹⁵

8.38 We asked large and mid-sized customers which factors are important when deciding between different screen design software, and to rate them from 1 to 5.⁵¹⁶ They suggested there were a number of factors that were important.

⁵⁰⁸ Parties’ response to TOH 1 working paper.

⁵⁰⁹ Parties’ response to TOH 1 working paper.

⁵¹⁰ Figma Internal Document.

⁵¹¹ ‘Config 2022: Thinking big and acting with urgency | Figma Blog’, accessed by the CMA on 23 November 2023.

⁵¹² ‘Figma product news & release notes’, accessed by the CMA on 23 November 2023.

⁵¹³ Adobe Internal Documents.

⁵¹⁴ Adobe Internal Document.

⁵¹⁵ Adobe Internal Document. See also ‘Adobe Financial Analyst Meeting’, 18 October 2022, accessed by the CMA on 23 November 2023.

⁵¹⁶ 1=not important, 2=slightly important, 3=moderately important, 4=important, 5=very important. As noted at paragraph 8.98 below, at the time that we sent out questionnaires, we were considering a market for all-in-one

- (a) The most commonly listed factors were cost/price and features, both listed by the majority of respondents. For screen design, having a 'comprehensive' or 'market-leading' feature set was considered as a highly important factor⁵¹⁷ and price was considered as a moderately important factor.⁵¹⁸
- (b) Other factors listed by a significant number of respondents were the ease of use, interoperability, collaboration, and customer service/support. These were all considered as important/highly important factors for screen design.⁵¹⁹

8.39 We consider the evidence shows that the Parties compete on innovation and product development, particularly in relation to collaboration and other features, as well as on factors such as price for current offerings.

Costs of supply (including product development and innovation)

8.40 Costs of supplying products in these markets involves both costs associated with product development and innovation, and costs associated with maintaining these products and consumers using them. We discuss first costs of product development and innovation, before considering what these together with other costs of supply imply for incentives in these markets.

8.41 Many software industries have high fixed costs associated with product development and innovation.⁵²⁰ These costs may be an ongoing cost associated with growing and maintaining customer bases.

8.42 As discussed in paragraphs 8.356 to 8.359, and in Chapter 11, evidence shows that there are significant barriers to entry and expansion for product design. These include technical capabilities, access to engineering talent, product development costs, and the time needed to develop a product in an innovative and dynamic market. These barriers will affect the costs of

'screen design', so when referring to questionnaire responses in this chapter, we have used the term 'screen design competitors'.

⁵¹⁷ On average, here and going forward. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [16 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; 'comprehensive': [REDACTED]; 'market-leading': [REDACTED]].

⁵¹⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [16 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵¹⁹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Ease of use: 10 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Interoperability, 8 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Collaboration, 8 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Customer service/support, 6 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵²⁰ As detailed in paragraphs 11.30 and 11.33, evidence from respondents to the competitor questionnaire shows that substantial product development costs are considered a barrier to enter all-in-one screen design.

developing new products and innovating upon existing products in order to retain position in the market.

- 8.43 As is set in paragraphs 8.356 to 8.368, respondents to our competitor questionnaire generally considered that barriers to enter all-in-one screen design were very high, and that while these barriers were lower for existing providers of an adjacent product (eg point tools), they were still considered high.⁵²¹ In relation to AI, although respondents acknowledged the potential impact of AI on screen design software, there was no consensus view regarding whether it would raise or lower barriers to entry.⁵²²
- 8.44 Software products typically have economies of scale, which increase the strength of larger firms relative to smaller firms.⁵²³ We considered whether this cost structure applies to all-in-one product design and related markets.
- 8.45 Third-party evidence suggests economies of scale exist in product design and related markets.
- (a) A point tool provider [REDACTED] told us that scale is important to it both for product design and development. It stated ‘product design and development is actually like every day there are new things happening in our industry. That’s why we have to support that. We have to also provide new features and everything. And that comes with we have to have engineers, we have to have designers to be able to build those. And to catch up with that it actually requires a large team’.⁵²⁴
- (b) A prosumer tool provider told us that ‘the reality is, to create a Figma [...] at scale is quite difficult and takes a lot of engineering and a lot of infrastructure, and it is especially difficult to do it at scale, [...] the barrier to entry is rather high’.⁵²⁵
- 8.46 We consider that the evidence shows product development and supply in this market are characterised by high product development costs which imply significant barriers to entry and expansion, and economies of scale. We take

⁵²¹ Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [10 out of 12 respondents: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. The average score for barriers to entry for firms from scratch was 4.91, while this was 3.91 for point tool providers, 3.82 for no-code/low-code web building tools providers, and 4.10 for prosumer tool providers.

⁵²² Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [9 out of 14: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁵²³ This arises because once a company has gained enough customers to ‘cover’ their fixed costs (for example in hiring/training talent and in building/developing product infrastructure), then there are relatively few additional costs incurred from supplying more customers.

⁵²⁴ Third-party call transcript.

⁵²⁵ Third-party call transcript.

this into account when assessing the strengths of the Parties relative to their competitors below.

Framework for assessment

- 8.47 In this chapter we set out our provisional assessment of whether the Merger may be expected to substantially lessen competition as a result of horizontal unilateral effects in the supply of all-in-one product design software for professional users (or in any relevant segments of this market).
- 8.48 Horizontal unilateral effects can arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged entity profitably to raise prices or degrade non-price aspects of its competitive offering. Non-price aspects of a competitive offering may include quality, range, service, and innovation,⁵²⁶ which may be taken into account by the CMA in assessing the impact of a merger and whether it may be expected to give rise to an SLC. Accordingly, a horizontal unilateral effects theory of harm may relate to both competition on parameters related to current product offerings and in relation to product development and innovation.
- 8.49 Horizontal unilateral effects (whether considering price or non-price parameters of competition) are more likely where the merger firms are close competitors. The more closely they compete, the greater the likelihood of unilateral effects arising as a result of the merger because the merged entity will recapture a more significant share of the sales lost in response to a price increase or other worsening in its offering, eg reduced innovation or reduced product development efforts.⁵²⁷
- 8.50 Closeness of competition is a relative concept. The CMA will consider the overall closeness of competition between the merger firms in the context of the other constraints that would remain post-merger. Where there is evidence that competition mainly takes place among few firms, any two would normally be sufficiently close competitors that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary.⁵²⁸ In addition, where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns. Evidence relevant to market power may include the level and stability of market shares; the number and strength of competitive constraints; the extent

⁵²⁶ CMA129, paragraph 4.1.

⁵²⁷ CMA129, paragraph 4.8.

⁵²⁸ CMA129, paragraph 4.10.

of past entry or exit; or the impact of past changes in concentration on prices.⁵²⁹

- 8.51 In assessing the extent of competition in relation to product development and innovation, evidence on the number of competitors and the existing positions of these competitors continue to be relevant to the CMA's assessment.⁵³⁰ In addition, the CMA does not need to show that new, closely competing product developments would have been likely or indeed successful in order to establish an SLC in relation to product development and innovation.⁵³¹
- 8.52 Following from the above, we consider whether the Parties are close competitors in the market for all-in-one product design software for professional users. Given our observations on the factors which are important to customers and on which the Parties compete (paragraphs 8.34 to 8.39), we consider the extent to which the Parties compete based on both current offerings and product development and innovation. In doing so we consider the following:
- (a) Each Party's current position in the market, on the basis of their respective market shares.
 - (b) The current status of Adobe XD as an existing product in the market.
 - (c) The Parties' perception of each other in internal documents and the views of third parties.
 - (d) Adobe's internal discussions, plans, and steps taken in terms of product development and innovation, including in relation to Project Spice, which was Adobe's next generation project for the development of a new tool for product design (among other uses).
- 8.53 In relation to closeness, we note the Parties' argument that Adobe had effectively exited the supply of all-in-one product design tools for professional users with no plans to re-enter and that therefore Adobe would not be a competitive constraint in the counterfactual. The Parties submitted that Adobe does not have the ability and incentive to 're-enter' the product design market organically.⁵³²
- 8.54 As discussed in Chapter 6, we provisionally conclude that Adobe is competing with Figma and that absent the Merger it would have continued to compete in

⁵²⁹ CMA129, paragraph 4.12(a).

⁵³⁰ CMA129, paragraph 4.13.

⁵³¹ CMA129, paragraph h 5.23.

⁵³² Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B5.38-B5.43.

the supply of all-in-one product design for professional users, including in relation to product development and innovation.

- 8.55 Given that Adobe is already active in the market (and absent compelling evidence supporting an exiting firm counterfactual), we do not consider it necessary to conduct an additional separate assessment of Adobe's ability and incentive to operate in that market. Our evidence and analysis of Adobe as an existing and ongoing constraint is sufficient evidence that Adobe has the ability and incentive to continue in this market. Nonetheless, given the Parties' submissions, we set out in paragraphs 8.183 to 8.199 below our assessment of the Parties' specific arguments.
- 8.56 Finally, we consider the remaining competitive constraints on the Merged Entity post-Merger. We take into account competitors in the all-in-one product design software market and any constraints from software providers in adjacent areas (such as point tools, no-code/low code tools, and prosumer tools). In doing so, we take account of both current products and competitors' constraint in terms of product development and innovation.

Parties' position in the market

The Parties' estimates

- 8.57 The Parties submitted that relevant shares of supply should include not just end-to-end interactive product design software providers, but also providers of point tools, no-code/low-code website builders, and prosumer tools.⁵³³ On this basis, the Parties submitted they have a combined market share of m [30-40%], with the Merger bringing about an increment of [0-5%] based on 2022 data.⁵³⁴ The Parties have based their estimates on their booked revenue⁵³⁵ figures from 2020-2022, and on Adobe's market intelligence on rivals, largely drawing on public domain information.⁵³⁶
- 8.58 The Parties further submitted that within an innovative market, shares of supply are a static and largely backward-looking measure, and that they overstate the presence of current players and understate current as well as future innovators.⁵³⁷ For example, the Parties stated that static shares of supply do not capture increasingly strong players like Framer (a provider which the Parties submitted was an all-in-one interactive product design

⁵³³ As mentioned above, the CMA collectively refers to point tools, no-code/low-code website builders, and prosumer tools as other product design software providers.

⁵³⁴ FMN.

⁵³⁵ ie actual payments received from customers in the period of question. FMN.

⁵³⁶ FMN.

⁵³⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, 2023, paragraph B2.36.

competitor, but which in our provisional view is a no-code/low-code solution as set out in paragraphs 8.329 and 8.330).⁵³⁸ The Parties submitted that Figma itself would have been ‘easily dismissed as a credible competitor to Sketch less than five years ago’ [X].⁵³⁹

8.59 The Parties further submitted that Adobe XD’s position in the market is historical as it relates to a product that has been ‘disinvested’ by being placed in maintenance mode (see paragraph 8.77(a)).⁵⁴⁰

Table 8.1: Share of supply estimates submitted by the Parties in end-to-end interactive product design software based on booked revenue, globally, 2020-2022

Provider	2020		2021		2022	
	Million USD	Share (%)	Million USD	Share (%)	Million USD	Share (%)
Figma	[X]	[20-30]	[X]	[40-50]	[X]	[60-70]
Adobe	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
Combined	[X]	[20-30]	[X]	[50-60]	[X]	[60-70]
InVision	[X]	[50-60]	[X]	[30-40]	[X]	[20-30]
Sketch	[X]	[10-20]	[X]	[5-10]	[X]	[5-10]
Axure	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
Framer	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
UXPin	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
Justinmind	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
Penpot	[X]	[0-5]	[X]	[0-5]	[X]	[0-5]
Total	[X]	100.0	[X]	100.0	[X]	100.0

Source: FMN, Table 18.

Note: The Parties used the term end-to-end interactive product design in their share of supply estimates.

8.60 Based on 2022 estimates submitted by the Parties (on the basis of booked revenue),⁵⁴¹ considering a narrower product market that includes end-to-end tools only, as shown in Table 8.1 above, Figma has a share of supply of [60-70%] and Adobe has [0-5%]. After the Merger, the Merged Entity would be the largest supplier of end-to-end interactive product design software, with a share of [60-70%]. In the same period, Sketch’s share was [5-10%].⁵⁴²

Our assessment

8.61 We have considered share of supply estimates in the supply of all-in-one product design software and the extent to which these shares suggest supply is concentrated or that either Party holds market power. As set out in Chapter 7, we do not consider point tools, no-code/low-code tools, and prosumer tools to be part of the relevant market, so have not included them in our share of supply estimates. However, we have included Framer in our estimates, despite its shift in focus to a no-code/low-code tool, noting the

⁵³⁸ Parties’ response to the phase 1 Issues Letter.

⁵³⁹ Parties’ response to TOH 1 working paper.

⁵⁴⁰ Parties’ response to the phase 1 Issues Letter.

⁵⁴¹ Using the same methodology as outlined in paragraph 8.57.

⁵⁴² FMN.

Parties' submissions that Framer continues to provide all-in-one product design software.

- 8.62 Our provisional view is that the share estimates provided by the Parties suggest that Figma has a very strong position in all-in-one product design software and is substantially larger than any other supplier of all-in-one product design software.
- 8.63 The shares of supply submitted by the Parties show that Adobe has a relatively small share but is still the third largest competitor after Sketch.
- 8.64 We also think that these shares may significantly understate the position of Adobe XD.
- (a) First, these shares are based on the inclusion of InVision in the market as the Parties' largest competitor with a share of over 20%. However, InVision is no longer active in the supply of all-in-one product design software having exited the market in January 2023 (see paragraph 8.292 below).⁵⁴³
 - (b) Second, the Parties have overestimated the revenues of at least some of the remaining competitors, relative to the revenues provided to us by those competitors.⁵⁴⁴
 - (c) Third, the Parties' share data was based on Adobe XD's standalone revenue and did not take into account revenue from the CC All Apps bundle, which includes Adobe XD.
 - (i) The Parties submitted that this was the most suitable metric as they submitted that Adobe XD's contribution to the bundle offering is negligible.⁵⁴⁵ However, we consider that Adobe XD is likely to provide some material value to purchasers of the bundle, particularly to those bundle purchasers who consider Adobe XD to be an important app for their needs. If a proportion of revenue from the CC All Apps bundle is attributed to Adobe XD, taking into account the proportion of CC All Apps subscribers who use Adobe XD as their primary app (around [REDACTED]% in 2020, 2021 and 2022) and attributing [REDACTED]% of the revenues from these users to Adobe XD based on the standalone price for Adobe XD being [REDACTED]% of the CC

⁵⁴³ [Changelog \(invisionapp.com\)](https://invisionapp.com), accessed by the CMA on 27 November 2023. In addition, the Parties do not have a robust estimate for InVision revenues in screen design (in FMN). In particular, their estimate includes revenue from InVision's whiteboarding software.

⁵⁴⁴ For example, FMN, submitted [REDACTED] booked revenues as [REDACTED] while [REDACTED] response to our phase 1 competitor questionnaire, stated USD [REDACTED] million each year ([REDACTED]).

⁵⁴⁵ FMN.

All Apps price,⁵⁴⁶ Adobe's share of all-in-one product design software increases, as set out in Table 8.2 below. Over [REDACTED]% of Adobe XD users are CC All Apps users, and as such we do not consider that it is appropriate to exclude these customers from the shares of supply estimates.⁵⁴⁷

- (ii) All of the respondents to our phase 2 customer questionnaire who stated that they currently use Adobe XD said that they purchase Adobe XD as part of Adobe's CC All Apps bundle.⁵⁴⁸ When these respondents were asked if they would purchase it as a standalone application, if it were not part of the bundle, the majority of respondents who answered said yes.⁵⁴⁹ This suggests that our methodology in paragraph (c)(i) presents a conservative estimate of the proportion of CC All Apps revenue that ought to be attributed to Adobe XD. We also note that our approach may underestimate Adobe XD's contribution to the bundle offering, including because it does not take into account CC All Apps subscribers who use Adobe XD not as their primary app, and because applying this weighting to all Adobe CC apps would result in an attribution share that is less than 100% (because each of the Adobe CC apps are less expensive than the CC All Apps bundle).

Table 8.2: Share of supply estimates in all-in-one product design software for professional users based on booked revenue, globally, 2020-2022

Provider	2020		2021		2022	
	Million USD	Share (%)	Million USD	Share (%)	Million USD	Share (%)
Figma	[REDACTED]	[50-60]	[REDACTED]	[70-80]	[REDACTED]	[80-90]
Adobe	[REDACTED]	[10-20]	[REDACTED]	[10-20]	[REDACTED]	[5-10]
Combined	[REDACTED]	[60-70]	[REDACTED]	[80-90]	[REDACTED]	[90-100]
Sketch	[REDACTED]	[10-20]	[REDACTED]	[5-10]	[REDACTED]	[0-5]
Axure	[REDACTED]	[5-10]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Framer	[REDACTED]	[5-10]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
UXPin	[REDACTED]	[5-10]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Justinmind	[REDACTED]	[0-5]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Penpot	[REDACTED]	[0-5]	[REDACTED]	[0-5]	[REDACTED]	[0-5]
Total	[REDACTED]	100.0	[REDACTED]	100.0	[REDACTED]	100.0

Source: CMA's analysis of the Parties' and third-party data.

8.65 Table 8.2 sets out our share of supply estimates for all-in-one product design software globally, based on the Parties' estimates with the following changes:

⁵⁴⁶ This is calculated by dividing Adobe XD's standalone retail price, equal to USD 9.99, by the CC All Apps retail price, equal to USD 54.99 based on Adobe's response to the CMA Follow-up Questions following Issues Meeting.

⁵⁴⁷ FMN.

⁵⁴⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. Third-party responses to the CMA's phase 2 small customer questionnaire.

⁵⁴⁹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [9 of 13 said yes: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; 4 of 13 said no: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

(i) excluding InVision; (ii) including third-party revenue data where available;⁵⁵⁰ and (iii) attributing a proportion of the CC All Apps revenue to Adobe XD, as set out above in paragraph 8.64(c). With these adjustments, Adobe's share is [5-10%] in 2022, making Adobe the largest competitor to Figma (rather than third largest competitor to Figma as under the Parties' estimates), followed by Sketch with a share of [0-5%]. Figma's share also increases to [80-90%].

8.66 Figma's share has been increasing significantly between 2020, when it had [50-60%], to 2021 with [70-80%], and finally 2022 with [80-90%]. All the other players, including Adobe XD and Sketch have been losing market share. Adobe XD's share dropped from [10-20%] in 2020 to [10-20%] in 2021 and [5-10%] in 2022. However, Adobe XD's market share loss has been less than Sketch or some of the smaller competitors. Sketch dropped from [10-20%] in 2020 to [5-10%] in 2021 and only [0-5%] in 2022. Axure had [5-10%] in 2020, [0-5%] in 2021 and [0-5%] in 2022. The other competitors follow a similar trajectory.

8.67 We recognise that these shares may not fully reflect competitive dynamics in the market, in particular for the following reasons:

- (a) the product offerings of each competitor are differentiated (for example, Justinmind is focused on prototyping);
- (b) most shares of supply figures for third parties are based on the Parties' estimates, which, as noted above, may not be accurate;
- (c) some providers (such as Penpot) offer free software, meaning their presence is not reflected in revenue shares; and
- (d) the shares reflect the firms' static position based on the products supplied in the market, and do not consider the firms' different capability and scale of product development.

8.68 Notwithstanding these caveats, we note that our share of supply estimates are consistent with estimates from other sources (see third-party estimates below), which together indicate that Figma has a leading market position in all-in-one product design software and is substantially larger than any other provider. The data also consistently indicate that Adobe, while it has a substantially smaller share than Figma, is one of the three largest suppliers of all-in-one product design software. All remaining suppliers are substantially

⁵⁵⁰ Third-party revenue data was received at phase 1. This has not been updated as no further evidence was received at phase 2. Third-party response to the CMA's phase 1 screen design competitor questionnaire. [X].

smaller than Figma (by a ratio of at least [X] in 2022) and also materially smaller than Adobe and Sketch (by a ratio of at least [X] and [X] respectively in 2022). Furthermore, shares of supply in 2020 and 2021 show that Figma has had a significant share of the market over time ([50-60%] in 2020 and [70-80%] in 2021), and that this share of supply increased substantially between 2020 and 2022.

Third-party estimates

8.69 Our share of supply estimates, outlined in paragraph 8.65, are also largely consistent with a 2022 design tools survey by third-party website [uxtools.co](#). This survey finds that Figma, Adobe XD, and Sketch are the three products used by 85% of UI designers sampled as primary tools and as such constitute the three key current players in the industry.⁵⁵¹ Uxtools.co and its survey are referenced in Adobe's internal analyses,⁵⁵² and while the data used is self-reported and not based on a representative random sample, we nonetheless consider that the survey is of some relevance, albeit as an approximate cross-check of our share of supply estimates.

Closeness of competition

- 8.70 In this section, we consider the extent to which the Parties compete in the market for all-in-one product design for professional users.
- 8.71 The shares of supply above indicate that Figma is the strongest player in the market, with relatively few alternative providers. Adobe has a product in the market, Adobe XD, which has been available since 2016/2017.⁵⁵³ As the shares of supply above indicate, Adobe XD has a material presence in the market currently.
- 8.72 As discussed above at paragraph 8.52, in assessing any overall loss of competition brought about by the Merger, we consider not only the competition between the Parties on current offerings, for example based on customer views on the strength of Adobe XD as an alternative to Figma

⁵⁵¹ '2022 Design Tools Survey - UI Design | UX Tools', accessed by the CMA on 23 November 2023. The Design Tools Survey takes place on an annual basis, and covers users, 80% of whom full-time professionals, from a variety of countries, including the United States and the United Kingdom. The 2022 survey included a total of 4,260 responses, approximately 70% of which were from product designers (~30%), UX/UI designers (~25%) and UX designers (~15%). The same data showed that 73% and 6% of survey respondents use Figma Design and Adobe XD as their primary design tools. When taking primary and secondary design tools into account, these shares rise to 82% and 15%.

⁵⁵² For instance, see Adobe Internal Document.

⁵⁵³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B3.7. Adobe XD was released in beta for MacOS in March 2016, in beta for Windows in December 2016, and came out of beta in October 2017.

Design (and vice versa), but also the extent of competition between the Parties in relation to product development and innovation.

8.73 This section is structured as follows:

- (a) We start by discussing Adobe XD, focusing on: (i) closeness of competition between Adobe XD and Figma Design; (ii) Adobe's rationale for reducing investment in Adobe XD; and (iii) the implications of Adobe reducing investment in Adobe XD.
- (b) We then consider Adobe's development of Project Spice (previously referred to as Project Fred, CC Web, and Canvas), focusing on:
 - (i) Adobe's investment in Project Spice in October 2021 and February 2022; (ii) the development of Adobe's plans for Project Spice between February 2022 and August 2022; and (iii) the cancellation of Project Spice.

8.74 Finally, we consider the Parties' submissions regarding Adobe's ability and incentive to 're-enter product design' (although, as discussed in that section, we do not consider these submissions to be directly relevant to our assessment of closeness of competition).

Adobe XD

Parties' submissions

8.75 The Parties submitted that Adobe XD is not a meaningful competitor to Figma Design. They described that Adobe XD has failed and submitted that product failures were common for an innovative company like Adobe.⁵⁵⁴

8.76 In relation to the historical functionality and market performance of Adobe XD:

- (a) The Parties described Adobe XD as a flawed product that failed to gain traction, as it did not offer the collaboration features expected in the market. They stated that among the reasons for this were that it: (i) is a desktop product that needs to be downloaded by users creating friction in workflows, (ii) is built on a codebase that is not designed [X], and (iii) lacked a shared folder system to allow common access to files and projects. As a result, Adobe XD [X] that led to [X], and it failed to achieve meaningful adoption for product design use cases, particularly for larger teams.⁵⁵⁵

⁵⁵⁴ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B3.1-B3.5.

⁵⁵⁵ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B3.7-B3.13.

- (b) The Parties submitted that Adobe XD has been [REDACTED] throughout its existence. They stated this was the case even if a proportion of CC All Apps revenue was attributed to the product. The Parties submitted that it was therefore a rational decision to [REDACTED].⁵⁵⁶
- (c) The Parties submitted that Adobe XD's limited presence in the market is evident from the evolution of its Annual Recurring Revenue (ARR) and usage. They stated that its ARR growth was much weaker than Figma's and that its position will [REDACTED]. They also noted that Adobe XD's Monthly Active Users (MAUs) have been declining [REDACTED], and submitted that internal documents reflect this poor performance.⁵⁵⁷ The Parties submitted that Adobe XD had no realistic prospect of succeeding in product design without collaboration features which could not be retrofitted and absorbed substantial scarce engineering resources.⁵⁵⁸

8.77 The Parties submitted that Adobe decided to reduce investment in Adobe XD over a number of years. In particular:

- (a) The Parties submitted that Adobe XD had resources removed as early [REDACTED],⁵⁵⁹ was 'disinvested' in October 2021, and was finally placed into 'maintenance mode' in February 2022.⁵⁶⁰ The Parties submitted that 'maintenance mode' means that Adobe XD is on 'an inevitable path to "end of life", with [REDACTED] and [REDACTED] working on bugs, security fixes and minor updates ([REDACTED]).'⁵⁶¹ In his DOJ deposition, [REDACTED] (Adobe, VP of CC Web App) noted that the decision '[REDACTED]'.⁵⁶²
- (b) At Adobe's Main Party Hearing with the CMA, [REDACTED] (Adobe, President of Digital Media) stated that looking back, he could split his time at Adobe into three phases: [REDACTED].⁵⁶³ He further stated that coming out of the first phase, he had determined that [REDACTED].⁵⁶⁴
- (c) [REDACTED] (Adobe, VP of CC Web App) in [REDACTED] DOJ deposition stated that '[REDACTED]'.⁵⁶⁵ [REDACTED] (Adobe, President of Digital Media) in [REDACTED] DOJ deposition stated that maintenance mode '[REDACTED]'. [REDACTED] continued that '[REDACTED]'.⁵⁶⁶ [REDACTED]

⁵⁵⁶ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B3.14-B3.17.

⁵⁵⁷ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B3.14-B3.28.

⁵⁵⁸ Parties' response to TOH1 working paper.

⁵⁵⁹ Adobe, Submission to the CMA.

⁵⁶⁰ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B3.12.

⁵⁶¹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph A1.8. Adobe, Submission to the CMA.

⁵⁶² Adobe, Submission to the CMA.

⁵⁶³ Adobe Main Party Hearing transcript.

⁵⁶⁴ Adobe Main Party Hearing transcript.

⁵⁶⁵ Adobe, Submission to the CMA.

⁵⁶⁶ Adobe, Submission to the CMA.

(Adobe, Senior Director of Strategic Development) in [REDACTED] DOJ deposition stated that '[REDACTED]'.⁵⁶⁷

- (d) The Parties submitted that the decision to place Adobe XD in maintenance mode was not related to Project Spice. They stated that Project Spice absorbed employees from Adobe XD because these employees had [REDACTED] that was useful for Project Spice.⁵⁶⁸
- (e) In [REDACTED] deposition to the DOJ, [REDACTED] (Adobe, President of Digital Media) stated that the decision to shut down a product would be made by the product team or, ultimately, by [REDACTED]. [REDACTED] (Adobe, President of Digital Media) would have to approve something [REDACTED] (Adobe, President of Digital Media) continued that [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) '[REDACTED]'.⁵⁶⁹ [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) in [REDACTED] DOJ deposition stated that [REDACTED] and [REDACTED] (Adobe, President of Digital Media) were involved in the decision to 'deprioritise' Adobe XD.⁵⁷⁰

8.78 In relation to the CMA's assessment of Adobe's internal documents regarding Adobe's decision to reduce investment in Adobe XD:

- (a) The Parties submitted that the CMA should give weight to the reality of what has happened with Adobe XD (ie Adobe significantly reducing investment in it) as probative of corporate intent, and not only take into account how this is described in internal documents. The Parties submitted that Adobe XD was a [REDACTED] product that suffered [REDACTED] flaws and gained no commercial traction. The Parties submitted that the decision to put Adobe XD into maintenance mode was, consistent with Adobe's usual practice, not recorded comprehensively in internal documents and reflected that Adobe XD was 'very low down the agenda for Adobe and Adobe does not document every decision'. However, the Parties submitted that the decision to 'move away from Adobe XD is reflected in internal correspondence' and that the challenges facing Adobe XD were 'also widely discussed internally'.⁵⁷¹
- (b) The Parties submitted that internal documents describing Adobe XD efforts as only '[REDACTED]' are consistent with there not being [REDACTED], and consistent with the fact that [REDACTED]. The Parties submitted that 'the key point is that the documents refer to a [REDACTED] in Adobe XD, and references to [REDACTED]. The Parties also submitted that internal documents that make references

⁵⁶⁷ Adobe, Submission to the CMA.

⁵⁶⁸ Parties' response to TOH1 working paper.

⁵⁶⁹ Adobe, Submission to the CMA.

⁵⁷⁰ Adobe, Submission to the CMA.

⁵⁷¹ Parties' response to TOH1 working paper.

to Adobe XD [REDACTED] either pre-date Adobe XD being put into maintenance mode, or [REDACTED], and are consistent with how maintenance mode works, and with Adobe [REDACTED]. The Parties submitted that '[REDACTED]'.⁵⁷²

8.79 In relation to Adobe's public communications regarding Adobe XD:

- (a) The Parties stated that Adobe actively discourages use of Adobe XD given its technical limitations.⁵⁷³
- (b) The Parties submitted that Adobe [REDACTED], and that external communications are not dispositive of whether Adobe XD is in maintenance mode. The Parties submitted that despite there being no explicit announcement of Adobe being put into maintenance mode, customers understand the implications such as the lack of new features and significant updates. The Parties also submitted that Adobe had issued internal guidance in prior to the Proposed Transaction '[REDACTED]' (we consider this internal document at paragraph 8.125(a)).⁵⁷⁴ The Parties submitted that 'users of XD have been aware of the reduced investment in XD given the lack of new features and updates'.⁵⁷⁵

8.80 In relation to Adobe's future plans regarding Adobe XD:

- (a) The Parties submitted that the decision to place Adobe XD in maintenance mode is permanent, and that to suggest it could be reversed ignores commercial realities and business logic. They stated that Adobe would not return investment to a product that has had [REDACTED] for almost two years (since October 2021) [REDACTED], and that [REDACTED].⁵⁷⁶
- (b) [REDACTED] (Adobe, SVP of Digital Media Global Marketing) testified in her deposition before the DOJ that the shift in resources in October 2021 was a [REDACTED].⁵⁷⁷

8.81 The Parties submitted that Adobe XD therefore cannot be considered a material constraint on Figma in an 'innovative and dynamic' market.⁵⁷⁸

- (a) The Parties submitted that Adobe XD's continued presence in the market is not evidence of competitive significance. They submitted the updates to Adobe XD since February 2022 are minor and related to bug fixes and slight improvements, ie [REDACTED]. The Parties highlighted quotes from public

⁵⁷² Parties' response to TOH1 working paper.

⁵⁷³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B3.29-B3.42.

⁵⁷⁴ Parties' response to TOH1 working paper.

⁵⁷⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B3.34.

⁵⁷⁶ Parties' response to TOH1 working paper.

⁵⁷⁷ Adobe, Submission to the CMA.

⁵⁷⁸ Parties' response to TOH1 working paper.

forums which they state show that users see Adobe XD's recent updates as highly insufficient and that [REDACTED].⁵⁷⁹ The Parties further stated that any updates to Adobe XD are [REDACTED] compared to other market participants, highlighting that Figma Design has six substantive updates, and Sketch 29 updates, over the same period.⁵⁸⁰

- (b) The Parties submitted that internal documents do not show that Adobe XD continued to be viewed [REDACTED]. They stated that the marketing budget for Adobe XD was [REDACTED] in 2022 to include only [REDACTED], and that in [REDACTED]. Further, the Parties submitted that internal documents from Adobe's [REDACTED] should not be given much significance as the [REDACTED] and its role is to focus efforts on [REDACTED]. The Parties stated that [REDACTED] and did not generate [REDACTED]. [REDACTED].⁵⁸¹
- (c) In relation to the [REDACTED] in particular, [REDACTED] (Adobe, Senior Director of Strategic Development) in his DOJ deposition explained that '[REDACTED]'.⁵⁸² [REDACTED] (Adobe, Senior Director of Strategic Development) stated that the team's '[REDACTED]'. [REDACTED] (Adobe, Senior Director of Strategic Development) continued, '[REDACTED]'.⁵⁸³
- (d) [REDACTED] (Adobe, Senior Director of Strategic Development) also explained in his DOJ deposition that [REDACTED]. The reason for this according to [REDACTED] (Adobe, Senior Director of Strategic Development) is that [REDACTED].⁵⁸⁴ [REDACTED] (Adobe, Senior Director of Strategic Development) also referred to [REDACTED], as an alternative [REDACTED] that had been ended for [REDACTED]. [REDACTED] around August 2022 (a few weeks before the announcement of the Merger).⁵⁸⁵

8.82 In relation to Figma's assessment of the competitive threat from Adobe XD:

- (a) The Parties submitted that [REDACTED]. They describe the constant pressure Figma faces in the rapidly changing product design market, and that new features are developed to compete with a range of players instead of Adobe.⁵⁸⁶ They added that internal documents from Figma indicate that the anticipated threat from Adobe XD diminished over time and became less relevant from 2020.⁵⁸⁷

⁵⁷⁹ Parties' response to TOH1 working paper.

⁵⁸⁰ Parties' response to TOH1 working paper.

⁵⁸¹ Parties' response to TOH1 working paper.

⁵⁸² Adobe, Submission to the CMA.

⁵⁸³ Adobe, Submission to the CMA.

⁵⁸⁴ Adobe, Submission to the CMA.

⁵⁸⁵ Adobe, Submission to the CMA.

⁵⁸⁶ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph A1.23.

⁵⁸⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B6.5, Figure 21.

- (b) The Parties stated that Figma's innovation efforts in the product design space are driven by the strong competition it faces from [X] including [X]. They submitted that Figma's innovation is focused in the [X].⁵⁸⁸
- (c) The Parties submitted that there are differences between [X] and that these emerged because of strategic decisions by Figma [X]. Figma's developments [X].⁵⁸⁹
- (d) The Parties submitted that Figma's approach to internal documents is institutionally and culturally different, that it constantly monitors and discusses new sources of competition in 'live' brainstorming and over Slack messages, and that user feedback via social media is particularly important information for Figma's product development and innovation efforts. The Parties therefore submitted that the CMA should consider the extent of discussions through these channels at Figma when assessing competitive constraints, 'rather than focussing on a handful of dated documents that reference Adobe XD'.⁵⁹⁰

8.83 The Parties also submitted individual switching analysis and organisation level usage analysis, which they stated demonstrate that Adobe XD is not a close competitor to Figma Design.⁵⁹¹ We consider this analysis in detail in Appendix C and find that it does not provide support for the Parties' argument that Adobe does not constrain Figma Design (see also paragraphs 8.111 to 8.114).

8.84 The Parties submitted that the CMA has mischaracterised and misunderstood the Parties' internal document evidence and provided specific submissions on a number of internal documents.⁵⁹² We consider these representations in detail in Appendix E and where relevant, have also considered the Parties' submissions on specific internal documents below.

8.85 In relation to third-party evidence:

- (a) The Parties submitted that third-party evidence demonstrating close competition is not reliable. They stated that 'the TOH1 WP applies a static, rather than dynamic, approach to the appraisal of closeness of competition between the Parties', and that this is contrary to what the CMA proposes to do.⁵⁹³ The Parties submitted that 'the CMA's third-party questionnaires are marked by the absence of any questions relating to the

⁵⁸⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B3.40.

⁵⁸⁹ Parties' response to TOH1 working paper.

⁵⁹⁰ Parties' response to TOH1 working paper.

⁵⁹¹ Parties' response to TOH1 working paper.

⁵⁹² Parties' response to TOH1 working paper.

⁵⁹³ Parties' response to TOH1 working paper.

dynamic nature of the market including, in particular, questions that are designed to ascertain whether Adobe XD is perceived to be a source of competitive innovation'.⁵⁹⁴

- (b) The Parties further stated that the third-party evidence shows an asymmetric constraint, with Figma Design considered a stronger alternative than Adobe XD, and that Sketch is a stronger alternative to Figma Design than Adobe XD. The Parties also submitted that the CMA should have asked competitors about their awareness of Adobe XD being in maintenance mode to assess whether Adobe XD is a source of competitive innovation.⁵⁹⁵
- (c) The Parties also submitted that the CMA's use of public sources on the extent of competition between Adobe XD and Figma Design analysed historic competition between the two tools, and neglected an abundance of online public sources comparing Figma Design with other interactive product design competitors.⁵⁹⁶
- (d) The Parties noted significant inconsistency between the third-party views collected by the CMA and the switching analysis undertaken by CRA (see paragraph 8.83) and argued that CRA's switching analysis should be given more weight because it was based on verified user data.⁵⁹⁷
- (e) The Parties submitted that in UXTools' 2022 Design Tools Survey, Adobe XD ranked 13th in response to the questions 'what tool are you most excited to try in 2023'.⁵⁹⁸

Our assessment

8.86 In this section:

- (a) We first provide a brief history of Adobe XD from its launch in 2016 through to its present state.
- (b) We then consider evidence on the closeness of competition between Adobe XD and Figma Design, including by considering documents from both Figma and Adobe.

⁵⁹⁴ Parties' response to TOH1 working paper.

⁵⁹⁵ Parties' response to TOH1 working paper.

⁵⁹⁶ Parties' response to TOH1 working paper.

⁵⁹⁷ Parties' response to TOH1 working paper.

⁵⁹⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B3.41; and ['2022 Design Tools Survey - UI Design | UX Tools'](#), accessed by the CMA on 23 November 2023.

- (c) We then consider evidence on Adobe's rationale for reducing investment in Adobe XD in October 2021 and February 2022.
- (d) Finally, we consider the implications of this reduced investment for Adobe XD's competitive position.

Background on Adobe XD

- 8.87 Adobe XD became available to the public in late 2016 (initially in response to Sketch, which was released as the first dedicated product design tool in 2012). Figma Design also became available in 2016 and was the first product to enable real-time collaboration.⁵⁹⁹
- 8.88 Subsequently, Adobe significantly increased the resources allocated to Adobe XD to over 200 head count in 2018 and over 230 head count in 2019.⁶⁰⁰ The Parties submitted that these increases were linked to the introduction of collaboration capabilities to Adobe XD. However, according to the Parties, Adobe struggled to implement collaboration in Adobe XD due to [REDACTED].⁶⁰¹
- 8.89 [REDACTED], Adobe reduced investment in Adobe XD on several occasions:⁶⁰²
- (a) [REDACTED]: Adobe moved [REDACTED] employees working on Adobe XD to the newly formed Project Spice (then known as CC Web).
 - (b) October 2021: Adobe moved a further [over 100] employees from Adobe XD to Project Spice, although [REDACTED] of these employees continued to work on Adobe XD full-time and a further [REDACTED] continued to work on Adobe XD part-time.⁶⁰³ Of these [over 100] employees, [over 100] staff were working on the Adobe XD tool itself, with the remaining [REDACTED] staff working on [REDACTED].⁶⁰⁴
 - (c) February 2022: Adobe moved over [REDACTED] employees working on Adobe XD to Project Spice, to accelerate the development of the latter project.
 - (d) April 2023: Adobe moved the remaining approximately [REDACTED] engineers working on Adobe XD to the [REDACTED] team.
- 8.90 Considering Adobe XD's current position and number of active users, we note the following:

⁵⁹⁹ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B3.7 and B6.4-6.5.

⁶⁰⁰ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph B3.15.

⁶⁰¹ Parties' response to the phase 1 Issues Letter and FMN.

⁶⁰² Adobe response to s109 notice.

⁶⁰³ Parties' response to TOH1 working paper, 104a.

⁶⁰⁴ FMN.

- (a) Currently, Adobe XD remains available for purchase as part of the CC All Apps bundle. It was available to new customers as a standalone application until 3 April 2023, nearly seven months after the public announcement of the Merger.⁶⁰⁵
- (b) Total monthly active users of Adobe XD were nearly [X] in October 2021, and have since [X] in May 2023. This [X] was primarily a result of [X] users. [X] users however continued to experience [X], [X] in October 2021 to over [X] in September 2022, before [X] by May 2023.⁶⁰⁶
- (c) In comparison, total users of Figma Design [X] in October 2021 [X] in May 2023. In this period, free users of Figma Design [X] from [X] to [X], and paid users [X] from [X] to [X].⁶⁰⁷
- (d) Adobe XD's monthly active users paying for the Adobe XD single app experienced a [X] in 2021 and 2022, with users [X] in the last quarter of 2020 to [X] in the third quarter of 2022.⁶⁰⁸ In addition, while the proportion of CC All Apps subscribers who had Adobe XD as their primary app [X] ([X] from [X]% in FY2021 to [X]% in FY2022), the absolute number of CC All Apps subscribers who had Adobe XD as their primary app [X] as the total number of CC All Apps paid subscribers [X], with subscribers [X] from [X] in FY2020 to [X] in FY2022.⁶⁰⁹
- (e) Adobe XD's customers continue to include large multinational enterprises such as [X], as well as [X].⁶¹⁰

Closeness of competition between Adobe XD and Figma Design

- 8.91 In this section, we first consider Figma's assessment of Adobe XD by considering Figma's internal document evidence. We then consider Adobe's assessment of the competitive landscape facing Adobe XD, focusing on its assessment of Figma Design. Finally, we consider third-party evidence on the closeness of competition between Adobe XD and Figma Design.

⁶⁰⁵ Adobe response to the CMA's s109 notice.

⁶⁰⁶ Adobe Internal Document. We note that there is some seasonal variation in monthly active users, with figures generally [X], compared to spring and autumn.

⁶⁰⁷ Figma Internal Document.

⁶⁰⁸ FMN.

⁶⁰⁹ Adobe's response to the CMA Follow-up Questions following Issues Meeting.

⁶¹⁰ Adobe response to the CMA's RFI.

- *Figma's assessment of Adobe XD*

8.92 Figma internal documents from 2019 show that Adobe XD was at that time (2019) considered Figma's closest competitor:

- (a) An update from [REDACTED] (Figma, CEO and co-founder) to the board dated 10 December 2019 states that '[REDACTED]', and that '[REDACTED]'. It goes on to discuss [REDACTED].⁶¹¹
- (b) An internal presentation presented by [REDACTED] (Figma, Chief Product Officer) dated 10 December 2019 describes Adobe as [REDACTED]. It also states that '[REDACTED]'. It also describes that [REDACTED].⁶¹²

8.93 The Parties refer to the following Figma documents and third-party investment reports that they state show that Adobe XD was a fading threat in Figma's view from 2020:⁶¹³

- (a) A document dated August 2020 notes that a motivating factor for assessing investments in design-to-code [REDACTED]. The document also states that '[REDACTED]'.⁶¹⁴
- (b) A document referred to as '[REDACTED]' and dated October 2020 shows [REDACTED]. It notes [REDACTED]. It also includes [REDACTED].⁶¹⁵
- (c) Notes produced by the [REDACTED]⁶¹⁶ in 2021 [REDACTED] due to [REDACTED].⁶¹⁷
- (d) An internal research memo dated March 2022 from the Figma Communications and Research teams described the results of audience perception research [REDACTED]. The results show that Adobe XD was viewed as [REDACTED].⁶¹⁸
- (e) Another internal research memo dated March 2022 from the Figma Communications team stated that Adobe XD was used by different kinds of organisations than those Figma targeted.⁶¹⁹

8.94 In our view the documents above do not overall support the Parties' claim that Adobe was a fading threat from 2020. They show that, while Figma considered Adobe XD to be a weaker product than Figma Design in some

⁶¹¹ Figma Internal Document.

⁶¹² Figma Internal Document.

⁶¹³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph B6.5, Figure 21.

⁶¹⁴ Figma Internal Document.

⁶¹⁵ Figma Internal Document.

⁶¹⁶ ['Investment Group of Santa Barbara | LinkedIn'](#), last accessed on 9 November 2023. No website was found.

⁶¹⁷ Figma Internal Documents.

⁶¹⁸ Figma Internal Document.

⁶¹⁹ Figma Internal Document.

respects, it also considered Adobe XD to have some competitive strengths, and it still regarded Adobe as a key competitor.

8.95 Furthermore, in our view, several other Figma internal documents dated from 2020 onwards continue to discuss the threat from Adobe and how Figma could compete against Adobe XD, and show that Figma consistently considered Adobe to be one of its main competitors:

- (a) A message dated 8 January 2020 composed by [REDACTED] (Figma, VP of Product Design) shows that whilst Figma's innovation efforts are also driven by other products, it considers Adobe as a threat from a business perspective. In the message, [REDACTED].⁶²⁰
- (b) A third-party research document dated 20 August 2020 that analyses the competition faced by Figma, lists Adobe XD, InVision, Sketch, Framer and UXPin as '[REDACTED]'. Under 'Threats', the document states that '[REDACTED]'.⁶²¹
- (c) A document dated August 2020 discusses [REDACTED]. It [REDACTED]. The document states that '[REDACTED]'. It also states that [REDACTED].⁶²² In our view, this demonstrates that whilst Figma was inspired by features developed by smaller competitors, it was still motivated to incorporate these by the competition and threat from Adobe as well as potential start up competitors.
- (d) A document dated October 2020 and titled '[REDACTED]', shows Adobe XD as one of Figma's key competitors, [REDACTED].⁶²³ The Parties submitted that this document does not necessarily reflect the views on the competitive landscape of Figma's executive leadership team and in any event was not intended to reflect a comprehensive view of Figma's competitive landscape. The Parties also submitted that this document is outdated, and therefore has limited value today with respect to a fast-moving space like product design and development.⁶²⁴ In our view, this document nevertheless indicates that in October 2020 Figma considered Adobe XD to be one of Figma's key competitors alongside other providers.
- (e) A document dated 13 October 2020 titled '[REDACTED]', describes [REDACTED]. It also notes that [REDACTED].⁶²⁵ In our view, this document shows that in October 2020, Figma considered Adobe XD as one of its two key competitors, albeit behind Figma Design in relation to collaboration capabilities.

⁶²⁰ Figma Internal Document.

⁶²¹ Figma Internal Document.

⁶²² Figma Internal Document.

⁶²³ Figma Internal Document.

⁶²⁴ [Parties' Evidence Appraisal Paper](#).

⁶²⁵ Figma Internal Document.

- (f) A document prepared in October 2020 [REDACTED]. It states that [REDACTED].⁶²⁶ In our view, this document shows that in October 2020, Figma considered Adobe XD to be a relevant and fierce competitor.
- (g) A document dated February 2021 reports the findings of [REDACTED]. [REDACTED]. The report also considers [REDACTED].⁶²⁷ The Parties submitted that [REDACTED]. In our view, this document nevertheless indicates that in February 2021, Figma considered Adobe XD to be one of Figma's key competitors alongside other providers.
- (h) Linked to the [REDACTED] referred to above (paragraph 8.93(c)), there are further documents related to an [REDACTED] which took place on 23 March 2021 and was attended by [REDACTED] (Figma, CEO and co-founder), [REDACTED] (Figma, Chief Financial Officer), and [REDACTED] (Figma, Head of Corporate Development and Strategy).⁶²⁸
- (i) A document titled '[REDACTED]' dated 25 April 2021 [REDACTED] (Figma, Chief Financial Officer) notes of a meeting with [REDACTED]. It describes Adobe as a [REDACTED]. Another point in the document considers '[REDACTED]'. The document further states '[REDACTED]'.⁶²⁹ In our view, this document indicates that in March 2021 Figma considered Adobe a successful competitor and a threat, despite its technology being weaker.
- (ii) An email from [REDACTED] (Figma, Head of Corporate Development and Strategy) dated 26 April 2021 to [REDACTED] (Figma, CEO and co-founder), [REDACTED] (Figma, Chief Product Officer), and [REDACTED] (Figma, Chief Financial Officer) [REDACTED] [REDACTED] (Figma, Head of Corporate Development and Strategy) identifies that '[REDACTED]'. The notes also state that '[REDACTED]'.⁶³⁰ In our view, this document indicates that in April 2021 Figma considered its competitive position relative to Adobe, and that it considered Adobe to have some competitive advantages and to win against Figma in some circumstances, even if Adobe XD was a worse product than Figma Design.
- (i) An email dated 7 April 2021 from [REDACTED] (Figma, Chief Customer Officer) to [REDACTED] (Figma, Head of Corporate Development and Strategy), with [REDACTED] (Figma, CEO and co-founder) [REDACTED], states that '[REDACTED]'. It goes on to suggest that they could evaluate partnerships based on [REDACTED].⁶³¹ In our view, this

⁶²⁶ Figma Internal Document.

⁶²⁷ Figma Internal Document

⁶²⁸ Figma Internal Document.

⁶²⁹ Figma Internal Document.

⁶³⁰ Figma Internal Document. We understand that this research was produced without any input from Figma.

⁶³¹ Figma Internal Document.

document indicates that in April 2021 Figma considered that it was competing against Adobe in the market but did not always see them as they sell through different channels.

- (j) A document dated 29 April 2021 provides notes of conversations with [REDACTED] about Adobe XD, which discuss '[REDACTED]', and '[REDACTED]'. The notes describe how Figma sometimes [REDACTED] but also describe some instances of [REDACTED].⁶³² In our view, this document indicates that in April 2021 Figma considered itself to be competing with and sometimes losing to Adobe.
- (k) Emails from [REDACTED] (Figma, Chief Customer Officer) dated 5 May 2021 discuss competition between Figma and Adobe, [REDACTED]. A reply to [REDACTED] email from [REDACTED] (Figma, GTM Strategy & Ops) states that '[REDACTED]'. The exchange also notes that '[REDACTED]'. The same exchange notes that '[REDACTED]'.⁶³³ In our view, this document indicates that in May 2021 Figma considered itself to be competing with Adobe XD and considered that Adobe had some advantages despite being weaker than Figma on collaboration features.
- (l) A note from 2021 discusses [REDACTED]. It describes reasons [REDACTED]. The note also gives [REDACTED], and notes that Figma wants to '[REDACTED]'.⁶³⁴ In our view, this document indicates that in 2021 Figma considered Adobe XD (as well as a few other providers) to have some superior prototyping features and was concerned about losing customers because of this.
- (m) An email from [REDACTED] (Figma, Head of Corporate Development and Strategy) shared with [REDACTED] (Figma, CEO and co-founder) and [REDACTED] (Figma, Chief Customer Officer) dated 10 June 2021 discusses gathering information on '[REDACTED]'. [REDACTED] (Figma, Head of Corporate Development and Strategy) [REDACTED]. [REDACTED] believes a similar situation could happen to Figma.⁶³⁵ In our view, this document indicates concern within Figma in June 2021 about how it could win customers from Adobe XD, as well as the risk of losing customers to Adobe XD, particularly because of its inclusion in the CC All Apps bundle.
- (n) A document dated 17 June 2021 discusses how to set pricing for [REDACTED]. In a section titled '[REDACTED]', the document considers the pricing of [REDACTED]. The document notes as a takeaway regarding Adobe that '[REDACTED]'.⁶³⁶ In our view,

⁶³² Figma Internal Document.

⁶³³ Figma Internal Document.

⁶³⁴ Figma Internal Document.

⁶³⁵ Figma Internal Document.

⁶³⁶ Figma Internal Document.

this document shows that in June 2021 Figma considered Adobe's pricing (alongside other competitors) when considering how to set its own prices.

- (o) A note dated 22 September 2021 discussing [REDACTED] states that [REDACTED] as it will help Figma '[REDACTED]'. The document also states that Figma has '[REDACTED]'. The note also describes how various competitors including [REDACTED].⁶³⁷ In our view, this note demonstrates that in September 2021 Figma benchmarked its product against Adobe XD in relation to prototyping and considered improving its product in this respect to compete with Adobe XD.
- (p) A note dated November 2021 titled '[REDACTED]', states that '[REDACTED]'. The document further states that '[REDACTED]'.⁶³⁸ In our view, this document demonstrates that in November 2021 Figma was driven to innovate by the threat from Adobe.
- (q) Messages dated November 2021 from [REDACTED] (Figma, VP of Product) show concerns over the [REDACTED]. In our view, these documents show that in November 2021, Figma had concerns over the competitive threat from Adobe XD becoming web based.
- (i) In [REDACTED] message to [REDACTED] (Figma, Chief Product Officer) dated 4 November 2021, [REDACTED] (Figma, VP of Product) describes the threat from competitors such as Adobe [REDACTED]. [REDACTED] also anticipates that [REDACTED]. To protect Figma's core business, [REDACTED] suggests they '[REDACTED]'.⁶³⁹
- (ii) In a staff meeting chat, which included [REDACTED] (Figma, CEO and co-founder) [REDACTED], dated 11 November 2021 [REDACTED] (Figma, VP of Product) notes, as an example of issues, that [REDACTED]. [REDACTED] also adds that [REDACTED].⁶⁴⁰ In [REDACTED] DOJ deposition, [REDACTED] (Figma, VP of Product) recalled that '[REDACTED]'. [REDACTED] explains that Figma Design until recently was '[REDACTED]'. So, '[REDACTED]'.⁶⁴¹
- (r) A note written by [REDACTED] (Figma, then VP of Engineering) in October 2021 and titled '[REDACTED]' describes Adobe as a threat. [REDACTED].⁶⁴² The Parties submitted that these were rough notes and never acted on.⁶⁴³ In our view, however, it indicates that a senior figure in Figma thought of Adobe as the main threat in October 2021.

⁶³⁷ Figma Internal Document.

⁶³⁸ Figma Internal Document.

⁶³⁹ Figma Internal Document.

⁶⁴⁰ Figma Internal Document.

⁶⁴¹ Figma, Submission to the CMA.

⁶⁴² Figma Internal Document.

⁶⁴³ Parties', Evidence Appraisal Paper, 14 August 2023.

- (s) In a document containing company priorities dated 7 January 2022, [REDACTED] (Figma, Group Product Manager, Collaboration & Native) comments that '[REDACTED]'.⁶⁴⁴ In our view, this indicates that in January 2022 Figma felt a competitive pressure to innovate in response to Adobe and Sketch.
- (t) A message from [REDACTED] (Figma, VP of Product) dated 18 January 2022 states that '[REDACTED]'.⁶⁴⁵ In our view, this document shows that in January 2022 Adobe XD had some superior prototyping features relative to Figma, and that Figma felt the need to respond to that.
- (u) A document titled '[REDACTED]' dated 28 January 2022 [REDACTED].⁶⁴⁶ In our view, this document shows that in January 2022 Figma considered Adobe XD to be one of Figma's competitors alongside other providers.
- (v) In a message dated 15 February 2022, [REDACTED] (Figma, Head of Corporate Development and Strategy) [REDACTED]. In the message [REDACTED] (Figma, Head of Corporate Development and Strategy) [REDACTED].⁶⁴⁷ The Parties submitted that this document does not show that Adobe XD in its current form was a threat to Figma.⁶⁴⁸ In our view, this document indicates that in February 2022 Figma was concerned about Adobe's potential to innovate by partnering with Diagram.
- (w) An email dated 1 March 2022 mentions that [REDACTED]. [REDACTED], the email notes that [REDACTED]. The email goes on to explain that [REDACTED].⁶⁴⁹ The Parties submitted that references to Adobe, are '[REDACTED]'.⁶⁵⁰ In our view, this document indicates that in March 2022 Figma considered itself to be competing with Adobe for education customers. Although the document does not specifically refer to Adobe XD, given Figma's product offering at the time (only Figma Design and FigJam), in our view it is likely that the reference in the document meant that Figma would be displacing Adobe XD rather than any other Adobe products, in which Figma had limited capability.
- (x) A document dated March 2022 sets out the results of analysis done in order to scope out what Adobe's presence and movements are in the market, key investigatory questions being: 'Why don't we see Adobe in more deals'; 'Do you have any sense for how big the Adobe XD business is compared to Figma?'; and 'What are the types of designers that XD appeals to?'. One of the key recommendations was to '[REDACTED]'. It notes that

⁶⁴⁴ Figma Internal Document.

⁶⁴⁵ Figma Internal Document.

⁶⁴⁶ Figma Internal Document.

⁶⁴⁷ Figma Internal Document.

⁶⁴⁸ Parties' response to TOH1 working paper.

⁶⁴⁹ Figma Internal Document.

⁶⁵⁰ Parties' response to TOH1 working paper.

‘[REDACTED]’.⁶⁵¹ The document was shared with [REDACTED] (Figma, Head of Corporate Development and Strategy), who provided the questions answered in the document, and [REDACTED] (Figma, Chief Product Officer). Both replied in an email that [REDACTED].⁶⁵² In our view, this document indicates that in March 2022 Figma continued to monitor Adobe XD and considered that it might be losing deals to it, despite some differences in the types of designers each product targets.

- (y) A document dating from May 2022 produced by [REDACTED] (Figma, VP of Product) [REDACTED], states that [REDACTED].⁶⁵³ The Parties submitted that ‘given [REDACTED] [VP of Product Development at Figma] previous time at Adobe, [REDACTED], and that the document shows Adobe XD was no more of a threat than ‘[REDACTED]’.⁶⁵⁴ In our view, this document indicates that in May 2022 Figma considered Adobe XD one of its main threats alongside Framer and potential new entrants.
- (z) A document dated 6 June 2022 reports on [REDACTED]. It notes that [REDACTED]. It then states that [REDACTED]. The document also notes that ‘[REDACTED]’.⁶⁵⁵ In our view, this document indicates that in June 2022 Figma considered Adobe XD and Figma to be the main design tools in the market and considered that Adobe XD has advanced prototyping features.
- (aa) A document dated 22 June 2022 discusses Figma’s mission with respect to prototyping. It describes how ‘[REDACTED]’. It notes that [REDACTED].⁶⁵⁶ In our view, this document indicates that in June 2022 Figma considered Adobe XD and Sketch as its competitors for primary design tools, whilst noting that some point tools have more advanced prototyping features.
- (bb) A presentation dated September 2022 titled ‘[REDACTED]’ shows [REDACTED].⁶⁵⁷ The Parties submitted that this document was not focused on product design and therefore did not enumerate all competitors in design/prototype as it was [REDACTED].⁶⁵⁸ In our view, it nonetheless indicates that in September 2022 Figma considered Adobe XD as one of its competitors.
- (cc) A document dated 29 November 2022 titled ‘[REDACTED]’, provides an [REDACTED]. [REDACTED].⁶⁵⁹ In our view, this document shows that in November 2022 Figma’s

⁶⁵¹ Figma Internal Document.

⁶⁵² Figma Internal Document.

⁶⁵³ Figma Internal Document.

⁶⁵⁴ Parties’ response to TOH1 working paper.

⁶⁵⁵ Figma Internal Document.

⁶⁵⁶ Figma Internal Document.

⁶⁵⁷ Figma Internal Document.

⁶⁵⁸ Parties’, Evidence Appraisal Paper, 14 August 2023.

⁶⁵⁹ Figma Internal Document.

internal research found that Adobe XD was one of the most commonly used design tools.

8.96 In our provisional view, the internal documents above show that, while Figma considered Adobe XD to be a weaker product than Figma Design in terms of certain features, it considered Adobe XD to have some competitive advantages. Figma has consistently considered Adobe to be one of its main competitors, until at least the end of 2022. There is evidence that some feature development was motivated by a desire to stay ahead of Adobe XD (even if the features themselves were benchmarked to other competitors). There is also evidence that Figma considered Adobe XD to have better prototyping features. Figma also considered the benefit to Adobe XD of being part of the Adobe Creative Cloud bundle and considered the pricing of Adobe's products when discussing its own pricing, including considering Adobe's bundling approach being something for Figma to consider in the future. As discussed in paragraph 9.338, our view is that Figma also considered that Adobe's presence in vector and raster editing software improves the strength of Adobe XD. Finally, Figma continued to monitor Adobe XD and considered the possibility that Adobe XD could become web based, even after Adobe had reduced the resources allocated to Adobe XD in October 2021 and February 2022 to increase investment in Project Spice (it is unclear whether Figma was aware of this development).

- *Adobe's assessment of Adobe XD's competitors*

8.97 Several Adobe internal documents set out which competitors Adobe considers to be the closest to Adobe XD. These documents show that Figma was consistently considered a close competitor, generally alongside [REDACTED]:

- (a) A spreadsheet titled '[REDACTED]', updated last in April 2020, lists [REDACTED].⁶⁶⁰ In our view, this document shows that in April 2020 Adobe considered Figma Design a [REDACTED] competitor in UI/UX design alongside other providers.
- (b) An internal presentation produced by Adobe's XD product marketing team led by [REDACTED] (Adobe, Senior Director of CC Product Marketing) and updated in July 2020 titled '[REDACTED]' describes [REDACTED] as the top competitors which are analysed in detail. The document shows a wide range of tools that can be used for different stages of design process. Adobe XD is an option for seven of the nine stages shown, and [REDACTED]. The presentation notes that [REDACTED].⁶⁶¹ In our view, this document indicates that in July 2020 Adobe

⁶⁶⁰ Adobe Internal Document.

⁶⁶¹ Adobe Internal Document.

considered Figma Design a leading competitor in product design alongside Sketch and InVision, which could each be used for fewer stages of the design process than Figma.

- (c) An internal presentation titled '[REDACTED]' dated October 2020 shows Adobe XD's key competitors as [REDACTED]. It notes that [REDACTED].⁶⁶² In our view, this document shows that in October 2020 Adobe considered Figma Design to be its primary competitor and a growing competitor in product design.
- (d) An internal presentation dated November 2020 states that to win in screen design Adobe must '[REDACTED]'. It describes Adobe XD and [REDACTED]. This document also states that '[REDACTED]'.⁶⁶³ In our view, this document indicates that in November 2020, Adobe considered Figma to be a key and growing competitor to Adobe XD. We also consider this document indicates the importance of Adobe's network effects. We discuss the impact of network effects in more detail in paragraphs 8.104 and 8.359.
- (e) An internal presentation dated March 2021 on the competitive landscape across different segments and categories shows [REDACTED] as the key players in '[REDACTED]' for Pros (professionals). One slide provides estimated [REDACTED]. Another slide shows [REDACTED].⁶⁶⁴ In our view, this document shows that in March 2021 Adobe considered Figma, [REDACTED] and [REDACTED] to be Adobe XD's key competitors, with Figma covering more of the design process than other alternatives.
- (f) An internal presentation titled '[REDACTED]' dated September 2021 includes a competitive analysis for Adobe XD. Adobe XD is shown [REDACTED]. Adobe XD is shown as [REDACTED]. Adobe XD is also compared to [REDACTED].⁶⁶⁵ In our view, this document shows that in September 2021 Adobe considered Figma Design to be the market leader.
- (g) An internal presentation dated September 2021 titled '[REDACTED]'⁶⁶⁶ includes a competitive overview slide which includes only [REDACTED]. The slide indicates that [REDACTED].⁶⁶⁷ The Parties submitted that this document is outdated and does not represent a functionality comparison in product design.⁶⁶⁸ In our view, this document nevertheless indicates that in September 2021 Adobe considered Figma and Sketch to be Adobe XD's key competitors.

⁶⁶² Adobe Internal Document.

⁶⁶³ Adobe Internal Document.

⁶⁶⁴ Adobe Internal Document.

⁶⁶⁵ Adobe Internal Document.

⁶⁶⁶ [REDACTED].

⁶⁶⁷ Adobe Internal Document.

⁶⁶⁸ Parties', Evidence Appraisal Paper, 14 August 2023.

- (h) A February 2022 document prepared for [REDACTED] (Adobe, President of Digital Media) provides an overview of the ecosystem for screen design. It breaks core screen design into stages of design, prototype, and handoff. [REDACTED].⁶⁶⁹ In our view, this document indicates that in February 2022 Adobe considered Figma to be a key competitor to Adobe XD, covering more of the design process than other alternatives.
- (i) A March 2022 document titled '[REDACTED]' used to support conversations with customers shows [REDACTED]. Figma is shown as [REDACTED]. It notes that [REDACTED].⁶⁷⁰ In our view, this document shows that in February 2022 Adobe considered Figma to be a key and growing competitor to Adobe XD, alongside [REDACTED] and [REDACTED].
- *Third-party evidence on closeness of competition between Adobe XD and Figma Design*

8.98 We collected evidence from companies that the Parties named as competitors and from customers of Adobe and Figma. As discussed in Chapter 7, we have considered the effect of the Merger in the market for all-in-one product design software. At the time that we sent out questionnaires, we were considering a market for all-in-one 'screen design', so when referring to questionnaire responses in this chapter, we have used the term 'screen design competitors'. Our evidence is based on responses to questionnaires sent to a broad set of competitors identified by the Parties. This includes the following types of providers: all-in-one screen design providers, point tool providers, prosumer applications providers, no-code/low-code website builders, and visual interface builders/IDEs providers.

8.99 Respondents were asked to list alternatives to Figma Design and Adobe XD, and provide a score from 1 to 5 based on how strong an alternative the products were (1 being very weak, 2 weak, 3 adequate, 4 strong, and 5 very strong):

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, all but one listed Adobe XD as an alternative. The ratings ranged from 2 to 5, with an average of 3.2. A few respondents saw it as the closest, or joint-closest, alternative, with the other closest alternatives mentioned by respondents being Sketch (the

⁶⁶⁹ Adobe Internal Document.

⁶⁷⁰ Adobe Internal Document.

Illustrator (one), Lunacy (one) and Penpot (one).⁶⁷¹

- (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, all but one listed Figma Design as an alternative. All of the respondents who provided ratings rated it a 5, and saw it as the closest alternative, with one seeing it as the joint-closest alternative alongside Sketch.⁶⁷²
- (c) Of the total large and mid-sized customers who provided alternatives to Figma Design, the vast majority listed Adobe XD as an alternative. The ratings ranged from 1 to 5 with an average rating of 3.2. The majority of respondents saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.⁶⁷³
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, the vast majority listed Figma Design as an alternative. The ratings ranged from 3 to 5 with an average rating of 4.8. All those respondents also saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.⁶⁷⁴
- (e) Of the total small customers who provided alternatives to Figma Design, the majority listed Adobe XD as an alternative. The ratings ranged from 1 to 5 with an average rating of 3.0. The majority of those respondents saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.⁶⁷⁵
- (f) Of the total small customers who provided alternatives to Adobe XD, the majority listed Figma Design as an alternative. The ratings ranged from 2 to 5, with an average rating of 4.1. All those respondents also saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.⁶⁷⁶

⁶⁷¹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [6 out of 7: [X], [X], [X], [X], [X], [X]]. One competitor did not list Adobe XD as an alternative [[X]]. [[X], [X], [X] saw it as the joint-closest alternative].

672 Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [5 out of 6: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. One competitor did not list Figma Design as an alternative [REDACTED].

[illegible][illegible]

⁶⁷⁵ Third-party responses to the CMA's phase 2 small customer Qualtrics questionnaire. [7 out of 16 small customers saw it as the closest alternative].

⁶⁷⁶ Third-party responses to the CMA's phase 2 small customer Qualtrics questionnaire. [7 out of 9 small customers saw it as the closest alternative].

- 8.100 Qualitative evidence from the questionnaire responses shows that customers considered that Adobe XD and Figma Design generally perform the same functions, but that Figma Design is a stronger product:
- (a) One customer noted that Adobe XD lacks features of Figma Design and that usability is worse.⁶⁷⁷
 - (b) Another customer stated that Adobe XD and Figma Design were comparable in 2020/2021 but that Adobe XD did not keep pace with Figma Design since then.⁶⁷⁸
 - (c) Another customer described Adobe XD as better than Sketch but said that Figma Design was more powerful than both Adobe XD and Sketch.⁶⁷⁹
 - (d) Another customer stated that Adobe XD provides the same basic features, but is more difficult to learn, is slow, and has problems with sharing prototypes.⁶⁸⁰
 - (e) Another customer stated that Figma Design was a 'very comparable platform that is web-based with very good collaboration features'.⁶⁸¹
 - (f) Another customer described Figma Design as easier to use, and with better performance than Adobe XD.⁶⁸²
- 8.101 Qualitative evidence from the questionnaire responses also shows that some respondents considered that Adobe XD benefits from its integration with other Adobe Creative Cloud products:
- (a) One customer described Adobe XD as a 'very comparable platform with good Adobe Creative Cloud integrations'.⁶⁸³
 - (b) Another customer gave the following reason for rating Adobe XD a very strong alternative to Figma Design: 'Integrates with other Adobe packages that we use daily. Simply UI, intuitive design'.⁶⁸⁴
 - (c) Another customer listed 'integration with other CC apps' as a reason for rating Adobe XD a very strong alternative to Figma Design.⁶⁸⁵

⁶⁷⁷ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁷⁸ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁷⁹ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸⁰ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸¹ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸² Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸³ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸⁴ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

⁶⁸⁵ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire.

8.102 Large and mid-sized customers were also asked what they use Adobe XD for and what they use Figma Design for. The responses highlighted very similar tasks. For respondents that had used Adobe XD, the majority of respondents mentioned prototyping,⁶⁸⁶ some respondents mentioned screen design,⁶⁸⁷ some respondents mentioned wireframing,⁶⁸⁸ some respondents mentioned user-interface design,⁶⁸⁹ and one respondent mentioned product design.⁶⁹⁰ For respondents that had used Figma, some respondents mentioned prototyping,⁶⁹¹ some respondents mentioned screen design,⁶⁹² some respondents mentioned wireframing,⁶⁹³ some respondents mentioned user-interface design,⁶⁹⁴ and a small minority mentioned product design.⁶⁹⁵

8.103 Qualitative evidence from third-party calls also indicated that, while Figma Design was often considered the stronger product, Adobe XD and Figma Design were considered close competitors:

- (a) A design agency customer stated that it preferred Figma because ‘it is slightly more advanced than XD in terms of some of the features’. However, it stated that Adobe XD ‘would be a good follow-up’. This customer also noted that Adobe XD is used for projects with a more limited budget because it forms part of the Creative Cloud bundle, stating that ‘if the budget is available - I would always recommend Figma, because it is slightly more advanced than XD in terms of some of the features. However, XD is available to all new designers [...] because of the creative suite, so there is no extra budgetary requirement for XD’.⁶⁹⁶
- (b) Another design agency customer described that Figma and Adobe XD would be used for the same types of work, and that sometimes the decision of which to use comes down to client or designer preferences. However, it noted that ‘people gravitate towards Figma’ and that when

⁶⁸⁶ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Adobe XD for prototyping: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁸⁷ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Adobe XD for screen design: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁸⁸ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Adobe XD for wireframing: [REDACTED], [REDACTED], [REDACTED]].

⁶⁸⁹ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Adobe XD for user-interface design: [REDACTED], [REDACTED]].

⁶⁹⁰ Third-party response to CMA’s phase 2 large and mid-sized customer questionnaire.

⁶⁹¹ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Figma Design for prototyping: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁹² Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Figma Design for screen design: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁹³ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Figma Design for wireframing: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁹⁴ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Figma Design for user-interface design: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁹⁵ Third-party responses to CMA’s phase 2 large and mid-sized customer questionnaire. [Respondents who mentioned using Figma Design for product design: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

⁶⁹⁶ Third-party call transcript.

evaluating Figma and Adobe XD it found that Adobe XD ‘was less usable, less user friendly and so would be less efficient.’ It also described that ‘whatever we are doing with Figma, we are doing with XD but just at a much smaller scale’.⁶⁹⁷

- (c) Another customer described that it used Figma as its default design tool, which had previously been Sketch. Some users in the organisation used Adobe XD for the same use cases as Figma. This customer explained that in November 2020, it conducted an ‘evaluation of Figma, Sketch, and Adobe XD, from a designer’s point of view.’⁶⁹⁸ In this evaluation, the customer ranked each product across 12 categories, including learning curve, collaboration and version control, and prototyping. Overall, Figma scored 31, Adobe XD scored 23, and Sketch scored 21.⁶⁹⁹
- (d) Another customer noted that Figma Design was its primary tool and that there was only some small usage of Adobe XD, as well as Sketch and Axure for similar use cases as Figma.⁷⁰⁰ This customer conducted a product assessment for UX prototyping tools in November 2021. It evaluated Adobe XD, Figma Design, Axure, and Sketch. Each tool was scored for its capabilities in the categories of UI design, prototyping, and enterprise fit. For UI Design, Adobe XD scored 46, Figma Design 44, Axure 41, and Sketch 42. For prototyping, Adobe XD scored 37, Figma Design 38, Axure 32, and Sketch 20. For enterprise fit, Adobe XD scored 3, Figma 12, Axure 6, and Sketch 3. Following this assessment, the customer decided to use Figma as its primary tool. Adobe XD scored second highest overall.⁷⁰¹
- (e) Another customer noted that it used both Figma and Adobe XD, with both were ‘very similar in terms of the types of designers that are using those tools: visual designers, user-experience design, user researchers, hybrid UX/UI designers’. It described that previously Sketch was its primary tool, with Adobe XD a secondary tool, but it had now moved towards Figma as a primary tool, although still using Sketch and Adobe XD for older projects or where designers prefer those tools. It described Adobe XD and Figma as quite similar products but noted that Figma has better features. It also noted that Adobe XD had previously had some performance issues but that it had improved more recently and was now a ‘very stable platform’

⁶⁹⁷ Third-party call transcript.

⁶⁹⁸ Third-party call transcript.

⁶⁹⁹ Third-party Internal Document.

⁷⁰⁰ Third-party call transcript.

⁷⁰¹ Third-party Internal Document.

and that the 'feature set that it has in it allows us to do all the work that we need to do'.⁷⁰²

- (f) Another customer described Figma as an alternative to Adobe XD. However, it noted that Adobe XD has had some negative feedback within the organisation and that there was a preference for using Figma.⁷⁰³
- (g) One point tool provider described Figma, Sketch, and Adobe XD as competing in screen design, but described Figma and Sketch as much better in terms of features than Adobe XD. It also mentioned Justinmind and Axure as competitors that were more focused on prototyping.⁷⁰⁴
- (h) Another point tool provider [✂] described Figma as its main competitor, as well as Sketch to a lesser degree. It also mentioned Adobe XD noting that it was losing far fewer customers to Adobe XD relative to Figma. It described Figma, Adobe XD, and Sketch as the main all-in-one design tools.⁷⁰⁵
- (i) Another point tool provider focused on prototyping described that Adobe XD, Figma, and Sketch are the main tools used for design, but that use of Figma seemed to be increasing over Adobe XD. It described that Adobe XD tries to be all-in-one but lacks the 'code generation part' but noted that Figma and Adobe XD are 'direct competitors'.⁷⁰⁶

8.104 Qualitative evidence from third-party calls also indicated that Figma Design benefits from network effects, and that while Adobe only offers limited real time collaboration, it nonetheless also benefits from network effects, including by selling Adobe XD as part of its Creative Cloud bundle and offering an integrated ecosystem of colours and assets:

- (a) One customer indicated that Adobe is aware that products such as Photoshop and Acrobat are industry standards and leverages these products to sell its other products.⁷⁰⁷
- (b) Another customer indicated that both Adobe and Figma create 'stickiness'. This customer stated that for instance, Adobe can facilitate the design process by letting its user import libraries, colours, IP and assets from one tool to another (for example from After Effects or Photoshop to Adobe XD). When asked about the benefit of using and maintaining the same colours

⁷⁰² Third-party call transcript.

⁷⁰³ Third-party call transcript.

⁷⁰⁴ Third-party call transcript.

⁷⁰⁵ Third-party call transcript.

⁷⁰⁶ Third-party call transcript.

⁷⁰⁷ Third-party call note.

across different phases of a project, this customer highlighted that designers want to ensure everyone in their team uses the same colours consistently, within the same project or for the same client.⁷⁰⁸

- (c) Another customer stated that when a designer is working entirely within Adobe's ecosystem, its products can interact directly with Adobe's proprietary interfaces. As a result, Adobe XD files can read documents created in Adobe XD or in other Creative Cloud apps thanks to a shared library. Similarly, Adobe XD users can edit components of an Adobe XD design in Photoshop or Illustrator and changes will automatically synchronise in the Adobe XD file. This customer also stated that talent dictates the software tools they use, and that Adobe was able to fend off competitive threats thanks to its widespread adoption and its products being the industry standard, noting that Photoshop, After Effects and Illustrator have been around for a long time and that designers grew up with these products. This customer also indicated that, from a cost perspective, acquiring the entire Creative Cloud bundle is more cost effective if a designer intends to use two/three tools or more.⁷⁰⁹

8.105 Publicly available sources describe Figma Design and Adobe XD as close alternatives in product design and provide comparisons between their respective features even after the announcement of the Merger on 15 September 2022 and Adobe's statements regarding Adobe XD at this time. Figma is often recommended for its collaboration capabilities, its pricing (particularly its free tier offer) and its plug-in ecosystem. Some sources also value Figma's advanced vector-based editing tool reliant on vector networks and its ease of use.⁷¹⁰ Adobe XD is generally recommended for users who are familiar with Adobe's interface (eg Photoshop and Illustrator users) and for those who have a Creative Cloud subscription.⁷¹¹

⁷⁰⁸ Third-party call note.

⁷⁰⁹ Third-party call note.

⁷¹⁰ See, for example, '[Figma vs Adobe XD: main differences \(imaginarycloud.com\)](#)', accessed by the CMA on 23 November 2023; '[The Engineering behind Figma's Vector Networks | by Alex Harri Jónsson | Medium](#)', accessed by the CMA on 23 November 2023; '[Mastering Figma's Vector Editing Tools: Tips and Tricks | by Judith Lopez | Bootcamp \(uxdesign.cc\)](#)', accessed by the CMA on 23 November 2023; and '[Why You Need to Learn Figma over Adobe XD and Photoshop | by Sahil | Medium](#)', accessed by the CMA on 23 November 2023.

⁷¹¹ '[Figma vs. Adobe XD: Unveiling the Superiority of Figma in Modern UI/UX Design | by Jakub Wojciechowski | Sep, 2023 | Medium](#)', accessed by the CMA on 23 November 2023; '[Wondershare - Adobe XD vs. Figma: Which Design Tool Should You Use?](#)', accessed by the CMA 23 November 2023; '[Imaginary Cloud - Figma vs Adobe XD: main differences](#)', accessed by the CMA on 23 November 2023; '[Bootcamp – Figma vs. Adobe XD: A Battle for Design Supremacy](#)', accessed by the CMA on 23 November 2023; '[Product Hunt – Figma vs. Adobe XD: Costs and features compared in 2023](#)', accessed by the CMA on 23 November 2023; '[Designlab – Figma vs Adobe XD: An In-Depth Comparison for UX/UI Designers](#)', accessed by the CMA on 23 November 2023; '[Columbia Engineering – 12 UX Designer Tools You Should Be Using \(From Beginner to Pro\)](#)', accessed by the CMA on 23 November 2023; '[Pttrns – Figma vs Adobe XD: Which Design Tool Should You Go With?](#)', accessed by the CMA on 23 November 2023; '[Open Replay – Figma Vs. Adobe XD – Which Is The Better Design Tool?](#)',

8.106 In relation to UXTools' 2021 and 2022 Design Tools Surveys:

- (a) Adobe XD was the second or third most used tool for UI design, ranking significantly behind Figma Design, approximately equal to Sketch and significantly ahead of all other competitors. It was the second most used tool for prototyping or basic prototyping, behind only Figma Design, the third most used tool for handoff, behind only Figma Design and Zeplin (2021-only question), and the third or fourth most used tool for design systems.⁷¹²
- (b) In response to the Parties' submission that Adobe XD dropped from the sixth to 13th tool UX designers were 'most excited to try' in 2023, this relies on information that was received after the announcement of the Merger. Some customers are therefore likely to have assumed that Adobe would place limited investment into Adobe XD given that it had agreed to purchase Figma. We also note that after the Merger was announced, Adobe executives, speaking about the Merger, disclosed publicly for the first time that Adobe XD was in 'maintenance mode'. So, some customers would also know directly if they have followed the Merger press statements. Additionally, the question of 'which tool you are most excited to try' may not capture the extent to which products are good alternatives and may capture more niche tools that users are excited about (for reasons other than the competitive strength of the product). This is consistent with the very high number of 'other' responses to this question, indicating a long tail of smaller or niche tools mentioned by a small number of respondents.

8.107 A public forum highlighted by the Parties⁷¹³ discusses which product out of Figma Design and Adobe XD is preferred by UX designers. The majority of respondents state that they prefer Figma Design with several describing it as the 'industry standard'. However, several respondents also state that they prefer and use Adobe XD. In our view, this is consistent with other evidence indicating that Figma Design is a stronger product, but that Adobe XD is competitive. We note that this discussion was started in April 2023, over one year after Adobe significantly reduced investment in Adobe XD.

accessed by the CMA on 23 November 2023; ['Nerd Cloud - Adobe XD or Figma - Which Tool to Use for UI Design'](#), accessed by the CMA on 23 November 2023; ['Youtube – Adobe XD vs. Figma for Website Design'](#), accessed by the CMA on 23 November 2023; ['Youtube – Figma vs. Adobe Xd Design with Me | How different are they?'](#), accessed by the CMA on 23 November 2023; and [Figma vs Adobe XD: UI Design Battle](#), accessed by the CMA on 23 November 2023.

⁷¹² ['2021 Design Tools Survey'](#), accessed by the CMA on 23 November 2023; and ['2022 Design Tools Survey'](#), accessed by the CMA on 23 November 2023.

⁷¹³ Parties' response to TOH 1 working paper. [Figma vs Adobe XD: Which are you?](#), accessed by the CMA on 23 November 2023.

- 8.108 We consider that the third-party evidence set out above demonstrates that both competitors and customers see Figma Design and Adobe XD as close alternative products. Although Adobe XD is generally viewed as a weaker product than Figma Design, it is still generally considered an adequate alternative and often considered the closest competitor to Figma Design, including in market assessments by customers. Some third-party evidence also indicates that Adobe XD has a competitive advantage due to integrating with and being sold as part of Adobe's Creative Cloud bundle, which many enterprise customers subscribe to in order to access other Adobe products. We consider the evidence from publicly available sources is consistent with the third-party evidence we collected.
- 8.109 The third-party evidence shows an asymmetric constraint between the Parties' products, with Figma Design being a stronger constraint on Adobe XD than vice versa, which is consistent with their respective market positions and the internal document evidence considered above. However, as discussed in further detail below (paragraphs 8.207 to 8.355), the evidence also shows that Adobe XD is considered one of the few main competitors to Figma Design. In particular, the third-party evidence indicates that Adobe XD and Sketch are the strongest constraints on Figma Design, and indicates that the constraint imposed by Adobe XD on Figma is significant in the context of a market with limited other competitive constraints.
- 8.110 With regard to the Parties' submissions (see paragraph 8.85) that this evidence represents a static rather than dynamic approach to assessing competition, we consider that this evidence reflects the view of the market on the Parties' current offerings at the time the evidence was collected in 2023 which is relevant to our assessment of the competitive constraint the Parties impose on one another. While third-party views may have been affected by Adobe's public statement, made shortly after the announcement of the Merger, that Adobe XD had been 'put on ice' (as discussed in paragraph 8.129), we consider that any such bias in third-party responses would likely result in an underestimation of the constraint from Adobe XD on Figma Design, rather than the opposite. In addition, we note that we have also asked customers about possible disruptive threats to Adobe and Figma (see paragraph 8.362), a question that would capture the competitive threat on the Parties' products from new/improved products in a more dynamic way. Several responses to this question mentioned Figma as a threat to Adobe, as well as Adobe being a threat to Figma.⁷¹⁴ In relation to Figma threatening Adobe, some respondents stated that Figma offers a stronger all-in-one

⁷¹⁴ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Figma threat to Adobe: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Adobe threat to Figma: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

product design product than Adobe, whilst other respondents mentioned cultural differences and Figma being more ‘agile/nimble’.⁷¹⁵ In relation to Adobe threatening Figma, respondents stated that Adobe could threaten Figma in the future by increasing its investment in Adobe XD, moving into the collaboration space, or by utilising its large suite of complex software in areas currently unexplored by Figma.

- *Parties’ switching and customer growth analysis*

8.111 The Parties submitted individual level switching analysis, which used email matching to estimate switching rates from Adobe XD to Figma Design and vice-versa. The Parties submitted that this analysis shows that [REDACTED]% of users that stopped using Figma Design switched to Adobe XD, and that [REDACTED]% of users that stopped using Adobe XD switched to Figma Design. The Parties submitted that this demonstrates that Adobe XD was a de minimis constraint on Figma Design even before investment in Adobe XD was reduced in October 2021. The Parties also submitted organisation level growth analysis, considering the number of active users of Adobe XD and Figma Design at [REDACTED]. The Parties submitted that Figma Design’s [REDACTED] indicates that Adobe XD is a very weak constraint on Figma Design. We consider both analyses in detail in Appendix C.

8.112 Regarding the individual level switching analysis, we have conceptual concerns which mean that, in our view, the estimated switching ratios between the Parties are not informative of the extent of competition between the Parties. The analysis submitted does not provide a relative comparison of switching rates between the Parties and alternative competitors. It is therefore not possible to assess whether the low switching rates between the Parties reflect a limited constraint on one another, or, on the contrary, are indicative of low switching rates in the market generally. We further note that in software markets, switching costs can be high, therefore competition to acquire new customers is particularly important, and this competition is not captured by a switching analysis.

8.113 We also have methodological concerns with the individual level switching analysis which mean that, in our view, the analysis is likely to materially underestimate the extent of switching between the Parties. Firstly, the analysis uses as the denominator the total number of users that stopped using Figma Design. We consider this overestimates the population of interest, which would be users who stopped using Figma Design to move to a

⁷¹⁵ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

competing product. Secondly, email address matching is an imperfect method for identifying switching customers, as users may switch email addresses, for example when they change jobs or finish education. Finally, the condition that switchers must have started using Adobe XD within three months either side of their last usage of Figma Design is likely to exclude some users who switch more gradually. Our provisional view is that, given our conceptual and methodological concerns with this analysis, the Parties' switching analysis does not provide support for the Parties' argument that Adobe XD does not constrain Figma Design.

- 8.114 In relation to the Parties' organisation level growth analysis, we consider it shows that Figma is growing significantly faster than Adobe XD, indicating that Adobe XD is less successful than Figma Design in winning new customers. However, this does not mean that Figma Design is not constrained by Adobe XD. As discussed in this chapter, Adobe XD is one of only two significant competitive constraints faced by Figma Design. Further, as with the individual level switching analysis, this analysis does not capture the competitive impact of Adobe's ongoing investments in Project Spice, which was designed as a closer competitor to Figma Design.

Rationale for reducing investment in Adobe XD

- 8.115 This section considers internal document evidence describing Adobe's rationale for reducing investment in Adobe XD, as described in paragraph 8.89. Whilst there is some overlap with the section discussing the rationale for increasing investment in Project Spice, starting at paragraph 8.150, this section focuses on those internal documents that are more concerned with Adobe XD.
- 8.116 When Adobe moved [redacted] Adobe XD employees to Project Spice (then called CC Web) in [redacted], an internal document welcoming the new employees to the team describes [redacted]. It states that '[redacted]' and '[redacted]'. It further states that [redacted].⁷¹⁶
- 8.117 In October 2021, as Adobe moved [over 100] employees from Adobe XD to Project Spice ([over 100] of whom were working on the Adobe XD tool itself), internal documents show that the shift in resources was linked to developing product design features in Project Spice, which was intended to improve Adobe's competitive position in product design by being web-based and improving on Adobe XD's collaboration capabilities.

⁷¹⁶ Adobe Internal Document.

- (a) A document dated 1 September 2021 and produced by [REDACTED] (Adobe, Senior Director of CC Product Marketing) discusses how Adobe should [REDACTED]. It states that one of the principles guiding the proposal is '[REDACTED]'. It also states that '[REDACTED]', but that '[REDACTED]'.⁷¹⁷ In our view, this document shows that in September 2021, despite reducing investment in Adobe XD, Adobe continued to be committed to the product design space and planned to invest in having a web-based product in the next [REDACTED] years.
- (b) A September 2021 presentation titled '[REDACTED]' describes plans for Adobe XD in 2022 and makes several references to [REDACTED] for example stating that '[REDACTED]'. The document shows [REDACTED].⁷¹⁸ In our view, this document indicates that in September 2021 Adobe considered CC Web (Project Spice) to be a successor to Adobe XD.
- (c) A presentation from late 2021 titled '[REDACTED]' links [REDACTED]. It states that '[REDACTED]'. It notes the risks if [REDACTED].⁷¹⁹ The Parties submitted that this document highlights the [REDACTED] by Adobe XD.⁷²⁰ In our view, this document shows that while Adobe XD was [REDACTED] customers to Figma in late 2021, Project Spice was considered a response to this. In our view the customer switching from Adobe XD to Figma Design described in the document also indicates that Adobe XD and Figma Design are close competitors.
- (d) An internal email announcing the shift in resources in [REDACTED] from [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), and [REDACTED] (then Adobe, CMO and EVP, Corporate, Strategy and Development) states that '[REDACTED]'. The email goes on to state that Adobe would [REDACTED].⁷²¹ A presentation describing the context for the [REDACTED]. The presentation states that Adobe will therefore explore a '[REDACTED]'.⁷²² In our view, these documents demonstrate that the rationale for merging the Adobe XD and CC Web (Project Spice) teams in October 2021 was to develop a new web-based product design tool and [REDACTED].

8.118 Similarly, internal Adobe documents from early 2022 show that the further movement of resources that took place in February 2022 was driven by the need to accelerate development of Project Spice as a web-based product design tool:

⁷¹⁷ Adobe Internal Document.

⁷¹⁸ Adobe Internal Document.

⁷¹⁹ Adobe Internal Document.

⁷²⁰ Parties', Evidence Appraisal Paper, 14 August 2023.

⁷²¹ Adobe Internal Document.

⁷²² Adobe Internal Document.

- (a) A January 2022 email from [REDACTED] (Adobe, VP of CC Web App) discussing Canvas (ie Project Spice) notes that [REDACTED]. In our view, this document suggests that Adobe prioritised Project Spice over Adobe XD and moved employees because of their product design experience but recognised that this would have short term negative impacts.⁷²³
- (b) A note titled '[REDACTED]' and dated 28 January 2022 discusses [REDACTED]. It recommends an option for Adobe XD of [REDACTED].⁷²⁴ In our view, this document suggests that Adobe prioritised Project Spice over Adobe XD and moved employees because of their product design experience, but still planned to invest in Adobe XD to a limited extent to [REDACTED].
- (c) An email dated 5 February 2022 from [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) to [REDACTED] (Adobe, Chairman and CEO) and [REDACTED] (Adobe, President of Digital Media) has the subject '[REDACTED]'. It notes that it is '[REDACTED]'. It states that '[REDACTED]'. It outlines [REDACTED]. [REDACTED] (Adobe, Chairman and CEO) responds saying that this '[REDACTED]'.⁷²⁵ The Parties submitted that engineers were shifted because they had experience in [REDACTED], not because Project Spice was a replacement for Adobe XD.⁷²⁶ The Parties also submitted that [REDACTED].⁷²⁷ In our view, this document shows that resources were shifted from Adobe XD to accelerate in the development of Project Spice and port screen design features from Adobe XD to Project Spice. We also note that [REDACTED] (Adobe, Chairman and CEO) was not agreeing to the end of Adobe XD with his response in this document, but rather was agreeing to move [REDACTED]% of the Adobe XD team to work on porting screen design to Project Spice, with [REDACTED]% of the Adobe XD team remaining to work on key features.
- (d) A presentation delivered at a February 2022 meeting which [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) attended states the importance of [REDACTED].⁷²⁸ In our view, this document demonstrates that in February 2022, Adobe considered accelerating Project Spice to be its best option for winning in collaborative design (which includes product design), and that it therefore made sense to shift resources with product design experience from Adobe XD.
- (e) A note dated 10 February 2022 (with custodians [REDACTED] (Adobe, VP of Experience Design and Collaboration), [REDACTED] (Adobe, VP of CC Web App),

⁷²³ Adobe Internal Document.

⁷²⁴ Adobe Internal Document.

⁷²⁵ Adobe Internal Document.

⁷²⁶ Parties', Evidence Appraisal Paper, 14 August 2023.

⁷²⁷ Parties' response to TOH 1 working paper.

⁷²⁸ Adobe Internal Document.

[REDACTED] (Adobe, Senior Director of Design), and [REDACTED] (Adobe, then Director, Product Growth & Data Science, Adobe Creative Cloud)), describing the planned changes states that '[REDACTED]'. It also states that '[REDACTED]'.⁷²⁹ In our view, this document demonstrates that the need to accelerate development of Project Spice was the motivation for moving resources there from Adobe XD and also that Adobe planned to maintain some investment in Adobe XD.

- (f) In February 2022, an email from [REDACTED] (Adobe, VP of Experience Design and Collaboration) announcing the change stated that Adobe was [REDACTED] (Adobe, VP of Experience Design and Collaboration) states that '[REDACTED]'.⁷³⁰ An internal presentation describing the context for the changes notes the '[REDACTED]' and that [REDACTED]. The presentation also describes a plan to '[REDACTED]' and '[REDACTED]' and [REDACTED] it also notes that [REDACTED].⁷³¹ In our view, this document demonstrates that Adobe reduced investment in Adobe XD so that it could accelerate the development of product design features in Project Spice.

8.119 Later documents in 2022 also show this rationale, ie that Adobe reduced investment in Adobe XD to accelerate the development of Project Spice.

- (a) A document titled '[REDACTED]' dated 26 April 2022 states that '[REDACTED]'.⁷³²
- (b) At a meeting in May 2022 attended by senior executives including [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) states in the internal chat that '[REDACTED]'.⁷³³

8.120 In our view, the above internal documents show that Adobe's rationale for reducing investment in Adobe XD in October 2021 and February 2022 was primarily to increase investment in Project Spice, which was intended to include the product design functionalities of Adobe XD in a web-based product that would allow for greater collaboration and improve Adobe's competitive position in product design, and that this rationale was supported months after moving the team to Project Spice (and around the time when senior executives entered into discussions about acquiring Figma in March 2022). Whilst there is evidence of dissatisfaction with Adobe XD's performance within Adobe, and concern at customer losses to Figma, the evidence indicates that Project Spice was viewed as the solution to this. The reduced investment in Adobe XD appears therefore to have been driven by the need to increase investment in Project Spice and utilise the product

⁷²⁹ Adobe Internal Document.

⁷³⁰ Adobe Internal Document.

⁷³¹ Adobe Internal Document.

⁷³² Adobe Internal Document.

⁷³³ Adobe Internal Document.

design experience of the Adobe XD engineers. We are not aware of any internal document evidence indicating that experience in [REDACTED] or [REDACTED] was a factor for moving the engineers from Adobe XD to Project Spice.

- 8.121 This interpretation is disputed by the Parties, who maintain (including through executive testimony) that Adobe XD was put into ‘maintenance mode’ because it has failed, and that Project Spice was not linked to this decision. However, we consider that Adobe’s contemporaneous internal documents do not support Adobe’s assertions in this regard.

Implications of reduced investment in Adobe XD

- 8.122 In this section, we consider evidence on the implications of reduced investment in Adobe XD:

- (a) First, we consider internal document evidence regarding the Parties’ submissions that Adobe XD was in ‘maintenance mode’ and on a path to ‘end of life’.
- (b) We then consider how Adobe XD’s competitive position was viewed within Adobe following the reduced investment in it.
- (c) Finally, we consider third-party evidence on the extent to which Adobe reducing investment in Adobe XD affected its competitive position in the market.

- *Internal document evidence*

- 8.123 We recognise that starting from around [REDACTED], Adobe reduced the resources allocated to Adobe XD. The Parties submitted that resources were reduced such that by the time the Merger was announced, Adobe did not allocate engineering resources for significant new feature developments, but rather supported the product through bug fixes and minor feature enhancements.⁷³⁴

- 8.124 However, we note that very few internal documents from [REDACTED] to September 2022 (when the Merger was announced) use the term ‘maintenance mode’, instead describing ‘reducing effort’ or temporarily ‘pausing’ Adobe XD. Further, we have not seen any internal documents that indicate that Adobe XD was on a path to ‘end of life’ at the time the Merger was announced (as the Parties suggest), other than in the context of being replaced in the future by Project Spice (see point (d) below).

⁷³⁴ FMN.

- (a) An internal presentation dated October 2021, titled '[REDACTED]', shows that '[REDACTED]'. This document outlines a plan for product growth, '[REDACTED]'. The same document features [REDACTED].⁷³⁵ In our view, this document indicates that in October 2021 Adobe envisaged a gradual shift of its customer base from Adobe XD to Project Spice, which was viewed as the next iteration of Adobe XD (as opposed to planning to exit the product design space altogether, as the Parties claim).
- (b) [REDACTED] (Adobe, VP of CC Web App) states in a message to [REDACTED] (Adobe, SVP of Business Platform) dated 4 November 2021, '[REDACTED]'. He adds '[REDACTED]'.⁷³⁶ In our view, this document shows that in November 2021, Project Spice was viewed within Adobe as the next iteration of Adobe XD.
- (c) In an internal meeting dated 11 November 2021 organised by [REDACTED] (Adobe, VP of CC Web App) and attended by more than 300 participants including [REDACTED] (Adobe, VP of Experience Design and Collaboration), titled '[REDACTED]', [REDACTED] (Adobe, then Director, Product Growth & Data Science, Adobe Creative Cloud) states [REDACTED]. [REDACTED]. [REDACTED] (Adobe, VP of CC Web App) also states that '[REDACTED]' and that '[REDACTED]'.⁷³⁷ This is consistent with what [REDACTED] (Adobe, Senior Director of Strategic Development) states in a later meeting organised and attended by [REDACTED] (Adobe, VP Digital Media Strategic Development) titled '[REDACTED]', dated 9 August 2022, '[REDACTED]' and it '[REDACTED]'.⁷³⁸ In our view, these documents show that Adobe XD was not on a path to end of life and, as of 9 August 2022, there were plans within Adobe for its future.
- (d) In an email chain of 9 December 2021 between [REDACTED] (Adobe, Senior Director of CC Product Marketing) and [REDACTED] (Adobe, Director of Product Marketing) titled '[REDACTED]', the latter seems [REDACTED] (Adobe, Senior Director of CC Product Marketing) [REDACTED] (Adobe, Senior Director of CC Product Marketing) clarifies that Adobe XD [REDACTED], to which [REDACTED] (Adobe, Director of Product Marketing) responds '[REDACTED]'.⁷³⁹ In our view, this document indicates that in December 2021, Project Spice was viewed within Adobe as the next iteration of Adobe XD and that Adobe was not planning to end Adobe XD until Project Spice was delivered.
- (e) An internal presentation dated 7 February 2022, titled '[REDACTED]', shows the plan for Adobe XD in 2022 as '[REDACTED]'.⁷⁴⁰ In our view, this document

⁷³⁵ Adobe Internal Document.

⁷³⁶ Adobe Internal Document.

⁷³⁷ Adobe Internal Document.

⁷³⁸ Adobe Internal Document.

⁷³⁹ Adobe Internal Document.

⁷⁴⁰ Adobe Internal Document.

indicates that in early February 2022, while Adobe was planning to pause its '[REDACTED]' effort regarding Adobe XD, it was still planning to enhance Adobe XD in 2023 (as opposed to exiting the product design space altogether, as the Parties claim).

- (f) A Dme (Digital Media) Strategy Report dated 3 March 2022 mentions that '[REDACTED]'.⁷⁴¹ In our view, this document shows that in early March 2022, Adobe XD development was put on pause rather than on a path to end of life.
- (g) In an email dated 12 April 2022, [REDACTED] (Adobe, VP of Experience Design and Collaboration) clarifies that '[REDACTED]' and that '[REDACTED]'. When asked about [REDACTED] (Adobe, VP of Experience Design and Collaboration) responds that there is '[REDACTED]', that '[REDACTED]', and that '[REDACTED]'. [REDACTED] (Adobe, VP of Experience Design and Collaboration) stated that '[REDACTED]', clarified that [REDACTED].⁷⁴² In our view, this document shows that in April 2022, Adobe was moving its resources from Adobe XD to develop its next iteration, ie Project Spice, and was not planning to exit the product design space altogether, as the Parties claim.
- (h) An [REDACTED] dated 26 April 2022 and prepared by [REDACTED] (Adobe, VP of Experience Design and Collaboration) lists the following goal: '[REDACTED]'. This document indicates that [REDACTED].⁷⁴³ In our view, this document indicates that Adobe intended avoid communicating its 'de-prioritization' in Adobe XD to customers for as long as possible, ideally until Project Spice was available. It also suggests that Adobe XD had a low rate of customer dissatisfaction in public forums as of April 2022, with the rate being significantly lower than the rate Adobe considered would require a statement by Adobe to customers. This document contradicts the Parties' submissions that since March 2022, customer engagement regarding Adobe XD '[REDACTED]'.⁷⁴⁴
- (i) In an email dated 26 May 2022, [REDACTED] (Adobe, VP of CC Web App) asks [REDACTED] (Adobe, Senior Director of CC Product Marketing), [REDACTED] (Adobe, VP of Experience Design and Collaboration) and others within Adobe about plans to feature Adobe XD at MAX conference in October 2022. [REDACTED] (Adobe, VP of CC Web App) states that if '[REDACTED]'.⁷⁴⁵ At Adobe MAX 2022, Adobe XD featured in 14 sessions, both in English and Japanese

⁷⁴¹ Adobe Internal Document.

⁷⁴² Adobe Internal Document.

⁷⁴³ Adobe Internal Document.

⁷⁴⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B3.33.

⁷⁴⁵ Adobe Internal Document.

languages.⁷⁴⁶ In our view, this document indicates that in late May 2022, Adobe was worried about signalling its reduction in resources in Adobe XD to customers because of the risk of losing them to Figma.

- (j) In an email dated 2 June 2022, [X] (Adobe, Senior Manager, CC Ecosystem Development, EMEA) notes '[X]'. However, [X] (Adobe, Senior Manager, CC Ecosystem Development, EMEA) confirms that '[X]'.⁷⁴⁷ In our view, this document indicates that, while investment on Adobe XD [X] had stopped by [X], other investments to introduce new features had been made up to June 2022 and were planned going forward, which indicates that Adobe XD was not in 'maintenance mode' or on a path to end of life.
- (k) An internal email, provided in response to a question from [X] (Adobe, VP of CC Web App), summarises [X]. It includes [X].⁷⁴⁸ This shows that Adobe released a range of Adobe XD features between late October 2021 and June 2022 that were more than bug fixes and slight improvements. In our view, this document indicates that during this period, Adobe XD was not in 'maintenance mode' or on a path to end of life.
- (l) In a message titled '[X]' dated 29 July 2020, [X] (Adobe, Principal Product Manager) states, in relation to a Photoshop feature, that '[X]'.⁷⁴⁹ In our view, this document indicates the existence of a specific internal process within Adobe for putting products or features into 'maintenance mode' and end of life and that this process involves releasing an external communication (ie similar to the statement to be delivered at the Max conference above). We have not seen evidence of such a process being initiated in relation to Adobe XD and there was no similar statement for Adobe XD. In fact, as set out above, MAX 2022 featured Adobe XD without any reference to it being in 'maintenance mode'.
- (m) In a message dated 15 September 2022, the day of the announcement of the Merger, [X] (Adobe, VP of Experience Design and Collaboration) stated that '[X]' and that '[X]'. Critically, he continues, '[X]'.⁷⁵⁰ In our view, this indicates that the communications around Adobe XD's positioning may have been related to the Merger announcement. In the same document, [X] (Adobe, Director of Products) states [X]. In our view, this indicates that on the day the Merger was announced on

⁷⁴⁶ See '[Sessions | Adobe MAX](#)', accessed by the CMA on 23 November 2023.

⁷⁴⁷ Adobe Internal Document.

⁷⁴⁸ Adobe Internal Document.

⁷⁴⁹ Adobe Internal Document.

⁷⁵⁰ Adobe Internal Document.

15 September 2022, the assertion that Adobe XD is in ‘maintenance mode’ came as a surprise to the Adobe XD team itself.

- (n) In a message dated 7 October 2022, [REDACTED] (Adobe, Senior Director of CC Product Marketing) responds to questions by [REDACTED] (Adobe, Senior Director of Design) and [REDACTED] (Adobe, Director of Creative Cloud, LCM, E&R Marketing in Japan) about the future of Adobe XD and what can be communicated to Adobe’s customers indicating ‘[REDACTED]’.⁷⁵¹ [REDACTED] (Adobe, Senior Director of CC Product Marketing) also suggests [REDACTED]. In our view, this document indicates that communications about Adobe XD being in ‘maintenance mode’ only started after the announcement of the Merger on 15 September 2022.

8.125 In addition to the documents above, other internal document evidence throughout 2022 shows that Adobe considered Adobe XD to be a competitive product, despite the reduction in investment in Adobe XD and its perceived weaknesses relative to Figma Design on collaboration and design systems, and that Adobe would continue to develop and promote Adobe XD to some extent in parallel with Project Spice.

- (a) A March 2022 document titled ‘[REDACTED]’ used to support conversations with customers states that ‘[REDACTED]’. The document notes that Adobe should [REDACTED]. It also notes that Adobe should [REDACTED]. However, it also notes that Adobe should [REDACTED].⁷⁵² In our view, this document shows that in March 2022 Adobe continued to view Adobe XD as a competitive product for many customers, despite having known its weaknesses for large customers, and envisaged continuing to promote it with smaller customers. In our view, it also indicates that Adobe considered that Project Spice would address those weaknesses.
- (b) A document titled ‘[REDACTED]’ which is linked to the above internal document and provides guidance to Adobe employees on discussions with customers, states that ‘[REDACTED]’. The FAQ document notes that [REDACTED]. It further states that ‘[REDACTED]’.⁷⁵³ In our view, this document shows that, in March 2022, Adobe expected Adobe XD to remain an important part of Adobe’s product design offering going forward, alongside Project Spice, and that it would continue to develop Adobe XD in parallel with Project Spice.
- (c) An email chain dated April 2022 and including contributions from [REDACTED] (Adobe, Senior Director of CC Product Marketing), [REDACTED] (Adobe, VP of

⁷⁵¹ Adobe Internal Document.

⁷⁵² Adobe Internal Document.

⁷⁵³ Adobe Internal Document.

Experience Design and Collaboration), and [REDACTED] (Adobe, Senior Director of Strategic Development) discusses a communications plan for Adobe XD. In the emails, [REDACTED] states that '[REDACTED]'. [REDACTED] (Adobe, Senior Director of Strategic Development) states that '[REDACTED]'.⁷⁵⁴ In our view, this document shows that, as of April 2022, Adobe expected Adobe XD to remain an important part of Adobe's product design offering for many years and that it considered Adobe XD to be an attractive offering also for many enterprise customers.

- (d) In May 2022, Adobe held [REDACTED] customer roundtables on Project Spice and Adobe XD, followed by [REDACTED] individual customer briefings throughout summer 2022. In total, [REDACTED] enterprise customers were briefed.⁷⁵⁵ A presentation delivered at these customer roundtables on Project Spice and Adobe XD in May 2022 [REDACTED]. The speaking notes [REDACTED]. The presentation and speaking notes also describe the [REDACTED].⁷⁵⁶ In our view, this document demonstrates that, as of May 2022, Adobe considered Adobe XD to be a competitive product design tool, that Adobe was making investments to improve its performance, and this was communicated to customers.
- (e) Minutes from the [REDACTED] customer roundtable in May 2022 discuss Adobe XD and describe that '[REDACTED]'. The minutes also discuss that Adobe continues investing in Adobe XD features, for example stating that '[REDACTED]'.⁷⁵⁷ In our view, this document demonstrates that Adobe communicated to its customers in May 2022 that it would continue to invest in features for Adobe XD.
- (f) A briefing note dated 3 August 2022 from [REDACTED] (Adobe, Principal Product Marketing Manager) and [REDACTED] (Adobe, Senior Product Marketing Manager, CC) describes Adobe XD as a '[REDACTED]'. This document also states that XD would '[REDACTED]', estimates [REDACTED].⁷⁵⁸ It also lists as a '[REDACTED]', or whether to keep [REDACTED]. The document also asks '[REDACTED]' and notes that '[REDACTED]'. However, the briefing includes financial projections showing that Adobe XD's ARR is expected to [REDACTED]. The document notes that '[REDACTED]'.⁷⁵⁹ In our view, this document shows that in August 2022, while Adobe XD was considered a deprioritised product that was [REDACTED], the question on its end of life was still

⁷⁵⁴ Adobe Internal Document.

⁷⁵⁵ Adobe response to the CMA's s109 notice.

⁷⁵⁶ Adobe Internal Document.

⁷⁵⁷ Adobe Internal Document.

⁷⁵⁸ [REDACTED]

⁷⁵⁹ Adobe Internal Document.

open and Adobe's financial projections show that Adobe XD was expected to generate [REDACTED] higher revenue over the next [REDACTED] years.

- (g) A note dated 10 August 2022 authored by [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud) provides a comparison between Adobe XD and Figma Design. It notes that Figma Design is a [REDACTED]. However, the document also states that [REDACTED]. For example, [REDACTED] the document states that '[REDACTED]', and [REDACTED]. The document also notes that the '[REDACTED]' and that to '[REDACTED]'.⁷⁶⁰ In our view, this document shows that while Adobe considered Adobe XD to be a weaker product than Figma Design, as of August 2022 Adobe was working to address its weaknesses relative to Figma Design, including in collaboration and extensibility, through Project Spice.

8.126 In addition to the above, we note that Adobe's [REDACTED] reported on Adobe XD's performance from 2018,⁷⁶¹ right up until the announcement of the Merger in September 2022.⁷⁶² Adobe described its [REDACTED] as being responsible for driving adoption for new and struggling products with enterprise customers, operating under the guidance of [REDACTED] (Adobe, VP Digital Media Strategic Development) and, for '[REDACTED]', [REDACTED] (Adobe, SVP of Digital Media Global Marketing).⁷⁶³ We consider these reports show that Adobe considered Adobe XD to be a product that Adobe was focused on despite the reduced investment in it, and that Adobe continued to monitor the performance of Adobe XD until September 2022.

- (a) The report for January 2022 describes that [REDACTED]. However, it still predicts '[REDACTED]' for Adobe XD and describes [REDACTED]. It also describes a [REDACTED]. It also states that [REDACTED].⁷⁶⁴ In our view, this document shows that in January 2022 Adobe was concerned about losing customers to Figma but expected Adobe XD usage to grow in 2022 despite reduced investment.
- (b) The February 2022 report also describes '[REDACTED]' and states that '[REDACTED]' and [REDACTED]. It states that there have been '[REDACTED]'. It also states that [REDACTED]. It also describes [REDACTED].⁷⁶⁵ In our view, this document shows that while the reduced investment in Adobe XD had some negative impact on customer wins in February 2022, it was still an attractive product for some customers and Adobe intended to move Adobe XD customers towards CC Web (Project Spice).

⁷⁶⁰ Adobe Internal Document.

⁷⁶¹ Adobe, Submission to the CMA.

⁷⁶² Adobe Internal Document.

⁷⁶³ See Parties' response to the CMA RFI, and Adobe, Submission to the CMA.

⁷⁶⁴ Adobe Internal Document.

⁷⁶⁵ Adobe Internal Document.

- (c) The March 2022 report states that '[REDACTED]'. In this report, [REDACTED]. The report again notes [REDACTED]. The report also states that [REDACTED] although '[REDACTED]'.⁷⁶⁶ In our view, this document shows that Adobe intended to move customers from Adobe XD to CC Web (Project Spice), and that the reduced investment in Adobe XD was having less of a negative impact than expected in March 2022.
- (d) The April 2022 report states that '[REDACTED]'. It also describes a '[REDACTED]' and that '[REDACTED]'.⁷⁶⁷ In our view, this document indicates that Adobe XD was performing well in April 2022 considering the reduced investment in it.
- (e) The May 2022 report describes the difficulties of the '[REDACTED]'. However, it states that '[REDACTED]'.⁷⁶⁸ In our view, this document notes the challenges of reducing investment in Adobe XD but demonstrates the link between Adobe XD and Project Spice.
- (f) The June-July 2022 report notes that '[REDACTED]', and '[REDACTED]'. However, it states that Adobe XD '[REDACTED]'.⁷⁶⁹ In our view, this document indicates that Adobe XD faced challenges in June-July 2022 given reduced investment but remained on course to achieve its annual target.
- (g) The report for August 2022 continues to describe the performance of Adobe XD mentioning predictable [REDACTED]. It also states that '[REDACTED]' and that '[REDACTED]'.⁷⁷⁰
- (h) The September 2022 report describes that '[REDACTED]'.⁷⁷¹ This is the final report in which Adobe XD is mentioned. A table shows [REDACTED].⁷⁷² We note that the Merger was announced on 15 September 2022. The Parties submitted that the Strategic Development Team's reports ceased covering Adobe XD and CC Web (Project Spice) in September 2022 not because of the Merger, but rather because Project Spice was cancelled, which had been the focus of the relevant (Adobe XD & CC Web) section of their reports. However, as discussed in the following section of our assessment, we consider that Project Spice's cancellation was a consequence of the Merger.

8.127 We consider the above internal documents show that Adobe did not consider Adobe XD to be a failed product. Instead, they show that, despite reduced

⁷⁶⁶ Adobe Internal Document.

⁷⁶⁷ Adobe Internal Document.

⁷⁶⁸ Adobe Internal Document.

⁷⁶⁹ Adobe Internal Document.

⁷⁷⁰ Adobe Internal Document.

⁷⁷¹ Adobe Internal Document.

⁷⁷² Adobe's response to the CMA's s109 notice.

investment, Adobe thought that Adobe XD could continue to compete in the market and would do so as customers transitioned towards Project Spice as the product design capabilities of Project Spice developed.

8.128 The internal documents also show that there was a shift in the approach towards Adobe XD internally around the time of the announcement of the Merger in September 2022. For example, as set out above,⁷⁷³ internal documents show that Adobe's public statements about 'reduced investment in XD' on the day the Merger was announced would '[X]' from the Adobe XD product team. In addition, Adobe's [X] continued to monitor and report on Adobe XD's growth and link it to Project Spice from February 2022 (when the resources were moved away from Adobe XD) to September 2022. In September 2022 (around the same time as the announcement of the Merger), these reports ceased. Our provisional view is that this change in approach was a consequence of the Merger.

- *Third-party evidence*

8.129 As an initial point, we note that decisions and actions by Adobe at the time of the Merger may have affected third parties' perception of Adobe XD's position in the market. Between February 2022 and September 2022 (before the Merger was announced), Adobe XD continued to be available as a standalone app, and there was no communication to the outside world, including Adobe XD's customers, that Adobe had decided to reduce resources for Adobe XD.

8.130 On the contrary, internal documents show that Adobe continued to promote Adobe XD as an active product during that period. It was only at the time of the announcement of the Merger that Adobe for the first time announced to the public that Adobe XD had been 'put on ice'. This was in interviews about the Merger.⁷⁷⁴ For instance:

(a) In a blog titled 'What will happen to Figma and Adobe XD after the takeover?' an Adobe XD customer reveals that on 15 September 2022, after announcing the Merger, Adobe sent an email to Adobe XD's customers stating that 'while we have been reducing our investment in XD, we will continue to support it'.⁷⁷⁵

(b) An article titled 'Adobe's Figma acquisition is a \$20 billion bet to control the entire creative market' of 17 September 2022, reports an interview

⁷⁷³ See paragraph 8.124(m).

⁷⁷⁴ For instance, see '[Adobe's Figma acquisition is a \\$20 billion bet to control the entire creative market](#)', 17 September 2022, accessed by the CMA on 23 November 2023; and '[Adobe defends its \\$20 billion deal for Figma](#)', 23 September 2022, accessed by the CMA on 23 November 2023.

⁷⁷⁵ '[What will happen to Figma and Adobe XD after the takeover?](#)', accessed by the CMA on 23 November 2023.

with [REDACTED] (Adobe, Chief Product Officer of Creative Cloud). He states ‘[r]ight now, Adobe has a “tiny team” supporting XD for its existing customers. “Once [the acquisition] closes, then we’ll figure out how to serve those customers, likely with Figma”’.⁷⁷⁶

- (c) In an interview to The Futurum Group of 29 September 2022, [REDACTED] (Adobe, SVP of Digital Media Global Marketing) states ‘Adobe XD is really in maintenance mode today for... And we continue, of course, to support customers that are using that product, but mostly they’re doing offline just design work. And so it’s really not a meaningful competitor’.⁷⁷⁷
- (d) In an interview to The Verge on 8 November 2022 in response to the interviewer’s statement that Adobe announced it was going to sunset Adobe XD, Dylan Field (Figma, CEO and co-founder) states ‘I don’t think they announced that’.⁷⁷⁸
- (e) An article titled ‘Adobe XD put on life support ahead of Figma acquisition’ of 22 June 2023 notes that a developer observed that Adobe XD ‘is no longer available as a standalone app under Adobe’s Creative Cloud launcher, effectively sunseting the software for folks who hadn’t already purchased it’, that ‘[i]t’s unclear when the standalone Adobe XD app was actually removed’, and that ‘[c]onsidering Adobe is in the process of acquiring Figma, a remarkably similar set of design tools, this news isn’t entirely unexpected. But it doesn’t mean that the Adobe XD app is dead. Not yet anyway’.⁷⁷⁹ The article also notes that ‘Adobe hasn’t disclosed any plans to completely shut down the Adobe XD app’ and that [i]t’s likely that pulling the standalone Adobe XD app from sale is Adobe’s way of discouraging people away from the service before a full closure’.

8.131 Through questionnaires, large and mid-sized customers were asked about their awareness of Adobe XD being in ‘maintenance mode’ (as argued by the Parties), and whether this would affect their decision on whether to use it. The majority of respondents (out of those who answered the question) were not aware of Adobe XD having been placed in ‘maintenance mode’.⁷⁸⁰

⁷⁷⁶ See ‘[Adobe’s Figma acquisition is a \\$20 billion bet to control the entire creative market](#)’, accessed by the CMA on 23 November 2023.

⁷⁷⁷ See ‘[A Deep Dive into Adobe’s Acquisition of Figma](#)’, accessed by the CMA on 23 November 2023.

⁷⁷⁸ See ‘[Why Figma is selling to Adobe for \\$20 billion, with CEO Dylan Field](#)’, accessed by the CMA on 23 November 2023.

⁷⁷⁹ See [Adobe XD put on life support ahead of Figma acquisition](#), accessed by the CMA on 23 November 2023. Similarly, see [The Silent End of Adobe XD](#), accessed by the CMA on 23 November 2023.

⁷⁸⁰ Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire. [13 out of 20: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

- 8.132 Respondents generally stated that the fact that Adobe XD is in ‘maintenance mode’ would not affect their use of Adobe XD. In a few cases this was because they were already reducing their use and moving to Figma.⁷⁸¹
- 8.133 At the announcement of the Merger, on 15 September 2022, users did not seem to be aware that Adobe XD was placed in ‘maintenance mode’ (contrary to submissions by the Parties).⁷⁸² We note that several websites and public sources still (in late 2023) compare Adobe XD and Figma as two valid alternatives in the market.⁷⁸³
- 8.134 When Adobe decided to stop selling Adobe XD to new customers as a standalone app, in April 2023, almost two years after Adobe submitted that the product was placed in ‘maintenance mode’, an article in ‘The Verge’ stated on 22 June 2023 that Adobe XD is on ‘life support ahead of Figma acquisition’ after seeing it disappearing as a standalone app from Adobe’s website.⁷⁸⁴ The same source affirmed that it is unclear when the standalone Adobe XD app was removed and that Adobe has not disclosed any plans to completely shut down Adobe XD.
- 8.135 On a third-party call, one customer stated that it had not been aware of Adobe XD being in maintenance mode and would have expected it to continue to be developed. However, it stated that it was not concerned about Adobe XD being in maintenance mode as it is ‘a very stable platform right now’, and ‘the feature set that it has in it allows us to do all the work that we need to do’.⁷⁸⁵

Project Spice

- 8.136 This section considers the evidence on Adobe’s plans and development of a new all-in-one product design software known as Project Spice.

Parties’ submissions

- 8.137 In relation to Project Spice’s initial conception, the Parties submitted that Project Spice was conceived as a mixed media asset creation canvas incorporating Adobe’s flagship products:

⁷⁸¹ Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire. [Those who have moved to Figma are: [X], [X]].

⁷⁸² For instance, see ‘[Why is everyone so upset about adobe buying figma?](#)’, accessed by the CMA on 23 November 2023; ‘[Adobe buying Figma is terrible and should not be celebrated](#)’, accessed by the CMA on 23 November 2023; and ‘[Figma vs Adobe XD: Which are you?](#)’, accessed by the CMA on 23 November 2023.

⁷⁸³ For instance, see ‘[Figma vs Adobe XD: main differences](#)’, accessed by the CMA on 23 November 2023; ‘[Figma vs. Adobe XD: Costs and features compared in 2023](#)’, accessed by the CMA on 23 November 2023; and ‘[Adobe XD vs. Figma: Which Design Tool Should You Use?](#)’, accessed by the CMA on 23 November 2023.

⁷⁸⁴ See ‘[Adobe XD put on life support ahead of Figma acquisition](#)’, accessed by the CMA on 23 November 2023.

⁷⁸⁵ Third-party call transcript.

- (a) The Parties submitted that Project Spice was conceived as a web-based 'super-app' incorporating Adobe's flagship products in a mixed media asset creation canvas.⁷⁸⁶ The Parties submitted that whilst [REDACTED] (Adobe, President of Digital Media) was initially supportive of Project Spice when he rejoined Adobe in June 2021, he became [REDACTED] over the following [REDACTED].⁷⁸⁷
- (b) [REDACTED] (Adobe, VP of CC Web App) in his DOJ deposition described the vision of Project Spice as: '[REDACTED]'.⁷⁸⁸

8.138 In relation to the increased investment in Project Spice in October 2021 and February 2022, the Parties submitted that this was [REDACTED]:

- (a) The Parties submitted that when investment in Adobe XD was reduced in October 2021, resources were moved to Project Spice principally because [REDACTED]. The engineers from Adobe XD [REDACTED]. Their experience with Adobe XD [REDACTED].⁷⁸⁹
- (b) The Parties further submitted that [REDACTED] and was not intended to be [REDACTED]. They stated that [REDACTED] aspirations were only a [REDACTED] (we note that this is inconsistent with the Parties' later submission that product design was [REDACTED] described in the paragraph above), [REDACTED]. They submitted that the movement of engineers from Adobe XD to Project Spice [REDACTED].⁷⁹⁰ In [REDACTED]'. [REDACTED] (Adobe, VP of CC Web App) continued that this was in [REDACTED].⁷⁹¹ [REDACTED] (Adobe, VP of CC Web App) further testified that '[REDACTED]'.⁷⁹²

8.139 In relation to the scope of Project Spice as it was developed in 2022 the Parties submitted that there was clear direction from February 2022 that Project Spice would [REDACTED], and that there was [REDACTED] from senior executives about Project Spice:

- (a) The Parties submitted a timeline including internal document evidence that they state shows that [REDACTED] was only a [REDACTED] by [REDACTED] (Adobe, President of Digital Media) in [REDACTED].⁷⁹³ The Parties submitted that there was then [REDACTED]⁷⁹⁴ and [REDACTED].⁷⁹⁵ The Parties submitted that whilst other Adobe employees including [REDACTED] (Adobe, Chief Product Officer of Creative Cloud)

⁷⁸⁶ Adobe, Submission to the CMA; and Adobe, Submission to the CMA.

⁷⁸⁷ Parties' response to TOH 1 working paper.

⁷⁸⁸ Adobe, Submission to the CMA.

⁷⁸⁹ Parties' response to TOH 1 working paper.

⁷⁹⁰ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B4.22-B4.38 and footnote 120.

⁷⁹¹ Adobe, Submission to the CMA.

⁷⁹² Adobe, Submission to the CMA.

⁷⁹³ Parties' response to TOH 1 working paper.

⁷⁹⁴ [REDACTED].

⁷⁹⁵ Parties' response to TOH 1 working paper.

continued to advocate for [REDACTED], [REDACTED] (Adobe, President of Digital Media) had the final say.⁷⁹⁶ In addition, the Parties submitted that a [REDACTED].⁷⁹⁷ We consider these internal documents in detail in our assessment.

- (b) [REDACTED] (Adobe, VP of CC Web App) in his DOJ deposition referenced a meeting with [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), [REDACTED] (Adobe, SVP of Digital Media Global Marketing) and himself in late July/early August 2022, where the roadmap for Project Spice was clarified.⁷⁹⁸ In his deposition, [REDACTED] (Adobe, VP of CC Web App) stated that [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, VP of CC Web App) and [REDACTED] (Adobe, VP of Experience Design and Collaboration) were [REDACTED]. [REDACTED] (Adobe, Senior Director of CC Product Marketing) and (maybe) [REDACTED] (Adobe, SVP of Digital Media Global Marketing) were [REDACTED] in the long-term ambitions of Project Spice. [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) was in [REDACTED].⁷⁹⁹
- (c) [REDACTED] (Adobe, VP of CC Web App) in [REDACTED] DOJ deposition gave the view that [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) '[REDACTED]', even though [REDACTED] (Adobe, President of Digital Media) was clear that the team should focus on marketing design. [REDACTED] (Adobe, VP of CC Web App) stated that this was creating '[REDACTED]'.⁸⁰⁰ Later in [REDACTED] DOJ deposition, [REDACTED] (Adobe, VP of CC Web App) stated, '[REDACTED]'.⁸⁰¹
- (d) [REDACTED] (Adobe, President of Digital Media) in [REDACTED] DOJ deposition stated that Adobe had conversations whether they should focus Project Spice on marketing design. [REDACTED] (Adobe, President of Digital Media) stated that '[REDACTED]'.⁸⁰²
- (e) As noted at paragraph 8.77(b) above, at the Adobe Main Party Hearing [REDACTED] (Adobe, President of Digital Media) stated that looking back [REDACTED] could split his time at Adobe into three phases: an 'onboarding phase' from June 2021 through to February/March 2022, an 'experimentation phase' from February/March 2022 until September 2022, and a 'focused execution' stage from September 2022 onwards.⁸⁰³ [REDACTED] (Adobe, President of Digital Media) further stated that coming out of the first phase

⁷⁹⁶ Parties' response to TOH 1 working paper.

⁷⁹⁷ Parties' response to TOH 1 working paper.

⁷⁹⁸ Adobe, Submission to the CMA.

⁷⁹⁹ Adobe, Submission to the CMA.

⁸⁰⁰ Adobe, Submission to the CMA.

⁸⁰¹ Adobe, Submission to the CMA.

⁸⁰² Adobe, Submission to the CMA.

⁸⁰³ Adobe Main Party Hearing transcript.

[REDACTED].⁸⁰⁴ [REDACTED] (Adobe, President of Digital Media) stated that going into the second phase [REDACTED] was [REDACTED], and that [REDACTED] gave [REDACTED].⁸⁰⁵

- (f) [REDACTED] (Adobe, VP of CC Web App) testified in [REDACTED] deposition to the DOJ that at the beginning of Project Spice, they decided [REDACTED].⁸⁰⁶ Further, [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) testified in his deposition to the DOJ that '[REDACTED]'.⁸⁰⁷
- (g) The Parties submitted that Project Spice was only ever developed into a rudimentary ideation tool and was never developed to include marketing design capabilities. They submitted that it was not a competitive product and would not have competed with Figma.⁸⁰⁸

8.140 In relation to the cancellation of Project Spice in September 2022 the Parties submitted that it was cancelled due to [REDACTED]:

- (a) The Parties submitted that Project Spice [REDACTED].⁸⁰⁹ The Parties submitted that Project Spice [REDACTED]. They stated that the vision of [REDACTED], and [REDACTED]. They submitted that it was also [REDACTED].⁸¹⁰ [REDACTED] (Adobe, VP of CC Web App) testified in [REDACTED] deposition to the DOJ that Project Spice '[REDACTED]'.⁸¹¹
- (b) The Parties submitted that the Project Spice beta trial received [REDACTED] customer feedback and demonstrated a [REDACTED].⁸¹² The Parties submitted that the importance of [REDACTED].⁸¹³ The Parties also submitted that the assessment of Project Spice by Adobe's Go To Market (**GTM**) Team before and after the beta trial [REDACTED] and gave Project Spice an aggregate confidence rating of only [REDACTED]% against four key delivery metrics.⁸¹⁴
- (c) The Parties submitted that this [REDACTED] along with [REDACTED], led to the decision to cancel Project Spice and move its resources to Adobe Express.⁸¹⁵
- (d) The Parties further submitted that Project Spice was cancelled for reasons unrelated to the Merger and by someone ([REDACTED] (Adobe, VP of CC Web App)) without knowledge of the Merger.⁸¹⁶ They stated that Adobe

⁸⁰⁴ Adobe Main Party Hearing transcript.

⁸⁰⁵ Adobe Main Party Hearing transcript.

⁸⁰⁶ Adobe, Submission to the CMA.

⁸⁰⁷ Adobe, Submission to the CMA.

⁸⁰⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B4.45-B4.48; Adobe, Submission to the CMA: '[REDACTED]'.

⁸⁰⁹ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B4.13-B4.20.

⁸¹⁰ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B4.56-B4.66.

⁸¹¹ Adobe, Submission to the CMA.

⁸¹² Parties' response to TOH 1 working paper.

⁸¹³ Parties' response to TOH 1 working paper.

⁸¹⁴ Parties' response to TOH 1 working paper.

⁸¹⁵ Parties' response to TOH 1 working paper.

⁸¹⁶ Adobe, Submission to the CMA: '[REDACTED]'.

had [REDACTED] in delivering it given the [REDACTED] issues outlined above, and that Adobe Express offered a [REDACTED]. In light of this and Adobe's [REDACTED], the Parties submitted that resources were shifted from Project Spice to Adobe Express to deliver on Adobe Express.⁸¹⁷

- (e) The Parties further submitted that the identified market opportunity for Adobe Express was [REDACTED] than that for Project Spice, and that it showed indications of having a [REDACTED]. They stated that Adobe Express faced [REDACTED] challenges and [REDACTED], and therefore required [REDACTED] to deliver on time.⁸¹⁸ The Parties submitted that the decision to prioritise Adobe Express has been [REDACTED].⁸¹⁹

8.141 As noted above, the Parties submitted that the CMA has mischaracterised and misunderstood the Parties' internal document evidence and provided specific submissions on a number of internal documents.⁸²⁰ We consider these representations in detail in Appendix E and where relevant, have also considered the Parties' submissions on specific internal documents below.

Our assessment

8.142 This section considers the evidence on Adobe's development of a new all-in-one product design software, ie Project Spice. We consider the evidence in broadly chronological order:

- (a) We first provide a brief history of Project Spice from its conception in 2020 through to its cancellation in September 2022.
- (b) We then consider evidence on Adobe's increased investment in Project Spice in October 2021 and February 2022.
- (c) We then consider evidence on the development of Adobe's plans for Project Spice from February 2022 to August 2022, focusing on the anticipated use cases for Project Spice, the extent that it was viewed as an alternative to Figma Design, and whether it was intended to include marketing design and product design capabilities.
- (d) Finally, we consider evidence on Adobe's decision to cancel Project Spice in September 2022.

⁸¹⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B4.70-B4.83.

⁸¹⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B5.3-B5.37.

⁸¹⁹ Parties' response to TOH 1 working paper.

⁸²⁰ Parties' response to TOH 1 working paper.

Background on Project Spice

- 8.143 In May and June 2020, Adobe started a project called Project Spice, which intended to develop a [X], such as Illustrator Web and Photoshop Web.⁸²¹
- 8.144 Adobe first planned to launch the product related to Project Spice at its annual public conference, 'MAX 2021' (in October 2021). However, during the summer of 2021, Adobe changed its plan for MAX 2021 several times. First Adobe decided to launch a public beta version; it then decided to launch a private beta, before finally deciding to present a demo of Project Spice at MAX in October 2021. We note that at MAX, Adobe announced that Canvas (Project Spice) would be available in a private beta,⁸²² and Adobe subsequently did launch a private beta for Project Spice in June 2022, as described below.⁸²³
- 8.145 As set out above, in October 2021 Adobe moved [over 100] employees from the Adobe XD team ([over 100] of whom were working on the Adobe XD tool itself) to work on Project Spice.
- 8.146 In January 2022, Adobe's Project Spice planned to focus sequentially on (i) ideation, (ii) marketing design, and (iii) [X], with more functionality added over time.⁸²⁴
- 8.147 As set out above, Adobe moved a further [X] employees from Adobe XD to Project Spice in February 2022.
- 8.148 Adobe launched a private beta for Project Spice in June 2022. The Parties described it as a basic whiteboarding tool. A second release in August 2022 added additional functionality including simple arrows and sticky notes.⁸²⁵
- 8.149 In September 2022, around the time of the announcement of the Merger, Adobe cancelled Project Spice and moved its resources to Adobe Express, announcing the decision on 9 September 2022.⁸²⁶ An email from [X] (Adobe, Chief Product Officer of Creative Cloud) dated 9 September 2022 states that Adobe '[X]', and that '[X]'.⁸²⁷

⁸²¹ Parties, Submission to the CMA.

⁸²² [Creative Cloud Canvas, Spaces & More Announced at MAX 2021 | Adobe](#), 26 October 2021, accessed by the CMA on 23 November 2023.

⁸²³ Parties, Submission to the CMA.

⁸²⁴ Parties, Submission to the CMA; and Adobe Internal document.

⁸²⁵ Parties, Submission to the CMA.

⁸²⁶ Parties, Submission to the CMA.

⁸²⁷ Adobe Internal Document.

Increased investment in Project Spice in October 2021 and February 2022

- 8.150 As described in paragraph 8.89, in October 2021 and February 2022 Adobe moved employees from Adobe XD to Project Spice. In this section we consider the internal document evidence from around this time to assess the reasons for increasing investment in Project Spice. Whilst there is some crossover with the evidence considered in paragraphs 8.115 to 8.121 on the rationale for reducing investment in Adobe XD, this section focuses on those internal documents that are more concerned with Project Spice.
- 8.151 Internal documents from around the time that Adobe first increased investment in Project Spice in October 2021 suggest that Project Spice was intended to include product design capabilities and be a web-based successor to Adobe XD. The documents also indicate that, by addressing Adobe XD's weaknesses on collaboration, Project Spice was expected to improve Adobe's competitive position in product design and compete more closely with Figma:
- (a) A presentation from September 2021 discusses a proposal for [REDACTED]. The proposal is to '[REDACTED]', and '[REDACTED]'. One of the stated reasons for making the change is that '[REDACTED]'. The roadmap shows plans for delivering '[REDACTED]' workflows in 2022, for which the document states '[REDACTED]', and '[REDACTED]' workflows in 2023, for which it states '[REDACTED]'. These timescales are shown to be subject to uncertainty. The communication plan indicates that '[REDACTED]' and [REDACTED].⁸²⁸ In our view, this document shows that Adobe's plan in September 2021 was to incorporate product design features in Project Spice to address Adobe XD's weaknesses and compete with Figma, and that it planned to reduce investment in Adobe XD in order to prioritise Project Spice.
 - (b) A message dated 14 October 2021 in which [REDACTED] (Adobe, Group Manager, Technical Program Management Leader, Photoshop) shares his note of a 1:1 meeting with [REDACTED] (Adobe, VP of Experience Design and Collaboration) states, [REDACTED].⁸²⁹ In our view, this document demonstrates that in October 2021 Adobe intended to include Adobe XD functionality (ie product design functionality) in Project Spice.
 - (c) A draft presentation titled '[REDACTED]' dated 15 October 2021 sets out [REDACTED] (Adobe, VP of CC Web App) plans for FY22. It states that '[REDACTED]'.⁸³⁰ In our view, this document shows that in October 2021 Adobe intended to compete in screen design through its development of Project Spice.

⁸²⁸ Adobe Internal Document.

⁸²⁹ Adobe Internal Document.

⁸³⁰ Adobe Internal Document.

- (d) Messages from [REDACTED] (Adobe, VP of CC Web App) on 4 November 2021 state that Adobe will put Adobe XD in '[REDACTED]' but '[REDACTED]'.⁸³¹ In our view, this document indicates that in November 2021 Adobe intended for Project Spice to be a successor to Adobe XD.
- (e) Another document dated from late 2021 describes how, [REDACTED]. It states [REDACTED].⁸³² In our view, this document shows that in late 2021 Adobe intended for Project Spice to be a successor to Adobe XD and that its development was driven by competing with Figma.
- (f) In an email exchange between [REDACTED] (Adobe, Senior Director of CC Product Marketing), [REDACTED] (Adobe, SVP of Digital Media Global Marketing) and [REDACTED] (Adobe, VP of CC Web App) on 8-9 December 2021, [REDACTED].⁸³³ In our view, this document shows that in December 2021 Project Spice was intended to compete with Figma.
- (g) In an email exchange between [REDACTED] (Adobe, SVP of Digital Media Global Marketing), [REDACTED] (Adobe, Senior Director of CC Product Marketing), [REDACTED] (Adobe, VP of CC Web App), and [REDACTED] (Adobe, Senior Director of Strategic Development) on 14 December 2021, regarding the [REDACTED], [REDACTED] (Adobe, VP of CC Web App) states that [REDACTED]. [REDACTED] (Adobe, VP of CC Web App) goes on to state that '[REDACTED]'.⁸³⁴ In [REDACTED] DOJ deposition, [REDACTED] (Adobe, VP of CC Web App) explained that in this email [REDACTED]. [REDACTED] view was '[REDACTED]'.⁸³⁵ In our view, this document indicates that in December 2021, Adobe intended for Project Spice to address Adobe XD's weaknesses relative to Figma, and to include product design features.
- (h) An email from [REDACTED] (Adobe, President of Digital Media) to [REDACTED] (Adobe, Chairman and CEO) dated 19 December 2021 describes a plan to get [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) [REDACTED]. The email states that '[REDACTED]', and that '[REDACTED]'.⁸³⁶ In our view, this document shows that in December 2021, Adobe saw Project Spice as a competitive response to Figma and intended for it to include product design features.

8.152 Internal documents show that there were several discussions about Project Spice in January and February 2022. The Parties highlighted documents from this period which they state demonstrate that [REDACTED] (Adobe, President of Digital Media) and others thought the Project Spice team [REDACTED]:

⁸³¹ Adobe Internal Document.

⁸³² Adobe Internal Document.

⁸³³ Adobe Internal Document.

⁸³⁴ Adobe Internal Document.

⁸³⁵ Adobe, Submission to the CMA.

⁸³⁶ Adobe Internal Document.

- (a) In a message dated 20 January 2022, [X] (Adobe, Senior Director of CC Product Marketing) tells [X] (Adobe, VP of Photoshop) that [X] (Adobe, President of Digital Media) said '[X]'. [X] does not provide further context.⁸³⁷
- (b) In a message dated 20 January 2022, [X] (Adobe, SVP of Adobe Express and Creative Cloud) says to [X] (Adobe, President of Digital Media) '[X]'. [X] (Adobe, President of Digital Media) replies saying '[X]'. [X] (Adobe, SVP of Adobe Express and Creative Cloud) goes to state that Adobe may want to '[X]'. [X] (Adobe, President of Digital Media) replies '[X]'.⁸³⁸ In our view this document indicates that [X] (Adobe, President of Digital Media) had concerns with the delivery of Project Spice at this time, however we note that Adobe subsequently increased resources allocated to Project Spice to accelerate delivery of screen design, in line with the suggestion of [X] (Adobe, SVP of Adobe Express and Creative Cloud).
- (c) Subsequently in a message dated 25 January 2022 [X] (Adobe, VP of Photoshop) (not in the Project Spice team) reported that '[X]'. [X] speculated that this was because '[X]'.⁸³⁹
- (d) A presentation dated 7 February 2022 states in reference to the [X]-wave plan for Project Spice that '[X]'. According to the Parties [X].⁸⁴⁰ However, the same document still refers to a medium-term goal of '[X]'.⁸⁴¹ We understand that SWAG is generally understood to refer to a rough estimate made by an expert based on experience and intuition. In our view, the use of 'SWAG' in this document refers to the estimated timescales for delivering Project Spice.
- (e) Messages dated 11 February 2022 between [X] (Adobe, Director of Product Management) and [X] (Adobe, Senior Director of CC Product) discuss the plan for Project Spice [X]. [X] (Adobe, Senior Director of CC Product Marketing) states that '[X]'. [X] (Adobe, Director of Product Management) expresses [X].⁸⁴²

8.153 As described in paragraph 8.89(c) above, in February 2022 Adobe moved over [X] more employees from Adobe XD to Project Spice, motivated by a stated desire to accelerate the development of product design features. In our

⁸³⁷ Adobe Internal Document.

⁸³⁸ Adobe Internal Document.

⁸³⁹ Adobe Internal Document.

⁸⁴⁰ Parties' response to TOH 1 working paper.

⁸⁴¹ Adobe Internal Document.

⁸⁴² Adobe Internal Documents.

view, this action demonstrates that Adobe considered Project Spice a priority and that it believed that Project Spice could be delivered. There is also significant internal document evidence from this period (January and February 2022) discussing how Adobe could succeed in all-in-one product design software, and specifically against Figma.

- (a) A message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, then Senior Director and Head of Brand Strategy) on 18 January 2022 in relation to the selection of the name 'Canvas' for the project [which was later named Project Spice] sets out that '[REDACTED]'.⁸⁴³ [REDACTED] (Adobe, VP of CC Web App) goes on to state that '[REDACTED]'. [REDACTED] (Adobe, VP of CC Web App) stated in [REDACTED] DOJ deposition that this relates to the workflows for product design.⁸⁴⁴ In our view, this document shows that in January 2022 Adobe considered Project Spice to be a competitive response to Figma and intended for it to include product design features.⁸⁴⁵
- (b) An email dated 20 January 2022 from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, President of Digital Media) sets out the agenda for a meeting they have that day, with two topics; '[REDACTED]'; and '[REDACTED]'. Regarding the second topic, [REDACTED] (Adobe, VP of CC Web App) states that [REDACTED].⁸⁴⁶ In our view, this document shows that in late January 2022 Adobe considered Project Spice to be a competitive response to Figma given Adobe XD's losses to Figma.
- (c) In a conversation between [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, SVP of Digital Media Global Marketing), and [REDACTED] (Adobe, Senior Director of CC Product Marketing) on 20 January 2022, [REDACTED] states Adobe is '[REDACTED]', with [REDACTED] (Adobe, SVP of Digital Media Global Marketing) agreeing with [REDACTED] and suggesting that they '[REDACTED]'. We understand this to be referring to winning in [REDACTED]. [REDACTED] (Adobe, SVP of Digital Media Global Marketing) states that '[REDACTED]'. [REDACTED] (Adobe, Senior Director of CC Product Marketing) states that [REDACTED] has not seen '[REDACTED]', and that [REDACTED] is supportive of [REDACTED].⁸⁴⁷ The Parties submitted that this document shows Adobe executives '[REDACTED]'.⁸⁴⁸ In our view, this document indicates that in late January 2022 Adobe considered winning in product design to be important and considered both organic and inorganic growth as options to

⁸⁴³ Adobe Internal Document.

⁸⁴⁴ Adobe, Submission to the CMA.

⁸⁴⁵ Although the document refers to 'screen design', we understand this to include product design given the context of competing with Figma.

⁸⁴⁶ Adobe Internal Document.

⁸⁴⁷ Adobe Internal Document.

⁸⁴⁸ Parties' response to TOH 1 working paper.

achieve this. Whilst the document shows an Adobe executive questioning whether Adobe is on a path to 'win' with Project Spice, it does not question the goals and objectives of Project Spice. Rather, it suggests that Adobe's goals and objectives may be better achieved via an acquisition of Figma if that was possible.

- (d) A presentation from 24 January 2022 presented at a meeting attended by [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) amongst others discusses winning in '[REDACTED]'. The presentation describes needing a '[REDACTED]', as well as an '[REDACTED]'. To do this, the presentation suggests moving resources from Adobe XD to Project Spice (as happened in February 2022).⁸⁴⁹ The Parties submitted that this was 'not a decision deck', but a 'pitch for continued investment in and resources in the [REDACTED] CC Web product'.⁸⁵⁰ In our view, this document indicates that in late January 2022 Adobe envisaged Project Spice competing in product design and recommended moving resources from Adobe XD to Project Spice to achieve this. Regardless of whether this was a 'pitch for continued investment', it is clear that resources were moved from Adobe XD to Project Spice after this point.
- (e) A presentation prepared for the same meeting sets out the [REDACTED]-wave plan for Project Spice, with waves two and three described as '[REDACTED]' with a slide setting out '[REDACTED]'. Wave two is described as marketing design, and wave three described as [REDACTED].⁸⁵¹ The Parties submitted that this roadmap was '[REDACTED]'.⁸⁵² In our view, this document demonstrates that in late January 2022 Adobe planned for Project Spice to compete with Figma in marketing and product design, and there is nothing in the document to suggest that product design was only an aspirational aim.
- (f) A note titled '[REDACTED]' and dated 28 January 2022 includes notes from a meeting attended by [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), [REDACTED] (Adobe, President of Digital Media), and [REDACTED] (Adobe, SVP of Digital Media Global Marketing). The note describes what is needed to win in [REDACTED], which includes '[REDACTED]'. It describes how Figma is '[REDACTED]' and that '[REDACTED]' but '[REDACTED]' in web page design or screen design. [REDACTED] describes that Adobe 'are trying to beat Figma with a very similar product that has differentiation through CC integration'. Both [REDACTED] and [REDACTED] discuss competing with Figma through Canvas (Project Spice) and discuss that

⁸⁴⁹ Adobe Internal Document.

⁸⁵⁰ Parties' response to TOH 1 working paper.

⁸⁵¹ Adobe Internal Document.

⁸⁵² Parties' response to TOH 1 working paper.

[REDACTED].⁸⁵³ In our view, this document demonstrates that in late January 2022 Adobe viewed Project Spice as its long-term competitive response to Figma, with shorter term milestones possible along the way.

- (g) A 31 January 2022 presentation on Adobe's strategy regarding how to win in [REDACTED] recommends that Adobe invests in Project Spice, by '[REDACTED]'. The same document states that the strategy is aimed at '[REDACTED]'.⁸⁵⁴ While the Parties submitted that the statements in this document were speculative, we nonetheless consider it indicative of the wider thinking at Adobe in late January 2022 that Project Spice was designed to challenge Figma.⁸⁵⁵
- (h) A document dated February 2022, which includes [REDACTED]. It also describes options of [REDACTED] but dismisses these as not worth exploring.⁸⁵⁶ The Parties submitted that this document demonstrates [REDACTED], as it states it has '[REDACTED]' and was '[REDACTED]'.⁸⁵⁷ In our view, whilst the document acknowledges Adobe's past and current challenges in the market, it also sets out in detail two options for solving them, one of which involves organic growth through the development of Project Spice.
- (i) An email dated 5 February 2022 from [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) to [REDACTED] (Adobe, Chairman and CEO) and [REDACTED] (Adobe, President of Digital Media), with the subject '[REDACTED]' notes that '[REDACTED]'. It then outlines that Adobe planned to [REDACTED].⁸⁵⁸ In our view, this document shows that resources were shifted from Adobe XD in February 2022 to accelerate screen design in Project Spice, and port screen design features from Adobe XD to Project Spice, which was intended to be web-based and have improved collaboration capabilities.
- (j) A message from [REDACTED] (Adobe, VP of Experience Design and Collaboration) dated 7 February 2022 sets out notes from a meeting. The key points include the plan to [REDACTED].⁸⁵⁹ The notes also include details on the plan for Canvas (Project Spice), including [REDACTED]. In our view, this document is consistent with Adobe's plan to deliver marketing design first in Project Spice, then move on to product design.
- (k) In a message dated 8 February 2022, [REDACTED] (Adobe, SVP of Digital Media Global Marketing) asks [REDACTED] (Adobe, VP of CC Web App) '[REDACTED]' given that '[REDACTED]'. [REDACTED] replies stating that '[REDACTED]'. Later in the conversation, [REDACTED] states

⁸⁵³ Adobe Internal Document.

⁸⁵⁴ Adobe Internal Document.

⁸⁵⁵ Parties', Evidence Appraisal Paper, 14 August 2023.

⁸⁵⁶ Adobe Internal Document.

⁸⁵⁷ Parties' response to TOH 1 working paper.

⁸⁵⁸ Adobe Internal Document.

⁸⁵⁹ Adobe Internal Document.

that '[X]', describing Project Spice as '[X]'.⁸⁶⁰ The Parties submitted that this document demonstrates that Adobe was unclear about Project Spice's mission and product market fit.⁸⁶¹ In our view, this document demonstrates that in February 2022, Adobe intended for Project Spice to include product design capabilities to begin with, and to expand into other cross-media tooling over time.

- (I) A document titled '[X]' dated 9 February 2022 describes [X], shows that the plan was approved by [X] (Adobe, Chief Product Officer of Creative Cloud), and states that the team was 'aligned' with [X] (Adobe, President of Digital Media) and [X] (Adobe, SVP of Digital Media Global Marketing).⁸⁶² In our view, this document demonstrates that in February 2022 Adobe considered Project Spice a competitive response to Figma.

8.154 With respect to several of the documents above, the Parties submitted that [X] was [X]. The Parties also submitted that the senior leadership team considered this plan [X]. However, in our view, later documents continue to demonstrate that senior leaders were supportive of the plan, as set out below from paragraph 8.1578.156.⁸⁶³

8.155 Our provisional view is that whilst internal documents show there was some uncertainty and scepticism about Project Spice within Adobe in early 2022, Adobe's internal documents and its actions of moving resources to Project Spice indicate that overall Adobe planned to accelerate development of Project Spice as an all-in-one product design tool.

Development of Adobe's plans for Project Spice between February 2022 and August 2022

8.156 In this section we consider internal document evidence from the period between February 2022 and August 2022, during which time Project Spice had substantial resources allocated to it. We particularly focus on the extent to which Project Spice was intended to compete with Figma and include product design capabilities.

8.157 Although the Parties submitted that [X] (Adobe, President of Digital Media) had given clear direction in early February 2022 [X],⁸⁶⁴ internal documents in the first half of 2022, including from senior figures within Adobe, continue to show plans for Project Spice to [X]. The documents indicate that, as well as

⁸⁶⁰ Adobe Internal Document.

⁸⁶¹ Parties', Evidence Appraisal Paper, 14 August 2023.

⁸⁶² Adobe Internal Document.

⁸⁶³ Parties', Evidence Appraisal Paper, 14 August 2023.

⁸⁶⁴ Parties, Submission to the CMA.

being web based and having improved collaboration capabilities, Project Spice was expected to compete more closely with Figma Design by including vector and image editing capabilities.

- (a) A document dated 28 February 2022 authored by [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and shared with [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chairman and CEO) describes what it will take to '[REDACTED]'. It states that '[REDACTED]'. It states that '[REDACTED]'. It further notes that Adobe would be '[REDACTED]'.⁸⁶⁵ In our view, this document demonstrates that in late February 2022 Adobe viewed Project Spice as a competitive response to Figma and planned for it to have the full capabilities of Adobe XD in screen design, as well as incorporating vector and image editing.
- (b) A message from [REDACTED] (Adobe, VP of Experience Design and Collaboration) on 3 March 2022 talks about '[REDACTED]' in Canvas (Project Spice), noting that '[REDACTED]'. [REDACTED] also describes how Adobe will differentiate from Figma '[REDACTED]' and '[REDACTED]'. [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) replies agreeing.⁸⁶⁶ The Parties submitted that this document shows the continuing debate about Project Spice's focus.⁸⁶⁷ In our view, this document indicates that in early March 2022, Adobe intended for Project Spice to include screen design capabilities and compete with Figma. There is also nothing in the document to suggest that the individuals involved were aware of a clear direction from [REDACTED] (Adobe, President of Digital Media) not to focus on product design nor that the inclusion of product design features was not achievable on a practical timeline.
- (c) Messages between [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, VP of CC Web App) on 16 March 2022 discuss whether marketing and product design are in scope for Project Spice. [REDACTED] (Adobe, SVP of Digital Media Global Marketing) expresses that he thought both would be [REDACTED]. [REDACTED] (Adobe, VP of CC Web App) replies that marketing design is the initial focus [REDACTED]. However, [REDACTED] states that [REDACTED].⁸⁶⁸ In our view, this document shows that in March 2022 Adobe intended for Project Spice to include product design capabilities and compete with Figma, albeit at a later stage.
- (d) In an email chain between [REDACTED] (Adobe, VP of CC Web App), [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), and [REDACTED] (Adobe, SVP of Digital

⁸⁶⁵ Adobe Internal Document.

⁸⁶⁶ Adobe Internal Document.

⁸⁶⁷ Parties' response to TOH 1 working paper.

⁸⁶⁸ Adobe Internal Document.

Media Global Marketing) on 17 March 2022, [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) refers to the 'ambition of [REDACTED]' [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) states that '[REDACTED]'. [REDACTED] (Adobe, VP of CC Web App) states further in the email thread '[REDACTED]'. The email continues, '[REDACTED]'.⁸⁶⁹ The Parties submitted that this email demonstrates that [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) did not think that Adobe had a [REDACTED]. The Parties also submit that [REDACTED] (Adobe, VP of CC Web App) was [REDACTED], and that he was [REDACTED] in [REDACTED] response when [REDACTED] said '[REDACTED]', as this could mean Figma Design or FigJam.⁸⁷⁰ In our view, however, this document shows that in March 2022 Adobe intended for Project Spice to compete with Figma and to include some product design capabilities at launch, with a plan to add more product design features iteratively after launch.

- (e) A note dated 24 March 2022 produced by [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and commented on by [REDACTED] (Adobe, President of Digital Media) discusses Adobe's product strategy. It describes one of Adobe's initiatives as '[REDACTED]'. It goes on to state that '[REDACTED]'. [REDACTED] commented on the term 'screen design' in the above sentence stating that '[REDACTED]'.⁸⁷¹ In our view, this document shows that [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, President of Digital Media) agreed in late March 2022 that Project Spice would include marketing design capabilities, then add product design (or 'app screen design') capabilities in 2023.
- (f) An email from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, Chairman and CEO) on 7 April 2022 includes an attachment titled 'CC Web' (ie Project Spice) which sets out Project Spice's vision to be [REDACTED]. The document states that the target audience will be '[REDACTED]'. For 2022-23, this target audience is [REDACTED]. The document continues that '[REDACTED]'.⁸⁷² In our view, this document shows that in April 2022 Adobe considered the Project Spice target audience was creative professionals, particularly marketing and product designers and their stakeholders, with marketing designers the target audience for 2022-23.
- (g) An email chain dated April 2022 and including contributions from [REDACTED] (Adobe, Senior Director of CC Product Marketing), [REDACTED] (Adobe, VP of Experience Design and Collaboration), and [REDACTED] (Adobe, Senior Director of Strategic Development) discusses a communications plan for Adobe

⁸⁶⁹ Adobe Internal Document.

⁸⁷⁰ Parties' response to TOH 1 working paper.

⁸⁷¹ Adobe Internal Document.

⁸⁷² Adobe Internal Documents.

XD. In the emails, [X] states that Canvas [Project Spice] is not '[X]', but that '[X]'. [X] also states that the '[X]'. In answer to the question '[X]', [X] replies '[X]'. [X] also states that '[X]'.⁸⁷³ The Parties submitted that this document shows that Project Spice was not intended to be a replacement for Adobe XD, and that Adobe viewed '[X]'.⁸⁷⁴ In our view, this email chain demonstrates that Adobe intended for Project Spice to replace Adobe XD as a product design tool, incorporating most of the same features and being suitable for most Adobe XD users, even if it was expected to have a broader scope than Adobe XD. We acknowledge that the document states that [X], but consider it also shows that the understanding is that Project Spice will eventually offer current users of Adobe XD an alternative product for their use cases. This is consistent with other documents indicating that product design features would be added to Project Spice throughout 2023 and that Adobe XD customers would be encouraged to move to it.

- (h) Messages on a thread including [X] (Adobe, Chief Product Officer of Creative Cloud) and [X] (Adobe, VP of CC Web App) continue to discuss product design and Figma in May 2022.
- (i) On 6 May 2022, [X] (Adobe, VP of Creative Cloud Developer Platform) sets out some questions and answers about Project Spice. [X] states with respect to marketing and product design, and competing with Figma, that '[X]' and that '[X]'. [X] also notes that '[X]'.⁸⁷⁵
- (ii) In a follow-up message dated 7 May 2022, [X] (Adobe, VP of CC Web App) confirms his understanding, stating that '[X]' and that Adobe is '[X]', but will '[X]'.⁸⁷⁶ In our view, these messages indicate that in early May 2022, Adobe intended for Project Spice to first include marketing design capabilities, then expand to product design.
- (i) A presentation for a meeting titled '[X]' on 19 May 2022 and attended by [X] (Adobe, President of Digital Media), [X] (Adobe, Chief Product Officer of Creative Cloud), and [X] (Adobe, VP of CC Web App) amongst others, covers Project Spice alongside other projects including [X]. Project Spice is described as [X]. 'Demo' slides in the presentation show Project Spice's [X] and a roadmap slide indicates plans for public [X].⁸⁷⁷

⁸⁷³ Adobe Internal Document.

⁸⁷⁴ Parties' response to TOH 1 working paper.

⁸⁷⁵ Adobe Internal Document.

⁸⁷⁶ Adobe Internal Document.

⁸⁷⁷ Adobe Internal Document.

In our view, this document shows that product design continued to be part of the roadmap for Project Spice in mid-May 2022.

- (j) In messages alongside this meeting, [REDACTED] (Adobe, President of Digital Media) asks whether Project Spice is '[REDACTED]', to which [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) replies saying that it is. [REDACTED] (Adobe, VP of Design, Dme Adobe Design) states that '[REDACTED]' and '[REDACTED]'. [REDACTED] (SVP of Adobe Express and Creative Cloud) further states that '[REDACTED]'. As set out above, [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) also states that the Adobe XD team were moved to Project Spice to '[REDACTED]'.⁸⁷⁸ The Parties submitted that 'lifting and shipping' meant that select basic functions in Adobe XD would be used as a basis for designing similar features in Project Spice, and that these are not product design capabilities. The Parties also submitted that this meeting consisted of development teams presenting projects under development to Adobe's business leaders, and the latter (Adobe's business leaders) have limited understanding of the products. The Parties therefore described the messages as light-hearted and confused comments.⁸⁷⁹ However, in our view, these messages indicate that there was agreement amongst Adobe's business leaders in mid-May 2022 that Project Spice was a replacement for Adobe XD and would include its product design and prototyping feature set.
- (k) A presentation dated May 2022 presents user research on Project Spice focused on marketing designer needs. The presentation describes features including design systems and interactivity and references [REDACTED], for example stating that motion '[REDACTED]'. There are several mentions of [REDACTED] in the notes and comments regarding whether it includes certain features.⁸⁸⁰ The Parties submitted that this document shows how Project Spice is different from Figma.⁸⁸¹ In our view, this document indicates that in May 2022 Adobe considered Project Spice would compete with Figma, even in its earlier stage as a marketing design product. Whilst we acknowledge that the document discusses differentiating from Figma, this is in the context of competing with Figma.
- (l) A document dated 26 May 2022, titled '[REDACTED]' sets out the planned release roll out for the private beta. It shows that the private beta and general availability release [REDACTED]. The post-general availability section of the

⁸⁷⁸ Adobe Internal Document.

⁸⁷⁹ Parties' response to TOH 1 working paper.

⁸⁸⁰ Adobe Internal Document.

⁸⁸¹ Parties' response to TOH 1 working paper.

roadmap shows that Project Spice aspires to [REDACTED].⁸⁸² We consider these are all [REDACTED] that would be typically considered part of product design. In our view, this document indicates that in late May 2022, Adobe intended for these product design workflows to be supported well by Project Spice.

- (m) A May 2022 'Go To Market' (GTM) assessment for Project Spice states that '[REDACTED]'. The document also repeats the comments made by [REDACTED] (Adobe, VP of CC Web App) on 7 April 2022 that '[REDACTED]'. The document includes TPM assessments for marketing design and [REDACTED].⁸⁸³ In our view, this document shows that in May 2022, whilst Adobe saw Project Spice's target audience as marketing designers for 2022-23, its overall target audience was creative professionals, including both marketing and product designers.
- (n) In May 2022, Adobe held [REDACTED] customer roundtables on Project Spice and Adobe XD, followed by several individual customer briefings throughout the summer of 2022. In total, [REDACTED] enterprise customers were briefed about Project Spice.⁸⁸⁴ The presentation and speaking notes presented at the briefings describe taking '[REDACTED]' and solving challenges for marketing design teams. Later slides in the presentation and speaking notes also describe Canvas (Project Spice) as being for [REDACTED], and '[REDACTED]'. A roadmap is included with '[REDACTED]' in Q1 23, and '[REDACTED]'.⁸⁸⁵ A prototype titled 'high-level concept' for Project Spice was presented at the roundtables. It demonstrates several expected features of Project Spice, including the ability to [REDACTED].⁸⁸⁶ The Parties submitted that '[REDACTED]' and that '[REDACTED]'.⁸⁸⁷ In our view, this document shows that Project Spice was still being described to customers as being for marketing design and product design in May 2022, with a similar roadmap as set out in January.
- (o) A document summarising feedback from the London customer roundtable held on 3 May 2022 describes the customer response as [REDACTED], stating that customers see '[REDACTED]'. It also states that '[REDACTED]'.⁸⁸⁸ In our view, this document indicates that in early May 2022 Adobe was presenting Project Spice to customers as a replacement for Adobe XD.
- (p) Minutes from the London customer roundtable discuss Project Spice, stating that '[REDACTED]'. The minutes state that [REDACTED] (Adobe, VP of Experience

⁸⁸² Adobe Internal Document.

⁸⁸³ Adobe Internal Document.

⁸⁸⁴ Adobe response to the CMA's s109 notice.

⁸⁸⁵ Adobe Internal Document.

⁸⁸⁶ Adobe Internal Document.

⁸⁸⁷ Parties' response to TOH 1 working paper.

⁸⁸⁸ Adobe Internal Document.

Design and Collaboration)] explained that Adobe does see this as the [X]. It also states that '[X]', and that '[X]'.⁸⁸⁹ In our view, this document indicates that in early May 2022 Adobe was presenting Project Spice to customers as a replacement for Adobe XD, and stating that it would include marketing design and product design capabilities.

- (q) In a message dated 3 June 2022, [X] (Adobe, Director of Product Marketing) asks [X] (Adobe, Director of Experience Design) whether Adobe's Design team using Adobe XD will '[X]', to which [X] responds [X].⁸⁹⁰ In our view, this document indicates that in early June 2022 Project Spice was viewed within Adobe as a successor to Adobe XD.
- (r) An internal Adobe presentation titled 'Project Spice Q2 Look-back/Q3 Look-forward' dated June 2022, continues to show the [X]-wave plan. In addition, it includes a '[X]' plan with expected releases for '[X]', '[X]' and '[X]' all with dates to be determined. It also shows that there were signs of '[X]', while Adobe's hope was '[X]', as they [X].⁸⁹¹ The Parties submitted that this document shows that Project Spice was focused on marketing designers and that [X] was only an '[X]'.⁸⁹² In our view, this document shows that the previously presented roadmap for Project Spice, including product design, remained the same in June 2022.
- (s) A message from [X] (Adobe, SVP of Digital Media Global Marketing) dated 17 June 2022 says to '[X]'.⁸⁹³ The Parties submitted that this document was referring to Figma '[X]'.⁸⁹⁴ In our view, this document indicates that Adobe continued to see Project Spice as competing with Figma in June 2022, and specifically refers to layout/screen design.
- (t) In a message from [X] (Adobe, VP of CC Web App) dated 24 June 2022, he states in response to a suggestion that Project Spice could target '[X]', that Adobe needs to be [X]. He also states that Project Spice is intended to serve both product design and marketing design audiences.⁸⁹⁵ In our view, this document indicates that Project Spice was a competitive response to Figma and was intended to serve both marketing design and product design audiences.
- (u) Following the launch of the Project Spice private beta, an email from [X] (Adobe, VP of CC Web App) dated 28 June 2022 states, in response to a

⁸⁸⁹ Adobe Internal Document.

⁸⁹⁰ Adobe Internal Document.

⁸⁹¹ Adobe Internal Document.

⁸⁹² Parties' response to TOH 1 working paper.

⁸⁹³ Adobe Internal Document.

⁸⁹⁴ Parties' response to TOH 1 working paper.

⁸⁹⁵ Adobe Internal Document.

discussion of the private beta [REDACTED].⁸⁹⁶ In our view, this document indicates that in late June 2022 Adobe expected Project Spice to be in competition with Figma.

- (v) As described above (paragraph 8.125), throughout 2022 up to July, [REDACTED] monthly updates discuss Adobe XD and CC Web [Project Spice] together ([REDACTED])⁸⁹⁷ and make several mentions of [REDACTED]. In our view, these updates show that Project Spice continued to be seen within Adobe as a replacement for Adobe XD in product design and marketing design.

8.158 We also note that until February 2023, [REDACTED] (Adobe, VP of CC Web App), who was responsible for the development of Project Spice, reported directly to [REDACTED] (Adobe, Chief Product Officer of Creative Cloud).⁸⁹⁸ In [REDACTED] deposition, [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) confirmed that he does not report to [REDACTED] (Adobe, President of Digital Media), rather they are on a lateral plane.⁸⁹⁹ We think this is relevant as the Parties have recognised that [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) expected Project Spice to include product design (see paragraph 8.123a).

8.159 The Parties have submitted several documents that they state support their submission that Project Spice [REDACTED].

- (a) An email dated 17 March 2022 from [REDACTED] (Adobe, Product Marketing Manager) to [REDACTED] (Adobe, Senior Director of CC Product Marketing) states that '[REDACTED]'. The email also states '[REDACTED]'.⁹⁰⁰ In our view, this document only indicates that marketing design was the first priority for Project Spice, and that Adobe was not intending to recreate Figma Design. We do not consider it to be informative of whether Project Spice would have included product design capabilities or competed with Figma Design.
- (b) Notes from a meeting on 24 March 2022 attended by [REDACTED] (Adobe, Chairman and CEO) and [REDACTED] (Adobe, President of Digital Media) amongst others discuss Project Spice. One of the 'key takeaways' is that the '[REDACTED]'. The notes also discuss terminology around design and what it should include, with [REDACTED] (Adobe, VP of CC Web App) saying '[REDACTED]'. Whilst discussing the timeline regarding the public beta (which would include [REDACTED] features) [REDACTED] (Adobe, VP of Experience Design and Collaboration) states that '[REDACTED]' are not in design. [REDACTED] asks about the '[REDACTED]'. Following some discussion on the distinction between [REDACTED], [REDACTED] confirms that

⁸⁹⁶ Adobe Internal Document.

⁸⁹⁷ Adobe Internal Document.

⁸⁹⁸ Adobe, Submission to the CMA.

⁸⁹⁹ Adobe, Submission to the CMA.

⁹⁰⁰ Adobe Internal Document.

Project Spice is '[X]'.⁹⁰¹ The slides presented at this meeting continue to show a roadmap including '[X]' as part of the roadmap for after general availability.⁹⁰² In our view, these documents show that Project Spice was intended to include product design capabilities.

- (c) A document prepared for [X] (Adobe, President of Digital Media) and dated 18 April 2022 states under the heading '[X]', that '[X]'.⁹⁰³
- (d) A note of a meeting on 12 May 2022 attended by [X] (Adobe, Chairman and CEO), [X] (Adobe, Chief Product Officer of Creative Cloud), [X] (Adobe, President of Digital Media), and [X] (Adobe, VP of CC Web App) amongst others describes how the team walked through the end-to-end prototype for Project Spice which was focused on [X]. The note states that '[X]'. It also states that '[X]', and '[X]'.⁹⁰⁴ In our view, it is not surprising that this meeting focused on Project Spice's marketing design features given that the marketing design end-to-end prototype was being presented, and this does not indicate that marketing design was the only goal. The document also indicates that product design is part of the plan for Project Spice.
- (e) A note from [X] (Adobe, Chief Product Officer of Creative Cloud) dated 26 May 2022 states that Adobe will continue to build Project Spice '[X]'.⁹⁰⁵
- (f) A message from [X] (Adobe, Senior Director of CC Product Marketing) to [X] (Adobe, SVP of Digital Media Global Marketing) dated 6 June 2022 describes [X] about Project Spice, stating in response to a question about whether she is aligned with the strategy that, '[X]'.⁹⁰⁶ In our view, This document only indicates that [X] (Adobe, Senior Director of CC Product Marketing) was unsure of Project Spice's strategy at the time and is not informative of whether Project Spice was intended to include product design capabilities.
- (g) A message from [X] (Adobe, Senior Director of CC Product Marketing) to [X] (Adobe, SVP of Digital Media Global Marketing) dated 7 June 2022 regarding the Project Spice private beta states '[X]'. R0 and R1 are planned releases of the private beta. [X] (Adobe, SVP of Digital Media Global Marketing) replies saying '[X]', and that '[X]'.⁹⁰⁷ In our view, this

⁹⁰¹ Adobe Internal Document.

⁹⁰² Adobe Internal Document.

⁹⁰³ Adobe Internal Document.

⁹⁰⁴ Adobe Internal Document.

⁹⁰⁵ Adobe Internal Document.

⁹⁰⁶ Adobe Internal Document.

⁹⁰⁷ Adobe Internal Document.

document only indicates that [REDACTED] (Adobe, Senior Director of CC Product Marketing) and [REDACTED] (Adobe, SVP of Digital Media Global Marketing) wanted to see feedback from the Project Spice private beta to validate its value to customers and is not informative of whether Project Spice was intended to include product design capabilities.

- (h) Messages dated 28 June 2022 shortly before an executive meeting for the Pro Design category (which Project Spice was part of), [REDACTED] (Adobe, Senior Director of CC Product Marketing) asks about having a timeframe for when Adobe will be '[REDACTED]'. [REDACTED] (Adobe, VP of CC Web App) expresses surprise as [REDACTED] had thought that Adobe '[REDACTED]'. [REDACTED] states that '[REDACTED]'. [REDACTED] also expresses that '[REDACTED]'.⁹⁰⁸ In our view, this document indicates that Project Spice was intended to compete with Figma, although it was expected to take some time for Project Spice to be fully competitive for product design, and there were some concerns around its current delivery.
- (i) A message from [REDACTED] (Adobe, Senior Director of CC Product Marketing) dated 30 June 2022 describes that the Pro Design meeting mentioned above [REDACTED] but that '[REDACTED]'. [REDACTED] also states that Project Spice '[REDACTED]' and that '[REDACTED]'.⁹⁰⁹
- (j) Messages from [REDACTED] (Adobe, President of Digital Media) to [REDACTED] (Adobe, SVP of Digital Media Global Marketing) on 30 June 2022 describe the same meeting as '[REDACTED]' and suggests that [REDACTED] (Adobe, VP of CC Web App) and [REDACTED] (Adobe, Senior Director of CC Product Marketing) [REDACTED]. [REDACTED] also states that '[REDACTED]'.⁹¹⁰
- (k) The Parties also submitted that [REDACTED].⁹¹¹

8.160 In our view, these documents are consistent with our interpretation of other internal document evidence that Project Spice was focused on marketing design first, but with a view to both competing with Figma and including some product design features. In addition, we consider these documents are inconsistent with the Parties' submissions that Project Spice was only targeting marketing design.

⁹⁰⁸ Adobe Internal Document.

⁹⁰⁹ Adobe Internal Document.

⁹¹⁰ Adobe Internal Document.

⁹¹¹ Parties, Submission to the CMA.

8.161 Throughout July 2022, internal documents involving senior leaders on the project continue to express the expectation that Project Spice will cover marketing design and product design:

- (a) In a message to [REDACTED] (Adobe, Senior Director of CC Product Marketing) and [REDACTED] (Adobe, VP of Products Digital Media) on 25 July 2022, [REDACTED] (Adobe, VP of CC Web App) provides draft positioning text for Project Spice which states that to [REDACTED] Adobe has a vision which addresses the [REDACTED]. It also states that customers will expect a [REDACTED]. [REDACTED] (Adobe, VP of Products Digital Media) replies that [REDACTED].⁹¹² The Parties submitted regarding this document that [REDACTED] (Adobe, VP of CC Web App) offered to say in the executive presentation that [REDACTED].⁹¹³ In our view, this document indicates that in late July 2022 Project Spice was intended to be a collaborative tool for making marketing content, websites, and web and mobile apps, ie a marketing and product design tool. It also indicates that there was agreement within Adobe that this was the right strategy, despite the long timescales.
- (b) A document titled '[REDACTED]' and dated 25 July 2022, recommends [REDACTED]. The document states that '[REDACTED]' and recommends to '[REDACTED]'. [REDACTED] (Adobe, VP of CC Web App) commented on the document and [REDACTED].⁹¹⁴ In our view, this document indicates that in late July 2022 Project Spice was intended to include marketing design and product design capabilities.
- (c) A message from [REDACTED] (Adobe, Senior Director of CC Product Marketing) to [REDACTED] (Adobe, SVP of Digital Media Global Marketing) dated 25 July 2022 says '[REDACTED]'. [REDACTED] (Adobe, SVP of Digital Media Global Marketing) replies asking to talk as she wants 'to make sure I understand and agree'.⁹¹⁵ The Parties have submitted that [REDACTED] (Adobe, Senior Director of CC Product Marketing) was [REDACTED] with the leadership team at this time.⁹¹⁶ However, in our view this document indicates that in late July 2022, key individuals within Adobe intended for Project Spice to focus on product design for creative professionals.
- (d) A presentation titled 'Pro Design Exec Summary' prepared for a meeting on 27 July 2022 attended by [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) amongst others, shows that there were still plans to prioritise both '[REDACTED]' and '[REDACTED]', describing Project Spice as a '[REDACTED]'. However, the presentation also

⁹¹² Adobe Internal Document.

⁹¹³ Parties' response to TOH 1 working paper.

⁹¹⁴ Adobe Internal Document.

⁹¹⁵ Adobe Internal Document.

⁹¹⁶ Parties' response to TOH 1 working paper.

indicates [X] confidence in winning digital product design with Project Spice, and estimates Adobe would earn [X] USD [X] million ARR in FY25 for this aspiration (equivalent estimates for marketing and brand design are not shown).⁹¹⁷ The Parties submitted that this was drafted by [X] (Adobe, Senior Director of CC Product Marketing) who was [X] with the leadership team.⁹¹⁸ In our view, however, this draft is consistent with other documents, including in July 2022, that show Project Spice was intended to include marketing design and product design capabilities.

8.162 Following the meeting described above on 27 July 2022, there is a clear shift in direction coming from [X] (Adobe, President of Digital Media) and [X] (Adobe, SVP of Digital Media Global Marketing) to focus only on marketing design. We note that one week prior to this meeting, on 20 July 2022, Adobe and Figma agreed a letter of intent in relation to the Merger and entered into exclusivity up to 31 August 2022.⁹¹⁹ We also note that on 23 July 2022, [X] (Adobe, President of Digital Media) attended a meeting regarding the proposed acquisition of Figma ‘to land the assertions to test the deal thesis and related meetings/data needed for confirmatory diligence’.⁹²⁰ Internal documents suggest that this shift in direction was a surprise to other senior figures at Adobe:

- (a) A message dated 27 July 2022 from [X] (Adobe, Senior Director of CC Product Marketing) (ahead of the meeting) describes how [X] (Adobe, SVP of Digital Media Global Marketing) called her and wants to align on ‘[X]’. [X] (Adobe, VP of CC Web App) replies saying that ‘[X]’.⁹²¹ In our view, this document indicates that [X] (Adobe, VP of CC Web App) considered that Project Spice would first focus on marketing design, then move onto product design.
- (b) Further messages in the same chain after the meeting has taken place from [X] (Adobe, VP of CC Web App) describe a ‘[X]’. [X] then states that the change is ‘[X]’.⁹²² The Parties have submitted that [X] (Adobe, VP of CC Web App) was referring to [X].⁹²³ However we note that the email readout of the meeting makes no mention of [X], and states that ‘[X]’.⁹²⁴ In our view, therefore, this document indicates that [X] (Adobe,

⁹¹⁷ Adobe Internal Document.

⁹¹⁸ Parties’ response to TOH 1 working paper.

⁹¹⁹ Parties’ response to the CMA’s RFI.

⁹²⁰ Adobe Internal Document.

⁹²¹ Adobe Internal Document.

⁹²² Adobe Internal Document.

⁹²³ Parties’ response to TOH 1 working paper.

⁹²⁴ Adobe Internal Document.

VP of CC Web App) considered the direction to focus on marketing design only to be a big change.

- (c) A message from [REDACTED] (Adobe, Senior Director of CC Product Marketing) dated 28 July 2022 states that at the meeting there was a '[REDACTED]'.⁹²⁵
- (d) Another message from [REDACTED] (Adobe, Senior Director of CC Product Marketing) dated 28 July 2022 describes that '[REDACTED]' (original emphasis).⁹²⁶
- (e) An email readout of the meeting dated 29 July 2022 also describes the decision to focus on marketing design, although still states that '[REDACTED]'.⁹²⁷
- (f) A message dated 29 July 2022 from [REDACTED] (Adobe, Senior Director of CC Product Marketing) to [REDACTED] (Adobe, Senior Research Lead) states that '[REDACTED]'. [REDACTED] (Adobe, Senior Research Lead) replies saying '[REDACTED]', to which [REDACTED] (Adobe, Senior Director of CC Product Marketing) replies '[REDACTED]'.⁹²⁸
- (g) A message from [REDACTED] (Adobe, VP of CC Web App) dated 2 August 2022 discusses plans for Adobe XD considering the decision to focus Project Spice on marketing design. [REDACTED] states that the '[REDACTED]'.⁹²⁹ In our view, this document indicates that [REDACTED] (Adobe, VP of CC Web App) at that point considered that product design on Project Spice was delayed rather than cancelled.
- (h) A note dated 10 August 2022 authored by [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud) describes Project Spice, stating that '[REDACTED]', but goes on to state that '[REDACTED]'. The note describes several [REDACTED] of Adobe XD relative to Figma Design, and states that [REDACTED].⁹³⁰ In our view, this document indicates that in mid-August 2022 product design was still expected to be addressed by Project Spice at some point. It also indicates that Adobe, recognising Adobe XD as a weaker product than Figma Design, was investing heavily to catch up with Figma Design through Project Spice.
- (i) A document dated 28 August 2022 with custodian [REDACTED] (Adobe, Director of Product Marketing) outlines an overview for the positioning of Projects Canvas [ie Project Spice] and [REDACTED] [Illustrator Web]. It describes Canvas as [REDACTED]. It also notes that Canvas [REDACTED]. It states that the investment

⁹²⁵ Adobe Internal Document.

⁹²⁶ Adobe Internal Document.

⁹²⁷ Adobe Internal Document.

⁹²⁸ Adobe Internal Document.

⁹²⁹ Adobe Internal Document.

⁹³⁰ Adobe Internal Document.

horizon is [X] years from 2022.⁹³¹ In our view, this document indicates that Adobe planned for Project Spice to include marketing design and product design capabilities, with the expectation that it would be developed over several years.

- (j) A message dated 30 August 2022 from [X] (Adobe, VP of Products Digital Media) states that Adobe's Pro Design category has '[X]', describing this as [X]. [X] also states that [X] hopes Adobe '[X]'.⁹³² In our view, this document indicates surprise and confusion within Adobe in late August 2022 that Project Spice is focusing only on marketing design.

8.163 Overall, our view is that in contrast to the Parties' assertion that Project Spice was focused only on marketing design from February 2022 onwards, the above documents show that product design remained part of Adobe's plan for Project Spice, at least until the end of July 2022. We acknowledge that marketing design workflows were planned to be incorporated first and that the private and the first public betas would focus on ideation and marketing design. However, we consider the evidence is clear that product design remained part of the roadmap. Whilst there was some internal discussion and confusion about Project Spice's scope, this appears to be linked to the extent to which features for marketing design workflows would be fully completed before moving on to product design features.

8.164 In our view, the above documents also demonstrate that in late July 2022, there was a clear shift in direction, in particular from [X] (Adobe, President of Digital Media), to focus Project Spice on marketing design. However, we note that one week prior to this shift in direction, Adobe and Figma agreed a letter of intent in relation to the Merger and entered into exclusivity up to 31 August 2022.⁹³³ This suggests that this shift in direction was influenced by discussions of senior decision-makers in relation to the Merger. We therefore consider that the decision to limit the scope of Project Spice was a consequence of the Merger.

Cancellation of Project Spice

8.165 Project Spice was cancelled in early September 2022, approximately a week before the Merger was announced. In this section, we consider internal document evidence on its cancellation:

⁹³¹ Adobe Internal Document.

⁹³² Adobe Internal Document.

⁹³³ Parties' response to the CMA's RFI.

- (a) We first consider the Parties' arguments that the decision to cancel Project Spice was in part a result of technical challenges and poor private beta feedback.
- (b) We then consider who made the decision to cancel Project Spice and consider the Parties' arguments that this decision was motivated by the need to move resources to Adobe Express.

- *Technical challenges and beta feedback*

8.166 The Parties highlighted several documents indicating that Project Spice faced technical problems, delays and poor feedback, and that Adobe had low confidence in its delivery.⁹³⁴

- (a) A message from [REDACTED] (Adobe, VP of CC Web App) dated 26 May 2022 describes how many of Project Spice's [REDACTED], putting Project Spice's schedule at risk.⁹³⁵
- (b) A presentation dated 21 June 2022 titled 'CC Web All Hands' shows that in week two, weekly active users of the Project Spice private beta had [REDACTED]. The same slide however 'celebrates' having [REDACTED].⁹³⁶
- (c) An email dated 19 July 2022 from [REDACTED] (Adobe, VP of Digital Imaging), who is not part of the Project Spice team, notes that Project Spice [REDACTED]. She also notes that there appear to be '[REDACTED]'.⁹³⁷
- (d) A May 2022 'Go To Market' (**GTM**) assessment gave Project Spice an aggregate confidence level of [REDACTED]% based on ratings across four key areas, '[REDACTED]'. Regarding this assessment, this document states that '[REDACTED]'.⁹³⁸
- (e) An August 2022 briefing note repeats the qualitative assessment of the four key areas (but does not include an [REDACTED]) and describes Project Spice as '[REDACTED]'. It also notes that '[REDACTED]'.⁹³⁹

⁹³⁴ Parties' response to the phase 2 issues statement, 9 August 2023, Table 5; The Parties also highlighted earlier documents from 2021 in their submission. However as these documents pre-date Adobe's plan to include product design capabilities in Project Spice, and the increase in investment in Project Spice in October 2021, we do not consider these documents informative of the challenges Adobe faced in developing Project Spice or its cancellation.

⁹³⁵ Adobe Internal Document.

⁹³⁶ Adobe Internal Document.

⁹³⁷ Adobe Internal Document.

⁹³⁸ Adobe Internal Document.

⁹³⁹ Adobe Internal Document.

- (f) An email dated 22 August 2022 titled 'Agenda topics for the biweekly beta meeting with [REDACTED]' notes a '[REDACTED]'.⁹⁴⁰

8.167 Whilst these documents provide some evidence of concerns about Project Spice (largely regarding progress and timescales) and related internal projects (such as Horizon), we have not seen substantial contemporaneous evidence that senior decision makers considered these issues as critical or likely to lead to the cancellation of Project Spice, or that there were significant discussions about cancelling Project Spice. In contrast, the GTM assessments in May and August indicate an expectation that Adobe would proceed with the private beta to validate the product and audience. Some degree of challenge and uncertainty is to be expected when developing a product and we do not consider that the challenges and uncertainty (and the previous issues with Adobe XD) outlined in these documents, when viewed in the context of the totality of the extensive evidence from the relevant time period, demonstrate that Adobe had decided to exit the market absent the Merger.

8.168 Regarding the private beta, the Parties submitted that the private beta exit criteria (ie the criteria that needed to be met to move forward to public beta) were:⁹⁴¹

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED];
- (d) [REDACTED];
- (e) [REDACTED]; and
- (f) [REDACTED].

8.169 An internal document 26 May 2022 sets out the private beta rollout plan. It shows a plan for [REDACTED]. The document shows that the beta exit criteria were intended to be applied *after* the final release (emphasis added – see paragraph 8.171 below). The document describes the beta rollout plan as follows:⁹⁴²

⁹⁴⁰ Adobe Internal Document.

⁹⁴¹ Parties' response to the CMA's RFI; and Adobe Internal Document.

⁹⁴² Adobe Internal Document.

- (a) R0 with a date of 6 June, described as '[REDACTED]', with an invited audience of [REDACTED] users of whom [REDACTED]% are internal.
- (b) R1 with a date to be determined (this was released in August), described as '[REDACTED]', with an invited audience of [REDACTED] users of whom [REDACTED]% are internal.
- (c) R2 with a date to be determined, described as '[REDACTED]', with an invited audience of [REDACTED] users of whom [REDACTED]% are internal.
- (d) R3 with a date to be determined, described as '[REDACTED]', with an invited audience of [REDACTED] users of whom [REDACTED]% are internal.
- (e) R4 with a date to be determined, described as '[REDACTED]', with an invited audience of [REDACTED] users of whom [REDACTED]% are internal.

8.170 The Parties submitted an internal document dated 24 August 2022 which provided an update on the Project Spice beta learnings.⁹⁴³ The document states that total weekly active users (**WAU**) were [REDACTED], with [REDACTED] repeat weekly active users (**RWAU**), whilst external WAU were [REDACTED], with [REDACTED] external RWAU (aggregated across the R0 and R1 cohorts). The Parties state that these figures demonstrate that the private beta did not meet the stated exit goals as [REDACTED]. In addition, the Parties highlighted several customer feedback quotes which they state demonstrate that Project Spice [REDACTED], for example stating that [REDACTED], and that there was [REDACTED]. The document also highlights [REDACTED] feedback for example stating that '[REDACTED]'.⁹⁴⁴ A separate document records informal interview feedback on the beta. There are a [REDACTED]. [REDACTED] comments included '[REDACTED]' and '[REDACTED]' were the most common words used by both [REDACTED] and [REDACTED], and 'they [REDACTED]'. [REDACTED] comments included '[REDACTED]', and '[REDACTED]'.⁹⁴⁵

8.171 We note that by August 2022, the private beta had only reached the second of five planned releases. At this stage, the invited audience was less than [REDACTED] users, most of which were internal, and the product was an ideation tool with limited design capabilities. We do not therefore consider it appropriate to compare the WAU figures in August 2022 with the private beta exit criteria which were to be applied after the final release, when there would be [REDACTED] invited users and the product would be more developed.

⁹⁴³ Adobe Internal Document.

⁹⁴⁴ Parties' response to the CMA's RFI.

⁹⁴⁵ Adobe Internal Document.

8.172 In our view, the evidence we have on the Project Spice private beta does not demonstrate that it failed to meet the stated success criteria, or that the feedback on it contributed to Project Spice's cancellation.

8.173 We also sent questionnaires to all external customers who trialled the Project Spice private beta, receiving some responses.

(a) When asked which products they expected Project Spice would have competed with most, respondents listed whiteboarding tools such as Miro, FigJam, or Mural. A small minority of respondents listed Adobe XD and one listed Figma Design, although noting that the professional design tools in the Project Spice beta were much weaker. We consider these responses are unsurprising as the private beta was at this stage only a whiteboarding tool.⁹⁴⁶

(b) Respondents stated that they were not provided with information on the expected roadmap for Project Spice and therefore did not have clear ideas about what to expect from it. Most expected that it would become commercially available in some form, whether as a standalone application or integrated into Creative Cloud in another way. Most also expected it to remain a whiteboarding or ideation tool, although two respondents expected it to include some basic design capabilities.⁹⁴⁷

8.174 In our view, this third-party evidence is consistent with the fact that the Project Spice beta had only reached the second of five planned releases, and was focused initially on whiteboarding, with marketing design capabilities only planned for future beta releases. Product design features were planned for after public launch.

- *Adobe Express and decision to cancel Project Spice*

8.175 In a message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) dated 31 August 2022, [REDACTED] (Adobe, VP of CC Web App) recommended moving [REDACTED]. The Parties submitted that in a subsequent conversation between [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, VP of CC Web App), the two agreed to cancel Project Spice [REDACTED].⁹⁴⁸

(a) A message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] dated 31 August 2022 suggests [REDACTED] and making '[REDACTED]'. [REDACTED] (Adobe, VP of CC Web App)

⁹⁴⁶ Third-party responses to the CMA's phase 2 Project Spice Beta Trialist Testers questionnaire.

⁹⁴⁷ Third-party responses to the CMA's phase 2 Project Spice Beta Trialist Testers questionnaire.

⁹⁴⁸ Parties, Submission to the CMA.

suggests that the '[X]'. [X]states that this would '[X]'. [X] (Adobe, Chief Product Officer of Creative Cloud) replies suggesting that they talk.⁹⁴⁹

(b) In a subsequent phone conversation between [X] (Adobe, Chief Product Officer of Creative Cloud) and [X] (Adobe, VP of CC Web App) dated either 31 August 2022 or 1 September 2022⁹⁵⁰, the Parties submitted that [X] (Adobe, VP of CC Web App) said '[X]'. The Parties submitted that '[X] (Adobe, VP of CC Web App) made this recommendation while completely unaware of a potential Figma acquisition'.⁹⁵¹ At Adobe's Main Party Hearing, [X] (Adobe, President of Digital Media) stated that the decision to cancel Project Spice came from [X] (Adobe, VP of CC Web App) who '[X]'.⁹⁵²

(c) An email from [X] (Adobe, Chief Product Officer of Creative Cloud) dated 9 September 2022 states that Adobe has '[X]', and that '[X]'.⁹⁵³

8.176 However, an internal document suggests that the decision to cancel Project Spice came from [X] (Adobe, Chief Product Officer of Creative Cloud) rather than [X] (Adobe, VP of CC Web App). Messages between [X] (Adobe, VP of CC Web App) and [X] (Senior Director, HR Business Partner, Creative Cloud) dated 2 September 2022 follow the conversation between [X] (Adobe, Chief Product Officer of Creative Cloud) and [X] (Adobe, VP of CC Web App). [X] (Adobe, VP of CC Web App) states that [X], and that there is '[X]'. He goes on to state that [X] (Adobe, Chief Product Officer of Creative Cloud) had said to [X].⁹⁵⁴ When asked about who took the ultimate decision to cancel Project Spice, [X] (Adobe, Chairman and CEO) testified in [X] deposition to the DOJ that it was either [X] (Adobe, President of Digital Media) or [X] (Adobe, Chief Product Officer of Creative Cloud) or a combination of the two.⁹⁵⁵ We consider this significant because unlike [X] (Adobe, VP of CC Web App), [X] (Adobe, Chief Product Officer of Creative Cloud) and [X] (Adobe, President of Digital Media) were aware of the Merger at this time.

8.177 The Parties also highlighted documents that they claim show that Adobe Express (sometimes referred to as [X]) represented a greater opportunity than Project Spice and required additional resources.

⁹⁴⁹ Adobe Internal Document.

⁹⁵⁰ Adobe, Submission to the CMA.

⁹⁵¹ Parties' response to TOH 1 working paper.

⁹⁵² Adobe Main Party Hearing transcript.

⁹⁵³ Adobe Internal Document.

⁹⁵⁴ Adobe Internal Document.

⁹⁵⁵ Adobe, Submission to the CMA.

- (a) A document dated March 2022 describes some of the key risks and dependencies in delivering Adobe Express. It identifies that '[REDACTED]'.⁹⁵⁶
- (b) A document dated 23 July 2022 states Adobe's aspirations for Adobe Express as [REDACTED].⁹⁵⁷
- (c) Another document dated July 2022 titled '[REDACTED]' notes that [REDACTED]. This document sets out four options for Project Spice, none of which are cancellation or moving resources away from working on Project Spice requirements.⁹⁵⁸

8.178 However, it is notable that, compared to the decisions to shift resources from Adobe XD to Project Spice, there is very limited internal document evidence preceding the shift of resources from Project Spice to Adobe Express that discusses or demonstrates the rationale for the decision.

8.179 Additionally, in a message to [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud) dated 1 September 2022, [REDACTED] (Adobe, President of Digital Media) [REDACTED] (Adobe, Chief Product Officer of Creative Cloud)'s organisation. He states that Adobe's '[REDACTED]'. [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud) states that he has spoken to [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and that '[REDACTED]'. [REDACTED] also states that '[REDACTED]'. [REDACTED] (Adobe, President of Digital Media) then suggests [REDACTED].⁹⁵⁹ In our view, this indicates that the leader of Adobe Express – [REDACTED] (Adobe, SVP of Adobe Express and Creative Cloud) – did not think that the project required all the resources of Project Spice to succeed.

8.180 Furthermore, there is evidence that Adobe considered offering the combination of Adobe Express and Project Spice to be important for its strategy.

- (a) For example, a slide presented to customers at roundtable events in May 2022 shows a continuum between the '[REDACTED]' toolset of Adobe Express, and the '[REDACTED]' toolset of Project Spice. The speaking notes to the slide describe that '[REDACTED]'. It notes that '[REDACTED]'.⁹⁶⁰
- (b) This is also highlighted in the '[REDACTED]' document dated 26 July 2022, which states that the team want to '[REDACTED]'.⁹⁶¹

⁹⁵⁶ Adobe Internal Document.

⁹⁵⁷ Adobe Internal Document.

⁹⁵⁸ Adobe Internal Document.

⁹⁵⁹ Adobe Internal Document.

⁹⁶⁰ Adobe Internal Document.

⁹⁶¹ Adobe Internal Document.

8.181 We also note that even if permanently cancelling Project Spice were necessary in order to prioritise Adobe Express (which we do not agree is supported by the evidence), product design also represented an important opportunity for Adobe with significant potential revenue. Adobe's estimated ARR for [X] as shown in its valuation model was USD [X] million.⁹⁶² We also note that Adobe has agreed to acquire Figma for USD 20 billion, suggesting that financial resource constraints are not an issue.

8.182 Overall, we understand from the Parties' internal documents that delivering on Adobe Express was an important opportunity and strategic objective for Adobe. However, our view is that the internal document evidence does not, overall, support the position that, absent the Merger, Adobe would need to have permanently exited all-in-one product design software in order to deliver Adobe Express. In fact, as set out in Chapter 6, we have provisionally concluded that the decision to cancel Project Spice was a consequence of the Merger.

Our assessment of the Parties' submissions on Adobe's ability and incentive to 're-enter product design organically'

Parties' submissions

8.183 The Parties submitted that Adobe exited the product design market before the Merger and would not re-enter the product design space organically. They stated that Adobe is not well placed to do so from a [X] perspective, and that it does not have the incentive to do so given its other priorities.⁹⁶³

8.184 In relation to Adobe's technical ability to develop a competitive product design tool:

(a) The Parties submitted that [X] expertise to develop a [X] and has already [X] to do so over a period of more than [X]. Further, the Parties submitted that a [X] requires key capabilities that are [X], including [X].⁹⁶⁴

(b) The Parties submitted that Adobe's [X].⁹⁶⁵

⁹⁶² Adobe Internal Document.

⁹⁶³ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs B5.38-B5.43; Adobe, Submission to the CMA. [X].

⁹⁶⁴ Adobe, Submission to the CMA.

⁹⁶⁵ Adobe, Submission to the CMA.

- (c) The Parties submitted that Adobe's strength in creative tooling is not an advantage for re-entry into product design, and other companies with experience developing web-based products are better placed to enter.⁹⁶⁶

8.185 In relation to Adobe's incentive to develop a product design tool, the Parties submitted that Adobe has more attractive financial opportunities and can only commit to [X]. In particular, as discussed above, the Parties submitted that [X] is a more [X].⁹⁶⁷

8.186 The Parties submitted that Project Spice was forecasted to achieve only USD [X] million of ARR by FY2025 with [X] confidence, whereas Adobe Express [X] to enter the prosumer space. They submitted that Adobe's internal documents supported this significant opportunity, noting that:

- (a) In [X], the [X] project team identified a total addressable market for [X] of USD [X] billion in 2024;
- (b) In [X], Adobe's aspirations as set out in its FY2023-2025 Strategy Plan were for Adobe Express to reach [X] million MAUs and USD [X] million ARR by the end of FY2025; and
- (c) Performance indicators demonstrate that Adobe Express is already showing indication of having [X] with MAU growing to [X] million as of May 2023.⁹⁶⁸

8.187 The Parties submitted that Project Spice was not an attempt to build an integrated tool that would combine product design and creative tooling capabilities or a competitive response to Figma, and that Adobe does not have the strategic incentive to develop such a tool. The Parties submitted that Adobe lacks this incentive for the following reasons:

- (a) There is no demand for a [X].
- (b) Figma's [X].
- (c) The [X].
- (d) There is no basis for concluding that Figma represents a competitive constraint to Adobe, even where entry is unsuccessful.
- (e) Adobe's [X].⁹⁶⁹

⁹⁶⁶ Adobe, Submission to the CMA.

⁹⁶⁷ Adobe, Submission to the CMA.

⁹⁶⁸ Adobe, Submission to the CMA.

⁹⁶⁹ Adobe, Submission to the CMA.

8.188 The Parties also submitted that Adobe's valuation of Figma does not signal an incentive to re-enter product design organically. They submitted that Adobe's purchase price was based on the standalone value and synergies and was 'in line with other fast growing "software as a service" firms. Further, they submitted that comparing the payment for Figma with the hypothetical cost of entry is an incorrect comparison because willingness to pay for a successful business with customers and revenues is different from a willingness to embark on an attempt at de-novo entry with significant risks and minimal prospects of success.⁹⁷⁰

8.189 The Parties submitted that any analysis of Adobe's incentives should not be based on a selection of internal documents that do not reflect corporate intent. They submitted that internal documents also have to be weighed against the various factors impacting Adobe's strategic and financial incentives and the concrete decisions that have been made by Adobe.⁹⁷¹

Our assessment

8.190 We note that the Parties' arguments that Adobe would not have the incentive to 're-enter' the product design market organically are predicated on the assumption that Adobe would have exited the market absent the Merger. This assumption is inconsistent with our findings on the counterfactual.

8.191 In Chapter 6, we found that placing Adobe XD in 'maintenance mode' did not represent exit from the market for all-in-one product design software, and that the decision to cancel Project Spice was a consequence of the Merger (see paragraphs 6.63 and 6.75), such that Adobe would have continued to compete including through its innovation efforts in all-in-one product design software, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways. For a competitor already active within a market (and absent compelling evidence supporting an exiting firm counterfactual), we do not consider it necessary to conduct an additional separate assessment of the firm's ability and incentive to operate in the market. Given this context, the Parties' submission that Adobe would not have the ability or incentive to re-enter product design organically would amount effectively to an exiting firm counterfactual (in which the counterfactual proposed by the Parties is less competitive than the pre-Merger conditions).

8.192 We therefore do not consider that the Parties' arguments, framed as Adobe's incentive to 're-enter' this market, are relevant for our assessment of closeness of competition. However, given the Parties' submissions, we set

⁹⁷⁰ Adobe, Submission to the CMA.

⁹⁷¹ Adobe, Submission to the CMA.

out below our assessment of the Parties' arguments in this respect, on the facts and evidence of this case.

- 8.193 In relation to the Parties' submissions that Adobe does not have the ability to develop a competitive product design tool, and that it would take Adobe close to a [REDACTED] to do so, we note that this submission is inconsistent with Adobe's internal documents. As discussed at paragraphs 8.156 to 8.164 above, Adobe's internal documents show that the Project Spice team were planning and had taken steps to build a tool that would be broadly competitive with Figma in the product design space by 2023. We have considered Adobe's technical submissions in more detail in Appendix D.
- 8.194 In relation to the Parties' submissions that Adobe does not have the incentive to develop a product design tool, as noted in Chapter 6, Adobe's prolonged ([REDACTED]) investment in product design is indicative of the importance of product design to Adobe and suggests that Adobe had the incentive to continue to compete in this space absent the Merger. We also consider that Adobe's decision to pay USD 20 billion to acquire Figma and enhance its position in product design is indicative of the importance of product design to Adobe. Further, Adobe's experience in developing a product design tool and its sizeable current set of product design customers (through Adobe XD) makes it well-placed to develop a new product design tool (as it was doing with Project Spice prior to and during the contemplation of the Merger).
- 8.195 Also, as discussed in the Chapter 6, Adobe estimated a total addressable market for product design of USD [REDACTED] billion, which we consider provides a strong incentive for Adobe to continue to compete (as illustrated by Adobe's significant investments in Project Spice, see paragraphs 8.143 to 8.147).
- 8.196 With respect to the presentation titled '[REDACTED]' prepared for a meeting on 27 July 2022 attended by [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), which forecasts with [REDACTED] confidence that by '[REDACTED]', Project Spice could achieve USD [REDACTED] million of ARR by FY2025,⁹⁷² we do not consider that this indicates that Adobe would not have the incentive to continue to compete in product design.
- (a) It is not clear how this estimate was derived, and it does not appear to have been given considerable weight by Adobe's management. For example, [REDACTED] (Adobe, SVP of Digital Media Global Marketing) stated at Adobe's Main Party Hearing that '[REDACTED]'.⁹⁷³

⁹⁷² Adobe Internal Document.

⁹⁷³ Adobe Main Party Hearing transcript.

- (b) Also, this figure only showed a revenue estimate shortly after the launch of Project Spice, so does not include any revenue that Adobe may have generated from selling a product design tool in subsequent years, ie after it had built up a larger customer base or shifted customers across from Adobe XD. Adobe could also have decided to sell Project Spice as part of the Creative Cloud bundle, and it is unclear whether the value that Project Spice might offer to a future bundle is included in this figure.
- (c) Finally, the estimate of USD [REDACTED] million accounts for only [REDACTED]% of Adobe's estimate of the total addressable market for product design. Such a large discrepancy indicates that this is unlikely to be a credible estimate of the revenue that Adobe would receive from building a product design tool.

8.197 In relation to Adobe's submissions regarding Adobe Express, as set out at paragraph 8.182 above, we do not agree that Adobe's efforts to develop a new product design tool would need to be permanently stopped in order to prioritise Adobe Express.

8.198 With respect to the Parties' submissions on our approach to assessing internal documents, as noted in Chapter 5, when deciding how much weight to give to an internal document, we have considered the context in which the document was produced as well as its purpose and effect. In deciding what weight to attach to internal documents we considered a number of factors, including the identity and role of the staff that prepared, sent, or received them and we sought to rely on documents produced by or for senior decision-makers within the Parties' businesses. Specifically in relation to Adobe's ability and incentive to continue to compete in product design, we agree with the Parties that it is important to consider the concrete decisions that have been made by Adobe. In particular, we consider the significant investments that Adobe has made in product design in the [REDACTED] prior to the Merger to be strong evidence of decisions made by Adobe indicating that it would have had a strong incentive to continue competing in product design absent the Merger.

8.199 In addition to the revenue opportunities available to Adobe through its investment in product design, Adobe's internal documents indicate that it had an additional motivation, over and above the motivation already shown above, for continuing to compete in product design, of protecting Adobe's flagship products such as Illustrator and Photoshop from the threat of Figma expanding into creative tooling from its strong position in product design. We discuss Adobe's response to this threat in paragraph 9.121.

Provisional views on closeness of competition

- 8.200 Our provisional view is that Figma is the clear market leader in all-in-one product design software for professional users, and that Adobe is a close competitor to Figma, through Adobe XD and Adobe's development of Project Spice.
- 8.201 Evidence suggests that Figma considered Adobe as one of its main competitors and was consistently aware of the threat it posed. Although Figma viewed Adobe XD as a weaker product than Figma Design (albeit with some competitive advantages), Figma continued to monitor Adobe XD carefully even after Adobe reduced the resourcing on Adobe XD and Figma was aware of the possibility that Adobe had the ability to develop Adobe XD further, including by making it web based. Similarly, while third parties generally view Adobe XD as a weaker product than Figma Design, it is generally considered to be an adequate alternative and often considered the closest competitor to Figma Design. In addition, given our conceptual and methodological concerns with the Parties' switching analysis set out in Appendix C, we consider this analysis does not provide support for the Parties' argument that Adobe XD does not constrain Figma Design.
- 8.202 Whilst Adobe had significantly reduced the resources allocated to Adobe XD by the time the Merger was announced and had limited plans for introducing new features, the evidence shows that Adobe XD remained a key competitor to Figma Design and would in the absence of the Merger be expected to compete for a few years at least while customers were being moved to Project Spice over time. We also note that decisions and actions by Adobe in consequence of the Merger are likely to have affected the status and market perception of Adobe XD today. As discussed in Chapter 7, given that such decisions and actions are a consequence of the Merger, they do not form part of the counterfactual. Accordingly, we do not take them into account in our assessment of Adobe XD's competitive strength.
- 8.203 Our view is that the evidence shows that Adobe's rationale for reducing investment in Adobe XD in 2021 and 2022 was primarily to increase investment in Project Spice. Project Spice was intended to be a web-based tool with product design capabilities that would compete more strongly with Figma by allowing for real-time collaboration between professional users and including functionalities from Adobe's flagship products. Project Spice was planned to be developed in phases; starting with whiteboarding, followed by marketing design, and subsequently product design. In our view, Adobe planned to move customers from its existing product design tool – Adobe XD – to Project Spice over time as the latter developed more features. We consider that in its development of Project Spice, Adobe would also have

continued to benefit from its ability to offer a product design tool as part of a bundle through its Creative Cloud suite of products.

- 8.204 Adobe's internal documents show that product design remained part of Adobe's plan for Project Spice until at least the end of July 2022. In late July 2022, one week after Adobe and Figma signed an exclusive letter of intent regarding the Merger, [REDACTED] (Adobe, President of Digital Media) reduced the scope of Project Spice, despite it having been in development for over two years, in a decision that surprised the Project Spice development team. In our view, this decision to limit the scope of Project Spice was a consequence of the Merger.
- 8.205 In early September 2022, six days before the announcement of the Merger, Adobe cancelled Project Spice. As set out in Chapter 6, our provisional view is that the decision to cancel Project Spice was a consequence of the Merger, rather than a result of technical challenges and poor initial feedback on Project Spice, or because it was necessary to move resources to Adobe Express.
- 8.206 We therefore consider that, absent the Merger, Adobe would have continued to compete including through its innovation efforts in all-in-one product design software, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways, and would have remained a close competitor to Figma. For a competitor already active within a market (and absent compelling evidence supporting an exiting firm counterfactual), we do not consider it necessary to conduct an additional separate assessment of the firm's ability and incentive to operate in the market. We consider that Adobe's efforts in product design over the years and months leading up to the Merger, including through its continued provision of Adobe XD and its development of Project Spice, provide clear contemporaneous evidence that Adobe had the ability and incentive to continue its efforts in product design.

Competitive constraints on the Merged Entity

- 8.207 In this section, we consider the extent to which other competitors exercise a constraint on the Parties' all-in-one product design software and whether such competitors are sufficient to constrain the Merged Entity post-Merger.

Parties' submissions

- 8.208 The Parties submitted that, following the Merger, the Merged Entity will continue to have a number of competitors in product design.

- 8.209 The Parties submitted that sources of competitive pressure and innovation are multiplying as product design and product development (ie coding) converge. They described how Figma previously disrupted the market and how there will be further disruption and innovation with the emergence of sophisticated design to production software and AI. As a result, they submitted that several alternatives to all-in-one product design software exist, including using a combination of point tools, integrated design to production or no-code/low-code tools, visual interface builders or integrated developer environments (IDEs), and tools that utilise AI.⁹⁷⁴
- 8.210 The Parties also submitted that innovation is a key parameter of competition, and that Figma's innovations and new feature development are driven by a wide range of competitors. To demonstrate this they submitted a table showing the new features implemented by Figma since 2018, and the competitor each such feature was in response to. The Parties also highlighted several innovative competitors including [X].⁹⁷⁵
- 8.211 The Parties submitted that this wide range of competitors are reflected in Figma's internal documents. They highlighted several documents [X]. They stated that this indicates that Figma considers a wider range of competitors than just Adobe and Sketch.⁹⁷⁶
- 8.212 The Parties submitted that an assessment of the competitive landscape should be forward looking, as it is characterised by rapid innovation and new entry and expansion.⁹⁷⁷
- 8.213 The Parties also submitted that the wording of the CMA's customer questionnaires may lead to the constraint from point tools being understated. This is because in the Parties' view, the definition of 'screen design' used in the CMA's customer questionnaire is too broad and would therefore encompass many respondents who do not need to undertake activities such as prototyping or handoff, and therefore have less need to use point tools. In addition, the Parties stated that the questionnaire only considers the possibility of complete substitution between all-in-one tools and point tools, and therefore ignores the constraint from partial substitution.⁹⁷⁸ In response to the CMA's working papers, the Parties submitted that the CMA's finding that partial substitution does not represent as substantial a competitive threat as all-in-one alternatives stands 'in stark contrast' to the CMA's assertion in

⁹⁷⁴ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B6.2-B6.7.

⁹⁷⁵ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B6.8-B6.13.

⁹⁷⁶ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B6.14-B6.16.

⁹⁷⁷ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs B6.17-B6.20.

⁹⁷⁸ Parties', Letter to the CMA.

relation to TOH2 (that Figma would not need to match the full functionality of Adobe's products to target screen design use cases).⁹⁷⁹

- 8.214 Figma submitted that the key requirements for entry into product design are research and development (R&D) costs and technical expertise. Figma noted that cost of entry is dependent on the nature of the product being introduced into the market (ie a product with fewer features would cost considerably less to develop than a full-fledged product). Figma also submitted that scale of entry in terms of markets targeted, and customer acquisition channels adopted would have an impact on entry costs.⁹⁸⁰
- 8.215 Figma submitted that barriers to entry can be low, for new entrants that are already experienced in building web-based collaborative products.⁹⁸¹ Figma submitted that barriers to expansion into product design are low, as it is cheaper than entry and extra costs would only relate to the costs of additional features or geographical expansion.⁹⁸² Figma also submitted that competitors can rely on the positive funding environment that exists in relation to the development of product design tools. Figma cited a number of market players that have successfully secured funding in recent years.⁹⁸³
- 8.216 Adobe submitted that the key barriers to entry into product design software are (i) technical capabilities, (ii) access to engineering talent (iii) product development costs and (iv) the time needed to develop a product in an innovative and dynamic market.⁹⁸⁴ Adobe submitted that these barriers have not deterred new entry or expansion into product design, noting new entrants such as Framer, Uizard, Penpot, ProtoPie, among others.⁹⁸⁵
- 8.217 Adobe also submitted that due to the market's movement towards multi-player collaborative product design and other innovations (eg targeting developers and developer handoff), any new entrant would need to have a suitable underlying technology platform and capability to provide the requisite functionalities in order to enter and be competitive.⁹⁸⁶
- 8.218 In response to the CMA's working papers, the Parties submitted that:
- (a) Having defined the market to include marketing design use cases, the CMA's competitive assessment failed to take into account marketing

⁹⁷⁹ Parties' response to TOH 1 working paper.

⁹⁸⁰ Figma response to the CMA's s109 notice.

⁹⁸¹ Figma response to the CMA's s109 notice.

⁹⁸² Figma response to the CMA's s109 notice.

⁹⁸³ Figma response to the CMA's s109 notice.

⁹⁸⁴ Adobe response to the CMA's s109 notice.

⁹⁸⁵ Adobe response to the CMA's s109 notice.

⁹⁸⁶ Adobe response to the CMA's s109 notice.

design players, including Canva.⁹⁸⁷ The Parties also submitted that Framer continues to offer an all-in-one product design tool, so should be considered an in-market constraint.⁹⁸⁸

- (b) It is unreasonable to expect Figma's internal documents to evidence concern of losing customers to competitors. Rather, the Parties submitted that the fact that Figma feels the need to [✂] is evidence in itself of [✂].⁹⁸⁹
- (c) Framer continues to compete with and challenge Figma. The Parties referred to public sources and an interview with Framer's CEO and co-founders to indicate that Framer was challenging Figma.⁹⁹⁰ They also quoted a public source, Gartner, which forecast significant expansion from no-code/low-code tools in the next three years.⁹⁹¹ The Parties further submitted that no-code/low-code tools like [✂] pose a fundamental disruptive threat to Figma's business model.⁹⁹²

Our assessment

8.219 In this section, we first consider competitive constraints from providers of all-in-one product design tools for professional users.

8.220 We then consider (i) point tools; (ii) no-code/low-code tools and (iii) prosumer tools. As set out in Chapter 7, we consider these providers (ie point tools, no-code/low-code and prosumer software providers) to fall outside the relevant market of all-in-one product design software for professional users. We therefore consider the extent to which providers of these tools impose an out-of-market constraint. However, as discussed in detail below, we consider that our competitive assessment and provisional conclusions would not materially change if these tools were included in the relevant product market.

⁹⁸⁷ Parties' response to TOH 1 working paper.

⁹⁸⁸ Parties' response to TOH 1 working paper.

⁹⁸⁹ Parties' response to TOH 1 working paper.

⁹⁹⁰ See [Website Design Startup Framer Reinvented Itself — And Now It's Challenging Figma \(forbes.com\)](#), dated 28 September 2023 which quotes Framer's CEO stating that Framer is 'challenging Figma' and Framer's cofounder stating that 'putting together the designing and building of websites will change how they are built... this is how all websites will be built in the future and that's what's driving our success here'. Also see '[Framer | Cédric's Stack](#)', which describes Framer as a web builder 'which evolved from a UI and prototyping tool in 2020 into a nocode web builder in 2022', but also states that Framer allows for 'custom design in a canvas like in Figma'. Also see '[Webflow vs. Framer - no code tools comparison](#)', dated 24 April 2023, which states that Framer 'feels similar' to Figma, and that 'no code tools are the next must-have weapons for designers (next to AI). Knowing Figma is a standard. No code is a thing that makes you stand out... for now. In the near future, experience with this kind of tool will be a must too'.

⁹⁹¹ See [Gartner Says Cloud Will Be the Centerpiece of New Digital Experiences](#), which estimates that by 2025, '70% of new applications developed by organisations will use low-code or no-code technologies, up from less than 25% in 2020'.

⁹⁹² Parties' response to TOH 1 working paper.

8.221 Finally, we assess barriers to entry and disruptive threats, including AI and machine learning (ML).

Constraints from providers of all-in-one product design software for professional users

8.222 In this section we provide a brief overview of the main competitors in all-in-one product design software for professional users and consider the evidence on the strength of the constraint they provide.

8.223 As described above (see paragraph 8.65 above), besides Figma Design and Adobe XD, the only other sizable competitor (in terms of share of supply) in the market is Sketch.

8.224 The Parties submitted that each of Penpot, Framer, Axure, UXPin, Uizard, Lunacy and Justinmind also provide an all-in-one product design software.⁹⁹³

8.225 The evidence is mixed on the extent to which each of these parties provide the entire product design workflow. For the reasons set out below, we consider each of Penpot, Axure, UXPin, Uizard and Lunacy as competing in the market for all-in-one product design software for professional users and assess them each in turn below. We consider Justinmind to be a point tool and consider that Framer primarily provides a no-code/low-code tool, so consider them in the out-of-market constraints section below. Finally, in this section we assess InVision, which has recently exited the market, as acknowledged by the Parties.⁹⁹⁴

Sketch

8.226 Sketch is an all-in-one product design tool that was released in 2012 and was the first dedicated product design software and the market leader until being replaced by Figma. It is a desktop-based product and is only available for Mac operating systems.⁹⁹⁵ Sketch is owned by Dutch company Sketch BV (formerly named Bohemian Coding).⁹⁹⁶

8.227 The Parties estimated that Sketch's revenue ranged from USD [X] million.⁹⁹⁷ The Parties further submitted that this is likely an underestimate given

⁹⁹³ Parties' response to TOH 1 working paper.

⁹⁹⁴ Parties' response to TOH 1 working paper.

⁹⁹⁵ Third-party call note.

⁹⁹⁶ 'Sketch – Learn and use the UX design tool – The Designer's Toolbox', accessed by the CMA on 23 November 2023.

⁹⁹⁷ FMN. 'Sketch – Overview, News and Competitors', accessed by the CMA on 23 November 2023. 'Sketch: Revenue, Competitors, Alternatives', accessed by the CMA on 23 November 2023.

Sketch's public statement that it crossed 1 million paid customers in 2018 and charges annual fees of USD 99.⁹⁹⁸

8.228 Based on our own evidence gathering, we consider these estimates significantly overestimate Sketch's revenues. Sketch had revenues of approximately USD [X] million in each year from 2020 to 2022.⁹⁹⁹

8.229 The aforementioned public domain sources, Growjo and Zoominfo, suggest that Sketch currently has slightly over 130 employees (estimating 134 and 137 respectively), though this includes all employees and not just number of engineers.¹⁰⁰⁰

8.230 In relation to product development, Sketch stated that its roadmap includes the launch of new features and a marketing campaign and that it will remain focused on Mac users.¹⁰⁰¹

8.231 A number of Figma internal documents that describe the competitive constraints for Figma in the market consider Sketch (alongside Adobe XD) as a close competitor. For example:

(a) An October 2020 document titled '[X]', shows Figma's key competitors including [X] (with the latter three described as 'ancillary'). [X]. The same document rates these competitors against various criteria. [X] is ranked in combination [X] as generally level or weaker than [X], except for '[X]' where it is stronger. By way of comparison, in that document [X] are ranked weaker than [X] (as well as weaker than [X], but stronger for [X]).¹⁰⁰²

(b) A document dated 13 October 2020 titled '[X]', describes [X].¹⁰⁰³

(c) A document prepared in October 2020 contains key insights from research, data and customer facing teams to help identify potential future opportunities and challenges. It states that the product design industry '[X]'.¹⁰⁰⁴

(d) A document dated February 2021 reports the findings of brand awareness research carried out by [X] on Figma and its competitors. [X]. Figma has

⁹⁹⁸ FMN; and 'Sketch raises 20m in series A funding from Benchmark', 13 March 2019, accessed by the CMA on 23 November 2023.

⁹⁹⁹ Response to the CMA's phase 1 competitor questionnaire.

¹⁰⁰⁰ 'Sketch: Revenue, Competitors, Alternatives', accessed by the CMA on 23 November 2023; and 'Sketch – Overview, News and Competitors', accessed by the CMA on 23 November 2023.

¹⁰⁰¹ Third-party call note.

¹⁰⁰² Figma Internal Document.

¹⁰⁰³ Figma Internal Document.

¹⁰⁰⁴ Figma Internal Document.

clarified that it has had concerns about the data quality of this report and it was not adopted internally at Figma.¹⁰⁰⁵

- (e) A document dated 17 June 2021 discusses how to [REDACTED]. In a section titled '[REDACTED]', the document considers [REDACTED].¹⁰⁰⁶
- (f) In a document containing company priorities dated 7 January 2022, [REDACTED] (Figma, Group Product Manager, Collaboration & Native) [REDACTED].¹⁰⁰⁷
- (g) A document titled '[REDACTED]' dated 28 January 2022 [REDACTED].¹⁰⁰⁸
- (h) A document dated 22 June 2022 discusses [REDACTED] with respect to prototyping. It describes how '[REDACTED]'.¹⁰⁰⁹
- (i) A presentation from September 2022 titled '[REDACTED]' shows [REDACTED].¹⁰¹⁰

8.232 Similarly, Adobe internal documents that describe the competitive constraints for Adobe XD often consider Sketch (alongside Figma) as a close competitor:

- (a) A spreadsheet titled '[REDACTED]' last updated in April 2020, [REDACTED].¹⁰¹¹
- (b) A presentation dated September 2021 titled '[REDACTED]' includes a competitive overview slide which includes [REDACTED].¹⁰¹²
- (c) A presentation updated in July 2020 titled '[REDACTED]' describes [REDACTED] which are analysed in detail. The presentation states that '[REDACTED]'.¹⁰¹³
- (d) A presentation dated March 2021 on the competitive landscape across different segments and categories shows [REDACTED] along with [REDACTED].¹⁰¹⁴
- (e) A February 2022 document provides an overview of the ecosystem for screen design. It breaks core screen design into three stages: design, prototype, and handoff. [REDACTED].¹⁰¹⁵

¹⁰⁰⁵ Figma Internal Document.

¹⁰⁰⁶ Figma Internal Document.

¹⁰⁰⁷ Figma Internal Document.

¹⁰⁰⁸ Figma Internal Document.

¹⁰⁰⁹ Figma Internal Document.

¹⁰¹⁰ Figma Internal Document.

¹⁰¹¹ Adobe Internal Document.

¹⁰¹² Adobe Internal Document.

¹⁰¹³ Adobe Internal Document.

¹⁰¹⁴ Adobe Internal Document.

¹⁰¹⁵ Adobe Internal Document.

8.233 As described above, we collected evidence from third parties that the Parties stated competed with Adobe XD and Figma Design¹⁰¹⁶, and from customers of Adobe and Figma. Respondents were asked to list alternatives to Figma Design and Adobe XD and provide a score from 1 to 5 based on how strong an alternative the products were (1 being very weak, 2 weak, 3 adequate, 4 strong, 5 very strong). Sketch was consistently mentioned as an alternative product and generally rated as at least adequate:

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, all respondents listed Sketch as an alternative. The ratings ranged from 3 to 5, with an average of 3.86. All but one of these respondents saw it as the closest, or joint-closest, alternative, with the other closest alternatives being Adobe XD (a few respondents), Axure (one respondent), Photoshop and Illustrator (one), Lunacy (one) and Penpot (one).¹⁰¹⁷
- (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, all but one listed Sketch as an alternative. The ratings ranged from 4 to 5, with an average of 4.4. The majority of these respondents saw it as the closest, or joint-closest, alternative, with the other closest alternatives being Figma Design (half of the respondents), Lunacy (a few respondents), and Penpot (one respondent).¹⁰¹⁸
- (c) Of the total large and mid-sized customers who provided alternatives to Figma Design, the majority of customers listed Sketch as an alternative, making it the second most-common alternative (after Adobe XD). The ratings ranged from 1 to 5, with an average rating of 3.2. Over half of the respondents that listed Sketch as an alternative saw it as the closest or joint-closest, alternative, with Adobe XD being the only other closest alternative listed.¹⁰¹⁹
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, the majority of customers listed Sketch as an alternative, making it the second most common alternative (after Figma Design). The

¹⁰¹⁶ As discussed in Chapter 7 and noted above in paragraph 8.98, we have considered the effect of the Merger in the market for all-in-one interactive product design software. At the time that we sent out questionnaires, we were considering the market for all-in-one 'screen design', so when referring to questionnaire responses in this chapter, we have used the term 'screen design competitors'.

¹⁰¹⁷ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 7 total respondents, those who saw it as the closest, or joint-closest, alternative: [X], [X], [X], [X], [X], [X]; did not see it as the closest alternative: [X]].

¹⁰¹⁸ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 6 total respondents, those who saw it as the closest, or joint-closest competitor: [☒], [☒], [☒], [☒]; did not see it as the closest alternative: [☒]; did not see it as an alternative: [☒]].

¹⁰¹⁹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [25 out of 32 total respondents. 14 of those 25 saw it as the closest, or joint closest alternative: [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X].

ratings ranged from 1 to 5 and the average rating was 3.6. A few respondents saw it as the closest, or joint-closest, alternative, with Figma Design being considered the closest alternative by the vast majority of respondents.¹⁰²⁰

- (e) Of the total small customers who provided alternatives to Figma Design, the majority listed Sketch as an alternative. The ratings ranged from 1 to 5, with an average rating of 3.17. The majority of these respondents saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.¹⁰²¹
- (f) Of the total small customers who provided alternatives to Adobe XD, the majority listed Sketch as an alternative. The ratings ranged from 1 to 5, with an average rating of 3.4. The majority of these respondents saw it as the closest, or joint-closest alternative, with Sketch being the only other closest alternative listed.¹⁰²²

8.234 Specific comments from third parties in relation to Sketch indicated that while it is a key competitor to Figma Design, it has some limitations:

- (a) Some large and mid-sized customers stated that real-time collaboration was a weakness for Sketch, particularly in comparison to Figma Design. Only one customer stated that Sketch had strong collaboration features.¹⁰²³
- (b) Some large and mid-sized customers referred to Sketch's lack of cross-platform availability, and in particular the fact that it is not available on Windows.¹⁰²⁴
- (c) A small minority of large and mid-sized customers raised Sketch's more limited prototyping features as a limitation compared to Figma Design.¹⁰²⁵ One of these customers noted that Sketch's lack of certain features meant 'it is a sort of an old-school way of doing screen design, where you would design static layouts in Sketch and then if you wanted to animate them as a prototype you would pull them into InVision [...] or other prototyping tools. [...] If you want to export the files for a developer, you use Zeplin

¹⁰²⁰ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [20 out of 27 total respondents. 3 of those 20 saw it as the closest, or joint-closest alternative: [X], [X], [X]].

¹⁰²¹ Third-party responses to CMA's phase 2 small customer questionnaire. [Out of the 16 total respondents, 10 saw it as the closest, or joint-closest alternative].

¹⁰²² Third-party responses to CMA's phase 2 small customer questionnaire. [Out of the 9 total respondents, 5 saw it as the closest, or joint-closest alternative].

¹⁰²³ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire. [Weak for collaboration: [X], [X], [X], [X], [X]. Strong for collaboration: [X]].

¹⁰²⁴ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire. [[X], [X], [X], [X], [X], [X], [X]].

¹⁰²⁵ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire. [[X], [X]].



and some other tools. [...] What made XD, and ultimately Figma, powerful is that it sort of collapsed that into one tool'.¹⁰²⁶

- (d) Some large and mid-sized customers indicated that while Sketch used to be a leading option, it is no longer a strong competitor to Figma Design.¹⁰²⁷ One customer stated: 'Everyone was using Sketch when it first came out. [...] Then Figma came out and kind of became a competitor to Sketch and kind of blew Sketch out of the water with its next level capability and that kind of thing. [...] Sketch has very much fallen by the wayside generally'.¹⁰²⁸
- (e) Another customer stated that it completed an evaluation of Figma, Sketch and Adobe XD in November 2020, in which Figma 'came out on top'. This customer found that Sketch's 'symbols were a bit shoddy at the time and Figma components were a bit better for design libraries and design systems'.¹⁰²⁹
- (f) One point tool provider stated that Sketch 'hasn't matched or kept up with Figma's capabilities or performance, having time lags and delays when users try to collaborate in real time'.¹⁰³⁰

8.235 In UXTools' 2021 and 2022 Design Tools Surveys, Sketch was:¹⁰³¹

- (a) the second or third most used tool for UI design, ranking significantly behind Figma Design, approximately equal to Adobe XD and significantly ahead of all other competitors;
- (b) the fourth or fifth most used tool for prototyping or basic prototyping, ranking significantly behind Figma Design and behind Adobe XD and ProtoPie;
- (c) the sixth most used tool for handoff, ranking significantly behind Figma Design and behind Adobe XD, among others (2021-only question); and
- (d) the second or fourth most used tool for design systems, ranking significantly behind Figma Design and just ahead or just behind Adobe XD.

¹⁰²⁶ Third-party call transcript.

¹⁰²⁷ Third-party responses to CMA's phase 2 large and mid-sized customer questionnaire. [[, [, []].

¹⁰²⁸ Third-party call transcript.

¹⁰²⁹ Third-party call transcript.

¹⁰³⁰ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰³¹ '2021 Design Tools Survey', December 2021, accessed by the CMA on 23 November 2023; and '2022 Design Tools Survey', December 2022, accessed by the CMA on 23 November 2023.

8.236 Based on the above evidence, we consider that Sketch would provide a moderate post-Merger constraint on the Merged Entity.

Penpot

8.237 Penpot is an all-in-one open-source product design tool that covers UI design, sketching, wireframing, prototyping, mock-up, and handoff. It is web-based with real-time collaboration and is free to use.¹⁰³²

8.238 Penpot has a very small market position compared to Figma Design, Adobe XD and Sketch. In particular, the Parties submitted that Penpot has a free payment model and therefore attributed it zero revenues. Penpot submitted that ‘at some point’ it plans to ‘build enterprise-focus[ed] capabilities to unlock revenue streams’.¹⁰³³ Penpot only has 14 FTEs, of which 10 are engineers.¹⁰³⁴

8.239 Penpot has experienced recent user growth: it launched its free tool in February 2021 (in alpha stage), moved to general availability in February 2023, and by June 2023 reportedly had 400,000 users (all of whom are free users).¹⁰³⁵

8.240 In relation to product development, Penpot described taking steps to improve the design process including shared vocabulary, making handoff unnecessary, open standards-driven layout systems, plugin architecture, and AI-powered design co-pilot features. It expected plans to keep evolving with a significant portion ready by the end of 2024. It stated that challenges include their reliance on browsers to be performant and the need to recruit top talent.¹⁰³⁶

8.241 The Parties highlighted a small number of documents that they state demonstrate Figma responding to Penpot, including:

(a) A message from a Figma designer advocate director dated 16 February 2021 [REDACTED] and states that [REDACTED].¹⁰³⁷

(b) A message from a Figma product designer dated 31 January 2023 [REDACTED].¹⁰³⁸ [REDACTED] [REDACTED] (Figma, VP of Product Design).¹⁰³⁹

¹⁰³² Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰³³ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰³⁴ Response to the CMA's phase 2 screen design competitors questionnaire.

¹⁰³⁵ Parties' response to TOH 1 working paper.

¹⁰³⁶ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰³⁷ Figma Internal Document.

¹⁰³⁸ Figma Internal Document.

¹⁰³⁹ Figma Internal Documents.

(c) A message from [REDACTED] (Figma, VP of Product) dated 1 March 2023 [REDACTED].¹⁰⁴⁰

8.242 We are not aware of Adobe documents that refer specifically to Penpot.

8.243 We note that two of the three internal documents listed above were produced after the Merger was publicly announced. While this may to an extent reflect Penpot's recent expansion, as explained in paragraph 5.67, we have placed less evidentiary weight on Figma's internal documents that were produced in a period where the Parties were already contemplating the Merger. Such documents are less likely to accurately reflect the conditions of competition that would have occurred absent the Merger, with Adobe continuing to compete in the market (whether through Adobe XD, Project Spice, or another product).

8.244 We also note that the internal documents cited above do not indicate that Figma is or was concerned about losing customers to [REDACTED]. Rather, these documents only show certain Figma staff monitoring [REDACTED] developed by this provider. This contrasts with the internal document evidence in relation to Sketch and Adobe, particularly prior to the announcement of the Merger, which we consider indicates a more significant competitive pressure.

8.245 On this basis, we do not consider the above documents to be strong evidence that Penpot provides a significant competitive constraint on the Parties.

8.246 In relation to development and innovation, the Parties submitted a table as part of their response to our Issues Statement showing the new features implemented by Figma (both Figma Design and FigJam) since 2018, and the competitor each was in response to.¹⁰⁴¹ [REDACTED]. We also note that this table is not supported by contemporaneous documentary evidence, which limits the weight we place on it in our assessment of the evidence.

8.247 In response to our questionnaires, Penpot was only rarely mentioned by third parties as an alternative. In particular, it was mentioned significantly less often and generally ranked as a weaker alternative than Sketch:

(a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, some listed Penpot (average rating: 4.0).¹⁰⁴²

(b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, some listed Penpot (average rating: 4.0).¹⁰⁴³

¹⁰⁴⁰ Parties' response to TOH 1 working paper.

¹⁰⁴¹ [Parties' response to the phase 2 issues statement](#), 9 August 2023, Table 6.

¹⁰⁴² Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 7: [REDACTED], [REDACTED]].

¹⁰⁴³ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 6: [REDACTED], [REDACTED]].

- (c) Of the total large and mid-sized competitors who provided alternatives to Figma Design, some listed Penpot (average rating: 3.0).¹⁰⁴⁴
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, some listed Penpot (average rating: 2.0).¹⁰⁴⁵
- (e) Of the total small customers who provided alternatives to Figma Design and/or Adobe XD, Penpot was not listed.¹⁰⁴⁶

8.248 Specific comments by third parties on Penpot were consistent with the evidence from questionnaires above:

- (a) When specifically asked about alternatives to Figma Design and Adobe XD, most customers did not mention Penpot.¹⁰⁴⁷
- (b) When asked about alternatives to Figma Design and Adobe XD, one large customer stated that: 'Figma, XD and Sketch are probably the biggest prototyping tools that we are currently using and Penpot would probably be on the "let's explore and see what this tool can do" level.' In relation to Penpot, this customer stated that: 'I have just started to scratch the surface on it. It is performant. Does it have all the features I need? No. Does it function the way that I was would expect it to function? Not yet.'¹⁰⁴⁸
- (c) One all-in-one tool provider commented that 'Penpot seems to be a credible rival but is still in an early stage.'¹⁰⁴⁹

8.249 In UXTools' 2021 and 2022 Design Tools Surveys, Penpot ranked significantly behind Figma Design, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, it was not ranked in either year for prototyping / basic prototyping, handoff or design systems. For UI design, Penpot was not ranked in 2021 and was the 13th most used tool in 2022.¹⁰⁵⁰

¹⁰⁴⁴ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [2 out of 32: [REDACTED], [REDACTED]].

¹⁰⁴⁵ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [2 out of 27: [REDACTED], [REDACTED]].

¹⁰⁴⁶ Third-party responses to CMA's phase 2 small customer questionnaire.

¹⁰⁴⁷ This question was asked during third-party calls with [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. Only [REDACTED] mentioned Penpot.

¹⁰⁴⁸ Third-party call transcript.

¹⁰⁴⁹ Third-party call note.

¹⁰⁵⁰ UXTools, [2021 Design Tools Survey](#), December 2021 and [2022 Design Tools Survey](#), December 2022. Accessed by the CMA on 23 November 2023.

8.250 Based on the above evidence, we consider that Penpot would provide a very weak post-Merger constraint on the Merged Entity.

Axure

8.251 Axure is a desktop-based planning and prototyping tool for software projects used [REDACTED] by product managers and UX professionals that work on the functional aspects of product design. It is used for wireframing, mock-up, prototyping, and handoff. Axure described its software tool as [REDACTED] because it [REDACTED].¹⁰⁵¹ Based on the fact that it can be used for the entire workflow, we have considered it as an all-in-one provider. However, we note that it is primarily focused on planning and advanced prototyping.

8.252 Axure has a very small market position compared to Figma Design, Adobe XD and Sketch. In particular, the Parties estimated that it earned annual revenue of USD [REDACTED] million.¹⁰⁵²

8.253 In relation to product development, Axure stated that [REDACTED].¹⁰⁵³

8.254 In relation to internal document evidence regarding Axure:

- (a) We are not aware of specific documents that show Figma responding to Axure. There are some general documents that reference Axure along with a range of point tools and other competitors, as set out at paragraph 8.3058.305 below.
- (b) We are not aware of any Adobe documents that refer specifically to Axure.

8.255 In relation to development and innovation, Figma anticipates responding in 2023 to Axure in 2023 to develop '[REDACTED]' and '[REDACTED]'.¹⁰⁵⁴ As noted in paragraph 8.246 above, we consider that features released prior to 2023 more accurately reflect the conditions of competition that would have occurred

¹⁰⁵¹ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰⁵² FMN.

¹⁰⁵³ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹⁰⁵⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, Table 6.

absent the Merger, and note that Figma's submission in this regard is not supported by contemporaneous documentary evidence.

8.256 In response to our questionnaires, Axure was only rarely mentioned by third parties as an alternative. In particular, it was mentioned significantly less often and generally ranked as a weaker alternative than Sketch:

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, a few listed Axure (average rating: 2.5).¹⁰⁵⁵
- (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, a few listed Axure (average rating: 2.5).¹⁰⁵⁶
- (c) Of the total large and mid-sized competitors who provided alternatives to Figma Design, a few listed Axure (average rating: 2.75).¹⁰⁵⁷
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, a few listed Axure (average rating: 3.5).¹⁰⁵⁸
- (e) Of the total small customers who provided alternatives to Figma Design, one listed Axure, with a rating of 3.0.¹⁰⁵⁹
- (f) Of the total small customers who provided alternatives to Adobe XD, one listed Axure, with a rating of 2.0.¹⁰⁶⁰

8.257 Specific comments by third parties on Axure were consistent with the evidence from questionnaires above:

- (a) When specifically asked about alternatives to Figma Design and Adobe XD, the majority of customers did not mention Axure.¹⁰⁶¹
- (b) One large customer mentioned using Axure in certain parts of its organisation, stating that 'gradually those use cases, or those tools, are being deprecated in favour of centralising into Figma because of the efficiencies that are gained by all design teams working on the same tool.' The customer mentioned using products such as Axure for 'screen design, complex internal products.' When asked about other competitive

¹⁰⁵⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 7: [REDACTED], [REDACTED]].

¹⁰⁵⁶ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 6: [REDACTED], [REDACTED]].

¹⁰⁵⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [4 out of 32: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹⁰⁵⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [2 out of 27: [REDACTED], [REDACTED]].

¹⁰⁵⁹ Third-party responses to CMA's phase 2 small customer questionnaire. [1 out of 16 total respondents].

¹⁰⁶⁰ Third-party responses to CMA's phase 2 small customer questionnaire. [1 out of 9 total respondents].

¹⁰⁶¹ This question was asked during third-party calls with [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. Only [REDACTED] and [REDACTED] mentioned Axure.

alternatives it considered for more complex product design, the customer stated that ‘we were focusing more on the simplification of our estate, so we were already using Sketch, Axure and Adobe products, and then we were looking at Figma, and the plan is that, as we gradually become more mature with Figma, that will start to reduce the usage of the other design tools’, adding that it wanted to ‘simplify our estate and the use of our tools, so that brings in more efficiency across our teams to work more collaboratively.’¹⁰⁶²

- (c) Another large customer referred to Axure as a point tool, rather than an all-in-one product design software offering, with a focus on complex prototyping.¹⁰⁶³
- (d) One all-in-one tool provider commented ‘Axure [...] is very good at what it does, but the offer is rather complementary to Figma [...] providing a prototyping/visualisation tool for developers, which is being used after the designing phase.’¹⁰⁶⁴

8.258 In UXTools’ 2021 and 2022 Design Tools Surveys, Axure ranked significantly behind Figma Design, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, it was the fifth or seventh most used tool for UI design, the sixth or seventh most used tool for prototyping / basic prototyping, the ninth most used tool for handoff and was not ranked for design systems.¹⁰⁶⁵

8.259 Based on the above evidence, we consider that Axure would provide a very weak post-Merger constraint on the Merged Entity.

UXPin

8.260 UXPin is a user interface design and advanced prototyping tool. It also offers some wireframing, mock-ups, and developer handoff functionality.¹⁰⁶⁶ Based on this additional functionality, we have considered it as an all-in-one provider. However, we note that it is primarily focused on UI design and advanced prototyping. For example, when publicly comparing itself to Figma Design, UXPin advertises that ‘Figma is a great tool for simple prototypes and UI. For more advanced prototypes, choose UXPin’.¹⁰⁶⁷

¹⁰⁶² Third-party call transcript

¹⁰⁶³ Third-party call transcript.

¹⁰⁶⁴ Third-party call note.

¹⁰⁶⁵ [2021 Design Tools Survey](#), December 2021, accessed by the CMA on 23 November 2023 and [2022 Design Tools Survey](#), December 2022, accessed by the CMA on 23 November 2023.

¹⁰⁶⁶ Parties’ response to TOH 1 working paper.

¹⁰⁶⁷ [UXPin vs Figma](#), accessed by the CMA on 23 November 2023.

- 8.261 UXPin has a very small market position compared to Figma Design, Adobe XD and Sketch. In particular, the Parties estimated that it earned annual revenue of USD [REDACTED] million.¹⁰⁶⁸
- 8.262 The Parties highlighted some documents that they state demonstrate Figma responding to UXPin:
- (a) A message from a Figma sales executive dated 6 August 2020 refers to a prospective customer [REDACTED] as '[REDACTED]' and [REDACTED].¹⁰⁶⁹
 - (b) A message from a Figma designer advocate dated 7 August 2020 describes [REDACTED].¹⁰⁷⁰
 - (c) A message from a Figma strategic account executive dated 7 October 2020 links to an external designer describing [REDACTED].¹⁰⁷¹
 - (d) A document dated February 2021 reports the findings of brand awareness research on Figma Design and its competitors. The report lists [REDACTED] as a [REDACTED] alongside [REDACTED]. [REDACTED].¹⁰⁷²
- 8.263 We are only aware of one Adobe internal document in which [REDACTED] is listed as a competitor; a spreadsheet titled '[REDACTED]' last updated in April 2020, lists [REDACTED].¹⁰⁷³
- 8.264 In relation to development and innovation, Figma has not submitted that it has developed features or has plans to develop any features in response to [REDACTED].¹⁰⁷⁴
- 8.265 In response to our questionnaires, UXPin was only rarely mentioned by third parties as an alternative. In particular, it was mentioned significantly less often and generally ranked as a weaker alternative than Sketch:
- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, one listed UXPin (rating: 3).¹⁰⁷⁵
 - (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, one listed UXPin (rating: 3).¹⁰⁷⁶

¹⁰⁶⁸ FMN.

¹⁰⁶⁹ Figma Internal Document.

¹⁰⁷⁰ Figma Internal Document.

¹⁰⁷¹ Figma Internal Document.

¹⁰⁷² Figma Internal Document.

¹⁰⁷³ Adobe Internal Document.

¹⁰⁷⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, Table 6.

¹⁰⁷⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [1 out of 7: [REDACTED]].

¹⁰⁷⁶ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [1 out of 6: [REDACTED]].

- (c) Of the total large and mid-sized competitors who provided alternatives to Figma Design, some listed UXPin (average rating: 2.0).¹⁰⁷⁷
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, some listed UXPin (average rating: 2.75).¹⁰⁷⁸
- (e) Of the total small customers who provided alternatives to Figma Design, one listed UXPin, with a rating of 3.0.¹⁰⁷⁹
- (f) Of the total small customers who provided alternatives to Adobe XD, one listed UXPin, with a rating of 3.0.¹⁰⁸⁰

8.266 Specific comments by third parties on UXPin were consistent with the evidence from questionnaires above. When specifically asked about alternatives to Figma Design and Adobe XD, customers did not mention UXPin.¹⁰⁸¹

- (a) One all-in-one tool provider commented that 'UXPin is even more niche, focusing only on prototyping. Therefore, these tools are only substitutes to [...] Figma with regards to that part of the process but not the entire interactive product design workflow.'¹⁰⁸²
- (b) One customer commented that UXPin 'seems to be a tool with functionalities more focused on the UI and code integration scenario, which turns out not to be our needs'.¹⁰⁸³
- (c) Another customer commented that it 'explored [UXPin] several years back and opted not to use [it] given that we found its features lacking when compared to other tools'.¹⁰⁸⁴

8.267 In UXTools' 2021 and 2022 Design Tools Surveys, UXPin ranked significantly behind Figma, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, it was the fourth or sixth most used tool in UI design, the ninth or tenth most used tool for prototyping / basic

¹⁰⁷⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [2 out of 32: [REDACTED], [REDACTED]].

¹⁰⁷⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [2 out of 27: [REDACTED], [REDACTED]].

¹⁰⁷⁹ Third-party responses to CMA's phase 2 small customer questionnaire. [1 out of 16 total respondents].

¹⁰⁸⁰ Third-party responses to CMA's phase 2 small customer questionnaire. [1 out of 9 total respondents].

¹⁰⁸¹ This question was asked during third-party calls with [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. None of these customers mentioned UXPin.

¹⁰⁸² Third-party call note.

¹⁰⁸³ Third party response to PFs putbacks.

¹⁰⁸⁴ Third party response to PFs putbacks.

prototyping, the eighth most used tool for handoff and the ninth or tenth most used tool for design systems.¹⁰⁸⁵

- 8.268 Based on the above evidence, we consider that UXPin would provide a very weak post-Merger constraint on the Merged Entity.

Uizard

- 8.269 Uizard is an AI-powered, browser-based tool that offers UI/UX design, wireframing, mock-ups and prototyping.¹⁰⁸⁶ Based on this functionality, we have considered it as an all-in-one provider. However, we note that Uizard's public statements make clear that it is targeting non-designers. For example, it advertises itself as 'the world's easiest-to-use design and ideation tool ... No design experience required!'.¹⁰⁸⁷ Its stated 'mission' is 'to democratize design to empower non-designers everywhere to build digital, interactive products'.¹⁰⁸⁸ Finally, in a page comparing itself to Figma, Uizard's website states: 'Uizard was built from the ground up for non-technical users and non-designers alike as an easy tool to design digital products'.¹⁰⁸⁹
- 8.270 Uizard has a very small market position compared to Figma Design, Adobe XD and Sketch. In particular, a public domain source, Growjo, estimates that Uizard has annual revenues of USD 2.4 million. Growjo also estimates that Uizard has 22 employees, though this includes all employees and not just number of engineers.¹⁰⁹⁰
- 8.271 Uizard has experienced significant user growth – it launched out of beta in February 2021 and reportedly had two million users by September 2023.¹⁰⁹¹
- 8.272 The Parties highlighted some documents that they state demonstrate Figma responding to [REDACTED]:
- (a) Various messages from Figma designers (including one message from the ex-Head of Machine Learning) ranging from March to June 2023 show that Figma was monitoring [REDACTED] features, with one product manager stating Figma needed to '[REDACTED]'.¹⁰⁹² However, we note that these messages

¹⁰⁸⁵ '2021 Design Tools Survey', December 2021, accessed by the CMA on 23 November 2023 and '2022 Design Tools Survey', December 2022, accessed by the CMA on 23 November 2023.

¹⁰⁸⁶ 'Uizard | App, Web, & UI Design Made Easy', accessed by the CMA on 23 November 2023.

¹⁰⁸⁷ 'Uizard | App, Web, & UI Design Made Easy | Powered By AI', accessed by the CMA on 23 November 2023.

¹⁰⁸⁸ 'About Uizard | Our Mission To Revolutionize Design | Uizard', accessed by the CMA on 23 November 2023.

¹⁰⁸⁹ 'Uizard Vs Figma | Free Figma Alternatives | Uizard', accessed by the CMA on 23 November 2023.

¹⁰⁹⁰ 'Uizard technologies Revenue and Competitors', accessed by the CMA on 23 November 2023.

¹⁰⁹¹ LinkedIn post - Celebrating 2 million Uizard users!, 22 September 2023, accessed by the CMA on 23 November 2023.

¹⁰⁹² Parties' response to working papers.

also set out concerns with Uizard's functionality, with one individual stating that, '[REDACTED]'.¹⁰⁹³

(b) A message from [REDACTED] (Figma, Chief Product Officer) dated 6 March 2023 references AI competitors such as [REDACTED], and states, '[REDACTED]'.¹⁰⁹⁴

8.273 We note that the internal documents listed above were produced after the Merger was publicly announced. As noted at paragraph 8.243 above, our general approach is to place less evidentiary weight on Figma's internal documents that were produced during a period when the Parties were already contemplating the Merger, although we note that the timeframe for this evidence may reflect Uizard's recent expansion. We also note that the internal documents relating to specific Uizard features do not indicate a significant level of concern about Uizard's competitiveness, while the message from [REDACTED] (Figma, Chief Product Officer) is a [REDACTED] of new technology, rather than [REDACTED] regarding Uizard's expansion. On this basis, we do not consider the above documents to be strong evidence that Uizard provides a significant competitive constraint on Figma Design.

8.274 We are not aware of Adobe documents that refer specifically to Uizard.

8.275 In relation to development and innovation, Figma anticipates responding in 2023 to [REDACTED] to develop '[REDACTED]' and '[REDACTED]'.¹⁰⁹⁵ As noted in paragraph 8.246 above, we consider that features released prior to 2023 more accurately reflect the conditions of competition that would have occurred absent the Merger, and note that Figma's submission in this regard is not supported by contemporaneous documentary evidence.

8.276 In response to our questionnaires, Uizard was not mentioned by any parties that the Parties stated competed with Adobe XD and Figma Design, or by any customers (including small, mid-sized and large customers).

8.277 Specific comments by customers on Uizard were consistent with the evidence from questionnaires in that, when specifically asked about alternatives to Figma Design and Adobe XD, customers did not mention Uizard.¹⁰⁹⁶

8.278 In UXTools' 2021 and 2022 Design Tools Surveys, Uizard ranked significantly behind Figma Design, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, it was not ranked in 2021. In

¹⁰⁹³ Parties' response to working papers.

¹⁰⁹⁴ Parties' response to working papers.

¹⁰⁹⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, Table 6.

¹⁰⁹⁶ This question was asked during third-party calls with [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. None of these customers mentioned Uizard.

2022, it was the tenth most used tool for UI design, the 11th most used tool for basic prototyping and was not ranked for design systems.¹⁰⁹⁷

8.279 Based on the above evidence, we consider that Uizard would provide a very weak post-Merger constraint on the Merged Entity.

Lunacy

8.280 Lunacy is a desktop-based tool that allows users to create screen designs, including prototyping and advanced features like auto-layout, symbols, cloud storage, and simultaneous editing by multiple users. Although it described itself as a ‘full alternative to Figma’, Lunacy also described itself as covering only mock-up, prototyping, and handoff.¹⁰⁹⁸

8.281 Lunacy has a very small market position compared to Figma Design, Adobe XD and Sketch. In particular, Lunacy submitted that it ‘earn[s] almost nothing so far’ and stated approximate revenues of USD 2000 in 2022. Lunacy also submitted that it has 20 FTEs, of which 12 are engineers.¹⁰⁹⁹

8.282 In relation to product development, Lunacy stated that it has developed the software that allows similar editing as Figma Design and Adobe XD, but also includes built-in design assets and AI tools. It stated that it was aiming for a timeframe of 6-12 months but had a high chance of failure.¹¹⁰⁰

8.283 The Parties highlighted some documents that they state demonstrate Figma responding to [REDACTED]:

(a) A message from a Figma product marketing manager dated 15 November 2022 discusses [REDACTED] and states that it is ‘[REDACTED]’. However, we note that this message also states that ‘[REDACTED]’.¹¹⁰¹

(b) A message from a Figma product designer dated 6 June 2023 discusses [REDACTED] features, suggesting that Figma could consider something similar to [REDACTED].¹¹⁰²

8.284 We note that the internal documents listed above were produced after the Merger was publicly announced. As noted at paragraph 8.243 above, our general approach is to place less evidentiary weight on Figma’s internal

¹⁰⁹⁷ ‘2021 Design Tools Survey’, December 2021, accessed by the CMA on 23 November 2023 and ‘2022 Design Tools Survey’, December 2022, accessed by the CMA on 23 November 2023.

¹⁰⁹⁸ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹⁰⁹⁹ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹¹⁰⁰ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹¹⁰¹ Figma Internal Document.

¹¹⁰² Parties’ response to TOH 1 working paper.

documents that were produced during a period when the Parties were already contemplating the Merger.

8.285 We also note that the internal documents cited above do not indicate that Figma is or was concerned about losing customers to Lunacy, in contrast with the internal document evidence in relation to Sketch and Adobe. On this basis, we do not consider the above documents to be strong evidence that Lunacy provides a significant competitive constraint on Figma Design.

8.286 We are not aware of Adobe documents that refer specifically to Lunacy.

8.287 In relation to development and innovation, Figma anticipates responding in 2023 to [REDACTED] in relation to '[REDACTED]'.¹¹⁰³ As noted in paragraph 8.246 above, we consider that features released prior to 2023 more accurately reflect the conditions of competition that would have occurred absent the Merger, and note that Figma's submission in this regard is not supported by contemporaneous documentary evidence.

8.288 In response to our questionnaires, Lunacy was only rarely mentioned by third parties as an alternative. In particular, it was mentioned significantly less often and generally ranked as a weaker alternative than Sketch:

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, a few listed Lunacy (average rating: 4.0).¹¹⁰⁴
- (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, a few listed Lunacy (average rating: 3.5).¹¹⁰⁵
- (c) Of the total large and mid-sized competitors who provided alternatives to Figma Design, Lunacy was not listed.¹¹⁰⁶
- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, Lunacy was not listed.¹¹⁰⁷
- (e) Of the total small customers who provided alternatives to Figma Design and/or Adobe XD, Lunacy was not listed.¹¹⁰⁸

¹¹⁰³ Parties' response to the phase 2 issues statement, 9 August 2023, Table 6.

¹¹⁰⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 7 total respondents: [REDACTED], [REDACTED]].

¹¹⁰⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [2 out of 6 total respondents: [REDACTED], [REDACTED]].

¹¹⁰⁶ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire.

¹¹⁰⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire.

¹¹⁰⁸ Third-party responses to CMA's phase 2 small customer questionnaire.

- 8.289 Specific comments by customers on Lunacy were consistent with the evidence from questionnaires above. When specifically asked about alternatives to Figma Design and Adobe XD, customers did not mention Lunacy.¹¹⁰⁹
- 8.290 In UXTools' 2021 and 2022 Design Tools Surveys, Lunacy ranked significantly behind Figma, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, it was not ranked in 2021. In 2022, it was the fourth most used tool for UI design, the eighth most used tool for basic prototyping and the seventh most used tool for design systems.¹¹¹⁰
- 8.291 Based on the above evidence, we consider that Lunacy would provide a very weak post-Merger constraint on the Merged Entity.

InVision

- 8.292 In addition to the competitors listed above, InVision is also referenced in some internal documents as a competitor in all-in-one product design software and was listed by some third parties as an alternative to Figma Design and Adobe XD. However, we understand that InVision is no longer active in the market and therefore no longer exercises a competitive constraint on the Parties:
- (a) In a publication on its website, InVision announced that its all-in-one product design tool InVision Studio would be 'sunset' on 18 January 2023.¹¹¹¹ InVision's website currently only offers a whiteboarding tool, Freehand, and a prototyping tool, InVision Cloud.¹¹¹²
 - (b) In a call with InVision, InVision confirmed that InVision Studio had been sunset. This included removing all resources allocated to the product, publicly announcing that it would no longer be supported or updated, and helping existing customers migrate their workloads away from it to other alternatives, including other InVision products where suitable. InVision clarified that this was not the same as it being placed on 'maintenance mode', as the product no longer works.¹¹¹³

¹¹⁰⁹ This question was asked during third-party calls with [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]. None of these customers mentioned Lunacy.

¹¹¹⁰ '2021 Design Tools Survey', December 2021, accessed by the CMA on 23 November 2023 and '2022 Design Tools Survey', December 2022, accessed by the CMA on 23 November 2023.

¹¹¹¹ 'SUNSET NOTIFICATION: Studio - InVision Support', accessed by the CMA on 23 November 2023.

¹¹¹² 'Plans Designed for Every Team | InVision', accessed by the CMA on 23 November 2023.

¹¹¹³ Third-party call transcript.

(c) The Parties also recognised that InVision is no longer present in all-in-one product design software.¹¹¹⁴ In addition, an Adobe internal document dated 29 October 2020 states that there are '[X]', suggesting that InVision was losing market momentum [X] than 2023.¹¹¹⁵

8.293 Based on the above evidence, we consider that InVision would provide no meaningful post-Merger constraint on the Merged Entity.

Provisional view on the competitive constraint from providers of all-in-one product design software for professional users

8.294 Based on the above evidence, our provisional view is that Sketch is the main competitive constraint on the Parties' all-in-one product design software for professional users. Sketch is almost always mentioned in the Parties' internal documents assessing competitive constraints (alongside the Parties and InVision), and Sketch was consistently mentioned as an alternative to the Parties' products by third parties, and generally rated as at least an adequate alternative. Accordingly, we consider that Sketch would provide a moderate post-Merger constraint on the Merged Entity.

8.295 In contrast, the evidence is different for Penpot, Axure, UXPin, Uizard, and Lunacy, each of which has a very small market position compared to Sketch, Adobe XD and Figma Design.

8.296 There are very limited references to these competitors in internal documents, particularly in internal documents created before the Merger was in contemplation (from around April 2022). While a small number of Figma internal documents indicate that some of these competitors provide a degree of competitive pressure on Figma over feature innovation, even in these documents, these competitors are not generally listed in the context of assessing competitive constraints.

8.297 While Penpot and Uizard have experienced some growth in user numbers in recent years, we note that Penpot is a free tool, so growth in users is not necessarily representative of a strong competitive constraint on paid products targeted at professional users (such as those of the Parties). Meanwhile, Uizard is targeted to non-designers, unlike the Parties' products. Further, while Axure and UXPin provide some functionality for the entire design workflow, they are focused on specific functionalities (in particular, advanced prototyping).

¹¹¹⁴ FMN.

¹¹¹⁵ Adobe Internal Document.

8.298 Very few third parties, and almost no customers, listed any of these providers as alternatives to the Parties' products. We note that customer feedback was received after Penpot and Uizard experienced recent user growth, so should reflect this growth. Also, as set out in paragraph 7.51, we do not agree with the Parties' submissions that our questionnaires may be subject to confirmatory bias.

8.299 Therefore, our provisional view is that Penpot, Axure, UXPin, Uizard. And Lunacy would each provide only a very weak post-Merger constraint on the Merged Entity in the market for all-in-one product design software for professional users.

8.300 Finally, we consider InVision provides no material constraint, given its withdrawal from the market. No other all-in-one product design software competitors are mentioned to a material extent in the Parties' documents or in the responses to third-party questionnaires.

Out-of-market constraints

8.301 In this section we consider whether any tools that fall outside our product market definition as set out above in Chapter 7 exercise an out-of-market constraint on the Parties and would, post-Merger, exercise an out-of-market constraint on the Merged Entity. In particular, we consider the out-of-market constraint by (i) point tool providers, (ii) no-code / low-code tool providers, and (iii) prosumer tools.

Point tools

8.302 In this section we consider the extent to which point tool providers constrain the Parties and would, post-Merger, exercise an out-of-market constraint on the Merged Entity. Point tools include Abstract, Balsamiq, Frontify, Justinmind, Miro, Origami, Principle, ProtoPie, and Zeplin.

(a) Abstract is a tool for 'file-based design collaboration' and since launching in 2017 has been used by 'more than 7,000 companies'.¹¹¹⁶ Abstract is only used in conjunction with Sketch; it advertises itself as 'version control for Sketch files'.¹¹¹⁷

(b) Balsamiq makes a 'low-fidelity wireframing Point Tool, used for Product Design and Marketing Design' which also includes a handoff element. It

¹¹¹⁶ 'Abstract - about', accessed by the CMA on 23 November 2023.

¹¹¹⁷ Version control for Sketch | Abstract, accessed by the CMA on 23 November 2023.

submitted that it had revenues of USD 7.2 million in 2022, and that this has been relatively constant since 2020.¹¹¹⁸

- (c) Frontify provides an ‘all-in-one brand management platform for building powerful branding experiences’, which we consider primarily competes for marketing design use cases. Its products, Frontify Digital & Print Templates and Frontify DAM & Digital Collaboration, operate in handoff, and prototyping and handoff respectively.¹¹¹⁹
- (d) Justinmind is a prototyping and simulation tool for designing web and mobile software applications. While it includes some design functionality, it is focused on advanced prototyping and simulations. While the Parties submitted that Justinmind provides an all-in-one offering, Justinmind submitted that ‘most designers start in Adobe, Figma or Sketch and, whenever they need to include advanced prototyping capabilities, they use Justinmind in combination with Sketch, Figma and/or Adobe’. Justinmind also stated that it is ‘very specialised in interaction, high-fidelity prototyping and simulation’ and ‘does not represent a competitive threat to Adobe or Figma’. We therefore consider it to be a point tool.¹¹²⁰ The Parties submitted that Justinmind earned annual revenue of USD [X].¹¹²¹ They also noted that publicly available sources put Justinmind’s revenue at USD 14.3 million and USD 2.6 million.¹¹²²
- (e) Lucidchart is a ‘diagramming application that brings teams together’.¹¹²³ It is complementary to Lucid’s digital whiteboarding tool, Lucidspark. Lucid submitted that [X].^{1124,1125}
- (f) Miro is a collaborative digital whiteboarding tool.¹¹²⁶ The Parties submitted a Financial Times article from December 2021 which estimates Miro’s ARR as USD 300 million. The Parties attribute approximately [X]% of this to interactive product design based on their market intelligence.¹¹²⁷
- (g) Origami, Principle, and ProtoPie are each prototyping tools.¹¹²⁸ The Parties estimated that revenues for Principle and ProtoPie are

¹¹¹⁸ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹¹¹⁹ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹¹²⁰ Third-party call note.

¹¹²¹ FMN.

¹¹²² FMN, quoting Zoominfo and Growjo.

¹¹²³ ‘[Lucidchart](#)’, accessed by the CMA on 23 November 2023.

¹¹²⁴ Which consists of Lucidchart, Lucidspark and Lucidscale – a cloud visualization solution. ‘[Lucidscale](#)’ accessed by the CMA on 23 November 2023.

¹¹²⁵ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹¹²⁶ ‘[A Collaborative Digital Whiteboard for Teams | Miro](#)’, accessed by the CMA on 23 November 2023.

¹¹²⁷ FMN. Also see: [Origami Studio — Origami Studio 3](#); [Principle \(principleformac.com\)](#) and [ProtoPie | High-Fidelity Prototyping for Mobile, Desktop, Web & IoT](#), each accessed by the CMA on 23 November 2023.

¹¹²⁸ FMN.

USD [REDACTED] million and USD [REDACTED] million respectively, based on their market intelligence. They also submitted that Origami has a free to use model and therefore attributed zero revenues to Origami.¹¹²⁹

- (h) Zeplin is a point tool focused on developer handoff. Zeplin submitted that '[REDACTED]'.¹¹³⁰ Zeplin submitted that it had revenues of USD [REDACTED] million in 2022, [REDACTED] USD [REDACTED] million in 2020. Its monthly active users [REDACTED] in 2021 to [REDACTED] in 2022.¹¹³¹

8.303 We asked point tool providers for data on the total number of full-time equivalent employees (FTEs), the total number of engineers, and the number of engineers working on development of new features or versions of product:

- (a) Balsamiq – has 34 FTEs of which 15 are engineers, all of whom are working on development of new features or versions of product.¹¹³²
- (b) Frontify – has four FTEs of which three are engineers, all of whom are working on development of new features or versions of product.¹¹³³
- (c) Zeplin – has [REDACTED] FTEs of which [REDACTED] are engineers, and [REDACTED] are engineers working on development of new features or versions of product.¹¹³⁴

8.304 We also asked point tool providers about their development plans. While some point tool providers stated that they had development plans, none indicated that they had significant plans to expand their offerings to become an all-in-one provider:

- (a) One point tool provider [REDACTED] stated that it has had an active roadmap for its product for several years, but is [REDACTED] stage of the design process, with no plans for other stages.¹¹³⁵
- (b) Another provider, which currently focuses on wireframing and sketching, described that it would continue to work on features to move into the product design space including increasing image import size and file types to better serve markup, annotation, and design use cases.¹¹³⁶

¹¹²⁹ FMN.

¹¹³⁰ Third-party call transcript.

¹¹³¹ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹¹³² Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹¹³³ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹¹³⁴ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹¹³⁵ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹¹³⁶ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

- (c) Another provider that focuses on advanced prototyping described plans to improve the capabilities of its product in terms of real-time timework and complex simulation.¹¹³⁷

- *Internal document evidence*

8.305 The Parties highlighted several documents that they state demonstrate Figma responding to point tool providers. However, we consider that in these documents, Figma does not generally consider point tool providers to be key competitors:

- (a) A presentation from [REDACTED] (Chief Product Officer) dated 10 December 2019 describes that other competitors (besides Adobe), including [REDACTED], are '[REDACTED]'.¹¹³⁸
- (b) A spreadsheet titled '[REDACTED]' updated last in April 2020, lists [REDACTED] amongst the top competitors in UI/UX design alongside [REDACTED].¹¹³⁹
- (c) A draft Figma document dated 22 June 2020 and titled '[REDACTED]' indicates that [REDACTED] when evaluating its own prototyping features [REDACTED]. Figma considered [REDACTED].¹¹⁴⁰
- (d) A document prepared by the Figma product design team for [REDACTED] (Figma, VP of Product) originally created on 27 July 2020 and last edited in August 2020 notes that [REDACTED].¹¹⁴¹
- (e) A competitive analysis prepared by Figma in October 2020, indicates several competitors for various stages of the design workflow (eg, Wireframing/Brainstorming, Visual Design, Interaction Design / Prototyping, Developer Handoff, etc) and lists several players active in each stage (eg, Avocode, UXPin and Framer, among others).¹¹⁴² A slide titled '[REDACTED]', however, only shows [REDACTED].¹¹⁴³
- (f) A document dated February 2021 reports the findings of [REDACTED]. The report lists [REDACTED].¹¹⁴⁴

¹¹³⁷ Third-party call note.

¹¹³⁸ Figma Internal Document.

¹¹³⁹ Adobe Internal Document.

¹¹⁴⁰ Figma Internal Document.

¹¹⁴¹ Figma Internal Document.

¹¹⁴² Figma Internal Document.

¹¹⁴³ Figma Internal Document.

¹¹⁴⁴ Figma Internal Document.

- (g) A document dated 17 June 2021 discusses [REDACTED]. In a section titled '[REDACTED]', the document considers [REDACTED].¹¹⁴⁵
- (h) A proposed outline prepared by Figma for a meeting between Figma and Adobe lists key players and divides them into categories. [REDACTED] are the only competitors in the [REDACTED].¹¹⁴⁶ Other categories Figma lists are [REDACTED],¹¹⁴⁷ [REDACTED],¹¹⁴⁸ and [REDACTED].^{1149,1150} Under the [REDACTED], Figma lists [REDACTED].
- (i) A paper prepared by a Figma product manager in March 2021 discussing '[REDACTED]', describes how existing tools including [REDACTED],¹¹⁵¹ and [REDACTED] but that '[REDACTED]'. The document also states that '[REDACTED]'.¹¹⁵²
- (j) A whiteboarding file prepared for [REDACTED] (Figma, VP of Product) in January 2022 notes that [REDACTED] are good for prototyping and designers who can code. It also discusses options for Figma including [REDACTED].¹¹⁵³
- (k) A CEO update document written by [REDACTED] (Figma, CEO and co-founder) dated March 2022 notes that [REDACTED] is a competitor to [REDACTED].¹¹⁵⁴
- (l) A message from a Figma product designer dated 3 August 2022 links to a video about [REDACTED] and describes it as the most interesting competitor as no others '[REDACTED]'.¹¹⁵⁵

8.306 In our provisional view, these documents provide evidence that Figma is aware of and monitors product/feature developments from a range of point tools (namely ProtoPie, Principle, Origami, Zeplin, and Avocode). The documents particularly focus on areas where point tools have better

¹¹⁴⁵ Figma Internal Document.

¹¹⁴⁶ The CMA understands the term 'noodles' to be related to prototyping and to indicate connectors used to delineate the flow between different screens in a prototype, and 'no logic' to refer to tools without conditional logic. The CMA understands conditional logic to be a feature included in certain advanced prototyping point tools to determine what follows when a user selected a certain option in an app or website (ie, IF / ELSE logic). See [Conditional Logic In Phase — { if/else Made Visual } | by Team Phase | Prototypr](#), accessed on 23 November 2023. The CMA understands that Figma has recently introduced conditional logic. See [Multiple actions and conditionals – Figma Learn - Help Center](#), undated, accessed by the CMA on 23 November 2023; and Figma's response to the CMA's section 109 notice of 15 November 2023, paragraphs 2.3 and 2.11.

¹¹⁴⁷ Figma stated that 'programming' indicates a category of more advanced prototyping tools employing programming and code-backed components to enable conditional logic and dynamic prototypes. See Figma's response to the CMA's section 109 notice of 15 November 2023, paragraph 2.4.

¹¹⁴⁸ Figma stated that 'no / low-code -> logic' indicates a category of no / low code tools adopting the same type of approach of programming and code-backed components to enable conditional logic and dynamic prototypes. See Figma's response to the CMA's section 109 notice of 15 November 2023, paragraph 2.5.

¹¹⁴⁹ Figma stated that 'timeline' refers to prototyping functionality enabling transitions of certain events and actions in prototypes over time, the duration of which can be edited. See Figma's response to the CMA's section 109 notice of 15 November 2023, paragraph 2.6.

¹¹⁵⁰ Figma Internal Documents.

¹¹⁵¹ At this time Framer was a tool focused on prototyping but has recently pivoted to a no-code/low-code solution.

¹¹⁵² Figma Internal Document.

¹¹⁵³ Figma Internal Document.

¹¹⁵⁴ Figma Internal Document.

¹¹⁵⁵ Figma Internal Document.

capability, for example Zeplin on developer handoff, and there is some evidence in the documents of Figma responding with new features or products, eg Dev Mode.

8.307 These documents focus on specific features that may be relevant to certain customers (particularly those that use point tools alongside the Parties' products) and overall are indicative of a degree of competitive pressure on Figma over feature innovation from these providers. However, we note that these documents do not appear to indicate the perception of a concern about losing customers to these providers, and point tool competitors are not generally listed in documents assessing competitive constraints. We consider that this is consistent with other evidence, including third-party evidence, that point tools are generally used alongside, rather than instead of, all-in-one product design tools. This contrasts with the internal document evidence in relation to Sketch and Adobe XD, particularly during the time period before the Merger was in contemplation, which we consider indicates a more significant competitive pressure on Figma, as set out at paragraphs 8.96 and 8.236.

8.308 In our consideration of Adobe documents, we have seen only limited evidence of consideration of point tools:

- (a) An Adobe document titled '[redacted]' illustrates Adobe's competitive landscape for the category of '[redacted]'. While it includes players such as '[redacted]', and others, Adobe gives clear prominence to '[redacted]' in the categories of '[redacted]'. The animation in the slide seems to suggest that '[redacted]'.¹¹⁵⁶
- (b) A presentation updated in July 2020 titled '[redacted]' shows a wide range of tools that can be used for different stages of design process.¹¹⁵⁷ This includes several point tools:
 - (i) Wireframing – '[redacted]'.
 - (ii) UI Design – '[redacted]'.
 - (iii) Prototyping – '[redacted]'.
 - (iv) Developer Handoff – '[redacted]'.

¹¹⁵⁶ Adobe Internal Document.

¹¹⁵⁷ Adobe Internal Document. The slide also lists tools for brainstorming, user flows & site maps, user testing, design systems management, and file management but we have not included these as they are not part of our market definition.

- (c) A February 2022 document provides an overview of the ecosystem for screen design. It breaks core screen design into three stages: design, prototype, and handoff. [REDACTED].¹¹⁵⁸
- (d) An Adobe document titled '[REDACTED]' looks at [REDACTED] different players, including [REDACTED] as well as point tools, such as [REDACTED].¹¹⁵⁹ Notwithstanding the above, several slides compare [REDACTED]. Slide 25 of the same presentation is titled '[REDACTED]'.¹¹⁶⁰

8.309 We also note that as discussed in paragraph 7.74, whilst the Parties have submitted survey evidence demonstrating that [REDACTED]% of customers multi-home, with [REDACTED]% of these using point tools as part of their combination of tools,¹¹⁶¹ in our view this multi-homing does not necessarily indicate that there is substitutability between all-in-one tools and point tools. Rather, it may indicate that point tools are complementary to all-in-one tools for more specialist tasks such as advanced prototyping.

- *Third-party evidence*

8.310 In UXTools' 2021 and 2022 Design Tools Surveys, point tools providers all ranked significantly behind Figma Design, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically:¹¹⁶²

- (a) For UI design, no point tool was considered in the top 10 most commonly used tools in 2021, and the most commonly used point tool was Balsamiq in 2022 (twelfth most used), though it was exclusively listed as a secondary tool.
- (b) For prototyping / basic prototyping, the most commonly used point tool was ProtoPie in 2021 (fourth most used) and 2022 (third most used).
- (c) For handoff, the most commonly used point tool was Zeplin in 2021 (second most used) in 2021. This was not a category in 2022.
- (d) For design systems, the most commonly used point tool was Storybook in 2021 (fourth most used) and 2022 (second most used).

8.311 We asked customers and parties that the Parties stated competed with Adobe XD and Figma Design about the extent to which point tools compete with

¹¹⁵⁸ Adobe Internal Document.

¹¹⁵⁹ Adobe Internal Document.

¹¹⁶⁰ Adobe Internal Document.

¹¹⁶¹ FMN, paragraphs 411-414.

¹¹⁶² '2021 Design Tools Survey', December 2021, accessed by the CMA on 23 November 2023 and '2022 Design Tools Survey', December 2022, accessed by the CMA on 23 November 2023.

Adobe XD and Figma Design and the constraint that they impose on all-in-one product design software more generally. We also asked point tool providers about the barriers to entry that would need to be overcome in order to expand their offerings into an all-in-one tool.

8.312 With respect to the Parties' submissions about the CMA's customer questionnaires (see paragraph 8.213),¹¹⁶³ we first note that the primary source of third-party evidence that we have relied on to understand the extent to which point tools were likely to provide a competitive constraint on the Parties was a question that directly asked about alternatives to Figma Design and Adobe XD. This question was asked in a way that was agnostic to any definition or terminology, and respondents were also explicitly asked to include the use of 'combinations of different software as an alternative' where applicable.¹¹⁶⁴

8.313 Additionally, we note that point tools exist for all stages of the design process, not only prototyping and handoff, meaning even customers involved in less complex product design use cases may use point tools. Most respondents who answered this question indicated that they had used point tools for screen design (as defined in the questionnaire), suggesting that the definition of 'screen design' was not an issue.

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design, only Justinmind (rating: 3.0), Frontify (2.0), Zeplin (1.0) and Balsamiq (2.0) were listed, each by only one respondent.¹¹⁶⁵
- (b) Of the total respondents to the competitor questionnaire who provided alternatives to Adobe XD, only Justinmind (rating: 5.0) Frontify (2.0) and Balsamiq (2.0) were listed, each by only one respondent.¹¹⁶⁶
- (c) Of the total large and mid-sized customers who provided alternatives to Figma Design, Miro (average rating: 2.83) was listed by a few customers.

¹¹⁶³ Parties', Letter to the CMA.

¹¹⁶⁴ Question 4 of the CMA's customer questionnaire stated 'If you have used Figma Design (as per your answer to question 2a above) please complete the table below by rating any alternatives to using Figma Design, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative'.

¹¹⁶⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 7 respondents: listed Justinmind: [X]; listed Frontify: [X]; listed Zeplin: [X]; listed Balsamiq: [X]].

¹¹⁶⁶ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 6 respondents: listed Justinmind: [X]; listed Frontify: [X]; listed Balsamiq: [X]].

Balsamiq (3.0), Full Story (3.5), Justinmind (3) and Omnigraffle (1.0) were each listed by only one customer.¹¹⁶⁷

- (d) Of the total large and mid-sized customers who provided alternatives to Adobe XD, only Miro (rating: 3.5) and Balsamiq (3.0) were listed, each by only one customer.¹¹⁶⁸
- (e) Of the total small customers who provided alternatives to Figma Design, Balsamiq was the only point tool listed by one customer (rating: 2.0).¹¹⁶⁹
- (f) Of the total small customers who provided alternatives to Adobe XD, no point tools were listed by any of the customers.¹¹⁷⁰

8.314 In relation to whether a combination of point tools is a good alternative to an all-in-one tool:

- (a) The majority of respondents to the competitor questionnaire stated that a combination of point tools is not a good alternative to an all-in-one tool, while a few competitors stated they were a good alternative. One respondent was neutral.¹¹⁷¹ This was in response to a question that explicitly stated that respondents could consider a combination of different software as an alternative.
- (b) For large and mid-sized customers, the majority of customers said they have used point tools for screen design.¹¹⁷² When large and mid-sized customers were asked whether a combination of point tools could be a good alternative to an all-in-one tool, just over half of respondents stated that it was a good alternative for reasons including point tools having more specialised capabilities, whilst just under half of respondents stated that it was not a good alternative for reasons including the convenience and cost saving of using an all-in-one tool.¹¹⁷³ Some customers noted that

¹¹⁶⁷ Third-party responses to the CMA's phase 2 and mid-sized large and mid-sized customer questionnaire. [Out of 32 respondents: listed Miro: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; listed Balsamiq: [REDACTED]; listed Full Story: [REDACTED]; listed Justinmind: [REDACTED]; listed Omnigraffle: [REDACTED]].

¹¹⁶⁸ Third-party responses to the CMA's phase 2 and mid-sized large and mid-sized customer questionnaire. [Out of 27 respondents: listed Miro: [REDACTED]; listed Balsamiq: [REDACTED]].

¹¹⁶⁹ Third-party responses to the CMA's phase 2 small customer questionnaire. [1 out of 16 respondents].

¹¹⁷⁰ Third-party responses to the CMA's phase 2 small customer questionnaire.

¹¹⁷¹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [good alternative, 4 out of 11: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; not a good alternative, 6 out of 11: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; neutral, 1 out of 11: [REDACTED]].

¹¹⁷² Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [10 out of 15: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹¹⁷³ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [good alternative, 7 out of 12: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; not a good alternative 5 out of 12: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

point tools could have advantages as they are specialised for a specific stage of the design process.¹¹⁷⁴

- (c) For small customers, the majority stated that using a combination of point tools is a poor/very poor alternative to an all-in-one tool. A few customers saw a combination of point tools as a possible alternative and one customer thought it was a good alternative.¹¹⁷⁵

8.315 Specific comments from competitors and customers supported the questionnaire evidence summarised above:

- (a) One point tool provider focused on [X] told us that while it competes with Figma Design in relation to [X], its point tool is used alongside all-in-one tools such as Figma Design. Due to the preference of some teams for a dedicated [X] tool with specific features, compared to the more high-level features provided by all-in-one tools, this provider told us it mostly competes with 'part' of an all-in-one tool. This provider also told us it has no plans to develop a design tool due to the significant amount of investment and designer resources required. The provider described expanding into other stages of the design process as difficult, stating that at least a few years and specialist engineering skills would be required to build such tools.¹¹⁷⁶
- (b) Another point tool provider specialising in prototyping told us its primary competitors are other providers of prototyping, such as [X]. This provider explained that 'designers start the design process using graphic tools like Figma or Adobe XD or Sketch', before exporting graphic assets to their own tool. This provider submitted that its tool 'is positioned on the designer's tool market as a complementary tool for the graphic tools' like Figma, Adobe XD and Sketch, but noted that it had seen more advanced prototyping functionalities in Figma Design recently. This provider told us it would be 'quite hard' to expand its product into an all-in-one product design tool, including because this would require 'a lot of money and time', and because of potential conflicts with the coding console.¹¹⁷⁷

¹¹⁷⁴ Third party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [5 out of 18: [X], [X], [X], [X], [X]].

¹¹⁷⁵ Third-party responses to the CMA's phase 2 small customer questionnaire where respondents were asked to rate 'To what extent is using several prosumer tools a good alternative to all-in-one screen design software? where 1 is a very poor alternative, 2 is a poor alternative, 3 is a possible alternative, 4 is a good alternative, and 5 is a very good alternative'.

¹¹⁷⁶ Third-party call transcript.

¹¹⁷⁷ Third-party call transcript.

- (c) One competitor commented it 'has seen in the past that end-to-end solutions, ie tools covering the entire product design cycle, were a big selling point.'¹¹⁷⁸
- (d) One customer told us it tends to use point tools for more complex use cases, alongside Figma Design. This customer told us it is beginning to consolidate and standardise the tools it uses, listing greater efficiency for designers and cost-effectiveness as reasons, but added that it does not see the use of point tools being eliminated.¹¹⁷⁹
- (e) One customer told us they do not use point tools and prefer to use tools within their organisation's suite of approved tools.¹¹⁸⁰

8.316 Point tool providers responding to our questionnaire generally considered barriers to entry and expansion into all-in-one product design software to be very high for providers entering from scratch, and high for existing point tool providers.¹¹⁸¹

8.317 Almost all respondents to the competitor questionnaire thought that barriers to entry in all-in-one product design software were high or very high. Most thought that the barriers were slightly lower for existing providers of related tools (ie point tools, no-code/low-code tools, or prosumer tools), but generally still thought that barriers were medium to high.¹¹⁸²

- *Assessment on out-of-market competitive constraint from point tools*

8.318 Based on the above evidence, our view is that point tools provide a weak constraint on the Parties' all-in-one product design tools as they are generally used by the Parties' customers alongside all-in-one product design tools to provide specific features for a particular stage of the product design process. Accordingly, we consider that point tools would provide a weak out-of-market post-Merger constraint on the Merged Entity. We consider that on the basis of the above evidence, our provisional view regarding point tools would not materially change if these tools were included in the relevant product market.

¹¹⁷⁸ Third-party call note.

¹¹⁷⁹ Third-party call transcript.

¹¹⁸⁰ Third-party call transcript.

¹¹⁸¹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [out of 5 point tool providers who answered this question: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. The average score for barriers to entry for firms from scratch was 5.00, while this was 3.60 for point tool providers, 3.25 for no-code/low-code web building tools providers, and 3.75 for prosumer tool providers.

¹¹⁸² Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. The average score for barriers to entry for firms from scratch was 4.91, while this was 3.91 for point tool providers, 3.82 for low/no code web building tools providers, and 4.10 for prosumer tool providers.

8.319 Regarding the Parties' submission that the CMA's assessment ignores the constraint from partial substitution (see paragraph 8.213), in our view, whilst partial substitution for certain stages of the design process may drive some innovation (as seen in some of Figma's internal documents), it represents a significantly less meaningful competitive threat than the threat posed by all-in-one alternatives. With partial substitution, the customer continues to use an all-in-one tool alongside the point tool, and therefore there is no revenue loss to the all-in-one provider, at least in the short-term.

8.320 Regarding the Parties' submission that this conclusion stands in 'stark contrast' with our finding in relation to TOH2 (that Figma would not need to match the full functionality of Adobe's vector and raster editing software to act as a constraint on Adobe), we do not consider that these positions are inconsistent. In product design, the evidence indicates that a combination of point tools is not a suitable replacement for an all-in-one tool. In vector and raster editing, the breadth of functionality offered is one factor Adobe considers when assessing the strength of its competitors. However, Adobe's assessments consider their overall potential to win customers, including with offerings containing lower functionality. Other customer and document evidence also shows many customers do not need or use the full array of functionality. Therefore, Figma would not have needed to replicate the full functionality of Illustrator and Photoshop for Adobe to consider it a threat. Further, irrespective of the level of functionality it could develop, the evidence shows directly that Figma in particular was considered a threat. Since both Illustrator and Photoshop have very strong market positions, even smaller reductions in competition could be concerning.

No-code/low-code tools

8.321 In this section we consider the extent to which no-code/low-code tools constrain the Parties and would, post-Merger, exercise an out-of-market constraint on the Merged Entity. We first consider Framer, and then consider other no-code/low-code tools.

- *Framer*

8.322 Framer was launched in 2016 as a prototyping tool for designers who could code. In 2018, Framer launched a beta version of Framer X, an updated prototyping tool that allowed users to write and access components that would

show up in the Framer X user interface.¹¹⁸³ The second generation of Framer added a visual canvas in which users could design websites without coding, and also became a collaborative tool.¹¹⁸⁴ In May 2022, Framer launched its 'professional site builder', which allows users to ship designs directly from the canvas to production – this is Framer's no-code/low-code offering.¹¹⁸⁵

8.323 The Parties have submitted that while Framer has more recently pivoted to offering more advanced design-to-production capabilities (i.e. its no-code/low-code offering) and is primarily advertising this functionality, it continues to have all-in-one and advanced prototyping functionality and describes itself on its website as an 'end-to-end' tool.¹¹⁸⁶ However, we note that since [REDACTED] launched its no-code/low-code offering in May 2022, Figma's internal documents focus on [REDACTED] rather than its [REDACTED], and Figma assesses [REDACTED] competitive strength on this basis, as set out below.

8.324 On this basis, while Framer may continue to offer an all-in-one product design tool, we have assessed its strength in this section as an out-of-market no-code/low-code provider, reflecting the Parties' own assessment of Framer in internal documents. We note that in any case, we have considered the competitive constraint imposed by Framer's all-in-one product design tool, including by considering third-party evidence and internal document evidence regarding Framer's all-in-one product design tool, and included Framer in our share of supply estimates above. As noted below, we ultimately consider that our provisional view regarding Framer would not materially change if it was included in the relevant product market, either as an all-in-one tool or as a no-code/low-code provider.

8.325 A public domain source, Growjo, estimates that Framer's estimated annual revenue is USD 16.2 million. This source also suggests that Framer has 148 employees, though this includes all employees and not just number of engineers.¹¹⁸⁷ According to public sources, Framer raised USD 27 million in a Series C funding round in September 2023.¹¹⁸⁸

¹¹⁸³ See 'Framer X: to future or not to future | by John Traver | Medium', accessed by the CMA on 23 November 2023; and 'The New Framer X: Initial Impressions — Smashing Magazine', 1 October 2018, accessed by the CMA on 23 November 2023.

¹¹⁸⁴ See 'Framer Learn: What is Framer?', accessed by the CMA on 23 November 2023.

¹¹⁸⁵ 'Framer's \$27M Series C and Shaping the Future of Web Design — Framer Hype Feed', accessed by the CMA on 23 November 2023.

¹¹⁸⁶ Parties' response to TOH 1 working paper.

¹¹⁸⁷ Growjo, 'Framer Revenue and Competitors', accessed by the CMA on 23 November 2023.

¹¹⁸⁸ See [Design Startup Framer Reinvented Itself After Stalled Growth— And Now It's Challenging Figma](#), 28 September 2023, accessed by the CMA on 23 November 2023.

8.326 The Parties highlighted a number of documents that they state demonstrate Figma is aware of [REDACTED] from Framer. First, a number of documents prior to Framer's 'pivot' in May 2022 to a no-code/low-code tool mention Framer:

- (a) A presentation from [REDACTED] (Figma, Chief Product Officer) dated 10 December 2019 describes that other competitors (besides Adobe) such as Framer and [REDACTED] are '[REDACTED]'.¹¹⁸⁹
- (b) A document dated 20 October 2020, titled '[REDACTED]', shows [REDACTED]. Amongst these key competitors, [REDACTED] are described as 'primary', whereas [REDACTED] are described as 'ancillary' ([REDACTED]).¹¹⁹⁰
- (c) A paper prepared by a Figma product designer in April 2021 discussing '[REDACTED]', describes how existing tools including tools including [REDACTED] but that '[REDACTED]'. The document also states that '[REDACTED]'.¹¹⁹¹
- (d) A whiteboarding file prepared for Figma Product Development head [REDACTED] (Figma, VP of Product) in January 2022 notes that [REDACTED] are good for prototyping and designers who can code. It also discusses options for Figma including [REDACTED].¹¹⁹²
- (e) Another file prepared by [REDACTED] (Chief Product Officer) in February 2022 discusses Framer threatening and becoming '[REDACTED]'.¹¹⁹³

8.327 Then, after May 2022, Figma's internal documents that discuss Framer focus on its no-code/low-code offering:

- (a) A message dated 14 December 2022 from [REDACTED] (Figma, VP of Product) discusses [REDACTED] and states that '[REDACTED]'. The message also states [REDACTED].¹¹⁹⁴
- (b) A message from [REDACTED] (Chief Product Officer) dated 11 January 2023 includes notes from a meeting with [REDACTED] (Figma, CEO and co-founder) during which they discussed [REDACTED] and notes that [REDACTED] commented '[REDACTED]'.¹¹⁹⁵
- (c) In late January to early February 2023, Figma held [REDACTED] in which it discussed '[REDACTED]'.¹¹⁹⁶

¹¹⁸⁹ Figma Internal Document.

¹¹⁹⁰ Figma Internal Document.

¹¹⁹¹ Figma Internal Document.

¹¹⁹² Figma Internal Document.

¹¹⁹³ Figma Internal Document.

¹¹⁹⁴ Figma Internal Document.

¹¹⁹⁵ Figma Internal Document.

¹¹⁹⁶ Figma response to the CMA's s109 notice.

- (d) In March 2023, a Figma report titled '[REDACTED]' summarised a Figma team's research on the [REDACTED], which was [REDACTED]. It lists [REDACTED] and includes the following findings:¹¹⁹⁷
- (i) [REDACTED].
 - (ii) [REDACTED].
 - (iii) [REDACTED].
 - (iv) [REDACTED].
- (e) In August 2023, a [REDACTED] was outlined to Figma's executive team, described as follows: '[REDACTED]'.¹¹⁹⁸
- (f) In a presentation to Figma executives on 20 September 2023, a Figma team presented its [REDACTED] and stated that '[REDACTED]'. This document also provides an overview of some of the findings of the report referred to in subparagraph (d) above and also notes that on average, [REDACTED] when building a website (ie to [REDACTED]).¹¹⁹⁹

8.328 Framer is also referenced in several Adobe internal documents, all of which are from before May 2022:

- (a) A spreadsheet titled '[REDACTED]' last updated in April 2020, lists Framer amongst the top competitors [REDACTED].¹²⁰⁰
- (b) A presentation updated in July 2020 titled '[REDACTED]' shows a wide range of tools that can be used for different stages of the design process. Framer X is listed as an option for UI Design and Prototyping.¹²⁰¹
- (c) A presentation dated March 2021 with a chart showing the competitor set for the experience design segment includes [REDACTED] (although other slides in the same deck only include the latter [REDACTED] providers).¹²⁰²

¹¹⁹⁷ Figma Internal Document.

¹¹⁹⁸ Parties' response to TOH 1 working paper.

¹¹⁹⁹ Figma response to the CMA's s109 notice.

¹²⁰⁰ Adobe Internal Document.

¹²⁰¹ Adobe Internal Document. The slide also lists tools for brainstorming, user flows & site maps, user testing, design systems management, and file management but we have not included these as they are not part of our market definition.

¹²⁰² Adobe Internal Document.

(d) A February 2022 document provides an overview of the ecosystem for screen design. It breaks core screen design into three stages: design, prototype, and handoff. [REDACTED].¹²⁰³

8.329 In relation to documents dated prior to May 2022, these were produced at a time when Framer was primarily a prototyping tool, and therefore do not reflect Figma or Adobe's view of Framer's current product. In relation to more recent internal documents, in our view these documents provide evidence that Figma is aware of and monitors [REDACTED] from no-code/low-code providers, with much of this focus being on [REDACTED]. To the extent that Framer continues to provide an all-in-one product design offering, we note that the internal documents cited above do not indicate that Figma is or was concerned about losing customers to [REDACTED]. Rather, these documents only show certain Figma staff monitoring [REDACTED] developed by [REDACTED].

8.330 Overall, our provisional view is that these documents indicate a perception within Figma that no-code/low-code providers such as Framer provide a constraint particularly for certain use cases and audiences, and not for others. Specifically, Figma's recent internal documents indicate concern in relation to marketing design use cases and non-designers, but indicate that design professionals continue to use Figma, in particular for more complex product design use cases. We also consider that Figma's documents indicate that no-code/low-code tools such as Framer are often used alongside, rather than instead of, all-in-one product design tools. This contrasts with the internal document evidence in relation to Sketch and Adobe, particularly prior to the announcement of the Merger, which we consider indicates a more significant competitive pressure on Figma, as set out at paragraphs 8.96 and 8.236.

8.331 In response to our questionnaires, Framer was very rarely mentioned by third parties as an alternative to Figma Design or Adobe XD. In particular, it was mentioned significantly less often and ranked as a significantly weaker alternative than Sketch:

(a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design and Adobe XD, Framer was listed by a few competitors as a weak alternative to both Figma Design (average rating: 2.5) and Adobe XD (2.0).¹²⁰⁴

(b) Of the total large and mid-sized customers who provided alternatives to Figma Design and Adobe XD, Framer was listed by one customer as a

¹²⁰³ Adobe Internal Document.

¹²⁰⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [Out of 7 respondents for [REDACTED] and 6 respondents for [REDACTED]: [REDACTED], [REDACTED]].

weak alternative (rating: 2) to Figma Design, and no customers as an alternative to Adobe XD.¹²⁰⁵

8.332 Specific comments from customers and competitors on Framer were consistent with the evidence from questionnaires above:

- (a) An employee in a marketing agency told us that Framer has a lot of the same capabilities as Figma Design, however, it explained that for agency-level work it would not consider Framer as an alternative to Figma Design. This customer further added that Framer would be suitable for freelancers or smaller agencies, without a developer handoff element, and consisting of UI/UX designers. The customer described the creative capabilities of both Figma Design and Framer to be the same in terms of visual design, with the main distinctions arising based on the scale of the agency and whether developer handoff is required.¹²⁰⁶
- (b) When asked whether it would consider Framer to be an alternative to either Figma Design or Adobe XD, one customer told us that this could be true 'In the future, not so much at the moment.' It added that website builders such as Framer 'are very good for certain simple layouts and interfaces. Whereas some of the stuff that we do is a bit odd and specialist and we need developers to do it, as opposed to no code design.' When asked to compare the design capabilities of Framer to Figma Design, this customer stated that Framer was: '[A b]it more limited, because Figma you can sort of push the boundaries of what code can do, whereas Framer is necessarily constrained by it.'¹²⁰⁷
- (c) In relation to the design of an internal-facing digital tool, one large customer stated that it 'solicited opinions from the developers and designers as to what they would use' for this project, and selected Figma. When asked whether it considered Framer or other no-code/low-code tools, this customer stated that 'No-code/low-code website builders would really be something we would not consider for that sort of work.'¹²⁰⁸
- (d) When asked about alternatives to Figma Design and Adobe XD in calls with the CMA, other customers did not mention Framer (or other no-code/low-code tools).¹²⁰⁹

¹²⁰⁵ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire. [1 out of 32 respondents: [X]]. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [0 out of 27 respondents.]

¹²⁰⁶ Third-party call transcript.

¹²⁰⁷ Third-party call transcript.

¹²⁰⁸ Third-party call transcript.

¹²⁰⁹ Third-party call transcripts.

- (e) One competitor commented ‘a few companies have tried launching an end-to-end interactive product design product but are now specialized only on website building (such as Framer...). While some aspects of interactive product design can be done in website builders, the majority cannot.’¹²¹⁰

8.333 In UXTools’ 2021 and 2022 Design Tools Surveys, Framer ranked significantly behind Figma Design, Adobe XD and Sketch for all of the key product design categories in both 2021 and 2022. Specifically, Framer was the eighth most used tool for UI design in both years, the ninth or 13th most used tool for prototyping / basic prototyping, the tenth most used tool for handoff, and the 12th most used tool for design systems in 2021 (unranked in 2022).¹²¹¹

8.334 Based on the above evidence, we consider that Framer would provide only a weak post-Merger constraint on the Merged Entity. As noted above, we have assessed Framer as an out-of-market no-code/low-code provider, reflecting the Parties’ own assessment of Framer in internal documents since May 2022. However, we consider the internal document and third-party evidence above shows that to the extent that Framer continues to offer all-in-one product design software for professional users, it would provide only a weak post-Merger constraint on the Merged Entity.

- *Other no-code/low-code tools*

8.335 Besides Framer, other no-code/low-code tools include Webflow, Squarespace, Retool and v0:

(a) Webflow is a no-code web design platform that allows customers to design, build, launch, and host websites. Webflow submitted that it is not a competitor of Adobe or Figma, but rather operates in the complimentary vertical of no-code/low-code web design.¹²¹²

(b) Squarespace offers a no-code/low-code website builder, based on website templates for customers to choose from and customise. Squarespace submitted that it does not compete with Figma or Adobe, [redacted].¹²¹³

¹²¹⁰ Third-party call note.

¹²¹¹ ‘2021 Design Tools Survey’, December 2021, accessed by the CMA on 23 November 2023 and ‘2022 Design Tools Survey’, December 2022, accessed by the CMA on 23 November 2023.

¹²¹² Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

¹²¹³ Third-party response to the CMA’s phase 2 screen design competitor questionnaire.

(c) Retool is a low-code tool that helps developers build and customise internal tools and applications. It does not advertise itself as providing any form of product design or marketing design, and public assessments of Retool focus on its use to quickly build simple, internal facing applications such as dashboards.¹²¹⁴

(d) v0 is an AI-powered user interface system launched in 2023. It generates code and user interfaces based on iterative simple text prompts.¹²¹⁵

8.336 In addition to the documents at paragraph 8.327 above that refer to no-code/low-code tools more generally, Figma also highlighted a small number of recent documents that mention no-code/low-code providers other than Framer:

(a) In a Figma internal message from September 2023, a Figma account manager states that [REDACTED].¹²¹⁶

(b) In Figma internal messages from September and October 2023, a Figma product designer states that [REDACTED]. A Figma product manager [REDACTED].¹²¹⁷

8.337 Earlier documents from the Parties indicate that in 2020 and 2021, Figma Design and Adobe XD did not compete directly with no-code/low-code tools:

(a) In a CEO update to Figma's board in October 2020, [REDACTED] (Figma, CEO and co-founder) clarifies that '[REDACTED]'.¹²¹⁸

(b) An Adobe internal presentation titled '[REDACTED]' from April 2021 describes [REDACTED]. It highlights that most of [REDACTED] revenue coming from [REDACTED].¹²¹⁹ The presentation suggests that [REDACTED]. It does not mention [REDACTED].¹²²⁰

8.338 In response to our questionnaires, no-code/low-code tools other than Framer were very rarely mentioned by third parties as an alternative:

(a) No respondents to the competitor questionnaire who provided alternatives to Figma Design and Adobe XD listed any no-code/low-code tools other than Framer.¹²²¹

¹²¹⁴ 'What is Retool and what is it good for? (Retool Review 2023) (boldtech.dev)', accessed by the CMA on 23 November 2023; 'Use cases for Retool', accessed by the CMA on 23 November 2023; and 'The Goe Getter - Retool and where it fits in as a no-code tool', accessed by the CMA on 23 November 2023.

¹²¹⁵ 'v0', accessed by the CMA on 23 November 2023.

¹²¹⁶ Parties' response to TOH 1 working paper.

¹²¹⁷ Parties' response to TOH 1 working paper.

¹²¹⁸ Figma Internal Document.

¹²¹⁹ Adobe Internal Document.

¹²²⁰ An earlier Adobe Internal Document includes a [REDACTED]. It seems to highlight [REDACTED] as competitors [REDACTED] and others as competitors in [REDACTED]. The same document includes only [REDACTED].

¹²²¹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

- (b) No large and mid-sized customers who provided alternatives to Figma Design and Adobe XD listed any no-code/low-code tools other than Framer.¹²²²
- (c) Of the small customers who provided alternatives to Figma Design and Adobe XD, the only no-code/low-code tool listed was Webflow, which was listed as a weak alternative to Figma Design by one customer (rating: 2).¹²²³

8.339 Of the respondents to the competitor questionnaire that answered our question regarding the extent to which no-code/low-code tools provide a good alternative to all-in-one tools, just under half of the respondents stated that no-code/low-code tools were not a good alternative; one respondent provided a neutral response; and just under half of the respondents stated that no-code/low-code tools were only an alternative for certain use cases or areas.¹²²⁴ Specific comments from these competitors included:

- (a) 'For some use cases like simple brochure websites, non-professional designers can use website builders, skipping the whole design and development process. But as soon as their website becomes more complex (and thus more valuable), they'll hit the limits of web building tools'.¹²²⁵
- (b) No-code/low-code tools 'often don't cover high complexity projects; therefore they are only alternatives in limited/niche areas'.¹²²⁶
- (c) No-code/low-code tools 'are optimized for specific use cases whereas all-in-one tools are more for general use cases'.¹²²⁷
- (d) No-code/low-code tools are a 'Good alternative for landing pages and typical mobile apps. Not suitable for web applications, custom apps, etc.'. ¹²²⁸
- (e) 'For some use cases [no-code/low-code tools] are fine. These uses cases mainly target microteams or individuals in the need of building everything themselves without the knowledge that it would require. The results are rarely outstanding and creative yet they are functional and quick to

¹²²² Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

¹²²³ Third-party responses to the CMA's phase 2 small customer questionnaire.

¹²²⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [weak alternative, 6 out of 13: [X], [X], [X], [X], [X], [X]; good alternative for simpler use cases only, 6 out of 13: [X], [X], [X], [X], [X], [X]; neutral, 1 out of 13: [X]].

¹²²⁵ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹²²⁶ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹²²⁷ Third-party response to PFs putbacks.

¹²²⁸ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

achieve. Also, low/no code web building tools can't really help much in other software areas like native apps.¹²²⁹

8.340 Specific comments from competitors on no-code/low-code other than Framer were consistent with the evidence from questionnaires above:

- (a) One point tool provider told us in a call that no-code/low-code tools, such as Webflow, were not competitors to all-in-one design tools. This provider stated that while some similar features may be present in both Webflow and Figma Design, designs could not be completed with a no-code/low-code tool and a designer would require the use of an all-in-one tool to complete the design process.¹²³⁰
- (b) One competitor commented that 'website builders are only partially in competition with interactive product design tools. Website builders were not created for product design and therefore are not good at performing such tasks at a professional level.' It also added 'website builders are limited tools that provide solutions to create website only up to a certain level. In addition, combining tools like [...] Figma with coding tools for actual development does not work well.'¹²³¹

8.341 One no-code/low-code provider responding to our questionnaire considered barriers to entry and expansion into all-one screen design to be very high.¹²³²

8.342 In UXTools' 2021 and 2022 Design Tools Surveys, no no-code/low-code providers other than Framer were ranked in any of the key product design categories in either 2021 or 2022.¹²³³

8.343 Based on the above evidence, we consider that no-code/low-code providers other than Framer provide no meaningful constraint on the Parties.

- *Provisional view on the competitive constraint from no-code/low-code tools*

8.344 Based on the above evidence, our provisional view is that Framer would provide only a weak post-Merger constraint on the Merged Entity in the market for all-in-one product design software, and that other no-code/low-code tools would provide no meaningful constraint. While Figma's more recent internal documents indicate that Figma is aware of and monitors product/feature developments from no-code/low-code providers, and in

¹²²⁹ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹²³⁰ Third-party call transcript.

¹²³¹ Third-party call note.

¹²³² Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹²³³ UXTools, [2021 Design Tools Survey](#), December 2021, accessed by the CMA on 23 November 2023 and [2022 Design Tools Survey](#), December 2022, accessed by the CMA on 23 November 2023.

particular Framer, our view is that these documents indicate a perception within Figma that Framer provides a constraint in particular for marketing design use cases and non-designers, rather than in relation to professional product design use cases. This is reflected by third-party evidence, which suggests that no-code/low-code tools are not alternatives to Figma Design and Adobe XD in relation to the supply of all-in-one product design software for professional users.

8.345 We consider that on the basis of the above evidence, our provisional view regarding no-code/low-code tools would not materially change if these tools were included in the relevant product market.

8.346 In response to the Parties' reference to Gartner's public estimate of significant expansion from no-code/low-code tools in the development of applications (see paragraph 8.218(c)), we note that Gartner's estimate is in relation to the total number of applications to be developed and does not consider the type of applications that no-code/low-code tools are best suited for. We consider that no-code/low-code tools may be effective for the development of very simple applications, which are likely to comprise the majority of new applications. However, we do not consider that this very broad estimate indicates that no-code/low-code tools would disrupt the market for the supply of product design software for professional users.

Prosumer tools

8.347 In this section we consider the extent to which prosumer tools constrain the Parties. The primary prosumer tool that we have considered is Canva.

8.348 Canva is an online visual communication and collaboration platform. Its core graphic design tool provides a simple drag-and-drop user interface and a range of templates for presentations, documents, websites, social media graphics, posters, apparel, and videos.¹²³⁴

8.349 [X] submitted that in relation to the Parties it principally competes with Adobe Express and FigJam. It submitted that it does not currently compete with Figma's core offering and '[X]'.¹²³⁵

8.350 The Parties submitted that Canva is one of the largest providers of marketing design software globally, and that if marketing design is included in the same

¹²³⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹²³⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

market as product design, then the market should include ‘all marketing design tools’ for consistency.¹²³⁶

8.351 However, there is very limited internal document evidence indicating that prosumer tools provide any meaningful constraint on Adobe XD or Figma Design, whether for marketing or product design. Instead, in our view the Parties’ internal documents indicate that Canva competes with Adobe Express and FigJam. The extent to which prosumer tools appear in the Parties’ internal documents differs according to their product offerings. While Figma generally seems to be focussing on its design tool for professional users, Adobe seems to monitor prosumer tools such as Canva in the context of its development of Adobe Express (or [REDACTED]) and the threats they pose to the Creative Cloud. For instance:

- (a) A series of Figma’s internal documents from 2020, titled ‘[REDACTED]’, monitor [REDACTED] and provide updates [REDACTED].¹²³⁷
- (b) [REDACTED] dated 27 August 2021 queries whether [REDACTED]. We consider this indicates that Figma did not (at this time) compete with Canva.¹²³⁸
- (c) A Figma internal group chat from August 2020 mentions that [REDACTED].¹²³⁹ In June and September 2022, the same internal group chat flags [REDACTED],¹²⁴⁰ and [REDACTED].¹²⁴¹
- (d) An Adobe internal email chain titled ‘[REDACTED]’ of March 2021 includes a request for [REDACTED].¹²⁴²
- (e) An Adobe internal message from [REDACTED] (VP of Photoshop) on March 2022 states that ‘[REDACTED]’. In our view, this document indicates that Adobe was responding to Canva with [REDACTED], as opposed to Figma, to which it was responding with Project Spice.¹²⁴³
- (f) An Adobe presentation titled ‘[REDACTED]’ compares [REDACTED] and seems to show that [REDACTED].¹²⁴⁴

¹²³⁶ Parties’ response to TOH 1 working paper.

¹²³⁷ Figma Internal Documents.

¹²³⁸ Figma Internal Document.

¹²³⁹ Figma Internal Document.

¹²⁴⁰ Figma Internal Document.

¹²⁴¹ Figma Internal Document.

¹²⁴² Adobe Internal Document.

¹²⁴³ Adobe Internal Document.

¹²⁴⁴ Adobe Internal Document.

8.352 Third-party evidence also indicates that prosumer tools are not good alternatives to Figma Design or Adobe XD, including in relation to marketing design:

- (a) Of the total respondents to the competitor questionnaire who provided alternatives to Figma Design and/or Adobe XD, the only prosumer tool listed was Canva, which was listed by one respondent as a weak alternative (rating: 2).¹²⁴⁵
- (b) Of the total large and mid-sized customers who provided alternatives to Figma Design and/or Adobe XD, the only prosumer tool listed was Canva, which was listed by one customer as an adequate alternative (rating: 3).¹²⁴⁶
- (c) Of the total small customers who provided alternatives to Figma Design and Adobe XD, the only prosumer tool listed was Canva, which was listed by one customer as a strong alternative (rating: 4).¹²⁴⁷
- (d) In response to a general question about prosumer tools, the majority of competitors thought that prosumer tools were not a good alternative to all-in-one tools, while only some indicated they could be a good alternative for certain users or use cases.¹²⁴⁸
- (e) In response to a general question about prosumer tools, the majority of small customers stated that a combination of prosumer tools is a poor/very poor alternative to an all-in-one tool. Only a few customers saw a combination of prosumer tools as a possible alternative.¹²⁴⁹

8.353 One prosumer tool provider told us that its product competes with Adobe Express (ie Adobe's prosumer tool), rather than with Adobe XD and Figma Design. It stated its core audience is 'non-professional designers, such as small businesses, students and educators, and non-professional design knowledge workers.' It also told us that in prosumer uses (ie non-professional use cases), users are likely to switch between tools such as the provider's tool and Adobe Express, stating 'that audience (non-professional users) is much less sticky than a professional user, and the reason for that is they are typically using a tool as part of their job and not as the primary tool of their

¹²⁴⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire: [Out of 7 respondents for [REDACTED] and 6 respondents for [REDACTED]: [REDACTED]].

¹²⁴⁶ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: [Out of 32 respondents for [REDACTED] and 27 respondents for [REDACTED]: [REDACTED]].

¹²⁴⁷ Third-party responses to the CMA's phase 2 small customer questionnaire.

¹²⁴⁸ Third-party responses to the CMA's phase 2 screen design competitor questionnaire: [not a good alternative, 8 out of 11: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; good alternative, 1 out of 11: [REDACTED]; good alternative for simpler use cases, 1 out of 11: [REDACTED]; neutral, 1 out of 11: [REDACTED]].

¹²⁴⁹ Third-party responses to the CMA's phase 2 small customer questionnaire.

job,' further adding 'that is quite a different dynamic to the professional end of the market.'¹²⁵⁰

8.354 One prosumer tool provider considered barriers to expansion into product design to be very high, stating that: 'It would be very difficult for a provider of software used primarily for marketing design to expand the capability of their existing software to meet the requirements of product design use cases. Building a viable product design platform would take significant time (multiple years), significant capital investment (at least tens of millions of dollars) and significant dedicated engineering and design headcount (at least hundreds of employees dedicated to these efforts).'¹²⁵¹

8.355 Based on the above evidence, our provisional view is that prosumer tools would provide no meaningful competitive post-Merger constraint on the Merged Entity in the market for all-in-one product design software. We consider that our provisional view regarding prosumer tools would not materially change if these tools were included in the relevant product market.

Barriers to entry and disruptive threats (including AI and ML)

8.356 As detailed in paragraph 11.41, we consider there are significant barriers to entry and expansion in the market for all-in-one product design software for professional uses.

8.357 In terms of entry and expansion within product design, several respondents noted their plans to continually create and enhance their products to ensure that they remain competitive in the market.¹²⁵² One respondent cited it was incorporating AI into its product's functionalities to make it more competitive.¹²⁵³ However, as described above, each of the Parties' all-in-one product design competitors other than Sketch has a very small market position compared to Figma Design (by a ratio of at least 50 to 1 in 2022) and a smaller position compared to Sketch and Adobe XD (by a ratio of at least 4 to 1 and 2 to 1 respectively in 2022). As also described above, while some point tool providers stated that they had development plans, none indicated that they had significant plans to expand their offerings to become an all-in-one provider.

8.358 In response to a question about their own potential expansion and product development, two respondents to the competitor questionnaire stated that

¹²⁵⁰ Third-party call transcript.

¹²⁵¹ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹²⁵² Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [[§], [§], [§], [§], [§], [§]].

¹²⁵³ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

they were concerned that the Merger would limit their expansion plans. These respondents were concerned at the Merged Entity's future pricing plans, which may undercut competitors,¹²⁵⁴ as well as the Merged Entity's ability to 'wipe out competition' given its resources and distribution channels.¹²⁵⁵

8.359 As described at paragraphs 8.14 to 8.21 and 8.104 above, we also consider that incumbents such as Adobe XD and Figma Design benefit from material network effects, which are particularly strong within organisations that want to use the same software in order to maximise efficiencies, and which extend beyond the design team to non-designers and clients. We consider that these network effects drive customers to use the same software and reduce switching to alternatives. We consider that these network effects and high switching costs also increase barriers to entry and expansion and limit the extent to which potential competitors have the ability and incentive to enter or expand irrespective of the Merger to constrain the Merged Entity.

8.360 When asked about potential entry or expansion from providers other than themselves, most respondents stated that they were not aware of any, or that it would be very difficult.¹²⁵⁶ One respondent listed three products (Penpot, Pixso, and Uizard) that it thought might enter or expand.¹²⁵⁷

8.361 For large and mid-sized customers, when asked about potential entry or expansion from Adobe or Figma's competitors, the vast majority of respondents stated that they were not aware of any plans.¹²⁵⁸ One respondent however mentioned that 'Framer looks like having a huge potential'.¹²⁵⁹

8.362 As noted in paragraph 8.110 above, in response to an open question about significant and long-term competitive threats, large and mid-sized customers mentioned several possibilities. These included generative AI, web-based application builders, no-code alternatives, innovative 'copycats' such as Penpot, and products bridging designer to engineer handoff.¹²⁶⁰ However, as described above we also note that several responses to this question

¹²⁵⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹²⁵⁵ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹²⁵⁶ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹²⁵⁷ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹²⁵⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹²⁵⁹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire.

¹²⁶⁰ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

mentioned Figma as a threat to Adobe, as well as Adobe being a threat to Figma.¹²⁶¹

8.363 Both Adobe and Figma have invested heavily in AI technology in recent years. In particular, Adobe has launched two major AI-based products and technologies in recent years: Sensei, which Adobe has described as the ‘technology that powers intelligent features across all Adobe products’,¹²⁶² and Firefly, which Adobe has described as offering ‘new ways to ideate, create and communicate while significantly improving creative workflows using generative AI’.¹²⁶³ In November 2023, Figma introduced a suite of AI features to FigJam ‘designed to help you transition from a blank page to a personalized FigJam in seconds’.¹²⁶⁴ We consider that given their significant investments in AI development to date, both Adobe and Figma are well placed to utilise AI technology to improve their all-in-one product design software offerings.

8.364 In addition to these announced developments, the Parties’ internal documents suggest that the development of AI features specifically in relation to product design is considered to be a key opportunity for Adobe and Figma. For instance:

- (a) Figma’s 2021 Master Plan suggests Figma was exploring [REDACTED]. The document indicates [REDACTED] and could be a path to [REDACTED].¹²⁶⁵
- (b) An Adobe internal presentation titled ‘[REDACTED]’ of July 2020 shows [REDACTED].¹²⁶⁶
- (c) In an internal message of November 2022 titled ‘[REDACTED]’, [REDACTED] (Director of Engineering at Figma) flags [REDACTED] and its features to a group of recipients including [REDACTED] (Chief Product Officer), [REDACTED] (Figma, VP of Product), [REDACTED] (Figma, Chief Technology Officer) and [REDACTED] (Figma, Head of Corporate Development and Strategy).¹²⁶⁷ On 21 June 2023, Figma announced the acquisition of Diagram highlighting that ‘AI is something Figma has been focussed on for some time’ and that members of the Figma community had already built ‘nearly 100 AI-powered plugins’.¹²⁶⁸

¹²⁶¹ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire. [Figma threat to Adobe: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Adobe threat to Figma: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹²⁶² ‘Adobe Sensei: machine learning and artificial intelligence’, accessed by the CMA on 23 November 2023; [Amplifying Human Creativity with Artificial Intelligence \(adobe.com\)](https://www.adobe.com/uk/creativecloud/ai/sensei.html), accessed by the CMA on 23 November 2023.

¹²⁶³ ‘Adobe Firefly – Generative AI for everyone’, accessed by the CMA on 23 November 2023; [Adobe Firefly – Generative AI for everyone](https://www.adobe.com/uk/creativecloud/ai/firefly.html), accessed by the CMA on 23 November 2023.

¹²⁶⁴ [Introducing AI to FigJam | Figma Blog](https://www.figma.com/blog/introducing-ai-to-figjam/), accessed by the CMA on 23 November 2023.

¹²⁶⁵ Figma Internal Document.

¹²⁶⁶ Adobe Internal Document.

¹²⁶⁷ Figma Internal Document.

¹²⁶⁸ ‘AI: The Next Chapter in Design | Figma Blog’, 21 June 2023, accessed by the CMA on 23 November 2023.

- 8.365 Large and mid-sized customers were asked how AI may affect screen design in the future (as noted at paragraph 8.98 above, at the time that we sent out questionnaires, we were considering a market for all-in-one ‘screen design’). The majority of respondents considered that AI will have an impact, particularly in automating and speeding up simple or repetitive tasks, and that products are already incorporating AI.¹²⁶⁹ One respondent expected AI to reduce barriers to entry and increase competition.¹²⁷⁰
- 8.366 When explicitly asked how they expect AI to affect screen design software products in the future (irrespective of whether any such AI developments would be from existing competitors or potential entrants), the majority of respondents to the competitor questionnaire indicated that AI and AI-backed tools could affect the market in the future. The majority of these respondents stated that such an impact was either already occurring, or would likely occur within two to three years’ time.¹²⁷¹ Some of these respondents stated that AI would be more likely to benefit larger existing providers due to the large investment and data requirements.¹²⁷² Some respondents on the other hand thought that AI might create opportunities for new entrants in the future.¹²⁷³ Other respondents stated that it is difficult or impossible to predict how AI will impact the industry.¹²⁷⁴
- 8.367 Evidence from third-party calls indicated that AI tools are not in a position to replace Adobe or Figma in all-in-one product design software in the short term:
- (a) When asked if AI would have an impact on all-in-one product design software, one prosumer-tool provider told us that ‘AI is impacting all design, but as I mentioned before, I think the benefits will aggregate at those companies that already have ownership of the customer, already have the data and already have the platforms, because you can’t just build AI to replace Adobe or Figma [...]; you essentially need to build Adobe or Figma in addition to building the AI capability, as editing AI generated designs is as essential as the generation itself’.¹²⁷⁵

¹²⁶⁹ Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹²⁷⁰ Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire.

¹²⁷¹ Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [9 out of 11: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹²⁷² Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [3 out of 9 respondents who stated that AI and AI backed tools were a possibility: [REDACTED], [REDACTED], [REDACTED]].

¹²⁷³ Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [3 out of 9 respondents who stated that AI and AI backed tools were a possibility: [REDACTED], [REDACTED], [REDACTED]].

¹²⁷⁴ Third-party responses to the CMA’s phase 2 screen design competitor questionnaire. [[REDACTED], [REDACTED]].

¹²⁷⁵ Third-party call transcript.

(b) When asked if it has a sense of the timeframe at which it is going to be looking at generative AI, one large customer told us that it was ‘really looking at the use cases and seeing how does it [AI] fit with us.’ The customer also told us that ‘there is no timeline as such, but we know that there is quite a lot of senior people looking at Gen AI,’ also adding that it needs to understand the use cases and whether it aligns to the organisation’s use cases specifically, stating ‘it is something that we need to be really really careful about and think about before we start using it in the wider context’.¹²⁷⁶

8.368 Overall, we consider there is mixed evidence on AI and ML technology. While the evidence suggests that AI and ML technology will in some way disrupt the market for all-in-one product design software, the timeline over which this might happen is not clear. In any case, we note that both Adobe and Figma are putting significant efforts into the development of their own AI and ML capabilities: Adobe has recently released two major AI tools, while Figma has focused on AI technology for some time and recently acquired Diagram, an AI-backed tool. Accordingly, we consider that while AI and ML technology may be disruptive in the medium term, it is unclear what the effect would be on barriers to entry and expansion, or on the strength of competitive constraints on the Merged Entity.

Provisional conclusion on ToH1

8.369 We have considered whether the Merger gives rise to competition concerns due to the loss of competition between the Parties, both in relation to their existing product offerings and in terms of product development and innovation, in all-in-one product design software for professional users (or in any relevant segment of this market).

8.370 Whilst Adobe had significantly reduced the resources allocated to Adobe XD by the time the Merger was announced, the evidence shows that Adobe XD remains one of the two main competitors to Figma Design and would in the absence of the Merger be expected to continue to compete for a few years at least while customers were being moved to Project Spice over time. We also note that decisions and actions by Adobe at the time of the Merger are likely to have affected the status and market perception of Adobe XD today. As discussed in Chapter 7, given that such decisions and actions are a consequence of the Merger, they do not form part of the counterfactual.

¹²⁷⁶ Third-party call transcript.

Accordingly, we do not take into account in our assessment of Adobe XD's competitive strength.

- 8.371 The shares of supply, alongside evidence from internal documents and third parties, show that Figma Design is the clear market leader and Adobe XD at the time of the Merger was a close competitor to Figma Design. Internal document evidence shows that before the Merger was announced, while Figma viewed Adobe XD as a weaker product than Figma Design, it considered it to be one of its main competitors and was consistently aware of the threat it posed, even after Adobe reduced its resourcing on Adobe XD. Similarly, while third parties generally view Adobe XD as a weaker product than Figma Design, Adobe XD is still generally considered to be an adequate alternative and often considered the closest competitor to Figma Design. In addition, given our conceptual and methodological concerns with the Parties' switching analysis set out in Appendix C, we consider this analysis does not provide support for the Parties' argument that Adobe XD does not constrain Figma Design.
- 8.372 Our view is that the evidence shows that Adobe's rationale for reducing investment in Adobe XD in 2021 and 2022 was primarily to increase investment in Project Spice. Project Spice was intended to be a web-based tool with product design capabilities that would compete more strongly with Figma by allowing for real-time collaboration between professional users and including functionalities from Adobe's flagship products. Project Spice was planned to be developed in phases; starting with whiteboarding, followed by marketing design, and subsequently product design. In our view, Adobe planned to move customers from its existing product design tool – Adobe XD – to Project Spice over time as the latter developed more features. We consider that in its development of Project Spice, Adobe would also have continued to benefit from its ability to offer a product design tool as part of a bundle through its Creative Cloud suite of products.
- 8.373 Adobe's internal documents show that product design remained part of Adobe's plan for Project Spice until at least the end of July 2022. In late July 2022, one week after Adobe and Figma signed an exclusive letter of intent regarding the Merger, [X] (Adobe, President of Digital Media) reduced the scope of Project Spice, despite it having been in development for over two years, in a decision that surprised the Project Spice development team. In our view, this decision to limit the scope of Project Spice was a consequence of the Merger. On 9 September 2022, six days before the announcement of the Merger, Adobe cancelled Project Spice. As set out in Chapter 6, our provisional view is that the decision to cancel Project Spice was a consequence of the Merger, rather than a result of technical challenges and

poor initial feedback on Project Spice, or because it was necessary to move resources to Adobe Express.

- 8.374 We therefore consider that, absent the Merger, Adobe would have continued to compete including through its innovation efforts in all-in-one product design software, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways, and would have remained a close competitor to Figma. For a competitor already active within a market (and absent compelling evidence supporting an exiting firm counterfactual), we do not consider it necessary to conduct an additional assessment of the firm's ability and incentive to operate in the market. In any case, in responding to the Parties' submissions, we nevertheless consider that Adobe's efforts in product design over the years and months leading up to the Merger, including through its continued provision of Adobe XD and its development of Project Spice, provide clear contemporaneous evidence that Adobe had the ability and incentive to continue its efforts in product design.
- 8.375 Post-Merger, our view is that the Merged Entity would face limited in-market competitive constraints, including taking into account the product development plans of competitors. Other than Figma Design and Adobe XD, Sketch has the strongest product in the market for all-in-one product design software for professional users. Our provisional view is that while Sketch would provide a moderate constraint on the Merged Entity, other all-in-one product design tools have a much smaller market presence and would provide a weak post-Merger constraint.
- 8.376 Our view is that out-of-market constraints are also weak (and, therefore, it is not material to our assessment whether these constraints are considered within or outside the market). Point tools would provide a weak post-Merger constraint on the Merged Entity's all-in-one product design tools and are generally used alongside all-in-one product design tools. The evidence indicates that Framer, which used to focus on an all-in-one product design tool but has since shifted focus to its no-code/low-code tool, would also provide a weak post-Merger constraint. The evidence further indicates that other no-code/low-code providers and prosumer tools would provide no meaningful post-Merger constraint. Competitors generally thought that barriers to entry and expansion were high. Specifically in relation to AI, we consider that while AI technology may be disruptive, it is unclear what the effect would be on barriers to entry and expansion, or on the strength of competitive constraints on the Merged Entity.
- 8.377 Our provisional conclusion is therefore that the Merger would remove competition from a close competitor and an important competitive constraint

on Figma, in a market in which Figma is already the strongest player by far and there are few other competitive constraints.

- 8.378 For the reasons set out in this chapter, our provisional conclusion is that, subject to our findings on countervailing factors, the Merger may be expected to result in an SLC in the global market for all-in-one product design software for professional users.

9. Theory of Harm 2 (a) and (b): vector and raster editing software

Introduction

- 9.1 This theory of harm relates to horizontal unilateral effects arising from a loss of dynamic competition in product development and innovation between the Parties in vector editing and raster editing software (or in any relevant segment of these markets).
- 9.2 In this chapter, we consider the following:
- (a) the nature of competition;
 - (b) the framework for assessment in this context;
 - (c) Adobe's and Figma's market position in vector and raster editing software;
 - (d) closeness of competition between the Parties, in particular dynamic competition between the Parties in product development and innovation based on evidence of:
 - (i) the competitive threat the Parties impose on each other and how that likely would have continued absent the Merger; and
 - (ii) Figma's ability and incentive to develop vector and raster editing software; and
 - (e) the constraints that the Merged Entity will face from other competitors.

Nature of competition

- 9.3 This section sets out our provisional assessment on the nature of competition between the Parties and their competitors in vector editing and raster editing software. In particular, we have considered and assessed the following:
- (a) the customer landscape;
 - (b) sales and purchasing behaviour;
 - (c) how firms compete; and
 - (d) costs of supply.

- 9.4 The provisional views set out in this section are important context for our provisional assessment of dynamic competition concerns in the supply of vector editing or raster editing software.

Customer landscape

- 9.5 As set out in paragraph 8.5, product design primarily focuses on professionals, and next-generation professionals currently in education. Figma's current user base is primarily composed of [redacted] users.¹²⁷⁷
- 9.6 In relation to vector and raster editing, the evidence shows that Adobe's products have user bases made up of different customer groups who have differing requirements:
- (a) Professional users: [redacted] shows that this is the majority of use cases for Illustrator ([redacted]%),¹²⁷⁸ and a significant proportion of use cases for Photoshop ([redacted]%).¹²⁷⁹ Some professional users [redacted]. Examples of [redacted] include product and marketing design (discussed in Chapter 7). [redacted].¹²⁸⁰ Some users require [redacted].¹²⁸¹
 - (b) Education: These users make up a minority [redacted]¹²⁸² [redacted].¹²⁸³ According to Figma, [redacted],¹²⁸⁴ and so education users are [redacted].¹²⁸⁵ [redacted] are therefore particularly important for these users. Some users require [redacted].¹²⁸⁶
 - (c) Non-professional users, including prosumers, 'hobbyists', and 'advanced communicators': These users make up a minority [redacted]¹²⁸⁷ and [redacted].¹²⁸⁸ An Adobe internal document further states that [redacted].¹²⁸⁹ Adobe's internal

¹²⁷⁷ FMN.

¹²⁷⁸ When asked to choose their primary reason for using Creative Cloud subscription. FMN.

¹²⁷⁹ When asked if they use Photoshop for work-related or personal projects. Adobe Internal Document.

¹²⁸⁰ Third-party call transcript.

¹²⁸¹ Adobe Internal Document.

¹²⁸² When asked to choose their primary reason for using Creative Cloud subscription. FMN.

¹²⁸³ When asked if they use Photoshop for work-related or personal projects. Adobe Internal Document.

¹²⁸⁴ 'Figma – Figma and Chromebook: Empowering the next generation of designers', 7 June 2022, accessed by the CMA on 8 November 2023.

¹²⁸⁵ 'Androidcentral – Can you run Photoshop on a Chromebook?', 10 January 2023, accessed by the CMA on 8 November 2023.

¹²⁸⁶ Adobe Internal Document.

¹²⁸⁷ When asked to choose their primary reason for using Creative Cloud subscription. FMN.

¹²⁸⁸ When asked if they use Photoshop for work-related or personal projects. Adobe Internal Document. This only includes desktop users. Many of these advanced communicators and hobbyists are very closely adjacent to professionals, as more than half of those categorised as hobbyists stated that they are 'sometimes paid for [their] work'.

¹²⁸⁹ Adobe Internal Document. This includes desktop, web and mobile users.

documents state that non-professionals [REDACTED]¹²⁹⁰ and they submit that [REDACTED] non-professionals [REDACTED].¹²⁹¹ Further, [REDACTED].¹²⁹² [REDACTED].¹²⁹³

9.7 We consider the above evidence to show that non-professional users have particularly differing requirements to professionals. Professionals have similar, but not identical, requirements to education users. Other evidence also shows competition for education customers and professionals is closely related. The software taught in education settings influences what software is adopted by professional users, and the software that is adopted by professional users influences what is used in education settings. For example:

- (a) A competitor in vector and raster editing stated that the tools a person used during their education would directly impact the tools the person uses as a professional designer. It stated that Figma's expansion into different customer segments 'was a huge threat for Adobe because they historically would get people coming out of graphic design degrees straight to Adobe. It was just there, it was the only tool you had to use, [...] but now, when you are coming out of university as a graphic designer, you are more likely to launch into Figma [...]. I think that is like a generational difference of the talent that is coming out'.¹²⁹⁴
- (b) A further competitor in vector editing also said the tools learned in education influence which products are used by professionals in professional companies: 'when they are hiring these individuals coming out of school, the only people they have coming out of school are people trained on Adobe products. For firms to switch to another product is completely risky because they have to retrain staff, because every software program is slightly different even if it [...] has the same features'.¹²⁹⁵

9.8 We consider that the customer segments set out above are a helpful framework for our assessment. However, there is no bright line that can be drawn between these different customer groups or the functionality they need. Some non-professionals may undertake advanced work that is similar to the work undertaken by professionals. Furthermore, the markets for vector and raster editing software are evolving at a rapid pace and the boundaries of this

¹²⁹⁰ Adobe Internal Document.

¹²⁹¹ FMN.

¹²⁹² Adobe Internal Document.

¹²⁹³ Adobe Internal Document.

¹²⁹⁴ Third-party call transcript.

¹²⁹⁵ Third-party call transcript.

segmentation may change in future (see paragraph 7.120). We take this into account in our assessment.

9.9 We also considered whether users of vector and raster editing software overlap materially with users of product design software. Adobe's surveys contained some questions on closely related workflows to product and marketing design. We set out this evidence below. The overlap at the product level is discussed further at paragraphs 9.132 to 9.140(b) below.

- (a) In relation to product design, Adobe survey data shows that [X] users use the application for [X],¹²⁹⁶ and [X] users use the application [X].¹²⁹⁷ We consider that UI/UX design is one part of product design (for example, design of icons is also part of product design but treated separately in the survey). Therefore, these figures may understate the degree of overlap.
- (b) In relation to broader use cases, this survey data also shows that [X] use it for [X] and [X] respectively,¹²⁹⁸ and [X] users use it [X] respectively.¹²⁹⁹ However, we note that all of these except 'website banners or graphics' are not limited to digital use cases, and therefore may overstate the degree of overlap.

Sales and purchasing behaviour

9.10 We consider several factors relating to sales and purchasing behaviour, namely the sale of multiple adjacent products; network effects; switching costs; and multi-homing.

Sale of multiple adjacent products

9.11 As set out in paragraphs 5.39 to 5.41 and 8.09 to 8.12, Adobe bundles its products in vector and raster editing with Adobe XD, its all-in-one product design offering, as well as other creative tools. As set out in paragraphs 5.42 to 5.46), Figma Design is used for a variety of use cases beyond all-in-one product design, including vector and raster editing. Some other competitors in vector and raster editing have multi-market offerings, such as Affinity, as is discussed further below (see paragraphs 9.393-9.407 and 9.474-9.487).

9.12 Within CC All Apps, [X] is used [X] than other creative design applications within the offering ([X]% of users, compared to [X]% and [X]% for [X]).¹³⁰⁰

¹²⁹⁶ FMN.

¹²⁹⁷ Adobe Internal Document.

¹²⁹⁸ FMN.

¹²⁹⁹ Adobe Internal Document.

¹³⁰⁰ FMN.

[X] is also used [X] than other creative design applications within the offering ([X]% of users, compared to [X]% and [X]% for [X]).¹³⁰¹

- 9.13 We consider that the vector editing, raster editing, and all-in-one product design markets are adjacent for professional users. We also consider that each market is adjacent to video editing and motion design, which are discussed further in Chapter 10. By adjacent, we mean that demand and supply for products in one market are related to demand and supply for products in one of the other markets. In particular, we note the following:
- (a) There are material customer overlaps between each of these markets (as set out above) and the Parties products within them (see paragraphs 9.129 to 9.147 below);
 - (b) Assets created in creative design software act as inputs to the product design process (as set out in paragraph 8.21);
 - (c) The Parties and some competitors are active in more than one market, and some link sales across these markets either by bundling their offerings or by integrating them into the same product (as set out in paragraph 9.11); and
 - (d) Entering or expanding in vector editing in particular may be less costly or difficult given a presence in product design (as set out in Appendix D paragraphs 76 to 77). There is evidence that entering or expanding into raster editing is less difficult given a presence in vector editing (see paragraphs 7.111 to 7.115).
- 9.14 We consider that this adjacency is relevant to understand which customers are affected by network effects arising in one market (discussed further below); the strength of the Parties' market positions (discussed in paragraphs 9.69 to 9.123 below); and their ability and incentive to develop further product functionality, particularly in vector and raster editing (see paragraphs 9.125 to 9.214 for Adobe, and 9.215 to 9.370 for Figma).

Network effects

- 9.15 We set out in paragraphs 8.14 to 8.21 that the product design workflow is characterised by network effects, and that this workflow includes vector and raster editing.

¹³⁰¹ Adobe Internal Document.

- 9.16 We consider that vector and raster editing offerings when used in professional contexts outside of the product design process can also be characterised by network effects for very similar reasons. In particular, the collaborative nature of the design workflow in general; collaborative features built in these products; the importance of Design System Management for organisations, and the existence of extension ecosystems all apply to some vector and raster products more broadly, regardless of the specific use cases in which they are used.
- 9.17 The evidence shows that these factors apply to Adobe's desktop-based offerings in vector and raster editing, and even more so its web-based offerings. For very similar reasons as set out in paragraphs 8.14 to 8.21, we consider that network effects also apply to Figma Design in the context of vector and raster editing.
- 9.18 We consider that the adjacency set out above between vector editing, raster editing, product design, and other related markets implies that network effects operate across and between these markets. For example, product designers using Figma Design gain more benefit from using Figma Design when creative design is conducted on Figma's platform (either by colleagues or themselves), since this involves fewer frictions.
- 9.19 Adobe submitted that network effects do not exist between Photoshop/Illustrator and Figma Design, stating that there is no advantage from applications opening Adobe file formats as they make those formats open, and competitors support Adobe file formats too.¹³⁰² We discuss the impact of interoperability below.
- 9.20 We consider how these network effects influence the Parties' current and future market positions below (see paragraphs 9.102 to 9.123).

Switching costs

- 9.21 We considered whether the high switching costs which exist in product design also exist in creative design. If customers face high switching costs, this could reduce the ability and incentive for other providers to challenge Adobe (as the market incumbent).
- 9.22 We consider that the evidence on network effects and other factors creating switching costs in all-in-one product design, as set out in paragraphs 8.14 to 8.28, is also likely to apply to vector and raster editing for professionals, as respondents raised general challenges associated with purchasing and using

¹³⁰² Adobe Main Party Hearing transcript.

software in professional contexts. However, we have also considered vector and raster specific evidence below.

- 9.23 In our view, Adobe internal documents recognise that there are switching costs. For example, Adobe's Illustrator 2021 Annual Marketing Strategy states [REDACTED].¹³⁰³
- 9.24 Third-party evidence suggests that switching costs between creative design tools are significant. When asked how significant the barriers to switching software in creative design are, several respondents to our customer questionnaire stated that they are medium or high, with the most commonly listed reasons being the need to retrain/upskill workers.¹³⁰⁴ Respondents also noted the following:
- (a) One respondent stated that '[i]nteroperability is crucial to the successful operation of creative design meaning that any change of provider would generally have to be across the full suite of services rather than individual elements. This creates an additional barrier as staggered contracts and workflow mean it is difficult to coordinate such a change.'¹³⁰⁵
 - (b) Another respondent stated 'It [switching software] is a huge barrier for large or enterprise teams as it affects many people and overall process'.¹³⁰⁶
- 9.25 The Parties submitted that there are no technical or economic constraints preventing customers from switching, as creative professionals and creative designers multi-home. They further state that switching between different types of asset creation tools is 'made easy by industry standards of interoperability and the availability of standard file formats (e.g., JPEG, PNG, TIFF, etc) that are not controlled by any player.'¹³⁰⁷ We set out further evidence on interoperability below at paragraph 9.30.
- 9.26 We consider that switching costs are relatively high in vector and raster editing. However, switching costs faced by customers of a particular software supplier may be reduced where customers are already familiar with the alternative software (for example because they multi-home, see next section), or already purchase other products from the same supplier (which could reduce contracting frictions for enterprises).

¹³⁰³ Adobe Internal Document.

¹³⁰⁴ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [12 out of 26 stated the barriers to switching were medium or high: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³⁰⁵ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

¹³⁰⁶ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

¹³⁰⁷ Parties' response to TOH 2 working paper.

Multi-homing

- 9.27 We considered whether multi-homing reduces switching costs or the incidence of network effects.
- 9.28 Third-party evidence indicates that multi-homing across vector, raster and product design software (and also other creative design products) is relatively prevalent. However, it also shows that (all else being equal) customers would generally prefer to single-source. Therefore, multi-homing represents a trade-off on other factors. As set out in paragraph 8.32, when asked, most customers stated that they prefer to purchase from providers who offer a suite of software products, rather than multi-homing.¹³⁰⁸ The most common justification for this was improved interoperability across products or workflow improvements,¹³⁰⁹ and a simplified procurement process.¹³¹⁰
- (a) One customer told us it prefers using a suite because 'it makes our designers more efficient; it is more cost effective for us as a company.'¹³¹¹
 - (b) Another customer told us that to maintain consistency, it is important that the whole team use the same software – 'We do not want things like colour profile shifting, we do not want inconsistencies being added, we do not want fonts to be adjusted because different versions are being used.'¹³¹²
 - (c) An employee in a marketing agency told us that they would prefer single sourcing because '[a]n agency normally pins its flag on a certain set of programs, and everyone uses them because then it means everyone can open them, everyone who you hire, you hire [on] the basis that they know these programs. Whereas if everyone is just using multiple different programs, it just can become a real logistical nightmare in that sense, when it comes to switching between stuff.'¹³¹³
 - (d) One customer told us that it uses Adobe's suite due to security procedures - 'there are obviously other smaller players in that space that I could utilise if I was doing a different job, but those tools would not be an

¹³⁰⁸ Third-party responses to the CMA's phase 2 customer questionnaire. [14 out of 25 who stated a preference preferred a single provider: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³⁰⁹ Third-party responses to the CMA's phase 2 customer questionnaire. [7 out of 14 who stated they prefer to purchase from a single provider: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³¹⁰ Third-party responses to the CMA's phase 2 customer questionnaire. [8 out of 14 who stated they prefer to purchase from a single provider: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³¹¹ Third-party call transcript.

¹³¹² Third-party call transcript.

¹³¹³ Third-party call transcript.

option for a [REDACTED] colleague because we can only use [REDACTED]-sanctioned secure products and services'.¹³¹⁴

- (e) One point tool provider [REDACTED] noted that 'packaging is a critical strategy in enterprise SaaS [software as a service]. Enterprise customers typically have significant vendor onboarding processes for new tools, which makes it much more efficient to adopt tools from pre-approved vendors.'¹³¹⁵

9.29 While, as noted above, most respondents to our customer questionnaire stated that having a single provider of creative design software resulted in benefits, some stated that they prefer having the best tools for the job, even if that is multiple tools.¹³¹⁶

- (a) For example, one respondent stated that 'I want to be able to work with the best tool that suits my needs and the budget of the company I work for. That sometimes means using different tools from different providers.'¹³¹⁷
- (b) Another respondent stated that it is '[i]ndifferent so long as the tools are interoperable. We purchase products based on the ability to solve our wide variety of use cases'.¹³¹⁸
- (c) An employee in a marketing agency told us that they multi-home between Figma Design and Illustrator, stating that it 'could design [icons] in Figma for sure, but if I was looking for let us say a certain level of craft, then I would probably do that in Illustrator because it offers just that next level depth of vector that you cannot get into in Figma.'¹³¹⁹

9.30 Third-party evidence shows that the current levels of interoperability between creative design software and product design software imposes some limits on what customers can do today. However, they still allow customers today to use product design software (which includes some creative design functionality itself) and creative design software from different providers.

- (a) One third party stated that 'it would be great if there was better interoperability. The interoperability is good but it is not perfect and, in

¹³¹⁴ Third-party call transcript.

¹³¹⁵ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

¹³¹⁶ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [12 out of 25: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

¹³¹⁷ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

¹³¹⁸ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

¹³¹⁹ Third-party call transcript.

some cases, also requires us to rethink our design process and how we create some of the assets.’¹³²⁰

(b) Another third party highlighted the ‘importance of having open non-proprietary formats, like .jpg and vector formats like .svg and .pdf’. Though, they further stated that they ‘do not think we are locked into an ecosystem where someone owns that interchange format’.¹³²¹

- 9.31 The evidence shows that Adobe monitors different vector and raster products used alongside Illustrator and Photoshop,¹³²² and that Adobe in some contexts considered multihoming as an indicator of risk. For example, in an in-depth assessment of [X], Adobe sought to understand ‘[X]’.¹³²³
- 9.32 The Parties submitted that ‘[c]ustomers multi-home to access “best in breed” tools as different tools have different strengths, suited to different projects or end customer requirements’. Further, they submitted that Adobe estimates that ‘creative professionals and creative communicators use [X] creative tools for various creative activities on average.’¹³²⁴ We note that Adobe’s [X] shows the most commonly used apps alongside Illustrator and Photoshop are [X], and that [X].¹³²⁵
- 9.33 We consider that the evidence shows that multi-homing is currently relatively prevalent and may apply to different vector editing products; different raster editing products; vector and raster editing products produced by different suppliers; and different vector/raster editing products and product design products. While there is evidence that customers multi-home today, the decision to multi-home is based on the products (and functionality within those products) that are currently available to customers and the evidence shows that (all else being equal) customers would generally prefer to single-source.

How firms compete

- 9.34 The Parties submitted that ‘each Party operates in dynamic software markets. Product development, innovation and speed are the keys to success’.¹³²⁶
- (a) In vector and raster editing, the Parties submitted that innovation is essential to remain competitive.¹³²⁷ Further, internal documents show that

¹³²⁰ Third-party call transcript.

¹³²¹ Third-party call transcript.

¹³²² See for example Adobe Internal Document; and FMN.

¹³²³ Adobe Internal Document.

¹³²⁴ FMN. Parties’ response to TOH 2 working paper.

¹³²⁵ FMN.

¹³²⁶ Parties’ response to the CMA’s Annotated Issues Statement and Working Papers – Executive Summary.

¹³²⁷ [Parties’ response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C4.14.

comparing and reacting to [X] often receives at least as much prominence in internal documents as other parameters of competition [X].¹³²⁸

- (b) An Adobe internal document dated 19 January 2023 shows the importance of innovation to Adobe's core creative suite [X] for future growth in asset creation software.¹³²⁹

9.35 As is discussed above (see paragraph 9.6), the evidence shows that there are different customer groups who have differing requirements. Some providers differentiate their products in order to target particular customer groups, or particular use cases within them:

- (a) Adobe: as set out in below (see paragraphs 9.39 to 9.42), Adobe bases product development in Photoshop and Illustrator on the needs and risks to different user segments. It also recently launched Adobe Express, which the Parties submitted is 'intended for casual users, typically non-design professionals, with a primary focus on social media users and communicators.' Express achieves this by being a 'template-first online and mobile tool' and providing a 'library of templates and starter assets'.¹³³⁰
- (b) Canva: the Parties submit that Canva is an example of '[p]rosumer applications that offer interactive product design functionalities' and is 'typically used for the less sophisticated end of the interactive product design spectrum'.¹³³¹ In a call with Canva, it stated that its 'core audience as a company is non-professional designers, such as small businesses, students and educators, and non-professional design knowledge workers' and it caters to this user base by having 'a library of pre-existing vectors, images, video, etc,' and allowing users to 'compose those pre-existing elements or objects onto a page'.¹³³²
- (c) Corel: in a third-party call with Corel, it stated that its desktop suite is 'mostly targeted to professionals' but that its products 'are very centred

¹³²⁸ See for example Adobe Internal Documents.

¹³²⁹ Adobe Internal Document.

¹³³⁰ FMN.

¹³³¹ FMN. Canva and similar tools tend to be allocated to the category with professional looking results but allowing 'low control' of creative outputs (eg because the tools are based around templates). This is consistent with the Parties' description that prosumer tools are designed for non-professional users who demand professional-grade asset creation software tools – as found at [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C4.11(a).

¹³³² Third-party call transcript.

around physical, inclusive of video and photography’, describing its area of advantage being ‘physical media’.¹³³³

9.36 We asked large and mid-sized customers which factors are important when deciding between different creative design software, and to rate them from 1-5.¹³³⁴ Overall, factors considered important by a number of respondents were features, price, ease of use, interoperability and collaboration.

(a) The most commonly listed factors were cost/price and features, and both were listed by the majority of respondents. For vector and raster editing, having a ‘comprehensive’ or ‘market-leading’ feature set was considered as a highly important factor¹³³⁵ and price was considered as a moderately important factor.¹³³⁶

(b) Other factors listed by a significant number of respondents were ease of use, interoperability and collaboration and customer service/support. For vector and raster editing, ease of use and interoperability were both considered as important factors.¹³³⁷ Collaboration was considered as an important factor for vector editing, but only a moderately important factor for raster editing.¹³³⁸

9.37 Several customers told us they value collaborative/co-editing functionality and would like to see larger uptake across design software.

(a) One customer told us that ‘co-creation has become this new sort of key feature that people are relying on for remote-work acceleration and collaboration’.¹³³⁹

(b) An employee in a marketing agency told us ‘Every single designer/agency would love every single program they have to have the same functionality that Figma has where you can [have] multiple people in the same file making edits... The same with assets, if Photoshop said, "You can lay out all the art boards in Photoshop and you could have multiple people in it at

¹³³³ Third-party call transcript.

¹³³⁴ 1=not important, 2=slightly important, 3=moderately important, 4=important, 5=very important.

¹³³⁵ On average, here and going forward. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [16 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; ‘comprehensive’: [REDACTED]; ‘market-leading’: [REDACTED]].

¹³³⁶ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [17 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³³⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [Ease of use, 11 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; Interoperability, 9 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³³⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [7 out of 27: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹³³⁹ Third-party call transcript.

the same time making edits, would that be amazing?" Yes, of course it would, it would be great.'¹³⁴⁰

- (c) However, a few customers said they don't frequently require live co-editing, especially when design teams are small. WPP told us 'having seen how designers work, it tends to be a single-player game'.¹³⁴¹

9.38 This evidence shows that suppliers in vector and raster editing compete on innovation and product development, particularly in relation to new features, as well as on factors such as price for current offerings.

Costs of supply (including product development and innovation)

9.39 Costs of supplying products in these markets involves both costs associated with product development and innovation, and costs associated with maintaining these products and supporting consumers using them. We discuss first costs of product development, before considering what these together with other costs of supply imply our competitive assessment.

9.40 As set out in paragraph 8.41, many software industries have high fixed costs associated with product development and innovation, as well as economies of scale.¹³⁴² We consider that the evidence set out in that section generally also applies to vector and raster editing.

9.41 As is discussed further in paragraphs 11.34 to 11.40, evidence shows that there are significant barriers to entry and expansion for vector and raster editing software. In summary, respondents to the competitor questionnaire generally considered that barriers were high/very high for both vector and raster editing, and that barriers were similar even with an adjacent creative design product.¹³⁴³ These were generally consistent with the Parties' submissions.

9.42 Based on the above, we consider that the evidence shows product development are high and represent significant barriers to entry and expansion. Taking into account all costs (including those associated with maintaining products and supporting customers using them), there also appear to be economies of scale. We take this into account when assessing the strengths of the Parties relative to their competitors below in the

¹³⁴⁰ Third-party call transcript.

¹³⁴¹ Third-party call transcript/

¹³⁴² As detailed in paragraphs 11.36 and 11.37(b), evidence from respondents to the competitor questionnaire shows that substantial product development costs are considered a barrier to enter vector and raster editing.

¹³⁴³ Third-party responses to the CMA's phase 2 creative design competitor questionnaire. [4 out of 5: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

competitive constraints section, in particular by considering the scale of the companies involved.

Framework for assessment

- 9.43 In this chapter, we have considered whether the Merger may be expected to substantially lessen competition as a result of the loss of dynamic competition between the Parties in each of the markets for vector editing software and raster editing software.
- 9.44 Mergers involving a potential entrant can lessen competition in different ways. Where investment and innovation efforts represent an important part of the competitive process itself, this can lead to dynamic competitive interactions between existing competitors and potential entrants that are making efforts to enter or expand (ie dynamic competitors). Existing firms may invest in the present in order to protect future sales from dynamic competitors. Dynamic competitors making investments in the present will do so in order to win new sales in the future, including by winning sales from other suppliers.¹³⁴⁴
- 9.45 A process of dynamic competition can increase the likelihood of new innovations or products being made available, and therefore has economic value in the present.¹³⁴⁵
- 9.46 According to the CMA Guidance, the loss of dynamic competition following a merger can arise as follows:¹³⁴⁶
- (a) An existing supplier might reduce efforts to innovate in the present since any future loss of sales to the dynamic competitor would be recaptured by the merged entity.
 - (b) A dynamic competitor might reduce efforts to innovate since any stolen sales from the incumbent would be recaptured by the merged entity.
- 9.47 While the CMA's assessment of dynamic competition may, in some cases, focus on entry and expansion in relation to specific products, in others, it may consider a broader pattern of dynamic competition in which the specific overlaps may not be identified easily at the point in time of the CMA's assessment.¹³⁴⁷ Where this is the case, the CMA may assess a broader loss of competition arising from a reduction in the merger firms' incentives to

¹³⁴⁴ [Merger Assessment Guidelines \(CMA129\)](#), paragraph 5.18.

¹³⁴⁵ [Merger Assessment Guidelines \(CMA129\)](#), paragraph 5.20.

¹³⁴⁶ [Merger Assessment Guidelines \(CMA129\)](#), paragraph 5.19.

¹³⁴⁷ [Merger Assessment Guidelines \(CMA129\)](#), paragraph 5.21.

continue investing in these competing programmes or strategies, rather than focusing on individual future overlaps.

- 9.48 The likelihood of successful entry by a dynamic competitor and the expected closeness of competition between a dynamic competitor and other firms are both relevant to the constraint exerted by a dynamic competitor on other firms, and the CMA will take this into account in its assessment. However, the elimination of a dynamic competitor that has the ability and incentive to enter or expand may lead to an SLC even where entry or expansion by that entrant is unlikely and may ultimately be unsuccessful.¹³⁴⁸
- 9.49 In this context, the CMA Guidance refers to the efforts or investments made by the dynamic competitor towards entry or expansion.¹³⁴⁹ The relevance of such efforts is that they may serve as evidence of both the dynamic competitor's ability and incentive to enter or expand but also – to the extent visible to the incumbent – as a signal of the threat posed by the dynamic competitor's potential entry or expansion, which may in turn give rise to a competitive response by the incumbent to that threat, ie dynamic competition.
- 9.50 Accordingly, in the context of a dynamic theory of harm, the CMA may assess:
- (a) in relation to the dynamic competitor, evidence of any actions taken or considered towards entry or expansion as well as evidence of its ability and incentive to make efforts or investments to enter or expand; and
 - (b) in relation to the incumbent, evidence demonstrating its perception of the threat of entry or expansion by the dynamic competitor, evidence of a direct response to that threat as well as evidence of the incumbent's incentive to respond to such threat.¹³⁵⁰
- 9.51 An SLC will be more likely if, for example, there is evidence that the dynamic competitor's entry or expansion would have a significant impact on other firms' future profits. In such circumstances, the removal of the threat of entry or expansion may lead to a significant reduction in innovation or efforts by other firms to protect those future profits.¹³⁵¹
- 9.52 The question we have considered in this chapter is whether the Merger may be expected to substantially lessen competition in vector and raster editing software as a result of the removal of the threat of entry or expansion by

¹³⁴⁸ CMA129, paragraph 5.23.

¹³⁴⁹ CMA129, paragraph 5.23.

¹³⁵⁰ CMA129, paragraph 5.22.

¹³⁵¹ CMA129, paragraph 5.23.

Figma and of the competitive pressure this threat imposed on Adobe, thereby affecting the ongoing dynamic competitive process.

- 9.53 Incumbent firms such as Adobe that are making efforts to improve their own competitive offering may do so to mitigate the risk of losing future profits to potential entrants such as Figma.
- 9.54 In order to assess the competitive threat represented by Figma, which under this theory of harm would be lost as a result of the Merger, we have assessed the following:
- (a) Figma's efforts and investments to date in product development and innovation towards developing vector and raster editing capabilities, together with evidence of Figma's plans and consideration of further steps in this respect;
 - (b) Figma's ability and incentive to develop vector and raster editing functionality; and
 - (c) Adobe's perception of Figma as a threat, its incentive to respond, and any direct response by Adobe to any threat by Figma to develop vector and raster editing capabilities.
- 9.55 Accordingly, in order to provisionally determine whether the Merger may be expected to give rise to an SLC in the markets for vector and raster editing software as a result of the elimination of the threat of entry or expansion by Figma, we have taken account of a number of factors to assess the importance of Figma to dynamic competition in these markets and therefore its importance as a dynamic competitive constraint on Adobe.

Parties' submissions on the analytical framework

- 9.56 The Parties submitted that Figma has no ability to enter the market for vector and raster editing software in any timeframe relevant to the CMA's assessment of the Merger (in particular because of [REDACTED] technological and resourcing challenges), and that Figma has no incentive to undertake any such efforts.¹³⁵² Thus Figma is not a 'dynamic competitor' to Adobe in these markets.¹³⁵³ See also paragraphs 9.216 to 9.217 below.
- 9.57 In response to a CMA Working Paper relating to this Theory of Harm, the Parties submitted that the starting point for any analysis of dynamic

¹³⁵² Parties' response to TOH 2 working paper. In this regard, the Parties also submitted that, at a minimum, Figma would take [REDACTED] (cover email accompanying 'Technological Submissions paper').

¹³⁵³ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23.

competition is the present state of competition¹³⁵⁴ particularly where there are multiple competitors with more developed vector and raster editing capability than Figma.¹³⁵⁵

9.58 The Parties also submitted that for Figma to exert any meaningful dynamic constraint on Adobe's vector and raster editing software, Adobe would need to perceive a threat that Figma would, at a minimum:

- (a) enter areas where it is not currently present (raster editing) or present only in an incidental way (vector editing);
- (b) in a timeframe that is of competitive relevance, ie within a period of 'five years at the outside';¹³⁵⁶
- (c) in a way that will result in Figma matching the capability of Adobe's existing competitors and posing a material risk that Photoshop and/or Illustrator users would cancel their licences and switch to Figma; and
- (d) be a substantial dynamic competitive force not replicable by other players.¹³⁵⁷

Our assessment of the Parties' submissions

9.59 The starting point for our analysis in these markets has been the present state of competition. Accordingly, in our competitive assessment we first consider the Parties' current market positions in vector and raster editing software respectively.

9.60 In particular, we consider evidence on the Parties' and their competitors' current shares of supply as well as internal documents and third-party evidence about the Parties' and their competitors' current market positions and competitive constraints. We also consider the Parties' current market positions in adjacent markets.

9.61 In relation to the Parties' argument that Figma has no ability or incentive to offer a creative design product, in our assessment we have taken account of Figma's efforts and investments to date towards developing vector and raster editing capabilities, together with evidence of Figma's plans and consideration of further steps in this respect, as well as Figma's ability and incentive to develop and innovate in vector and raster editing functionality. We have noted

¹³⁵⁴ Citing *Meta Platforms Inc., v CMA* [2022] CAT 26, paragraph 100.

¹³⁵⁵ Response to Theory of Harm 2 Working Paper.

¹³⁵⁶ Citing paragraph 105 of the CAT judgment in *Meta v CMA* [2022] CAT 26.

¹³⁵⁷ Response to Theory of Harm 2 Working Paper.

the challenges identified by the Parties and we have considered these in detail in the context of our analysis of Figma's ability and incentive (see paragraphs 9.218 to 9.357).

- 9.62 More generally, as noted at paragraphs 9.48 to 9.49 above, in the context of an assessment of dynamic competition, the elimination of a dynamic competitor may lead to competition concerns even where entry by that entrant is unlikely and may ultimately be unsuccessful. Moreover, there may be some uncertainty about the outcome of investments and innovation efforts absent the merger, including whether the investments being made by merger firms would ultimately result in products or services being made available to customers. However, uncertainty about the future outcome of a dynamic competitive process does not preclude the CMA from assessing the impact of a merger on that dynamic process.¹³⁵⁸ Whilst the degree of uncertainty will be appropriately weighted in our assessment, uncertainty will not in itself preclude us from concluding that it is more likely than not that the elimination of Figma as a dynamic competitor would substantially lessen competition.¹³⁵⁹
- 9.63 In relation to the appropriate timeframe for our assessment, as noted above, in a dynamic competition theory of harm, we consider the ongoing competitive impact on innovation and product development of a prospective entrant both before and after any entry. We note that dynamic competition has a value in the present. In other words, any impairment to dynamic competition manifests in the present and is not dependent on actual successful entry or expansion by the dynamic competitor. This is because it is the threat of entry and expansion that stimulates a response by other firms through their own product development and innovation.
- 9.64 We therefore do not need to establish that Figma would be likely to enter or expand or indeed likely to be successful within a particular timeframe.¹³⁶⁰ In our assessment, we have considered evidence on Figma's organisational capability to address challenges to the development of vector and raster editing functionality within time horizons such that it would be perceived as a credible threat by Adobe.
- 9.65 As a general point, we note that in our assessment of the impact of the Merger on dynamic competition we are required to examine the wider

¹³⁵⁸ CMA129, paragraphs 5.4 and 5.20.

¹³⁵⁹ CMA129, paragraph 2.27.

¹³⁶⁰ In this regard, we note that according to case-law 'it is not necessary for the [CMA] to isolate each step in the analytical process and to apply the balance of probability separately at each stage. The standard of proof applies to the CMA's conclusion on the points which it has to decide, [...], and then whether this would cause an SLC. It does not have to be applied separately to each element in the analysis which is used to reach a conclusion on each of these points', *BskyB v Competition Commission*, [2010] EWCA Civ 2 paragraph 69.

question of Figma's importance to dynamic competition and not Figma's potential role as a future competitor. In our view, the Parties' submissions in relation to how we should assess Adobe's perception of Figma seek to import a level of certainty regarding Adobe's perception of Figma's future constraint which is neither necessary nor appropriate when determining whether the Merger raises concerns as a result of the lessening of dynamic competition.

- 9.66 In our assessment of Adobe's perception of the threat posed by Figma as a dynamic constraint, as set out above (see paragraph 9.50(b)), we considered, amongst other factors, the extent to which Figma is, or is perceived to be by Adobe, a competitive threat to Adobe, Adobe's incentives to respond to Figma's threat, as well as Adobe's actual response to that threat. We have done this by reference to the customer overlap between Adobe's vector and raster editing products (ie Illustrator and Photoshop) and Figma Design, as well as documentary and third-party evidence.
- 9.67 In relation to evidence of Adobe's actual response to the threat imposed by Figma's potential development of vector and raster functionality, we consider that Adobe's actual reaction to its threat perception provides strong evidence of both Adobe's view of Figma's ability and incentive to develop vector and raster functionality, as well as how substantial Adobe considered this threat to be.
- 9.68 Finally, we disagree with the Parties that we need to establish that Adobe would need to perceive that Figma would become a substantial dynamic competitive force not replicable by others. In our assessment we have considered Figma's role as a dynamic competitor to Adobe in the specific circumstances of the relevant markets. In particular, we have assessed the competitive constraint exerted by other dynamic competitors and the strength of their dynamic constraint on the Parties.

Parties' current market positions

- 9.69 In this section we set out evidence on the Parties' current market positions in vector and raster editing software respectively. We consider evidence specific to vector and raster editing software, and also evidence on whether their position in other markets strengthens their position across both.

Parties' submissions

- 9.70 Adobe is the leading software provider in vector editing through its Illustrator product¹³⁶¹ and in raster editing through its Photoshop product.¹³⁶² Illustrator and Photoshop are desktop products but recently Adobe released web versions with more limited functionality, ie Illustrator Web and Photoshop Web.¹³⁶³
- 9.71 In relation to Figma's presence in vector editing, the Parties submitted that Figma only allows users to create user interface (**UI**) elements (such as wireframes and basic icons). They contrast this to functionality in Illustrator and competitors such as Affinity Designer, and Procreate, which allow users to generate creative assets and use features such as custom vector brushes.¹³⁶⁴
- 9.72 In relation to Figma's presence in raster editing, the Parties submitted that Figma only allows users to make basic adjustments to images such as cropping and applying effects such as changing the contrast. The Parties submitted that these are not true raster editing capabilities, as they do not allow pixel manipulation.¹³⁶⁵ The Parties contrast this to Photoshop and competitors such as Canva and Affinity Photo, which allow users to undertake for example advanced image manipulation.¹³⁶⁶
- 9.73 The Parties submitted that any incremental graphics functionality provided to Figma by plugins is limited to product design and development use cases only and is developed independently of Figma.¹³⁶⁷ The Parties submitted that plugins do not enable users to circumvent the [✂] technical limitations of Figma's architecture.¹³⁶⁸
- 9.74 The Parties also submitted that Figma's interactive design tools (constituting Figma Design and FigJam) and Adobe's creative tools are complementary products.¹³⁶⁹ The Parties submitted that consumers who use three or more major Adobe apps will generally find it cheaper to procure a product plan (such as Creative Cloud All Apps) rather than multiple individual apps.¹³⁷⁰ The Parties further submitted that Project Spice (discussed further in paragraphs

¹³⁶¹ FMN.

¹³⁶² FMN.

¹³⁶³ Photoshop Web was made generally available as of 27 September 2023, while Illustrator Web is still in public beta. Parties' response to TOH 2 working paper; '[Adobe Illustrator on the web \(beta\) overview](#)', accessed by the CMA on 17 November 2023.

¹³⁶⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraphs C3.4 and C3.5.

¹³⁶⁵ Pixel manipulation refers to an ability to change individual pixels in an image.

¹³⁶⁶ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.6.

¹³⁶⁷ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraphs C3.14-C3.16.

¹³⁶⁸ Figma response to the CMA's s109 notice.

¹³⁶⁹ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C2.9.

¹³⁷⁰ FMN.

9.202 to 9.212 below) was intended to be a complementary offering to Adobe's current suite of 'Creative Cloud' products.¹³⁷¹

Our assessment

- 9.75 To assess the Parties' presence in vector and raster editing, we consider direct functionality integrated in existing software offerings. We also consider how the Parties' functionality is enhanced through 'extensions'. As set out in paragraphs 5.47 to 5.50, these bring in additional functionality to software, typically beyond that developed by the software supplier itself.
- 9.76 Figma offers a system of extensions. One type of extension, termed 'plugins' by Figma, currently enables some vector and raster editing functionality on Figma Design. Adobe also offers extensions. For Adobe XD, these appear to include raster and vector editing functionality. They also provide further functionality for Illustrator and Photoshop. Competitors also offer extensions. For example, Affinity's extensions include additional vector and raster brushes,¹³⁷² and Sketch's extensions include an image background removal tool.¹³⁷³ For some products, extensions are monetised, and Figma [✂].¹³⁷⁴ We discuss extensions in more detail where relevant below.
- 9.77 The Parties submitted that Adobe XD's extensions (plugins and APIs) are more limited than Figma Design.¹³⁷⁵ Our review of the marketplaces is consistent with this, however we note that a material number of extensions still exist for Adobe XD, and more for other Adobe creative tools.¹³⁷⁶

Vector editing software

- 9.78 We consider the functionality already provided by Adobe and Figma, the Parties' estimated shares of supply, internal document evidence on the Parties' respective market positions, and third-party views.

Adobe and Figma's products

- 9.79 Adobe's Illustrator is the market leader for vector editing software. Illustrator has been in the market for over 30 years and has had an entrenched

¹³⁷¹ FMN.

¹³⁷² [A guide to installing add-ons in Affinity apps \(serif.com\)](#), accessed by the CMA on 16 September 2023.

¹³⁷³ [Sketch Plugins - Download Hundreds of Plugins · Sketch](#), accessed by the CMA on 9 November 2023.

¹³⁷⁴ Figma response to the CMA's section 109 notice; Figma Internal Documents.

¹³⁷⁵ FMN.

¹³⁷⁶ We considered the availability of plugins on Adobe's website for Adobe XD at [Plugins in XD \(adobe.com\)](#) (accessed by the CMA on 15 November 2023) compared to that on Figma's website ([Powerful Plugins Made Just For Figma](#) accessed by the CMA on 15 November 2023). We identified there were more plugins for Figma than Adobe XD.

leadership for decades. Illustrator contains extensive functionality. It is a monetised product.¹³⁷⁷

- 9.80 Whilst Figma Design is a product design software, the software integrates limited vector editing functionality as explained in Chapter 5. Extensions provide further vector functionality. Out of Figma's top 150 plugins, Figma identified that around [5-10%] (ie [X] plugins) offer basic vector editing functionality.¹³⁷⁸ The Parties submitted that the basic functionalities offered by these plug-ins would not in and of themselves be comparable to, or be sufficient to qualify as, a professional vector editing tool.¹³⁷⁹ We consider the functionality provided by extensions further in Appendix D.
- 9.81 Figma is considered active in vector editing software by some third parties (see paragraph 9.172 below). Prior to the Merger announcement, Figma's website advertised Figma Design as 'an online graphic design tool' with 'all the elements' needed for example to create logos or social media graphics.¹³⁸⁰
- 9.82 [X] (Figma, VP of Product) set out in his DOJ deposition that Figma Design uses [X] that [X]. [X] stated that [X].¹³⁸¹

Share of supply estimates

- 9.83 Table 9.1 shows the shares of supply for vector editing software provided by the Parties.

¹³⁷⁷ FMN.

¹³⁷⁸ Figma response to the CMA's s109 notice; Figma response to the CMA's s109 notice.

¹³⁷⁹ Parties' response to TOH 2 working paper.

¹³⁸⁰ Way back machine snapshot of Figma's website on 9 February 2022: [A Free, Online Graphic Design Tool \(archive.org\)](#), accessed by the CMA on 17 September 2023.

¹³⁸¹ Figma, Submission to the CMA.

Table 9.1: Share of supply estimates in vector editing software based on revenue, globally, 2022

Competitor	Revenue (USD million)	Share (%)
Illustrator	[X]	[70-80]
Canva	[X]	[5-10]
LucidPress (now Marq)	[X]	[0-5]
Corel Draw	[X]	[0-5]
Ceros	[X]	[0-5]
QuarkXpress	[X]	[0-5]
Procreate	[X]	[0-5]
Affinity Designer	[X]	[0-5]
Clip Studio	[X]	[0-5]
Xara Designer Pro	[X]	[0-5]
PosterMyWall	[X]	[0-5]
Over	[X]	[0-5]
Looka	[X]	[0-5]
VistaCreate (Crello)	[X]	[0-5]
Assembly	[X]	[0-5]
Infinite Painter/Design	[X]	[0-5]
Amadine	[X]	[0-5]
Vectornator	[X]	[0-5]
Others	[X]	[0-5]
Total	[X]	100.0

Source: Adobe response to the CMA's s109 notice.

9.84 These shares of supply show that [X] has the largest share at [70-80]% in 2022, which is [X] as the next largest competitor [X], which has [5-10]%. All remaining competitors have [0-5]% share.

9.85 We note that Figma is not present in these shares, which relate to products monetised as vector editing software. In revenue terms, Figma identified that the extensions providing some vector and raster functionality (discussed at paragraph 9.80) collectively provided it with a [X] amount of revenue currently, although we note that Figma only implemented functionality allowing third parties to monetise extensions on the Figma platform itself in March 2023.¹³⁸² Third-party alternatives raised by the Parties which are free (such as Inkscape) or not monetised as vector editing software (such as Microsoft PowerPoint) are also excluded. Extensions also provide some third parties (such as Sketch) with more vector editing functionality than is inbuilt into their products.¹³⁸³

Internal document evidence

9.86 Adobe's internal documents indicate that Adobe has a [X] in the market for vector editing. For example, an Adobe October 2021 document on Illustrator's APS describes Illustrator as [X].¹³⁸⁴ A draft corporate strategy document

¹³⁸² Figma response to the CMA's s109 notice; Figma Internal Document.

¹³⁸³ [GitHub - PEZ/SketchSeparateShapes: A Sketch-app plugin that does a 'boolean' separate operation on two selected shapes. Like divide in Pathfinder in Adobe Illustrator](#), accessed by the CMA on the 15 September 2023.

¹³⁸⁴ Adobe Internal Document.

dated March 2020 estimates that for Creative Professional users, Illustrator [✂] [70-80]% market share, [✂] [20-30]% share and [✂] [10-20]% share.¹³⁸⁵

- 9.87 The Parties' documents also indicate that extensions and [REDACTED]: A Figma FAQ for Designer Advocates dated October 2022 states that: [REDACTED].¹³⁸⁶ An Adobe video recorded in February 2022 of an Adobe internal meeting organised by [REDACTED] (Adobe, VP of CC Web App), includes a statement from one employee that [REDACTED].¹³⁸⁷

Third-party evidence

- 9.88 Third-party analyst reports submitted to us by Adobe refer to Adobe as [REDACTED]. A December 2022 report by [REDACTED] states that [REDACTED].¹³⁸⁸ Another report dated December 2022 by [REDACTED] describes Adobe as [REDACTED].¹³⁸⁹
- 9.89 In relation to vector editing software, when asked to describe Adobe’s market position for screen design use cases, the vast majority of customers stated that Adobe is the market leader.¹³⁹⁰
- 9.90 One competitor told us that Adobe has ‘monopolistic control of this space’.¹³⁹¹

Raster editing software

- 9.91 We consider the functionality already provided by Adobe and Figma, the Parties' estimated shares of supply, internal document evidence on the Parties' respective market positions, and third-party views.

Adobe and Figma's products

- 9.92 Adobe's Photoshop is the market leader raster editing software. Photoshop has been in the market for over 30 years and has had an entrenched leadership position. This product contains extensive functionality. It is a monetised product.¹³⁹²



























1385 Adobe Internal Document.

1386 Figma Internal Document.

1387 Adobe Internal Document.

1388 Adobe Internal Document.

1389 Adobe Internal Document.

¹³⁹⁰ Question 11 of the CMA's phase 2 customer questionnaire states 'If you use products in the following categories, please provide your views on Adobe and Figma's market position for each of the products listed in the table below in relation to screen design use cases'. We include customers who described Adobe as 'very strong' (but not 'strong'), 'dominant', 'leading', 'best', and other similar descriptions. Third-party responses to the CMA's phase 2 customer questionnaire. [21 out of 23: , , , , , , , , , , , , , , , , , , , , , , , , , , ,

¹³⁹¹ Third-party call transcript.

1392 FMN

- 9.93 Figma Design includes only very limited raster editing functionality, as explained in paragraph 5.44. Extensions provide further raster functionality. Out of Figma's top 150 plugins, Figma identified that around [5-10]%, ie [X] plugins, offer at least basic raster editing functionality.¹³⁹³ The Parties submitted that the basic functionalities offered by these plug-ins would not in and of themselves be comparable to, or be sufficient to qualify as, a professional raster editing tool.¹³⁹⁴
- 9.94 Figma is considered active in raster editing software by some third parties (see paragraph 9.173 below).
- 9.95 The Parties' executives and Figma's early investors provided sworn testimonies in their depositions before the US DOJ about raster editing and Figma's capabilities in this space. For instance:
- (a) [X] (Figma, CEO and co-founder) clarified during his testimony before the US DOJ that raster editing is an umbrella term 'to refer to anything from digital illustration to painting to photo editing to compositing' and that '[t]hat's by no means a complete list'.¹³⁹⁵ When asked what raster editing capabilities, if any, does Figma Design have, [X] mentioned cropping images and adjusting exposure and contrast.¹³⁹⁶ In [X] deposition, [X] further stated that [X] and [X] (Figma, Co-founder and former Chief Technology Officer) had previously developed [X] focused on [X].¹³⁹⁷
 - (b) [X] (Adobe, VP of Digital Imaging) stated in her deposition before the US DOJ that she does not consider Figma to be a current or potential future competitor to Photoshop.¹³⁹⁸ [X] clarified that [X].¹³⁹⁹

Share of supply estimates

- 9.96 Table 9.2 shows the shares of supply for raster editing software provided by the Parties.

¹³⁹³ Figma response to s109 notice; Figma response to s109 notice.

¹³⁹⁴ Parties' response to TOH 2 working paper.

¹³⁹⁵ Figma, Submission to the CMA.

¹³⁹⁶ Figma, Submission to the CMA.

¹³⁹⁷ Figma, Submission to the CMA.

¹³⁹⁸ Adobe, Submission to the CMA.

¹³⁹⁹ Adobe, Submission to the CMA.

Table 9.2: Share of supply estimates in raster editing software based on revenue, globally, 2022

Competitor	Revenue (USD million)	Share (%)
Photoshop	[X]	[80-90]
Canva	[X]	[0-5]
Lensa	[X]	[0-5]
PicsArt	[X]	[0-5]
Capture One	[X]	[0-5]
ACDSee	[X]	[0-5]
Meitu	[X]	[0-5]
Pixlr	[X]	[0-5]
Procreate	[X]	[0-5]
Skylum Luminar	[X]	[0-5]
ArtRage	[X]	[0-5]
Fotor	[X]	[0-5]
Bazaart	[X]	[0-5]
Affinity Photo	[X]	[0-5]
Clip Studio	[X]	[0-5]
Pixelmator Pro	[X]	[0-5]
Corel	[X]	[0-5]
DxO Photolab	[X]	[0-5]
PicMonkey	[X]	[0-5]
Alien Skin Exposure	[X]	[0-5]
Acorn	[X]	[0-5]
ON1	[X]	[0-5]
Photopea	[X]	[0-5]
BeFunky	[X]	[0-5]
Others	[X]	[0-5]
Total	[X]	100.0

Source: Adobe response to the CMA's s109 notice.

9.97 These shares show that [X] has the largest share at [80-90]% in 2022, which is [X] as the next largest competitor [X] at [0-5]%. All remaining competitors have [0-5]% share. According to Adobe, over 90% of the world's creative professionals use Photoshop.¹⁴⁰⁰ We note that Figma is not present in these shares, which relate to products monetised as raster editing software. In revenue terms Figma identified that vector and raster functionality collectively provided it [X] of revenue.¹⁴⁰¹ Third-party alternatives raised by the Parties which are free (such as GIMP) or not monetised as raster editing software (such as the programming language CSS) are excluded, and plugins provide some competitors (such as Sketch) with some additional functionality.¹⁴⁰²

Internal document evidence

9.98 Adobe's internal documents indicate that Adobe has a [X] in the market for raster editing. A November 2021 document on Photoshop's APS states that [X].¹⁴⁰³ A draft corporate strategy document dated March 2020 estimates that for Creative Professional users, Photoshop [X] [80-90]% [X].¹⁴⁰⁴

¹⁴⁰⁰ [Adobe fast facts](#), accessed on 20 November 2023.

¹⁴⁰¹ Figma response to s109 notice.

¹⁴⁰² [Sketch Remove Bg Plugin | Sketch Elements](#), accessed by the CMA on 16 September 2023.

¹⁴⁰³ The document also recognises [X]. Adobe Internal Document.

¹⁴⁰⁴ Adobe Internal Document.

9.99 A Figma FAQ for Designer Advocates dated October 2022 states in relation to Figma's current capabilities that [✂].¹⁴⁰⁵

Third-party evidence

9.100 In relation to raster editing software, when asked to describe Adobe's market position for screen design use cases, the vast majority of customers stated that Adobe is the market leader.¹⁴⁰⁶

9.101 In relation to both vector and raster editing, customers that use or have used creative design extensions on Figma stated that Figma's extensions do not currently offer similar functionality to Adobe's creative design software.¹⁴⁰⁷ However, some customers stated that Figma's extensions can be used for simple use cases.¹⁴⁰⁸

Parties' positions in adjacent markets

9.102 In this section we consider whether offering multiple products related to creative design strengthens the Parties' market positions. We also consider evidence on whether the strength of their positions may change in future, for example as a result of the characteristics of their products relative to competitors' (if the Parties' platforms have network effects and a growing user base).

Internal document evidence

9.103 As set out above, Adobe has a wide suite of commonly used creative applications: its Creative Cloud ‘All Apps’ plan includes ‘20+ products’.¹⁴⁰⁹ Adobe also has an extension ecosystem, although there is evidence it is smaller than Figma’s. Adobe’s extensions appear to include various software relating to Design System Management.¹⁴¹⁰ A design system consists of a

1405 Figma Internal Document.

[illegible]

¹⁴⁰⁷ Question 21 of the CMA's phase 2 customer questionnaire states 'If you have used Figma Design (as per your answer to question 2a above), please explain the following in relation to extensions (including plugins and widgets) on Figma: a. what extensions (if any) you use for vector editing, raster editing, video editing, or motion design; b. the extent (if at all) to which you consider these extensions offer similar functionality to Adobe's creative design software in vector editing, raster editing, video editing, or motion design (ie Illustrator, Photoshop, Premiere Pro, and After Effects), such that extensions on Figma Design act as an alternative in certain use cases (please specify which use cases)'. Third-party responses to the CMA's phase 2 customer questionnaire. [§ 5], [§ 6], [§ 7].

¹⁴⁰⁸ Third-party responses to the CMA's phase 2 customer questionnaire. [[X]], [X]].

1409 [Creative Cloud pricing and membership plans | Adobe Creative Cloud](#), accessed by the CMA on 17 September 2023. As set out above Adobe also has an extension ecosystem.

1410 Figma Internal Document.

shared location containing reusable design resources, such as an Adobe XD file of UI elements/symbols that are kept up to date.¹⁴¹¹

9.104 Figma currently has two monetised products, Figma Design and FigJam. Figma Design technically integrates many features offered by point tool providers in one product (as well as limited vector editing functionality, and very limited raster editing technology). Figma's suite of offerings has expanded with Dev Mode (which is a new space for developers to translate designs to code faster)¹⁴¹² since June 2023 and is expected to expand further with [X].¹⁴¹³ Further, Figma also offers third-party extensions providing basic functionality which includes vector editing, raster editing, and screen design functionality, amongst others Figma also offers Design System Management.¹⁴¹⁴

9.105 In our view, some of Adobe's key decision documents indicate that having a suite of creative design products contributes to Adobe's strength. The same documents indicate that Adobe's [X] against Affinity, Adobe's main competitor currently offering both vector and raster editing software for creative professionals (see paragraphs 9.393 to 9.407 and 9.474 to 9.478 below).

(a) In vector editing, Adobe's Illustrator 2021 AMS dated November 2020 states in relation to Adobe's main¹⁴¹⁵ competitor [X], although the document also recognises [X].¹⁴¹⁶

(b) In raster editing, Adobe's Photoshop Business Strategy dated May 2022 compares Photoshop to [X].¹⁴¹⁷

9.106 However, there is evidence that Adobe considers that its historically desktop-based ecosystem is facing an increasing competitive threat from non-desktop-based services. Adobe appears to have felt that its Creative Cloud suite, and Photoshop in particular, were [X] at risk [X] from web-based competitors, particularly Figma. Though it also worried about mobile competitors and raised a longer term but less definite threat from AI.

(a) For example, an Adobe Internal document titled [X] dated June 2022 states that [X].¹⁴¹⁸ The same document states that [X].¹⁴¹⁹ The same

¹⁴¹¹ [Design Systems 101: What, Why & How \(adobe.com\)](#), accessed by the CMA on 5 November 2023.

¹⁴¹² [X]. [X]. [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.28.

¹⁴¹³ [X]. [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.30(b).

¹⁴¹⁴ FMN.

¹⁴¹⁵ See the competitive constraints section for our assessment.

¹⁴¹⁶ Adobe Internal Document.

¹⁴¹⁷ Adobe Internal Document.

¹⁴¹⁸ Adobe Internal Document.

¹⁴¹⁹ Adobe Internal Document.

document states that [REDACTED]. In relation to the latter, the document clarifies that [REDACTED].¹⁴²⁰ The document indicates that [REDACTED].¹⁴²¹

(b) The Photoshop business strategy dated May 2022 states that [REDACTED].¹⁴²²

(c) A summary of Photoshop's [REDACTED] (which appears to iterate and summarise the May 2022 document) discussed by [REDACTED] (Adobe, VP of Digital Imaging) at a Photoshop Strategy Planning in June 2022 meeting,¹⁴²³ states that [REDACTED]. [REDACTED].¹⁴²⁴ However, the document also states that [REDACTED]. The document also states that [REDACTED].¹⁴²⁵

(d) Further evidence on the threat from Figma in particular as a web competitor is set out in paragraphs 9.150 to 9.211.

9.107 Furthermore, there is evidence that, among these threats to its Creative Cloud ecosystem, Adobe considered Figma's growing presence in the adjacent product design market to be a particular threat. Adobe perceived product design as a point of disintermediation between how customers access its creative design products more widely. Adobe reacted to Figma's position in product design when considering its own vector and raster editing functionality, which is discussed and evidenced further in paragraphs 9.194 to 9.212 and 9.202.

(a) An Adobe internal presentation dated November 2020 [REDACTED]. It states that [REDACTED].¹⁴²⁶ The same document also notes that [REDACTED].¹⁴²⁷ The same document discusses [REDACTED] as incumbents in design system management but does not link them to creative design. On a slide discussing UX workflow, the document only breaks [REDACTED].¹⁴²⁸

(b) The importance of design system management overall, and its connection to Figma, is also reflected in the Merger rationale: the Parties submitted that corporate customers will be able to [REDACTED].¹⁴²⁹ We consider that design system management is one way through which within-organisation network effects materialise.

¹⁴²⁰ Adobe Internal Document.

¹⁴²¹ Adobe Internal Document.

¹⁴²² Adobe Internal Document.

¹⁴²³ Adobe Internal Document.

¹⁴²⁴ Adobe Internal Document.

¹⁴²⁵ Adobe Internal Document.

¹⁴²⁶ Adobe Internal Document.

¹⁴²⁷ Adobe Internal Document.

¹⁴²⁸ Adobe Internal Document.

¹⁴²⁹ FMN.

- (c) In a message dated 20 January 2022, [REDACTED] (Adobe, SVP of Digital Media Global Marketing) comments that [REDACTED].¹⁴³⁰ Whilst this was in response to the headline results of the flawed [REDACTED] (see paragraphs 9.152 to 9.153), we consider that this message reflects [REDACTED] understanding of the competitive dynamic more broadly, since [REDACTED].¹⁴³¹
- (d) A message from [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) to [REDACTED] (Adobe, Chairman and CEO) and [REDACTED] (Adobe, President of Digital Media) in July 2020 summarised that Figma [REDACTED]. This research about Figma '[REDACTED]', and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) states that the [REDACTED] described in relation to Figma [REDACTED].¹⁴³²
- (e) An Adobe May 2022 document on pro design strategy shows that Adobe considered future workflows should [REDACTED]. We consider that Project Spice is an example of an integrated tool.¹⁴³³ Project Spice is discussed further below at paragraphs 9.202 to 9.212 below.

9.108 Figma's documents show that its product development strategy is influenced by strategic fit with its own existing, and expanding, suite of products. Its documents also show that Figma's strategy was specifically influenced by Adobe's multi-product bundle. We discuss this further in paragraphs 9.312 to 9.353. The evidence also shows that Figma Design is characterised by network effects, as set out in paragraphs 9.15 to 9.20.

9.109 This internal document evidence is consistent with the characteristics of the markets discussed above (see paragraphs 9.3 to 9.42). In particular, it shows that there are material adjacencies between product design and vector/raster editing, and that network effects operate within each market and across markets. We consider that these factors will be particularly strong where products in these markets have a high degree of customer adjacency (as measured for example by customer overlap), have high functional adjacency (for example, being often used in the same workflow), or are linked in other ways (such as through bundling). These characteristics imply that a strong position in one first market (such as product design) strengthens a provider's offerings in a second adjacent market, than were it to have a weak or non-existent offering in the first market.

9.110 We consider that these factors apply to Adobe and Figma's products, as set out at paragraphs 9.129 to 9.139 in the context of Illustrator and Photoshop and paragraphs 9.313 to 9.327 in the context of Figma's products. These

¹⁴³⁰ Adobe Internal Document.

¹⁴³¹ Adobe Internal Document.

¹⁴³² Adobe Internal Document.

¹⁴³³ Adobe Internal Document.

characteristics imply that a strong position in one first market (such as product design) strengthens a provider's offerings in a second adjacent market, than were it to have a weak or non-existent offering in the first market. As set out in paragraphs 9.79 and 9.92, Adobe has a very strong position in the markets of vector and raster editing which is adjacent to product design. Further, as set out in Chapter 8, Figma has a very strong position in product design, which is adjacent to vector and raster editing. The Merger would therefore enhance the strength of the Parties' market positions in each market, reducing the challenge from third parties without equivalent multi-market presences.

- 9.111 On the other hand, absent the Merger, these characteristics confer an incentive on Adobe and Figma to develop their offerings in markets adjacent to their core markets, because doing so would help defend their very strong market positions in vector/raster editing and product design respectively. These incentives are consistent with how Adobe positioned its product development of web-based vector and raster editing functionality alongside (and as part of) Project Spice, which was intended to compete with Figma Design (discussed in paragraphs 9.207 to 9.212 below). They are also consistent with Figma's considerations and steps taken in vector and raster editing to compete with Photoshop and Illustrator, discussed below.
- 9.112 The Parties submitted that 'Adobe's position in creative tooling is [✂], stating that Adobe is not [✂], Adobe applications do not have to be purchased or used together and can be purchased standalone with exactly the same functionality, interoperability is assured by the use of industry standard file formats, and that multi-homing is commonplace with no technical or economic constraints to customer switching. The Parties indicated that the fact that all Adobe applications can be purchased as standalone products with the same functionality as within Creative Cloud, and that the applications [✂].¹⁴³⁴ We set out our assessment on interoperability, multihoming, and switching costs in paragraphs 9.15 to 9.33 above. We set out our view of how multi-market competition influences the incentives in this market above. This is also consistent with evidence the Parties have set out in relation to synergies from cross-selling across product markets (at paragraph 9.236 to 9.288 below).

Third-party evidence

- 9.113 Evidence set out in paragraphs 9.28 to 9.29 shows that customers' choices of provider in vector and raster editing are influenced by whether they offer a bundle of adjacent products.

¹⁴³⁴ Parties' response to TOH 2 working paper.

9.114 Further, some internal documents from Figma’s investors underline the strength of Adobe’s overall creative cloud offering, which includes both vector and raster editing software.

(a) Greylock’s thesis for investing in Figma [REDACTED].¹⁴³⁵

(b) A Sequoia investment thesis states that ‘[REDACTED]’.¹⁴³⁶

9.115 Evidence from third parties also suggests that whilst Figma currently only has two monetised products, Figma (and Figma Design in particular) has characteristics typically associated with digital platforms, including network effects.

(a) A respondent to our customer questionnaire stated that Figma is an alternative for vector editing because ‘[f]or simple work it’s easy to stay in the same ecosystem’, and they state that this strength is ‘[l]ikely to become even more compelling’ in the future.¹⁴³⁷

(b) One competitor told us that ‘the nature of that market is there is a huge power law at play, that, as Figma has emerged – and it is impressive to actually watch the emergence of a great tool – and then you get the sort of virtuous cycle where people learn the tool, it becomes sort of part of their identity and that flywheel continues because it is a professional space’.¹⁴³⁸

9.116 Two respondents to our competitor questionnaires said that adjacencies between Adobe and Figma’s creative design and product design products respectively would lead the Merger to reduce the ability of third parties to challenge the Merged Entity across vector and raster editing, and product design.

(a) One competitor told us that ‘The foothold that Figma has established amongst product design teams is incredibly strong’¹⁴³⁹ and that raster and vector editing are ‘neatly adjacent audiences within the professional design team’.¹⁴⁴⁰ It said that ‘Adobe will leverage its monopoly in professional design tools to build and bundle less innovative (and ‘copycat’) non-professional design tools with its professional design suite. This will box out innovative and emerging competitors, in turn stifling

¹⁴³⁵ Third-party response to the CMA’s RFI.

¹⁴³⁶ Third-party response to the CMA’s RFI.

¹⁴³⁷ Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire.

¹⁴³⁸ Third-party call transcript.

¹⁴³⁹ Third-party call transcript.

¹⁴⁴⁰ Third-party call transcript.

innovation in the design software market and harming consumers'.¹⁴⁴¹
[X].¹⁴⁴²

- (b) Another competitor told us that 'Competing directly with a combined Adobe and Figma may be insurmountable if certain pricing and bundling actions are not prevented from occurring. For example, if Adobe reduced the price of Figma ([X]) for customers of its Creative Cloud, this would affect us negatively to a critical level given the ubiquity of Adobe's Creative Cloud' and that packaging is a critical strategy in enterprise SaaS. Enterprise customers typically have significant vendor onboarding processes for new tools, which makes it much more efficient to adopt tools from pre-approved vendors... Bringing Figma under Adobe's existing enterprise customer approved-vendors umbrella would open up a large opportunity to Figma that isn't otherwise easily attainable... That factor alone, even absent pricing and packaging manoeuvres, will be a formidable obstacle for other players in the design tool landscape to overcome'.¹⁴⁴³

Provisional conclusions on the Parties' market positions

- 9.117 Based on the evidence set out above, we consider that Adobe has a leading market position, which has endured over decades, in both vector and raster editing, with shares of supply currently of [70-80]% and [80-90]% respectively. The remaining competitors are much smaller, each having shares of supply under 10%. Figma currently has a limited presence in vector editing software and a very limited presence in raster editing software, although this functionality is enhanced by third-party extensions.
- 9.118 The markets for vector and raster editing on one hand and product design on the other are adjacent, in that they have material customer overlaps and some customers use vector and raster editing software and product design software as part of the same workflow. There are also adjacencies with other creative products, including motion and video editing, although these appear to be weaker (as set out in Chapter 10).
- 9.119 We consider that both Adobe and Figma's platforms are characterised by network effects. These network effects cause the value of the respective platforms to increase with the number of users. These strengthen Adobe's position in vector and raster editing software. They also strengthen Figma's position in product design software. Network effects operate across markets.

¹⁴⁴¹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁴⁴² Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁴⁴³ Third-party response to the CMA's phase 2 screen design competitor questionnaire.

For example, the value of using Figma's vector and raster editing offerings is greater the more Figma is used for product design, and vice-versa. Therefore, the strength of the Parties' positions in each of these markets is influenced by their strengths in the others, implying that the Parties' face multi-market competitive pressure across vector editing, raster editing and product design.

- 9.120 Adobe derives significant competitive advantages from its multi-market presence and network effects. However, we consider that disruptive technological trends may be threatening Adobe's primarily desktop-based ecosystem of products, with competition from web-based platforms appear particularly threatening. Adobe's ecosystem also faces some threats from mobile-first players, and over the longer term, may face a threat from AI. These are discussed in Appendix F.
- 9.121 Because the strength of Adobe's Illustrator and Photoshop products depends in part on Adobe's position in product design, we consider that Adobe would have an incentive to develop its position in product design in such a way that would defend Illustrator and Photoshop. The evidence shows that this meant including vector and raster editing functionality into its product design offering and improving the interoperability of its products across these three markets. This incentive is in addition to our assessment of the Parties' submissions on Adobe's ability and incentive to 're-enter product design organically' discussed in paragraphs 8.191 to 8.199. We discuss this further at paragraphs 9.338 to 9.344 below.
- 9.122 Likewise, because the strength of Figma Design depends in part on its strength in vector and raster editing, this gives Figma an additional incentive to develop its offerings in these markets. We discuss Figma's overall ability and incentive below, and this specific incentive is discussed in paragraphs 9.336 to 9.347 below.
- 9.123 Further, competitors without such multi-market positions or network effects would be less-effective competitors than they would be if they had these characteristics. We consider that the Merger may further strengthen the effects identified above by integrating strong complementary products in product design software (stronger than exists with Adobe XD today) and Adobe's vector and raster editing software, and by providing a larger user base which may strengthen network effects. This may increase the degree of differentiation between the Merged Entity and its competitors in vector and raster editing, weakening the competitive constraint competitors exert. We take this as context for our assessment of competitive constraints.

Closeness of competition

9.124 In this section, we set out evidence on closeness of competition between the Parties, in particular dynamic competition between the Parties in product development and innovation pre-Merger. This includes evidence of the competitive threat imposed by the Parties on each other and how that likely would have continued absent the Merger. We first consider evidence of Adobe's perceived threat from Figma and Adobe's product development as response to Figma's threat. We then consider evidence on Figma's ability and incentive to develop its vector editing and raster editing functionality.

Adobe's perceived threat from Figma and Adobe's product development as response to this threat

9.125 In this section we set out evidence specifically related to Adobe's perceived threat from Figma Design and Adobe's actions in response to this threat. We set out the Parties' submissions before considering the evidence on the threat that Adobe perceived from Figma and Adobe's product development plans as a response to Figma.

Parties' submissions

9.126 The Parties submitted that Adobe does not consider Figma to be a material current or dynamic competitive threat,¹⁴⁴⁴ drawing on the following evidence:

- (a) The fact that Figma would be at most competing for a small proportion of an already small percentage of Adobe's installed base (ie those users who use Adobe's tools for product design) dilutes its importance as a hypothetical competitive threat.¹⁴⁴⁵
- (b) [REDACTED] (Adobe, President of Digital Media), the [REDACTED] in relation to Digital Media (including the core Creative Cloud apps and Project Spice), investigated and ultimately concluded that [REDACTED].¹⁴⁴⁶
- (c) Adobe's 2022 '[REDACTED]', which the Parties submitted, show '[REDACTED]'.¹⁴⁴⁷
- (d) Adobe's analysis in response to the [REDACTED] published in January 2022, which considered whether [REDACTED],¹⁴⁴⁸ as well as whether [REDACTED].¹⁴⁴⁹ Each of the respective business teams concluded that Figma was not a competitive

¹⁴⁴⁴ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.

¹⁴⁴⁵ Parties' response to TOH 2 working paper.

¹⁴⁴⁶ Parties' response to TOH 2 working paper.

¹⁴⁴⁷ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.2.

¹⁴⁴⁸ Adobe Internal Document.

¹⁴⁴⁹ Adobe Internal Document.

threat and did not alter any business or commercial strategy in response.¹⁴⁵⁰

9.127 Adobe further submitted that its investments and feature rollouts were not ‘a response to a Figma “threat”’.¹⁴⁵¹ Specifically, Adobe submitted that:

- (a) Project Spice was not a response to Figma and does not constitute evidence of a ‘broader pattern’ of dynamic competition.¹⁴⁵² Whilst it was ‘[🔗]’, these were ‘not confined to “screen design use cases”’.¹⁴⁵³
- (b) [🔗].¹⁴⁵⁴ Documentary evidence and the timeline for product development demonstrates that the drivers of Photoshop Web and Illustrator Web are unrelated to Figma.¹⁴⁵⁵
- (c) Adobe’s efforts to introduce collaboration functionality on its asset creation software are geared at responding to the demands of its asset creation customers. There is a ‘growing expectation in the asset creation industry for collaboration features’ which drove Adobe to develop ‘the “share for review” functionalities on Photoshop and Illustrator’.¹⁴⁵⁶ Adobe’s assessment of competition from Figma, including [🔗], is not evidence [🔗].¹⁴⁵⁷

Our assessment

9.128 We first assess evidence on the extent to which Adobe perceived a threat from Figma, and how Adobe responded to this threat.

Figma’s threat to Adobe

9.129 In this section we set out how Adobe monitors user segments in general as context for our assessment of its perception of the threat specifically from Figma. We then assess the degree of user overlap between Adobe’s vector and raster editing products and Figma Design, internal document evidence on its view of Figma, third-party evidence, and analysis of product usage data presented by the Parties.

¹⁴⁵⁰ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.9.

¹⁴⁵¹ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.10.

¹⁴⁵² Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.10(a).

¹⁴⁵³ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C6.12(c) and C6.12(d).

¹⁴⁵⁴ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.10(b).

¹⁴⁵⁵ Parties’ response to TOH 2 working paper.

¹⁴⁵⁶ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.10(c).

¹⁴⁵⁷ Parties’ response to TOH 2 working paper.

- *How Adobe monitors user segments in general*

9.130 The evidence shows that Adobe monitors different user segments within vector and raster editing, and that it regularly monitors which other applications (and to which extent) its users use. The segments appear to evolve over time but tend to consist of four categories.¹⁴⁵⁸ [REDACTED]. These segments are linked to how Adobe monitors competitive constraints, as discussed further in our assessment of competitive constraints. In the professional segment, there is evidence that screen design use cases are sometimes considered separately. This is consistent with the evidence that different customer groups require different functionality, as set out above (see paragraph 9.6).

- (a) A November 2021 document on 2022 Photoshop ABS lists [REDACTED].¹⁴⁵⁹ The document also describes [REDACTED].¹⁴⁶⁰ The document draws out that there are some similarities and some differences between [REDACTED].¹⁴⁶¹
- (b) A May 2022 Photoshop Business Strategy distinguishes product development actions required for [REDACTED]. These points do not appear in relation to [REDACTED].¹⁴⁶²
- (c) An Adobe September 2021 document on web products states that '[REDACTED]'. The same document states that one of the priorities for 2022 is to [REDACTED].¹⁴⁶³ [REDACTED] (Adobe, President of Digital Media), [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), [REDACTED] (Adobe, SVP of Digital Media Global Marketing), and [REDACTED].¹⁴⁶⁴
- (d) Adobe [REDACTED] commissions surveys into its user base to understand [REDACTED], and other metrics such as [REDACTED].¹⁴⁶⁵

9.131 We consider that this monitoring of user segments, and the competing applications also used by its customers, suggests that Adobe is alert to the threat posed by specific competitors on different parts of its customer base.

¹⁴⁵⁸ Adobe's documents do not usually use the term 'prosumer tools': Canva and similar tools tend to be allocated to the category with professional looking results but allowing 'low control' of creative outputs (eg because the tools are based around templates). This is consistent with the Parties' description that prosumer tools are designed for non-professional users who demand professional-grade asset creation software tools – as found at [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C4.11(a).

¹⁴⁵⁹ Adobe Internal Document.

¹⁴⁶⁰ Adobe Internal Document.

¹⁴⁶¹ Adobe Internal Document.

¹⁴⁶² Adobe Internal Document.

¹⁴⁶³ Adobe Internal Document.

¹⁴⁶⁴ Adobe response to s109 notice.

¹⁴⁶⁵ See for example Adobe Internal Document and FMN.

- *Analysis of the customer overlap*

9.132 As a measure of the potential for Figma to pose a threat to Adobe's customer base, we consider analysis of the proportion of Illustrator and Photoshop's customer base which overlaps with Figma Design. We first consider data submitted by the Parties, and then document evidence.

9.133 We consider that the share of Illustrator and Photoshop customers using Figma Design is informative of the threat posed by Figma to Adobe, particularly in the short term. This is because customers already using Figma Design would be at heightened risk of switching away from Adobe to Figma for vector and raster editing, were Figma to develop its vector and raster functionality.

9.134 In other words, these overlap customers provide Figma with a 'foothold' amongst Adobe's customer base to which to cross-sell its products. The risk of customers switching away is therefore particularly high due to the nature of the products and how customers use them. In particular, at the organisation level, teams using one design platform benefit more from other teams in the same organisation using the same design platform due to, for example, enhanced collaboration or a single design management system. At the individual user level, some individuals will prefer to use software offered by the same provider rather than mixing-and-matching, for example to benefit from enhanced interoperability (see paragraphs 9.10 to 9.38).

9.135 We consider that the synergies highlighted by the Parties demonstrate the importance of cross selling in relation to their offerings. In particular, the Parties estimated that synergies [X] arising from cross selling account for around [X]% of all Merger synergies [X].¹⁴⁶⁶

- *Parties' usage data on overlap*

9.136 We consider the share of organisations and individuals using both Adobe and Figma products. Organisations can be regarded as the customer unit given that purchasing decisions are typically undertaken by organisations and given that Figma may be able to expand its user base relatively easily once it has a foothold in an organisation. Individuals can be regarded as the customer unit given that organisations will seek to ensure the number of licenses reflects the number of individuals who use the software within the organisation.

¹⁴⁶⁶ The CMA has assumed that 'Existing Install Base', 'Pro/Org Upsell', 'Go to Market (GTM) Enterprise Sales Motion', 'Attach FigJam through existing CC and DC Digital Sales Motion' and 'Include Capabilities of FigJam to add value to Express' represent cross selling synergies, Adobe's response to the CMA's s109 2 notice, Adobe Response to RFI.

9.137 The data submitted by the Parties from their internal databases showed that [REDACTED]% and [REDACTED]% of organisations whose staff used Illustrator and Photoshop at the end of 2022 also had staff using Figma Design in the last quarter of 2022.¹⁴⁶⁷ We also considered overlaps at the individual level. The data submitted by the Parties showed that [REDACTED]% and [REDACTED]% of Illustrator and Photoshop's individual users respectively at the end of 2022 used Figma Design in the last quarter of 2022.¹⁴⁶⁸ Given that Adobe's annual revenues in Illustrator and Photoshop are USD [REDACTED] billion and USD [REDACTED] billion respectively,¹⁴⁶⁹ a proportion of revenue at risk of this order of magnitude represents a significant threat to Adobe.

9.138 Whilst we consider these figures to be a reasonable basis to understand the overlap, the underlying data has some methodological issues (as set out in Appendix C) and there are some reasons these figures could understate the level of overlap, such as Adobe free trial users being included.¹⁴⁷⁰ We therefore have also considered whether these figures are consistent with those set out in Adobe's documents.

- *Survey data*

9.139 We set out in paragraph 9.9 evidence drawn from Adobe surveys showing that a material proportion of vector and raster editing software customers are also customers of product design software, and vice-versa. These showed that [REDACTED]% of Illustrator users use the application for '[REDACTED]',¹⁴⁷¹ and [REDACTED]% of Photoshop users use the application for '[REDACTED]'.¹⁴⁷² We consider that these represent a subset of the tasks associated with product design as they exclude other product design use cases (such as logo and icon design, which appear as a separate item in the survey), and do not include other use cases for Figma Design (such as marketing design). We consider that these are therefore very cautious estimates of the potential overlap.

9.140 These surveys also show [REDACTED]. Adobe's survey data is presented [REDACTED].¹⁴⁷³ The surveys show that [REDACTED], and because Adobe commissioned these surveys, that Adobe monitored [REDACTED].

¹⁴⁶⁷ Adobe response to s109 notice. At the organisation level, the unit of analysis is an organisation (corporate entity), and an overlap is defined as the same corporate entity using both the relevant Adobe and Figma product/plans (regardless of whether there is an overlap at the individual user level).

¹⁴⁶⁸ Adobe response to s109 notice.

¹⁴⁶⁹ Adobe response to the CMA's s109 notice 4, question 27.

¹⁴⁷⁰ Adobe's data submitted to the CMA includes free trial users. We consider that this is likely to understate the degree of overlap, if users of free trials are less likely to be customers of Figma Design offerings and are also only temporarily using Adobe's products. Adobe response to the CMA's s109 notice.

¹⁴⁷¹ FMN.

¹⁴⁷² Adobe Internal Document.

¹⁴⁷³ The base was also not restricted to [REDACTED]. Adobe Internal Document.

(a) A 2022 Adobe Illustrator survey shows that [redacted]% [redacted]¹⁴⁷⁴ ([redacted])%¹⁴⁷⁵ ([redacted])% [redacted]% [redacted].¹⁴⁷⁶

(b) A 2022 Adobe Photoshop survey also shows that most applications used [redacted]¹⁴⁷⁷ [redacted]% [redacted]% [redacted]% [redacted]. [redacted]. [redacted]% [redacted]. [redacted]% [redacted]% [redacted].¹⁴⁷⁸

9.141 The Parties submitted that the surveys show only a [redacted] proportion of users of Photoshop and Illustrator use those products [redacted] and, even among those that do, they almost invariably work on other use cases too. The Parties submitted analysis showing that among the [redacted] Illustrator/Photoshop users that use Illustrator/Photoshop for [redacted], less than [redacted]% (around [redacted]% overall) use them [redacted]. The Parties submitted that [redacted]%/[redacted]% use them for at least three other outputs/activities as well. The Parties submitted that freelance graphic designers or other asset creators will not wish to '[redacted]'.¹⁴⁷⁹

9.142 We assessed the analysis submitted by the Parties. We focussed on three aspects: first, the overlap identified by the Parties; second, the proportion of this overlap which the Parties identified as being undertaken by designers also conducting tasks which do not form part of the product design workflow; and third, the Parties' interpretation of this analysis.

9.143 In relation to the overlap between Illustrator / Photoshop and product design use cases, we consider that the use cases assessed (UI/UX design for Illustrator and both 'design a mobile app' and 'design or develop web pages or web content (e.g. banner ads, emails)' for Photoshop) are only a subset of the use cases which Figma can be used for today. Therefore, a larger proportion of Illustrator and Photoshop customers are undertaking tasks which can also be performed in Figma Design, and as such, the proportion of customers which could overlap is likely to be understated in the Parties' analysis.

(a) For vector editing, the Parties analysis does not treat 'logos, icons and other brand graphics' as an illustration use case where Figma could challenge Illustrator. However, Figma Design can be used to create such creative assets today, and in many cases doing so will be part of the product design workflow.¹⁴⁸⁰

¹⁴⁷⁴ Procreate is an iOS based raster-editing app, available on iPad and iPhone, and is not available on desktop.

¹⁴⁷⁵ Canva is an online visual communication and collaboration platform. It offers an all-in-one graphic design tool, which incorporates basic vector, raster, and video editing functionality.

¹⁴⁷⁶ FMN.

¹⁴⁷⁷ Sketch offers a Mac-based all-in-one product design tool.

¹⁴⁷⁸ Adobe Internal Document.

¹⁴⁷⁹ Parties' response to TOH 2 working paper.

¹⁴⁸⁰ [Figma Icon Tutorial | Figma Community](#), accessed by the CMA on 16 November 2023

- (b) For raster editing, Parties' analysis does not treat 'adjust photos' (for which the first two examples are cropping or changing the contrast of an image) as an illustration use case where Figma could challenge Photoshop. However, Figma Design can be used to perform such operations today, and in many cases doing so will be part of the product design workflow.¹⁴⁸¹

9.144 In relation to other use cases conducted alongside UI/UX design, the Parties' own assessment for Illustrator shows that at least [X] of customers using Illustrator for UI/UX design only worked on additional use cases which form part of the product design workflow (or other tasks for which Figma is frequently used).

- (a) The three most frequent related use cases were '[X]'. In line with our view at paragraph 7.57, we consider that these are all use cases of Figma Design. Around [X] of users using Illustrator for [X] also used it for these three use cases.¹⁴⁸²
- (b) Other related use cases most frequently mentioned are also likely to occasionally be part of the product design workflow, such as [X]. Including the use cases set out in (a) above with these other related use cases, around [X] of all users using Illustrator for [X] used it for product design and related use cases.¹⁴⁸³

9.145 For Photoshop, the Parties' own assessment again shows that [X].

- (a) The [X] most frequent related use cases were '[X]' (of which examples included '[X]'). We consider that these are all use cases of Figma Design. Around [X] of users using Photoshop for mobile app or website/content design [X].¹⁴⁸⁴
- (b) Other related use cases most frequently mentioned are also likely [X], such as '[X]'; '[X]'. Including the use cases set out at (a) above with these other related use cases, around [X] of users using Photoshop for mobile app or website/content design [X].¹⁴⁸⁵

9.146 In relation to the Parties' interpretation of their overlap analysis, based on the analysis and evidence set out above, we do not consider that the Parties' analysis provides evidence that only a small proportion of Illustrator and Photoshop customers are using them for product design, such that there is

¹⁴⁸¹ [Crop an image – Figma Learn - Help Center](#), accessed by the CMA on 16 November 2023

¹⁴⁸² Parties' response to TOH 2 working paper.

¹⁴⁸³ Parties' response to TOH 2 working paper.

¹⁴⁸⁴ Parties' response to TOH 2 working paper.

¹⁴⁸⁵ Parties' response to TOH 2 working paper.

limited overlap between the Parties' customers. Moreover, we consider that were Figma to develop and further improve its vector editing and raster editing functionality, users who currently use Illustrator and Photoshop for use cases outside of the product design workflow might over time switch to Figma for all their vector and raster editing use cases, as its functionality improved. This is because functionality developed for users who want to retouch an image (such as removing someone from a photo) for product design purposes could also be used outside of the product design workflow.

- 9.147 On the basis of the above, we consider that there is a material customer overlap between Figma Design and both Illustrator and Photoshop. Further, an even greater proportion of Adobe's users could be at risk were Figma to develop and further improve its vector and raster editing functionality to address use cases beyond those where Figma Design is used today, that is primarily product design. We consider that the users at risk (both currently and in the future) represent a substantial source of revenue to Adobe.

Evidence on Adobe's perceived threat from Figma

- 9.148 We first consider Adobe's views in internal documents, and then views of other market participants.

o *Internal documents*

- 9.149 In assessing whether and how Adobe perceived Figma as a threat, we consider internal document evidence over the following three periods. In the next section, we consider evidence of Adobe's actions in response to this threat over these same periods.

- (a) Evidence prior to June 2021: a period during which [REDACTED] (Adobe, President of Digital Media) was [REDACTED] for Adobe, but in which [REDACTED] decisions were taken about product development, in particular to launch Illustrator Web and Photoshop Web.¹⁴⁸⁶
- (b) Evidence between June 2021 to February / March 2022: the period just before the initiation of discussions concerning the Merger with the Figma executive team, during which [REDACTED] (Adobe, President of Digital Media) was the [REDACTED] for Adobe. The Parties submitted that in this period [REDACTED].¹⁴⁸⁷

¹⁴⁸⁶ [REDACTED] returned to Adobe in June 2021. Illustrator Web and Photoshop Web both achieved 'Concept Accept' status in 2020. Parties' response to TOH 2 working paper; Adobe response to s109 notice.

¹⁴⁸⁷ Emphasis in original; Parties' response to TOH 2 working paper.

- (c) Evidence between March / April 2022 to September 2022: the period under which the Merger was under contemplation, concluding with the announcement of the Merger. The Parties submitted that by the start of this period it had become clear [REDACTED] (Adobe, President of Digital Media) that [REDACTED].¹⁴⁸⁸

9.150 The evidence shows that Adobe perceived Figma as a threat before [REDACTED] (Adobe, President of Digital Media) returned to Adobe in June 2021.

- (a) An Adobe internal presentation dated November 2020 stated that '[REDACTED]'.¹⁴⁸⁹
- (b) A message from [REDACTED] (Adobe, VP of CC Web App) to the Project Spice team dated 20 November 2020 [REDACTED] (Adobe, SVP of Adobe Express Creative Cloud Services) had spoken to [REDACTED] (Adobe, Chairman and CEO) and that [REDACTED] understood from this that [REDACTED] was very aware and concerned [REDACTED], in particular that '[REDACTED]'.¹⁴⁹⁰
- (c) Adobe conducted a more in-depth analysis [REDACTED] at the beginning of 2021. A document containing this analysis [REDACTED].¹⁴⁹¹
- (d) A March 2021 document on Creative Cloud competitive landscape states that [REDACTED].¹⁴⁹²

9.151 After [REDACTED] (Adobe, President of Digital Media) returned to Adobe in June 2021, Adobe's staff continued to express concerns regarding Figma.

- (a) Internal messages between [REDACTED] (Adobe, VP of CC Web App) and [REDACTED] (Adobe, VP of Photoshop) dated 23 July 2021 reported that [REDACTED] (Adobe, President of Digital Media) felt [REDACTED].¹⁴⁹³
- (b) An internal email from [REDACTED] (Adobe, Senior Director of CC Product Marketing) dated in September 2021 indicates that [REDACTED] driven forward by [REDACTED] (Adobe, Senior Director of CC Product Marketing).¹⁴⁹⁴ We consider this to be evidence of Adobe's concern in relation to Figma (which is web-based software and particularly strong on collaboration).

9.152 In September 2021, Adobe decided to launch a dedicated study [REDACTED] initial results in December 2021, and Adobe conducted further analysis and

¹⁴⁸⁸ Parties' response to TOH 2 working paper.

¹⁴⁸⁹ Adobe Internal Document.

¹⁴⁹⁰ Adobe Internal Document.

¹⁴⁹¹ Adobe Internal Document.

¹⁴⁹² Adobe Internal Document.

¹⁴⁹³ Adobe Internal Document.

¹⁴⁹⁴ Adobe Internal Document.

discussion of its contents over the period immediately following this. Some internal documents show that staff indicated that they had considered the study likely to show that Figma was a threat.

(a) In a message to [REDACTED] (Adobe, SVP of Digital Media Global Marketing) and [REDACTED] (Adobe, VP & General Manager of Creative Cloud Product Marketing & Community and Digital Media Education) on 6 December 2021, [REDACTED] (Adobe, Senior Director of CC Product Marketing) shares the initial results [REDACTED] and describes it as [REDACTED], commenting that it '[REDACTED]'.¹⁴⁹⁵ We note that [REDACTED].¹⁴⁹⁶

(b) [REDACTED] (Adobe, VP of Digital Media Strategic Development) seemed to have already been aware of [REDACTED].¹⁴⁹⁷

9.153 The Parties submitted that the methodology of the [REDACTED] had a number of flaws. They said that, for example, the survey showed [REDACTED]: customers saying they [REDACTED] after starting to use [REDACTED].¹⁴⁹⁸

9.154 We consider that the [REDACTED] flaws imply its findings should not attract weight in our assessment. We also consider that Adobe perceived these flaws in the [REDACTED] soon after the initial findings were reported. For example, [REDACTED] (Adobe, VP of CC Web App), was already sceptical of the [REDACTED] reliability in December 2021.¹⁴⁹⁹ Therefore, any commentary in early 2022 based on having seen early conclusions would have been made in the knowledge of the [REDACTED] limitations.

9.155 However, we consider that the fact the [REDACTED] was commissioned in the first place indicates that Adobe perceived Figma as a threat, as Adobe does not commission surveys on its competitors [REDACTED]. Adobe conducted a quantitative survey [REDACTED] on [REDACTED] out of all competitors considered in the Competitive Constraints section below.¹⁵⁰⁰

9.156 Adobe's scepticism of [REDACTED] appears to have been taken into account in further in-depth analysis Adobe conducted [REDACTED], which added a range of other evidence.¹⁵⁰¹ This additional evidence included [REDACTED]. Following the presentation [REDACTED] (Adobe, VP of CC Web App) states that [REDACTED].¹⁵⁰² This view is

¹⁴⁹⁵ Adobe Internal Document.

¹⁴⁹⁶ Adobe, Submission to the CMA. See [With websites, what comes first: The copy or design? | Figma](#), 5 June 2018, accessed by the CMA on 9 November 2023.

¹⁴⁹⁷ Adobe Internal Document.

¹⁴⁹⁸ Parties' submission to the CMA.

¹⁴⁹⁹ Adobe Internal Document.

¹⁵⁰⁰ Adobe has also conducted qualitative research on [REDACTED] and [REDACTED], however, this did not involve surveying customers. Adobe Internal Document; Adobe Internal Document; Adobe response to s109 notice.

¹⁵⁰¹ See Adobe Internal Documents.

¹⁵⁰² Adobe Internal Document.

consistent with the loss of dynamic competition we are assessing in this chapter.

9.157 In relation to the canceller surveys in particular, we consider that this analysis addressed competition between Adobe and Figma's offerings as they were at that point in time, rather than competition on product development and innovation. We also consider that similar conceptual issues apply as set out in Appendix C in relation to the individual level switching analysis of Figma Design and Adobe XD customers.

9.158 In relation to vector editing, Adobe's in-depth analysis [REDACTED] dated 28 February 2022 shows that,¹⁵⁰³ [REDACTED] (including for product design use cases),¹⁵⁰⁴ Adobe was concerned that [REDACTED]. Adobe's concern appears to have both included further product development [REDACTED], and greater adoption of its current product for vector editing, arising for example from third-party development of extensions. In particular, the document's upfront summary slides state:

- (a) '[REDACTED]' (emphasis from document). This is supported by observations that whilst Figma is '[REDACTED]' and is a '[REDACTED]' only, it has '[REDACTED]'; its user experience makes it '[REDACTED]'.¹⁵⁰⁵
- (b) The document lists a series of steps for Adobe to [REDACTED], in addition to suggesting conducting further customer research. These are: [REDACTED].¹⁵⁰⁶
- (c) The second heading of this document states: '[REDACTED]'. This statement is supported by Adobe's analysis that '[REDACTED]', with 'takeaways' including that '[REDACTED]' and '[REDACTED]'. This is also supported by Adobe's contemporaneous assessment of [REDACTED], with a 'takeaway' that Adobe needed to '[REDACTED]'.¹⁵⁰⁷
- (d) The document further indicates that Figma posed a '[REDACTED]' to [REDACTED], the '[REDACTED]' and the [REDACTED].¹⁵⁰⁸ The document shows that, together, [REDACTED].¹⁵⁰⁹ The document also indicates that Adobe interpreted the [REDACTED].¹⁵¹⁰

9.159 A March 2022 in-depth assessment for Photoshop similarly indicates that Adobe perceived Figma as [REDACTED]. In particular, the document states that [REDACTED].¹⁵¹¹ Next steps included [REDACTED].¹⁵¹²

¹⁵⁰³ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.9.

¹⁵⁰⁴ Adobe Internal Document.

¹⁵⁰⁵ Adobe Internal Document.

¹⁵⁰⁶ Adobe Internal Document.

¹⁵⁰⁷ Adobe Internal Document.

¹⁵⁰⁸ Adobe Internal Document.

¹⁵⁰⁹ Adobe Internal Document.

¹⁵¹⁰ Adobe Internal Document.

¹⁵¹¹ Adobe Internal Document.

¹⁵¹² Adobe Internal Document.

- 9.160 The Parties submitted that neither in-depth analyses were prepared by [REDACTED], and therefore they are [REDACTED].¹⁵¹³ However, we note that the Parties previously also stated that 'a proper examination' of these documents was needed, actively inviting the CMA to give weight to these documents and emphasising that '[REDACTED]'.¹⁵¹⁴ We therefore consider that these analyses reflect the views of the respective business teams, and that they are probative of Adobe's views.
- 9.161 The Parties further submitted that the Photoshop in-depth study '[REDACTED]'.¹⁵¹⁵ We consider that 'matching feature gaps' is not a necessary condition for Adobe's product development to be responsive to a Figma threat. Indeed, we note that the same sentence then states that Adobe should develop '[REDACTED]'.¹⁵¹⁶
- 9.162 We further note that Adobe's executive team and senior management expressed concerns about the threat from Figma around the same time as the two in-depth analyses (ie early 2022). The Parties submitted that documents from early 2022 reflect [REDACTED].¹⁵¹⁷ As noted above, we consider that Adobe's executive team and senior management appeared sceptical of the [REDACTED] soon after the initial findings were reported, such that commentary in early 2022 would have been made in the knowledge of the study's limitations.
- (a) A February 2022 message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), [REDACTED] (Adobe, SVP of Digital Media Global Marketing) and other Adobe employees states that the [REDACTED], noting that there is [REDACTED].¹⁵¹⁸
 - (b) A note from a February 2022 meeting on Photoshop web including [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) [REDACTED]. The same document states that Figma '[REDACTED]', but notes that the authors '[REDACTED]'.¹⁵¹⁹
 - (c) The Photoshop-specific meeting held the following week expresses similar concerns. A note from a Photoshop quarterly business review in February 2022, which was attended by [REDACTED] (Adobe, Chairman and CEO), [REDACTED] (Adobe, President of Digital Media), and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) among others states that Figma '[REDACTED]'.¹⁵²⁰

¹⁵¹³ Parties' response to TOH 2 working paper.

¹⁵¹⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C5.9.

¹⁵¹⁵ Parties' response to TOH 2 working paper.

¹⁵¹⁶ Adobe Internal Document.

¹⁵¹⁷ Parties' response to TOH 2 working paper.

¹⁵¹⁸ Adobe Internal Document.

¹⁵¹⁹ Adobe Internal Document.

¹⁵²⁰ Adobe Internal Document.

9.163 The Parties submitted that [REDACTED] (Adobe, VP of CC Web App) was [REDACTED] in the [REDACTED]. The Parties further submitted that the '[REDACTED]' is reflected [REDACTED].¹⁵²¹ We consider that the document shows [REDACTED] reporting the views of the Illustrator leadership, while the notes from the Photoshop-specific meeting cited in paragraph 9.162(c) reflects that the Photoshop team was also concerned.

9.164 The Parties submitted that it became clear to [REDACTED] (Adobe, President of Digital Media) that Figma was [REDACTED] in February and March 2022.¹⁵²² The Parties submitted that this was informed by:

(a) Adobe encountering [REDACTED]; and

(b) A perception that [REDACTED] (Adobe, Executive Vice President, Corporate Strategy & Development, and Chief Marketing Officer) [REDACTED].¹⁵²³

9.165 In relation to Adobe's executives gaining an improved understanding of the technical difficulties, we note that Illustrator and Photoshop Web had been considered since [REDACTED] and [REDACTED] respectively, [REDACTED], and [REDACTED] public beta respectively in October 2021.¹⁵²⁴ Therefore, it seems likely that Adobe would have known most technical challenges regarding web-based vector and raster editing software well before February / March 2022. We consider that these timescales, particularly for Illustrator Web, are not consistent with Adobe experiencing technical difficulties that would lead its executives to believe these were insurmountable for capable third parties.

9.166 In relation to the perception of Figma's focus, we note that in the same report to the Digital Media executive team, [REDACTED] (Adobe, Executive Vice President, Corporate Strategy & Development, and Chief Marketing Officer) also reported that:

(a) [REDACTED] (Figma, CEO and co-founder), [REDACTED]. [REDACTED] (Adobe, Executive Vice President, Corporate Strategy & Development, and Chief Marketing Officer) [REDACTED].¹⁵²⁵ This suggests that Adobe did not take [REDACTED] (Figma, CEO and co-founder) statements at face value and did not actually exclude that Figma would compete with Adobe.

(b) [REDACTED].¹⁵²⁶

¹⁵²¹ Parties' response to TOH 2 working paper.

¹⁵²² Parties' response to TOH 2 working paper.

¹⁵²³ Parties' response to TOH 2 working paper.

¹⁵²⁴ Adobe response to s109 notice.

¹⁵²⁵ Adobe Internal Document.

¹⁵²⁶ Adobe Internal Document.

9.167 Adobe's concern regarding the threat from Figma continued to appear in internal documents from April 2022 to August 2022, a few weeks before the Merger was announced (on 15 September 2022).

- (a) A video recorded on 21 April 2022 of an Adobe internal meeting shows [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) [REDACTED] that Figma is a threat to Adobe, [REDACTED].¹⁵²⁷
- (b) Adobe's May 2022 Photoshop Business Strategy indicated that the Photoshop team was '[REDACTED]'.¹⁵²⁸ In the same document, [REDACTED].¹⁵²⁹
- (c) The same document in relation to vector editing indicated that '[REDACTED]' and that Figma's [REDACTED].¹⁵³⁰ The same document states that Figma is '[REDACTED]'.¹⁵³¹
- (d) A document on Photoshop strategy prepared in August 2022 for the meeting to share the strategies of different Adobe teams again states that [REDACTED].¹⁵³² We note that, based on the recording of the meeting, [REDACTED].¹⁵³³
- (e) A document titled '[REDACTED]' dated June 2022 suggests, [REDACTED]', that '[REDACTED]'.¹⁵³⁴ Other competitive constraints, such as [REDACTED].¹⁵³⁵ The Parties told us that the talking points in this document were prepared for a category review meeting with [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) and [REDACTED] (Adobe, President of Digital Media) that took place on 23 June 2022.¹⁵³⁶

9.168 The Parties submitted that May and August 2022 documents reflect an outdated view of the competitive landscape, [REDACTED].¹⁵³⁷

9.169 In their DOJ depositions, [REDACTED] (Adobe, VP of Photoshop) testified [REDACTED],¹⁵³⁸ and [REDACTED] (Adobe, VP of Digital Imaging) [REDACTED].¹⁵³⁹ We consider the following:

¹⁵²⁷ Adobe Internal Document.

¹⁵²⁸ Adobe Internal Document.

¹⁵²⁹ Adobe Internal Document. The document also addressed other threats considered in the Competitive Constraints section.

¹⁵³⁰ Adobe Internal Document.

¹⁵³¹ Adobe Internal Document.

¹⁵³² Adobe Internal Document; Adobe, Submission to the CMA.

¹⁵³³ Adobe Internal Document.

¹⁵³⁴ Adobe Internal Document.

¹⁵³⁵ Adobe Internal Document.

¹⁵³⁶ Adobe response to s109 notice.

¹⁵³⁷ Parties' response to TOH 2 working paper.

¹⁵³⁸ Adobe, Submission to the CMA.

¹⁵³⁹ Adobe, Submission to the CMA.

- (a) Copy-and-pasting of statements is a feature of preparing business documentation, but that it often occurs for text which is considered agreed, and that review layers would adjust text where it is inaccurate.
- (b) Moreover, the location of the sentence '[REDACTED]' was changed between February and May 2022, which suggests that the description [REDACTED].¹⁵⁴⁰
- (c) In the recording of a meeting titled '[REDACTED]', [REDACTED] (Adobe, VP of Digital Imaging) speaks to a slide, containing a statement that '[REDACTED]', and [REDACTED].¹⁵⁴¹ The same slide appears to contain [REDACTED].
- (d) At the same meeting, [REDACTED] (Adobe, Senior Product Manager) also states that '[REDACTED]', apparently referring to the same slide.¹⁵⁴² [REDACTED] (Adobe, VP of Digital Imaging) also confirms that [REDACTED] presented to [REDACTED] (Adobe, President of Digital Media) and [REDACTED] in that week.¹⁵⁴³ Were the August document reference [REDACTED].

9.170 Based on the above, we consider that the internal documents above, which include the views of senior levels of Adobe, represent strong evidence that Adobe considered Figma a threat to both Illustrator and Photoshop until at least June 2022.

- *Third-party views on the threat*

9.171 We next turn to third-party evidence on Figma's threat to Adobe. We consider the strength of Figma as an alternative to Illustrator and Photoshop and as a potential threat to these products. Third-party evidence related to alternatives to Adobe other than Figma is set out in the competitive constraints section below.

9.172 Respondents to our customer and competitor questionnaires were asked to list alternatives to Illustrator using open-ended questions, and in doing so, they were asked to rate such alternatives by awarding a score out of five, corresponding to different degrees of the alternatives' suitability.¹⁵⁴⁴

¹⁵⁴⁰ Adobe Internal Document; Adobe Internal Document.

¹⁵⁴¹ Adobe Internal Document.

¹⁵⁴² Adobe Internal Document.

¹⁵⁴³ Adobe Internal Document.

¹⁵⁴⁴ Question 6 of the CMA's phase 2 customer questionnaire states that 'If you have used Adobe Illustrator (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe Illustrator, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative.'

(a) More than half the customers listed Figma as an alternative to Illustrator. They considered Figma, on average, as an ‘adequate’ alternative.¹⁵⁴⁵

(b) No competitors listed Figma as an alternative to Illustrator.

9.173 Respondents to our customer and competitor questionnaires were asked to list alternatives to Photoshop and rate such alternatives by awarding a score out of five, corresponding to different degrees of the alternatives’ suitability.¹⁵⁴⁶

(a) A small minority of respondents to the customer questionnaire listed Figma as an alternative to Photoshop. Those that did considered Figma an ‘adequate’ alternative on average.¹⁵⁴⁷

(b) None of the respondents to the competitor questionnaire listed Figma as an alternative to Photoshop.¹⁵⁴⁸

9.174 The evidence above indicates that some customers consider Figma an alternative to Illustrator (majority of customers) and Photoshop (minority of customers) already, at least for certain use cases. Competitors do not currently consider Figma an alternative to Illustrator or Photoshop. We note that the vast majority of customers responding to our questionnaire are active in product and marketing design, and therefore are likely to be evaluating the alternatives to Adobe’s products for product and marketing design use cases in particular. On the other hand, competitors responding to our questionnaire are active in supplying creative design software for a range of use cases, some of which are likely to be different from product and marketing design use cases (for example, mobile).

9.175 While third parties are unlikely to have insights into Adobe’s and Figma’s (and competitors’) plans, they can provide insights into the potential threats each Party faces, based on their knowledge of the products and players involved, which we discuss below.

¹⁵⁴⁵ Third-party responses to the CMA’s phase 2 customer questionnaire: [14 out of 26: very strong: [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X]; very weak: [X], [X]] specified that Figma is an alternative for Illustrator for digital work only.

¹⁵⁴⁶ Question 7 of the CMA’s phase 2 customer questionnaire states that ‘If you have used Adobe Photoshop (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe Illustrator, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative.’

¹⁵⁴⁷ Third-party responses to the CMA’s phase 2 customer questionnaire: [4 out of 22: very strong: [X] adequate: [X], weak: [X], [X].

¹⁵⁴⁸ Third-party responses to the CMA’s phase 2 creative design competitor questionnaire.

9.176 When asked to comment on the most significant long-term competitive threats to Adobe in creative design, several customers identified Figma.¹⁵⁴⁹

(a) For example, one customer stated that ‘For starters, Figma could start developing or perfecting tools in order to compete with Adobe’s suite’ and ‘AI¹⁵⁵⁰ can be a significant threat, mainly to photo editing’.¹⁵⁵¹

(b) Another customer stated that ‘Some employees believe that smaller challenger companies (like Figma) could be a threat’.¹⁵⁵²

9.177 The Parties submitted that this question was placed alongside leading questions and only a minority of customers identified Figma as a long-term threat, and that the question reflects views from a product design perspective.¹⁵⁵³ We note that Figma was the most frequently mentioned threat to Adobe by customers, the question specifically asked about threats to Adobe’s creative design products, and that all respondents used Illustrator and/or Photoshop, even if they were product designers, and, as such, we consider their views informed and relevant.

9.178 We set out evidence in paragraph 9.107 that Adobe considered product design platforms to be a particular threat. We considered further the challenges Figma would face relative to other competitors in product design and related use cases.

9.179 In our competitor questionnaire, we asked respondents to assign a score, out of five, corresponding to how difficult it is to expand the capability of screen design software to cover vector and raster editing functionality for Figma and other screen design providers.¹⁵⁵⁴

(a) According to respondents to our competitor questionnaire, it is on average easy for Figma to expand its offering to cover vector editing functionality, while it is difficult for other screen design providers to do so.¹⁵⁵⁵

¹⁵⁴⁹ Question 30 of the CMA’s phase 2 customer questionnaire states ‘Absent the Merger, what do you consider to be Adobe and Figma’s most significant and long-term competitive threats to their respective market position in creative design and screen design software? Please explain your reasoning’. Third-party responses to the CMA’s phase 2 customer questionnaire: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

¹⁵⁵⁰ We infer the respondent referred to Artificial Intelligence.

¹⁵⁵¹ Third-party response to the CMA’s phase 2 customer questionnaire.

¹⁵⁵² Third-party response to the CMA’s phase 2 customer questionnaire.

¹⁵⁵³ Parties’ response to TOH 2 working paper.

¹⁵⁵⁴ Question 23 of the CMA’s phase 2 screen design competitor questionnaire states ‘For (i) Figma and (ii) other screen design providers (besides Figma), please a. outline the barriers to expand the capability of their existing tools, such as by adding new features, or develop new tools to cover additional creative design functionality; and b. assign a score from 1 to 5 based on how difficult it is to do so, where 1 = very easy, 2 = easy, 3 = moderate, 4 = difficult, and 5 = very difficult’.

¹⁵⁵⁵ Third-party responses to the CMA’s phase 2 screen design competitor questionnaire: [Difficulty for Figma: [REDACTED]: moderate: [REDACTED], [REDACTED], very easy: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; no ranking: [REDACTED]; Difficulty for other screen design providers: very difficult: [REDACTED], [REDACTED], [REDACTED]; moderate: [REDACTED], [REDACTED]; easy: [REDACTED]; no ranking: [REDACTED].]

- (i) Some respondents to the competitor questionnaire noted Figma's existing vector editing functionality. One competitor stated that Figma 'already do[es] 90% of what Illustrator does'.¹⁵⁵⁶ Another respondent to the competitor questionnaire told us that 'Figma has already displaced many of Illustrator's use cases'.¹⁵⁵⁷
 - (ii) However, another respondent to the competitor questionnaire stated that its 'general purpose vector editing tools like Illustrator require massive work but it's the closest to what an all-in-one design tool does'.¹⁵⁵⁸
- (b) Further, these responses show that it is on average difficult for Figma to expand its offering to cover raster editing functionality, but it is even harder for other screen design providers to do so.¹⁵⁵⁹
- (i) Some respondents to our competitor questionnaire noted that Figma currently does not have the necessary technology to develop raster editing. One respondent stated that 'Raster editing is a different technology that Figma would have to develop'.¹⁵⁶⁰ Another respondent stated that 'It's a very different technology and use case and technically platforms tend to focus on one or the other'.¹⁵⁶¹
 - (ii) However, some respondents to our competitor questionnaire stated that Figma is better placed than other product design software providers. One respondent told us that Figma 'do[es]n't do bitmap'¹⁵⁶² now, but it's easier than before given their resources'.¹⁵⁶³ Another respondent noted that network effects for professional designers is one of the reasons why it's easier for Figma than other product and marketing design competitors.¹⁵⁶⁴

9.180 We finally note that some respondents to the customer and competitor questionnaires, when commenting on the Merger, noted that Adobe might be acquiring a potential or future competitor in creative design software.¹⁵⁶⁵

¹⁵⁵⁶ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁵⁷ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁵⁸ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁵⁹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire: question 23. [Difficulty for Figma: [X]; very difficult: [X]; difficult: [X], [X], [X]; moderate: [X], [X], [X]. Difficulty for other screen design providers: [X]: very difficult: [X], [X], [X]; difficult: [X], [X], [X]; no ranking: [X].]

¹⁵⁶⁰ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁶¹ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁶² Bitmaps is a (raster) image file format.

¹⁵⁶³ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁶⁴ Third-party responses to the CMA's phase 2 screen design competitor questionnaire.

¹⁵⁶⁵ Third-party responses to the CMA's phase 2 customer questionnaire: [[X], [X]]; Third-party responses to the CMA's phase 2 creative design competitor questionnaire: [X], [X].

- (a) For example, one customer stated that ‘Adobe unfortunately have the power to take any competitor that threatens their eco system and allows them to enhance their domoniering [sic] position in the market’.¹⁵⁶⁶
 - (b) One competitor stated that ‘the purchase of Figma by Adobe is not just a purchase of a company, technology, software or talent. But, as clearly indicated by the size of the deal, it is a removal of a recognized brand from the creative design market, a brand that may provide viable alternatives to Adobe’s own in the future.’¹⁵⁶⁷
 - (c) Another competitor told us that ‘while Figma started by focusing on UX design, they are quickly capturing an expanding share of the professional design market threatening Adobe’s monopoly in this space long term.’¹⁵⁶⁸
 - (d) One competitor told us that ‘Adobe wants to acquire Figma because from their point of view Adobe wants to be the dominant software for all forms of design and realise that anybody who is doing one form of design, be it marketing design or user interface, is likely to have clients who want a whole package’.¹⁵⁶⁹
- *Parties’ usage data analyses*

9.181 The Parties submitted the following analyses of Adobe and Figma’s usage data. The Parties based these analyses on matched email addresses between Adobe and Figma’s user databases. The data covered a period between January 2020 and December 2022. This matching relied on a number of assumptions summarised in Appendix C.¹⁵⁷⁰

9.182 The Parties used this data to assess whether users who [X] are users of [X], and how many of these users [X]; whether [X] was associated with a reduction in [X]; and whether [X].¹⁵⁷¹

9.183 The Parties also identify that [X].¹⁵⁷² The Parties assessed whether:

¹⁵⁶⁶ Third-party response to the CMA’s phase 2 customer questionnaire [X].

¹⁵⁶⁷ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

¹⁵⁶⁸ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

¹⁵⁶⁹ Third-party call transcript.

¹⁵⁷⁰ Parties’ submission to the CMA.

¹⁵⁷¹ Parties’ submission to the CMA.

¹⁵⁷² [Parties’ response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C5.7. The feature requested were 32 Figma Design editing features: Export As Svg, Export As Jpg, Export As Png, After Timeout Interaction, Drag Interaction, Mouse Down Interaction, Mouse In Interaction, Mouse Out Interaction, Mouse Up Interaction, On Click Interaction, On Hover Interaction, On Key Down Interaction, On Press Interaction, Dissolve Transition, Instant Transition, Move Transition, Move Out Transition, Push Transition, Scroll Animate Transition, Slide Transition, Slide Out Transition, Smart Animate Transition, Blend modes, Crop an image, Outline Stroke, Bend Tool, Paint Bucket Tool, Pen Tool, Pencil Tool, Gradient, Mask, and Create Shape. [X].

- (a) [REDACTED];
- (b) [REDACTED];
- (c) [REDACTED]; and
- (d) [REDACTED].¹⁵⁷³

9.184 The Parties also submitted that [REDACTED].¹⁵⁷⁴ Were these editing features not connected to vector or raster editing, [REDACTED], we consider this would undermine inference drawn from this analysis to vector and raster editing.

9.185 The Parties submitted that these analyses are ‘sufficient to conclude’ that there is ‘negligible competition’ from Figma on Adobe’s creative tools today,¹⁵⁷⁵ and that the Parties’ products are used by customers as complements rather than substitutes.¹⁵⁷⁶

9.186 The Parties further submitted that these analyses test a potential dynamic concern, and in particular:

- (a) The analyses do not show that Figma is strengthening as a competitive constraint on Adobe; or that users of Figma’s limited creative tooling features are more likely to reduce their usage of Adobe products.¹⁵⁷⁷
- (b) In circumstances where Figma is a negligible competitive constraint, it would take a substantial and implausible step change in Figma’s capabilities for it to become a credible threat in the future’.¹⁵⁷⁸ The Parties submitted that these analyses need to play a key role in the competitive assessment on this basis.¹⁵⁷⁹

9.187 In relation to competition between the Parties’ current offerings, we consider that there are limitations which imply these analyses provide limited support for the Parties’ conclusions that there is negligible current competition between the Parties. In particular:

- (a) Given Adobe’s longstanding strong market position in vector and raster editing and Figma’s more recent incursion in this space (as well as in the adjacent product design space), despite Figma Design’s rapid growth, it is to be expected that customers of Photoshop and Illustrator are still

¹⁵⁷³ [REDACTED].

¹⁵⁷⁴ Parties’ response to PFs putbacks.

¹⁵⁷⁵ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.6.

¹⁵⁷⁶ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.4.

¹⁵⁷⁷ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.7.

¹⁵⁷⁸ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph A1.34.

¹⁵⁷⁹ Parties’ response to the phase 2 Issues Statement, 9 August 2023, paragraph C5.6.

evaluating Figma Design and using it alongside Illustrator and Photoshop. This is consistent with the presence of multihoming in these markets, as set out in paragraphs 9.27 to 9.33 above. As Figma's market presence grows and Figma Design's editing features expand and improve, we would expect more customers to switch completely to Figma Design. Indeed, we note that, despite an absence of an immediate negative revenue impact, Adobe's documents show it considered [REDACTED].¹⁵⁸⁰

- (b) The analyses are based on data Adobe did not have access to outside of this Merger review. Its own assessment in August 2022, arising well after the [REDACTED] limitations had been identified and addressed through Adobe's in-depth analysis, was that [REDACTED]% of Photoshop's active base reduce Photoshop use after using Figma.¹⁵⁸¹

9.188 Based on our assessment of a significant amount of evidence, which is contemporaneous, expert and detailed, from internal documents and third parties, our view is that there is limited competition between the Parties' current offerings today.

9.189 In relation to dynamic competition between the Parties, we do not consider that the Parties' usage analyses are informative of the degree of competition between them in product development and innovation. The Parties' analyses rely on past usage data for Illustrator / Photoshop and Figma Design. They do not reflect Figma's consideration of, or steps taken to making, further improvements to its editing features, nor do they reflect Adobe's perception and response to Figma's threat.¹⁵⁸²

9.190 Additionally, Figma has recently made some overall architectural changes such as enabling monetisation of plugins directly on the Figma platform itself. This may bring forward additional vector and raster functionality in future but this would not be reflected in usage data until these plugins are developed and are taken up by customers.

9.191 Further, we considered the Parties' current offerings as a starting point for our dynamic assessment, but as noted above, the current offerings do not capture competition on product development and innovation between the Parties. In our assessment of Figma's ability and incentive, we consider a number of factors, including the current functionality of Figma in vector and raster

¹⁵⁸⁰ Adobe Internal Document.

¹⁵⁸¹ Adobe Internal Document.

¹⁵⁸² We note that while Figma has made some improvements to its vector and raster editing functionality over this period (as set out in paragraphs 9.220 to 9.235 below), Figma's vector and raster functionality used by its customers has remained limited and very limited respectively.

editing; Figma's track record of and approach to making improvements; its current user base; and its current suite of adjacent products and architecture.

9.192 On the basis of the above, we consider that the Parties' usage data analyses are not informative of the dynamic competition between the Parties on product development and innovation. An assessment of competition between the Parties' current offerings provide at most a starting point to our dynamic competition assessment. Furthermore, given the limitations we have identified, we consider that the Parties' usage analyses do not support the Parties' view that they are 'sufficient to conclude' that there is 'negligible competition' from Figma on Adobe's creative tools today.

- *Provisional conclusion on Figma's threat to Adobe*

9.193 Based on the evidence set out above, we provisionally conclude that Adobe viewed Figma as a particularly credible competitive threat from late 2020 to the announcement of the Merger in both vector and raster editing software.

Adobe's response to the threat

9.194 In assessing Adobe's actions in response to Figma's threat, we consider the following Adobe products and their development: (i) Illustrator and Photoshop, including their web versions and (ii) Project Spice.

- *Illustrator and Photoshop, including web versions*

9.195 In this section we consider whether the threat from Figma influenced the development of Illustrator and Photoshop, in particular their web versions. We consider both evidence on the origination of these projects and their progression. We also consider the role of third parties in influencing these projects in the competitive constraints section below.

9.196 Adobe's product development includes a [REDACTED].¹⁵⁸³ The [REDACTED] document dated November 2020 for 'CC Web' (Project Spice), [REDACTED]. It described [REDACTED].¹⁵⁸⁴

¹⁵⁸³ Parties' response to the CMA's RFI.

¹⁵⁸⁴ Adobe Internal Document.

- 9.197 In relation to Illustrator Web, [REDACTED].¹⁵⁸⁵ The [REDACTED] document for Illustrator Web [REDACTED],¹⁵⁸⁶ [REDACTED].¹⁵⁸⁷ To illustrate the benefits of the project, the document provided [REDACTED].¹⁵⁸⁸ The document appears to have been [REDACTED].¹⁵⁸⁹
- 9.198 In relation to Photoshop Web, while the [REDACTED] (before any threat from Figma emerged), Adobe progressed the project to '[REDACTED]', which was [REDACTED].¹⁵⁹⁰ A message from [REDACTED] (Adobe, VP of CC Web App) in a discussion thread titled '[REDACTED]' dated 20 November 2020 reported that [REDACTED] (Adobe, Chairman and CEO) was '[REDACTED]'.¹⁵⁹¹ We consider this indicates Adobe's CEO considered Photoshop Web a response to a threat from Figma.
- 9.199 Further, Adobe's internal documents show that the progress of these projects continued to be driven by Figma. We consider that the evidence relating to Illustrator and Photoshop set out in paragraphs 9.149 to 9.170 is informative of this, and further:
- (a) A note from a February 2022 meeting on Photoshop web including [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) shows that [REDACTED].¹⁵⁹²
 - (b) A note from a Photoshop quarterly business review in February 2022, which was attended by [REDACTED] (Adobe, Chairman and CEO), [REDACTED] (Adobe, President of Digital Media), and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) among others states that [REDACTED].¹⁵⁹³
- 9.200 We also identified evidence that Adobe prioritised certain features of Illustrator and Photoshop (not only their web versions) in response to the threat from Figma. In relation to vector editing, an Adobe document on the threat from Figma dated 28 February 2022 [REDACTED].¹⁵⁹⁴ In relation to raster editing, an Adobe document on '[REDACTED]'.¹⁵⁹⁵
- 9.201 The Parties submitted that the development of Illustrator Web and Photoshop Web was driven by the evolving needs of customers, general industry trends, and the growth of different web-based asset creations tools rather than the

¹⁵⁸⁵ Adobe response to s109 notice.

¹⁵⁸⁶ Gravit is now owned by Corel: [Gravit Designer; Web-based vector graphics – Corel Vector \(coreldraw.com\)](https://www.coreldraw.com/), accessed by the CMA on 23 November 2023.

¹⁵⁸⁷ Adobe Internal Document.

¹⁵⁸⁸ Adobe Internal Document.

¹⁵⁸⁹ Adobe Internal Document.

¹⁵⁹⁰ Adobe response to s109 notice.

¹⁵⁹¹ Adobe Internal Document.

¹⁵⁹² Adobe Internal Document.

¹⁵⁹³ Adobe Internal Document.

¹⁵⁹⁴ Adobe Internal Document.

¹⁵⁹⁵ Adobe Internal Document.

threat from Figma,¹⁵⁹⁶ suggesting that customer demand and broader industry trends occurred in isolation from Figma. As set out in paragraph 8.76, Figma was the first product to enable real-time collaboration and influenced Adobe's need to develop collaborative functionality.

- *Project Spice*

9.202 In this section we consider evidence that Adobe's Project Spice (discussed in Chapter 8) included product development integrating both vector and raster editing functionality, and the extent to which it was intended to defend the market position of Illustrator and Photoshop.

9.203 The evidence shows that Adobe's competitive response to Figma included product development which would defend its whole Creative Cloud suite. This in turn would defend Adobe's flagship products (Illustrator and Photoshop) from competition.

(a) The 'long-term vision' for Project Spice, dated May 2021, states that '[X]'. The document adds that '[X]'.¹⁵⁹⁷ [X]'.¹⁵⁹⁸

(b) A February 2022 slide deck, which appears to have been discussed at least in part with [X] (Adobe, President of Digital Media) and [X], that '[X]', indicating the importance of a [X].¹⁵⁹⁹

(c) In an email to [X] (Adobe, VP of CC Web App), [X] (Adobe, Chief Product Officer of Creative Cloud), and [X] (Adobe, President of Digital Media) dated January 2022, [X] (Adobe, SVP of Digital Media Global Marketing) said that Project Spice should become the '[X]' as this was a '[X]'.¹⁶⁰⁰

9.204 This is consistent with documents which indicate Adobe had a wider business strategy of introducing targeted or '[X]' products in response to threats which would pose a risk to Photoshop's place in the market.

(a) An October 2022 message from [X] (Adobe, VP of Photoshop) explains [X]. The document indicates that Adobe in some cases introduces a [X] and [X]. In this context, the document suggests Project Spice [X]. The

¹⁵⁹⁶ Parties' response to TOH 2 working paper.

¹⁵⁹⁷ 'Fred' was an earlier name for Project Spice.

¹⁵⁹⁸ Adobe Internal Document.

¹⁵⁹⁹ Adobe Internal Document. Also see: Adobe Internal Document.

¹⁶⁰⁰ Adobe Internal Document.

document states [REDACTED]. The document states that the [REDACTED] is employed [REDACTED] but instead wishes to respond to '[REDACTED]'.¹⁶⁰¹

- (b) Notes produced by [REDACTED] in March 2021 (a third-party document which was submitted to us by Figma) indicate that a Senior VP, Creative Cloud Services at Adobe indicated that Photoshop '[REDACTED]', and that the [REDACTED].¹⁶⁰²

9.205 The Parties submitted [REDACTED] (Adobe, VP of Photoshop) was not involved in Adobe XD or Project Spice, and as such her comments should be given little probative weight.¹⁶⁰³ However, we note that [REDACTED].¹⁶⁰⁴ This indicates that the core tenets of the '[REDACTED]' were bought into more widely at Adobe.

9.206 The Parties submitted that the proposition that [REDACTED] assumes that customers value both screen design and creative design functionality. The Parties submitted that '[t]here is no proper evidentiary basis' because: there is limited customer demand for an integrated tool offering both creative design functionality and product design, reflected in the 'very limited' customer overlap between Adobe's and Figma's customer bases; there is a lack of third-party evidence that Figma or other players plan to develop such a combined functionality; and Figma does not benefit from special competitive strengths arising from multi-market presence and/or network effects.¹⁶⁰⁵ We address the strategic fit of offering both product design and creative design functionality (including overlap and demand) in paragraphs 9.312 to 9.357 below and benefits from multi-market presence and network effects in paragraphs 9.102 to 9.123 above.

9.207 Throughout the above evidence, there are many references showing that Figma influenced the product development of Project Spice to help defend Adobe's position in vector and raster editing software. There is also direct evidence that Project Spice would have included vector and raster editing functionality, and thus would have competed in these markets.

- (a) The Adobe internal document dated November 2020 which was prepared for the '[REDACTED]' meeting for Project Spice, which Adobe describes as '[REDACTED]', identifies Figma as '[REDACTED]'.¹⁶⁰⁶ A document on APS for Project Spice for 2022 shows that [REDACTED] (see paragraph 8.153(e) for more detail).¹⁶⁰⁷

¹⁶⁰¹ Adobe Internal Document.

¹⁶⁰² Figma Internal Document.

¹⁶⁰³ Parties' response to TOH 2 working paper.

¹⁶⁰⁴ Adobe Internal Document.

¹⁶⁰⁵ Parties' response to TOH 2 working paper.

¹⁶⁰⁶ Adobe Internal Document; Adobe response to s109 notice; Parties Response to the CMA's RFI.

¹⁶⁰⁷ Adobe Internal Document.

- (b) In a key document referred to by the Parties as the [REDACTED], dated May 2021, Adobe considered that as it developed capabilities in Project Spice, [REDACTED].¹⁶⁰⁸
- (c) A message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) on 28 January 2022 states '[REDACTED]'.¹⁶⁰⁹ The document also said [REDACTED] (Adobe, VP of CC Web App) [REDACTED], as set out in paragraph 9.210(a).
- (d) A thread between [REDACTED] (Adobe, VP of Products Digital Media) to [REDACTED] (Adobe, VP of CC Web App), [REDACTED] (Adobe, Director of Product marketing) among others dated 24 July 2022 [REDACTED]. [REDACTED] (Adobe, VP of Products Digital Media) says '[REDACTED]'.¹⁶¹⁰ [REDACTED] (Adobe, VP of Products Digital Media) [REDACTED]. [REDACTED] (Adobe, VP of CC Web App) [REDACTED].¹⁶¹¹ We consider that Adobe was therefore responding to a threat from Figma in relation specifically to creative professional functionality, but that this threat could have extended also to more advanced prosumer functionality.
- (e) Notes from the meeting on collaboration in September 2021, which was attended by [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud), show that the '[REDACTED]' when discussing the relationship between Adobe Express, Project Spice and flagship products.¹⁶¹²
- (f) Specifically in relation to vector editing, further Adobe internal thinking in 2022 included a draft slide deck around how Project Spice would include [REDACTED].¹⁶¹³ A July 2022 announcement to [REDACTED], shows that Adobe was bringing [REDACTED].¹⁶¹⁴
- (g) Lastly, in relation to raster editing, meeting notes from an Adobe discussion [REDACTED] in May 2022 show that [REDACTED] (Adobe, VP of CC Web App) [REDACTED] was that Project Spice would meet [REDACTED], with the remaining [REDACTED].¹⁶¹⁵

9.208 The Parties submitted that Adobe did not intend for the creative design functionality available in the Project Spice application itself to be specific to product and marketing design use cases.¹⁶¹⁶ We consider that the evidence

¹⁶⁰⁸ Adobe Internal Document.

¹⁶⁰⁹ Adobe Internal Document.

¹⁶¹⁰ Adobe Internal Document.

¹⁶¹¹ Adobe Internal Document.

¹⁶¹² Adobe Internal Document.

¹⁶¹³ Adobe Internal Document.

¹⁶¹⁴ Adobe Internal Document.

¹⁶¹⁵ Adobe Internal Document.

¹⁶¹⁶ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C6.12(d-e).

set out above and in Chapter 8 shows that Project Spice was targeted at whiteboarding, marketing and product design use cases but we agree that Project Spice's functionality could have been used for other use cases more broadly. This is similar to Figma Design being used for a range of use cases, in addition to product design.

9.209 The Parties further submitted that [REDACTED].¹⁶¹⁷ We consider that Adobe's beta of Project Spice in the summer of 2022 only included whiteboarding (and not marketing or product design) functionality and hence would not be informative of customer demand for vector and/or raster functionality in a fully developed product.

9.210 Adobe's internal documents also directly reference Figma when discussing how much vector and raster functionality should be included in Project Spice, further indicating that this product development in vector and raster editing functionality was driven by Figma:

(a) A message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) on 28 January 2022 states [REDACTED]'.¹⁶¹⁸

(b) An email sent by [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) in January 2022 summarises [REDACTED].¹⁶¹⁹ [REDACTED] (Adobe, VP of CC Web App) [REDACTED],¹⁶²⁰ and that [REDACTED].

9.211 [REDACTED] (Adobe, President of Digital Media) in [REDACTED] DOJ deposition also testified [REDACTED].¹⁶²¹

9.212 The Parties submitted that the decision to cancel Project Spice was made for reasons unrelated to the Merger.¹⁶²² As discussed in paragraph 6.91, we provisionally consider that absent the Merger, Adobe would continue similar innovation efforts in product design, whether by way of Adobe XD, Project Spice, or in other organic or inorganic ways.

Provisional conclusion on Adobe's actions

9.213 On the basis of the evidence set out above, we provisionally conclude that, in response to the threat from Figma to Illustrator and Photoshop, Adobe

¹⁶¹⁷ Parties' response to TOH 2 working paper.

¹⁶¹⁸ Adobe Internal Document.

¹⁶¹⁹ Adobe Internal Document.

¹⁶²⁰ See also Adobe Internal Document.

¹⁶²¹ Adobe, Submission to the CMA.

¹⁶²² [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph A1.13e.

adopted a product development strategy which involved improving its vector and raster editing functionality. This specifically included development of Adobe's flagship products, Illustrator and Photoshop, particularly with respect to developing web versions of these products but also in relation to the prioritisation of certain features in the desktop versions.

9.214 Furthermore, Project Spice envisaged the development of both vector and raster editing functionality, and both the wider project, and the inclusion of vector and raster editing functionality within Project Spice specifically, appear to have been a direct response to Figma.

Figma's ability and incentive to develop vector and raster functionality

9.215 In this section we consider evidence on Figma's ability and incentive to develop its vector and raster editing functionality, including with a view to enhancing its overall Figma Design offering.¹⁶²³

Parties' submissions

9.216 The Parties submitted that Figma has no plans nor intention to offer a creative asset tooling product.¹⁶²⁴ The Parties further submitted that there is an absence of evidence of Figma making investments or efforts to enter or expand into the asset creation space.¹⁶²⁵

- (a) Figma's graphics functionality releases have been limited to date. For example, in relation to vector editing, since its general release in 2016, Figma has focused on fixing bugs and has added only the most basic functionality in vector editing.¹⁶²⁶
- (b) Ordinary course 'blue-sky thinking' and 'horizon scanning' activities by Figma are not probative of an intention to expand into asset creation tools, whether by buying or building.¹⁶²⁷
- (c) Figma's product roadmap is instead focused on its core product design, development audience and close adjacencies (eg [✂]). Figma's longer-term horizon is focused [✂].¹⁶²⁸

¹⁶²³ We consider that this functionality could be either part of Figma Design, or standalone software, or that it might begin within Figma Design and become standalone software.

¹⁶²⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23(b).

¹⁶²⁵ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23.

¹⁶²⁶ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.9(b).

¹⁶²⁷ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.35.

¹⁶²⁸ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23(a)(ii).

(d) Figma makes and documents real decisions instead through its annual company priorities,¹⁶²⁹ [REDACTED].¹⁶³⁰ [REDACTED].¹⁶³¹

(e) Figma's discussions [REDACTED], and Figma was also [REDACTED].¹⁶³²

9.217 The Parties also submitted that Figma has no ability to enter the market for vector and raster editing software in any timeframe relevant to the CMA's merger analysis, and that Figma has no incentive to undertake any such efforts.¹⁶³³ Thus Figma is not a 'dynamic competitor' to Adobe in these markets.¹⁶³⁴ In particular, the Parties submit that:

(a) Figma would face significant technological challenges if it tried to pivot to pixel-based creative design software, which would require a fundamental reassessment of its delivery and operational models.¹⁶³⁵ Figma's collaborative technology does not make it [REDACTED].¹⁶³⁶ Figma must dedicate its limited resources to continuing to build better and more complete product design tools for product team members.¹⁶³⁷

(b) There is no product market fit nor any material overlap between Figma Design and Illustrator/Photoshop user personas, and there are no network or ecosystem effects between product design and professional raster or vector editing.¹⁶³⁸ Further, Figma's existing feature set is already fit for purpose and there is no material product design (or screen design) demand for additional (professional) functionalities within Figma. There is also no evidence of a compelling commercial opportunity to add vector and raster editing features to Figma Design for screen design use cases only.¹⁶³⁹

Our assessment

9.218 We first consider what Figma has done to date in developing its vector and raster functionality. We then consider Figma's discussions, plans, and steps taken relating to further product development. Lastly, we consider other factors informative of its ability and incentive for further product development,

¹⁶²⁹ Figma.

¹⁶³⁰ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.44.

¹⁶³¹ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.44.

¹⁶³² Parties' response to TOH 2 working paper.

¹⁶³³ Parties' response to TOH 2 working paper.

¹⁶³⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23.

¹⁶³⁵ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23(a)(ii).

¹⁶³⁶ Parties' response to TOH 2 working paper.

¹⁶³⁷ Parties' response to TOH 2 working paper.

¹⁶³⁸ Parties' response to TOH 2 working paper.

¹⁶³⁹ Parties' response to TOH 2 working paper.

including challenges, resource constraints, strategic fit with Figma's business, and the size of the opportunity.

9.219 In each section, we take into account the available evidence from internal documents, quantitative analysis, and third-party evidence.

Figma's product development in vector and raster to date

9.220 We outline the current vector editing and raster editing functionality within Figma Design in the section on Parties' current market positions above (see paragraphs 9.78 to 9.101). In this section, we assess the product development process that has led to this existing functionality.

- *Vector editing improvements*

9.221 Figma described itself as a 'vector based UI design tool' on launch in December 2015,¹⁶⁴⁰ and vector networks (the technology behind its pen tool, discussed further in Appendix D) were active on the platform by February 2016.¹⁶⁴¹ Table 9.3 below sets out the number of Figma Design releases (ie updates) in relation to vector editing functionality from January 2016 to October 2023, distinguishing between releases related to bug fixes and those related to new or improved features.¹⁶⁴²

Table 9.3: Figma Design's releases in relation to vector editing functionality, 2016-2023

Year	Number of releases	Of which, bug fixes	Of which, new / improved features
2016	2	1	1
2017	7	2	5
2018	9	6	3
2019	1	0	1
2020	2	0	2
2021	1	0	1
2022	1	0	1
2023	2	0	2
Total	25	9	16

Source: CMA's analysis of Figma response to s109 notice. This table relates to Figma Design's functionality, including updates which are minor: Figma has also made other updates, including to its architecture for extensions. Updates to image and SVG import/export functionality alone are not included, but there were 16 bug fixes and 23 instances of new/improved features recorded in the Parties data across both vector and raster editing.

9.222 There were in total 25 releases over this period, the majority of which (16) relates to new or improved features. The number of releases per year did not exceed two in the last five years, although all these releases related to new or improved features. For example, in June 2020 Figma added '[<img alt="scissors icon" data-bbox="725 778 745 795]]'.¹⁶⁴³

¹⁶⁴⁰ 'Design Meet the Internet | Figma | Figma Blog', accessed by the CMA on 13 November 2023.

¹⁶⁴¹ 'Introducing Vector Networks | Figma Blog', accessed by the CMA on 13 November 2023.

¹⁶⁴² We exclude any functionality that relates purely to import and export of files.

¹⁶⁴³ Figma response to s109 notice.

- 9.223 Out of all releases, the Parties identified four notable releases in October 2016, October 2017, January 2018, and May 2022. The last notable release in May 2022 relates to the introduction of updated outlines, which now reveal hidden objects, bounding boxes, and allows selection of nodes from behind.¹⁶⁴⁴
- 9.224 Headcount figures for 2022 submitted by the Parties include a team of [X] staff allocated to '[X]'. The Parties submitted that this team is primarily tasked with [X].¹⁶⁴⁵ We consider that this team are likely to have experience in vector-based web design, and could form a core around which further engineering resources could be allocated in future.
- 9.225 In addition to its own vector editing functionality, Figma launched an extension architecture in 2019. As explained in paragraph 9.104, this provides capability for other developers to create vector editing functionality for Figma Design, amongst other functionality. Extensions therefore enhance the breadth of functionality Figma is able to offer customers in order to compete with Illustrator, without the need for those features to be built by Figma itself. Out of the [X] vector editing plugins identified by Figma in paragraph 9.80 above, [X] of these extensions were launched in 2019, [X] in 2020 and [X] in 2021.¹⁶⁴⁶
- 9.226 These extensions were developed over a period when developers could not monetise their extensions via the Figma platform itself. That is, users would have to leave the Figma platform to buy an extension. In March 2023 Figma introduced the ability for creators to monetise plug-ins 'on-platform'.¹⁶⁴⁷ We consider this approach will reduce friction for customers and may therefore improve the opportunities for developers to monetise plugins, further incentivising developers to expand and enhance the vector editing functionality which is available via plug-ins. We note the evidence above (for example paragraph 9.158(c)) that extensions motivated some of Adobe's concerns.
- 9.227 Adobe submitted it would cost around USD [X] million to develop creative design functionalities similar to Figma's vector editing functionality. We consider this is inconsistent with Figma's submission that they had not '[X]'.¹⁶⁴⁸ Evidence from Adobe's internal documents indicate a perception that

¹⁶⁴⁴ Parties' response to the phase 2 Issues Statement, 9 August 2023, Table 7. Figma also identified a release improving the export of vector files on 15 August 2018 as notable, though this does not relate to editing itself.

¹⁶⁴⁵ FMN.

¹⁶⁴⁶ Figma response to the CMA's s109 notice. Based on creation date of version 1 of the plug-in as noted on Figma's website, 'Community | Figma', accessed by the CMA on 20 November 2023.

¹⁶⁴⁷ Figma response to s109 notice.

¹⁶⁴⁸ Parties' response to TOH 2 working paper.

Figma had invested significantly in its vector editing functionality (see for example paragraph 9.167(c)).

9.228 Interviews in April 2021 with Figma's employees show that even small improvements can have a material impact. A product marketer said that '[✂]', while the Chief Customer Officer noted that '[✂]'.¹⁶⁴⁹ While this research only involved an interview of several Figma employees, we consider it has some evidentiary value – Figma stated that it uses a '[✂]' to get insights on a proposal and that it builds its business case for product development to be presented to the relevant members of the executive team, who are responsible for making strategic commercial decisions. The executive team includes '[✂]' (Figma, Chief Customer Officer) who was amongst those interviewed, and would have insight into customer views.¹⁶⁵⁰

9.229 Overall, we consider the evidence shows that Figma made several incremental improvements to its vector editing functionality over time, although its current functionality, relative to Adobe, remains limited. This in turn indicates that Figma has a track record of making incremental improvements and an engineering team in place which could be built out over time (see Appendix D on technical challenges). In addition, Figma offers vector functionality via extensions and this functionality may also improve in the future, especially given that Figma now offers the monetisation of extensions directly within the Figma platform itself. This may enhance the breadth of functionality Figma is able to offer customers in order to compete with Illustrator.

- *Raster editing improvements*

9.230 Table 9.4 below sets out the number of Figma Design releases (ie updates) in relation to raster editing functionality from January 2016 to October 2023, distinguishing between releases related to bug fixes and those related to new or improved features.¹⁶⁵¹

¹⁶⁴⁹ Figma Internal Document.

¹⁶⁵⁰ Parties' response to the CMA's RFI.

¹⁶⁵¹ We exclude any functionality that relates purely to import and export of files.

Table 9.4: Figma Design's releases in relation to raster editing functionality, 2016-2023

<i>Year</i>	<i>Number of releases</i>	<i>Of which, bug fixes</i>	<i>Of which new / improved features</i>
2016	1	1	0
2017	14	7	7
2018	9	7	2
2019	5	4	1
2020	0	0	0
2021	2	0	2
2022	0	0	0
2023	3	0	3
Total	34	19	15

Source: CMA's analysis of Figma response to s109 notice. This table relates to Figma Design's functionality, including updates which are minor: Figma has also made updates, including to its architecture for extensions. Updates to image and SVG import/export functionality alone are not included, but there were 16 bug fixes and 23 instances of new/improved features recorded in the Parties data across both vector and raster editing.

9.231 There were in total 34 releases over this period, of which 15 related to new or improved features. Figma introduced three updates in 2023, all of which related to new or improved features. For example, the improvements in 2023 included new capability to use luminance to show specific areas of objects (such as images) while concealing the rest.¹⁶⁵²

9.232 The Parties did not identify any notable improvements within these 34 releases. The Parties stated that these updates improve basic raster editing functionality, such as cropping or aspect ratio adjustments, and that the improvements do not introduce into Figma itself pixel manipulation technology as exists in Photoshop. We consider that Figma's raster editing functionality remains very limited. We consider the technical challenges with developing this functionality in Appendix D, and wider challenges and opportunities from doing so throughout the rest of this section.

9.233 Headcount figures for 2022 submitted by the Parties [REDACTED].¹⁶⁵³

9.234 We considered whether the availability of plugins with raster functionality increased over time. Out of [REDACTED] raster editing plugins identified in paragraph 9.93 above, [REDACTED] of these plugins were launched in 2019, [REDACTED] in 2020 and [REDACTED] in 2021.¹⁶⁵⁴ We consider that improvements to Figma's extension store discussed in paragraph 9.225 may also give rise to more raster editing extensions in future.

9.235 On the basis of the above, we consider the evidence shows that Figma's raster editing functionality has improved incrementally over time. Whilst its functionality remains very limited, relative to Adobe, this demonstrates that Figma already has a track record of making incremental improvements. Also,

¹⁶⁵² Figma response to s109 notice; [Masks | Figma Learn | Help Center](#), accessed by the CMA on 1 November 2023.

¹⁶⁵³ FMN.

¹⁶⁵⁴ Figma response to the CMA's s109 notice. Based on creation date on Figma's website.

Figma offers raster functionality via extensions and this functionality may also improve in the future, especially given that Figma now offers the monetisation of extensions directly within the Figma platform itself, which we consider makes the development of extensions more attractive to third parties. This may enhance the breadth of functionality Figma is able to offer customers in order to compete with Photoshop.

Figma's discussions, plans, and steps taken

9.236 In this section we examine whether Figma undertook sustained and serious consideration of developing vector and raster editing functionality. We also examine whether it took any steps in this direction.

9.237 As part of this assessment, we consider how the development of vector and raster editing is positioned in internal documents relative to other opportunities considered by Figma. We consider communications to Figma's board and investors, strategy discussions at offsites, modelling and market research, and Figma's attempted acquisition of [REDACTED].

- *Communications with its board and investors*

9.238 Figma communicates regularly with its board and investors, and vector and raster editing software has appeared several times in documentation concerning its product strategy between 2018 and 2021. In particular:

(a) A letter from [REDACTED] (Figma, CEO and co-founder) to Figma's board of directors dated December 2018 states [REDACTED].¹⁶⁵⁵ A corresponding letter dated December 2019 sets out that Figma's product strategy beyond 2020 involves '[REDACTED]'.¹⁶⁵⁶

(b) A presentation for the Figma board of directors dated October 2020 appears to set out key elements of Figma's priorities ([REDACTED]) in the following order: [REDACTED].¹⁶⁵⁷ We consider that Figma has made substantial progress against these priorities, introducing (i) a strong community on Figma Design; (ii) visual collaboration tools (in particular FigJam); and (iii) the beta version of all-in-one functionality extending to developer handoff (Dev Mode), but not yet (iv) creative tools and not (v) creativity for everyone (except insofar as plugins provide these).

¹⁶⁵⁵ Figma Internal Document.

¹⁶⁵⁶ Figma Internal Document.

¹⁶⁵⁷ Figma Internal Document.

(c) A presentation for investors dated June 2021 includes [REDACTED]¹⁶⁵⁸ [REDACTED].¹⁶⁵⁹ Although [REDACTED].

9.239 Figma also communicated to its board a more detailed vision of [REDACTED]. Specifically, in July 2021 [REDACTED] (Figma, CEO and co-founder) wrote a letter to Figma's board of directors, which also includes some of Figma's investors, setting out Figma's '[REDACTED]'.¹⁶⁶⁰ [REDACTED]. The plan can be summarised as follows:

(a) [REDACTED].¹⁶⁶¹

(b) [REDACTED].¹⁶⁶² [REDACTED].¹⁶⁶³

(c) [REDACTED].¹⁶⁶⁴

(d) [REDACTED].¹⁶⁶⁵

9.240 We consider that the ordering of points in the [REDACTED] broadly reflects the importance, likelihood, and timescale of each point. This is because the plan starts with steps that Figma was already taking (point 1), moves through areas which later appeared in its Annual Company Priorities (such as [REDACTED] in 2023) (first part of point 4) to more distant opportunities, ending with relying on technology that is not yet developed, such as a '[REDACTED]' (second part of point 4).¹⁶⁶⁶

9.241 We have considered the extent to which the [REDACTED] is consistent with Figma's product development and statements to date. Given the breadth of the [REDACTED], we consider that Figma could not have achieved the [REDACTED] in full over the period between its creation and when the Merger was announced (a period of 14 months). We therefore place most weight on whether Figma followed the earlier stages of the plan.

9.242 We consider that many of Figma's steps taken prior to the announcement of the Merger are consistent with the earlier parts of the plan.

(a) In relation to point 1, Figma had already developed FigJam by the time the [REDACTED] was written. Figma appears to have undertaken at least some of the 'obvious improvements' to Figma Design listed since then, such as

¹⁶⁵⁸ [REDACTED].

¹⁶⁵⁹ Figma Internal Document.

¹⁶⁶⁰ Figma Internal Document; FMN.

¹⁶⁶¹ Figma Internal Document.

¹⁶⁶²

[REDACTED] (Figma, CEO and co-founder) also explained that Figma '[REDACTED]'. Figma Internal Document.

¹⁶⁶³ Figma Internal Document.

¹⁶⁶⁴ Figma Internal Document.

¹⁶⁶⁵ Figma Internal Document.

¹⁶⁶⁶ Figma Internal Documents.

introducing ‘widgets’.¹⁶⁶⁷ Figma developed Dev Mode and launched this in public beta in June 2023. [REDACTED]¹⁶⁶⁸ [REDACTED].¹⁶⁶⁹

- (b) We discuss Figma’s efforts in relation to point 2, ie ‘[REDACTED]’, below.
- (c) In relation to point 3, Figma has not undertaken product development of areas considered ‘[REDACTED]’, [REDACTED]. It has introduced ‘widgets’ as set out above and introduced plugin monetisation in March 2023 with a ‘[REDACTED]’ ([REDACTED]).¹⁶⁷⁰ However, it has not developed [REDACTED] offering or rearchitected the Figma Design platform to enable its community ‘[REDACTED]’.¹⁶⁷¹ This is however consistent with the Parties’ submissions and our assessment of the complexity of rearchitecting the platform in Appendix D.
- (d) In relation to point 4, as set out above, Figma undertook some early actions into [REDACTED]. Figma does not appear to have taken actions relating to [REDACTED].

9.243 We identified that Figma undertook one area of major project development which is not explicitly listed in the [REDACTED]. In particular, Figma began development of [REDACTED]. We note that the preamble to the [REDACTED] references ‘presentation’, alongside other steps that appear in point 1 (such as tasks related to FigJam and Dev Mode), and, as such, the development of [REDACTED] does not appear inconsistent with the [REDACTED]. It is also consistent with some other pre-Merger discussions, as discussed below. However, we also note that [REDACTED].¹⁶⁷² Disrupting productivity space and competing with companies such as [REDACTED] and [REDACTED] is part of Adobe’s rationale for the Merger.¹⁶⁷³

9.244 The Parties submitted that there were other opportunities Figma considered which were not on the [REDACTED].¹⁶⁷⁴ Given that these opportunities were progressed and discussed so little prior to the Merger’s announcement, we do not consider that their existence is inconsistent with the [REDACTED].

(a) [REDACTED].¹⁶⁷⁵ [REDACTED].¹⁶⁷⁶

(b) [REDACTED]: [REDACTED].¹⁶⁷⁷ However, we consider that decision on [REDACTED] does not constitute product development, and may not have been worth including

¹⁶⁶⁷ [Introduction | Widget API | Figma](#), accessed by the CMA on 10 November 2023.

¹⁶⁶⁸ Figma Internal Document.

¹⁶⁶⁹ Figma.

¹⁶⁷⁰ Figma Internal Document.

¹⁶⁷¹ Figma Internal Document.

¹⁶⁷² FMN.

¹⁶⁷³ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph A2.3.

¹⁶⁷⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.43-44.

¹⁶⁷⁵ Figma response to s109 notice.

¹⁶⁷⁶ Figma response to s109 notice.

¹⁶⁷⁷ Figma Internal Document.

in a plan primarily focussed around big strategic decisions and new products.

9.245 The Parties submitted that the Master Plan represented '[X]'.¹⁶⁷⁸ Further, [X] (Figma, CEO and co-founder) in his DOJ deposition testified that this document '[X]'.¹⁶⁷⁹ The Parties have not advanced arguments explaining why the plan as it pertains to vector and raster editing is [X], nor have any creative software companies raised [X] with us as relevant to their product development plans. Evidence set out above on actions taken by Figma in line with the [X] indicate why we do not consider it to be merely '[X]'.

9.246 Overall, we consider that the [X] is indicative of Figma's future product strategy because earlier parts of the [X] are broadly consistent with Figma's steps taken prior to the announcement of the Merger. We consider that it shows Figma planned to develop vector and raster editing functionality.

- *Strategy discussions*

9.247 As a further source of evidence on Figma's corporate intent, we considered evidence relating to three separate offsite meetings held across 2021-2022.

9.248 The Parties submitted that [X].¹⁶⁸⁰ In our view, while formal decisions may not have been taken at the offsites, this is to be understood in the context of Figma's decision-making process which the Parties describe as 'iterative and fluid' and 'not defined by rigid protocols of formal meetings and record-keeping'.¹⁶⁸¹ We consider that the offsites set direction for Figma that informed its actions in the period immediately afterwards, as described in paragraph 9.275.

9.249 [X] (Figma, CEO and co-founder), [X] (Figma, Chief Product Officer), [X] (Figma, Chief Technology Officer), and [X] (Figma, Chief Financial Officer) attended each of these meetings.¹⁶⁸² Discussion at these offsites included product development and included vector and raster editing (amongst other products).

¹⁶⁷⁸ Parties, Submission to the CMA.

¹⁶⁷⁹ Figma, Submission to the CMA.

¹⁶⁸⁰ Parties' response to TOH 2 working paper.

¹⁶⁸¹ Figma, Submission to the CMA.

¹⁶⁸² Figma response to s109 notice.

- (a) Figma’s senior management discussed product strategy at an October 2021 offsite. As an exploratory option, Figma [REDACTED].¹⁶⁸³ At this offsite, Figma also considered other options, such as [REDACTED].¹⁶⁸⁴
- (b) Materials prepared for a February 2022 offsite show that Figma considered three long-term options [REDACTED].¹⁶⁸⁵ The materials note that if Figma [REDACTED].¹⁶⁸⁶ A message from [REDACTED] (Figma, Chief Product Officer) to colleagues on the same date as the offsite said that [REDACTED] (Figma, CEO and co-founder) wanted to [REDACTED].¹⁶⁸⁷ The Parties submitted that these materials were prepared in the context of [REDACTED] discussions – the team wanted to stress-test their proposal against various hypothetical long-term directions.¹⁶⁸⁸ We consider that [REDACTED] (Figma, CEO and co-founder) comments show that Figma discussed not only hypothetical scenarios but also which audience they should prioritise.
- (c) Figma considered its product strategy at a May 2022 offsite. Materials prepared for the May 2022 offsite show that the team considered three options:
- (i) [REDACTED];
 - (ii) [REDACTED]; and
 - (iii) [REDACTED] (Figma, CEO and co-founder) and [REDACTED] (Figma, Chief Product Officer)).¹⁶⁸⁹
- (d) The Parties submitted that this discussion took place in the context of a [REDACTED].¹⁶⁹⁰ [REDACTED]. However, we identified evidence showing that Figma was [REDACTED] on 4 May 2022.¹⁶⁹¹ The offsite took place on 15-18 May 2022.¹⁶⁹² In addition, Figma considered the acquisition of [REDACTED], a raster startup, after the offsite (see paragraph 9.275 below).

9.250 In relation to other opportunities, the May 2022 offsite attendees [REDACTED].¹⁶⁹³ The other products included in this category were: (i) non-designer marketers (Canva-style tool), (ii) webflow-style tool (with caveat from [REDACTED] (Figma, Chief Technology Officer) that Figma should consider), (iii) video editing, and (iv)

¹⁶⁸³ Figma Internal Document.

¹⁶⁸⁴ Figma Internal Document.

¹⁶⁸⁵ Figma Internal Document.

¹⁶⁸⁶ Figma Internal Document.

¹⁶⁸⁷ Figma Internal Document.

¹⁶⁸⁸ Parties’ response to TOH 2 working paper.

¹⁶⁸⁹ Figma Internal Document.

¹⁶⁹⁰ Parties’ response to TOH 2 working paper.

¹⁶⁹¹ Parties’ response to the phase 1 Issues Letter. [REDACTED]. See Figma Internal Document.

¹⁶⁹² Figma response to s109 notice.

¹⁶⁹³ Figma Internal Document.

motion design. Raster and vector editing were not included in this category.¹⁶⁹⁴

9.251 The Parties submitted that Figma's planning is evidenced [REDACTED].¹⁶⁹⁵ While we acknowledge that [REDACTED].¹⁶⁹⁶

9.252 Further, Annual priorities do not appear to include thinking about product development except where products are already in relatively advanced development stages. For example, [REDACTED].¹⁶⁹⁷ [REDACTED],¹⁶⁹⁸ [REDACTED].¹⁶⁹⁹ [REDACTED].¹⁷⁰⁰

9.253 The Parties submitted that [REDACTED].¹⁷⁰¹ As set out above, headcount figures in the Parties' FMN show [REDACTED].¹⁷⁰² Moreover a May 2022 headcount planning document states [REDACTED].¹⁷⁰³ [REDACTED], which Figma had considered building [REDACTED].¹⁷⁰⁴ Figma did not ultimately take forward a product involving [REDACTED].¹⁷⁰⁵ However, as discussed below, Figma pivoted [REDACTED], in the period immediately after this headcount planning document was produced.

9.254 The Parties submitted that [REDACTED].¹⁷⁰⁶ Evidence discussed above shows that the development of vector and raster editing software was discussed at every one of the most recent offsites pre-Merger, including in documents prepared in advance of the offsites. They were not '[REDACTED]' (eg see the discussion at the February 2022 offsite in paragraph 9.249(b) above). On the contrary, evidence set out in paragraphs 9.261 to 9.268 below shows that these discussions materialised in steps taken in the form of financial modelling, market research, and pursuing potential acquisitions.

9.255 On the basis of the above, we consider these offsites demonstrate a consistent pattern of Figma's management placing strategic emphasis on the value of Figma pursuing vector and raster editing software on near to medium-term time horizons. The May 2022 document shows executive support, including by [REDACTED] (Figma, CEO and co-founder) who the Parties

¹⁶⁹⁴ Figma Internal Document.

¹⁶⁹⁵ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.44.

¹⁶⁹⁶ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.29 (Figure 33). We note that the most recent company priorities were written after the Merger had been agreed.

¹⁶⁹⁷ Figma Internal Documents.

¹⁶⁹⁸ Figma response to s109 notice. This response states that the decision on [REDACTED] crystallised in a series of informal exchanges between senior Figma leadership around late December 2022, and that more specific resourcing decisions were made on 13 February 2023.

¹⁶⁹⁹ Figma's response to the CMA's RFI.

¹⁷⁰⁰ Figma Internal Documents.

¹⁷⁰¹ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.44.

¹⁷⁰² FMN.

¹⁷⁰³ Figma Internal Document.

¹⁷⁰⁴ [DALL·E 2 | OpenAI](#), accessed by the CMA on 5 November 2023; [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.39c.

¹⁷⁰⁵ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.39.

¹⁷⁰⁶ Parties' response to TOH 2 working paper.

indicate is Figma's key decision maker, for raster editing.¹⁷⁰⁷ While [X] May 2022 document relates specifically to [X], the [X] shows [X]. Therefore, we consider these votes suggest that building on Figma's comparatively more advanced existing vector editing capability could be a next step after development of raster editing capability.

- *Other internal communications*

9.256 We considered whether other Figma documents provide further relevant information on Figma's discussions, plans, and steps taken to expand its vector and raster editing capabilities.

9.257 Figma's internal communications in 2022 also show that Figma remained interested in vector and raster editing. Figma's executives recognised various factors and trade-offs that would be needed to prioritise this development. These included the time and resources consumed by other product development at the time (in particular Dev Mode). We evaluate Figma's overall resource constraints in the next section and note that Figma nevertheless decided to proceed with the [X] immediately after these communications, in June 2022.

- (a) [X] (Figma, CEO and co-founder) in his message to [X] (Figma, Head of Corporate Development & Strategy) in March 2022 states that [X] is facing a dilemma: [X].¹⁷⁰⁸ Whilst this document signal's [X] was facing [X], it provides further evidence that [X] was interested in creative tools even before the [X].¹⁷⁰⁹ The Parties submitted that this should be viewed in the correct context together with actual steps taken by Figma.¹⁷¹⁰ We consider these steps in the next section below.
- (b) [X] (Figma, Chief Financial Officer) note of a discussion in April 2022 around long-term strategy with [X] (Figma, CEO and co-founder), [X] (Figma, Chief Product Officer), and [X] (Figma, Chief Technology Officer) shows that [X] said '[X]'.¹⁷¹¹ This shows [X] considered developing raster editing to be part of Figma's [X].
- (c) A Figma May 2022 document containing [X] (Figma, Head of Corporate Development & Strategy) notes from a meeting with [X] reflected that [X] (Figma, CEO and co-founder) was '[X]'. The same document states that

¹⁷⁰⁷ Parties' Submission to the CMA.

¹⁷⁰⁸ Figma Internal Document.

¹⁷⁰⁹ A message from [X] on 7 April 2022 to Figma's senior management states that '[X]'. Figma Internal Document.

¹⁷¹⁰ Parties, Submission to the CMA.

¹⁷¹¹ Figma Internal Document. See also Figma Internal Document.

[REDACTED] (Figma, Chief Product Officer) noted that '[REDACTED]' when debriefing on whether Figma would start [REDACTED], although that it had [REDACTED].¹⁷¹²

9.258 Documents from around the time the Merger was being negotiated indicate Figma still considered vector and raster editing to be part of its future direction.

(a) Talking points for [REDACTED] (Figma, CEO and co-founder) for his negotiations in May 2022 with [REDACTED] (Adobe, President of Digital Media) state that there is a '[REDACTED]' since Adobe and Figma will [REDACTED].¹⁷¹³ These talking points were prepared by [REDACTED], an external financial advisor. [REDACTED] (Figma, CEO and co-founder) testified in [REDACTED] DOJ deposition that [REDACTED].¹⁷¹⁴ However, we identified an email titled [REDACTED] (Adobe, President of Digital Media) to [REDACTED] and dated the same day as the talking points which appears to contain notes from the discussion with [REDACTED] (Figma, CEO and co-founder). The email includes similar statements, such as '[REDACTED]' and '[REDACTED]'.¹⁷¹⁵

(b) [REDACTED] (Figma, CEO and co-founder) and members of the Figma board met with [REDACTED] to discuss the [REDACTED] on 30 May 2022.¹⁷¹⁶ [REDACTED] (Figma's board member from [REDACTED]) sent a text message to [REDACTED] (Figma, CEO and co-founder) stating that '[REDACTED]'.¹⁷¹⁷

9.259 We considered the interpretation of [REDACTED] (Figma's board member from Greylock) message alongside other examples of [REDACTED] view gathered from third-party documents. Some relate back to [REDACTED] thesis for investing Greylock capital in Figma, at subsequent funding rounds. These demonstrate a long-standing and consistent belief on the part of its major investor (and board representative) that Figma would pursue vector and raster editing software.

(a) [REDACTED] (Figma's board member from Greylock) initial investment thesis for Figma in 2014 describes Figma as an opportunity to build new Creative Suite, a category which Adobe has '[REDACTED]'. The document positions product design as '[REDACTED]', and states that the opportunity to erode Adobe's dominance is by '[REDACTED]'.¹⁷¹⁸

(b) A January 2019 email from [REDACTED] (Figma's board member from Greylock) in relation to Series C investment states that Figma will be '[REDACTED]'.¹⁷¹⁹

¹⁷¹² Figma Internal Document.

¹⁷¹³ Figma Internal Document.

¹⁷¹⁴ Figma, Submission to the CMA.

¹⁷¹⁵ Adobe Internal Document.

¹⁷¹⁶ Figma Internal Document. See also Figma Internal Document [REDACTED].

¹⁷¹⁷ Figma Internal Document.

¹⁷¹⁸ Third-party Internal Document.

¹⁷¹⁹ Third-party Internal Document.

9.260 Third-party documents prepared by Figma's other investors are consistent with this view.

(a) [REDACTED].¹⁷²⁰ We discuss Figma's [REDACTED] further in paragraphs 9.269 to 9.285 below.

(b) A [REDACTED] document from January 2019 describes Figma as '[REDACTED]' and that '[REDACTED]'.¹⁷²¹

(c) An [REDACTED] document dated June 2021 states that '[REDACTED]' and cites Adobe Creative Cloud revenue of USD [REDACTED].¹⁷²²

- *Modelling, market research, and acquisition discussions*

9.261 The evidence shows that discussion by Figma of the opportunity in vector and raster editing evolved into financial modelling and market research, including research into potential acquisition targets.

9.262 A document dated September 2021 and titled '[REDACTED]' sets out a vision for the future of Figma. The document was sent to [REDACTED] (Figma, CEO and co-founder) by [REDACTED] (Figma, Chief Financial Officer) and [REDACTED] (Figma, Chief Product Officer). The Parties submitted that this document was put-together by some members of the Figma Finance and Corporate Development teams, reporting to the CFO.¹⁷²³ It presents two possible scenarios, the first of which focuses on [REDACTED] and the second on [REDACTED]. The document suggests that at the time Figma was [REDACTED]. In relation to the [REDACTED] focus, modelling in Figma 2025 explicitly assumed that '[REDACTED]'.¹⁷²⁴ The document envisaged [REDACTED]. For vector and raster, it raises '[REDACTED]'.¹⁷²⁵ [REDACTED].¹⁷²⁶ Figma later made an [REDACTED], as discussed below.

9.263 The Parties submitted that [REDACTED] (Figma, CEO and co-founder) [REDACTED].¹⁷²⁷ [REDACTED] characterised the document as '[REDACTED]' in [REDACTED] DOJ deposition.¹⁷²⁸ Further, the Parties submitted that [REDACTED] (Figma, Chief Product Officer) involvement [REDACTED], and received no input from [REDACTED] (Figma, Chief Technology Officer). However, as noted above, [REDACTED] was sent to [REDACTED] (Figma, CEO and co-founder) by [REDACTED] (Figma, Chief Financial Officer) and [REDACTED] (Figma, Chief Product Officer).¹⁷²⁹

¹⁷²⁰ Figma Internal Document.

¹⁷²¹ Third-party Internal Document.

¹⁷²² Third-party Internal Document.

¹⁷²³ Parties' response to TOH 2 working paper.

¹⁷²⁴ Figma Internal Document.

¹⁷²⁵ [REDACTED].

¹⁷²⁶ Figma Internal Document.

¹⁷²⁷ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph 3.42a; Parties, Submission to the CMA.

¹⁷²⁸ Figma, Submission to the CMA.

¹⁷²⁹ Figma Internal Document. Parties' response to TOH 2 working paper.

This suggests that multiple members of Figma's senior management were [REDACTED].

9.264 We further note that in [REDACTED] CEO update to the Board in October 2021, [REDACTED] (Figma, CEO and co-founder) wrote shortly after the [REDACTED] was sent to [REDACTED] that '[REDACTED]'.¹⁷³⁰ [REDACTED] focused on [REDACTED], [REDACTED].¹⁷³¹ The Parties submitted that the [REDACTED] (Figma, CEO and co-founder) [REDACTED].¹⁷³²

9.265 Figma also devoted resources to scanning the landscape including [REDACTED]. The Parties submitted that Figma [REDACTED]. The Parties said that [REDACTED] and other meetings occurred either to [REDACTED].¹⁷³³ Out of these [REDACTED], Figma [REDACTED].¹⁷³⁴

9.266 We identified that Figma [REDACTED] in relation to the [REDACTED]. A Figma document [REDACTED] shows that Figma [REDACTED] and also states that [REDACTED].¹⁷³⁵

9.267 We identified that Figma [REDACTED] by [REDACTED] with respect to a [REDACTED]. [REDACTED] is a raster and video editing company established in [REDACTED], offering [REDACTED],¹⁷³⁶ [REDACTED].¹⁷³⁷ An email to Figma's [REDACTED] (Figma, Chief Technology Officer) from [REDACTED], suggested the following [REDACTED].¹⁷³⁸

9.268 While [REDACTED] statement above reflects the view of a third party and may in part be a negotiation strategy, it is consistent with the evidence set out above in paragraph 9.249 where Figma discusses opportunities in expanding in vector and raster editing. It is also consistent with other evidence set out below in paragraphs 9.315 to 9.326 of the benefit a multi-market presence. Further, [REDACTED] (Figma, CEO and co-founder) was [REDACTED] because [REDACTED] had a '[REDACTED]' and because Figma '[REDACTED]'.¹⁷³⁹ We note that the main reason for not acquiring [REDACTED] was [REDACTED] audience and their technology.

- [REDACTED]

9.269 Figma [REDACTED]. The above discussion on modelling, market research, and acquisition discussions provides [REDACTED]. In particular, [REDACTED].

¹⁷³⁰ Figma Internal Document.

¹⁷³¹ Figma's response to the CMA section 109 notice.

¹⁷³² Parties, Submission to the CMA.

¹⁷³³ Figma response to phase 1 s109 notice.

¹⁷³⁴ Figma response to s109 notice.

¹⁷³⁵ Figma Internal Document.

¹⁷³⁶ Polarr Pro appears to include functionality such as brush, radial, gradient, colour masks, face detection and editing tools, as well as 100+ free adjustment tools and filters/effects overlays. '[Polarr Pro Photo Editor](#)| Microsoft Apps', accessed by the CMA on 31 October 2023.

¹⁷³⁷ '[Polarr | Photo and Video AI Editors](#)| Photo and Video AI Editors | Polarr', accessed by the CMA on 30 October 2023.

¹⁷³⁸ Figma Internal Document.

¹⁷³⁹ Figma Internal Document.

9.270 We consider (i) the timeline of events, (ii) how Figma perceived [REDACTED], and (iii) the effect the [REDACTED] may have had on product development.

9.271 Figma undertook the following actions in relation to [REDACTED]:

- (a) In [REDACTED], [REDACTED] (Figma, CEO and co-founder) and [REDACTED] (Figma, Head of Corporate Development & Strategy) had initial discussions with [REDACTED] ([REDACTED] CEO) about [REDACTED].¹⁷⁴⁰
- (b) On [REDACTED], [REDACTED] ([REDACTED]) [REDACTED].¹⁷⁴¹
- (c) On [REDACTED], [REDACTED] (Figma, Head of Corporate Development & Strategy) then contacted [REDACTED] and [REDACTED] (Figma, Chief Product Officer).¹⁷⁴² Subsequently, [REDACTED].¹⁷⁴³
- (d) On [REDACTED], [REDACTED] (Figma, Chief Technology Officer) and [REDACTED] (Figma, Head of Corporate Development) [REDACTED]. [REDACTED].¹⁷⁴⁴
- (e) On [REDACTED], [REDACTED].¹⁷⁴⁵
- (f) On [REDACTED], [REDACTED].¹⁷⁴⁶

9.272 [REDACTED] told us that Figma's [REDACTED] did not proceed because [REDACTED], as '[REDACTED]'.¹⁷⁴⁷

9.273 As set out below, we consider that the purpose of the [REDACTED] was to accelerate Figma's development of raster editing functionality. The Parties submitted that the [REDACTED] did not represent any sustained interest in raster editing. Instead, they submitted that Figma's [REDACTED] was motivated by a proposal by [REDACTED] for Figma to develop [REDACTED], and this was the reason for Figma's [REDACTED]. The Parties submitted that this [REDACTED],¹⁷⁴⁸ and that this interest in raster editing fell away once Figma did not take up the [REDACTED] [REDACTED].¹⁷⁴⁹

9.274 In relation to [REDACTED], we consider that Figma indeed considered [REDACTED] to develop a raster editing tool with [REDACTED], given that correspondence and offsite discussions refer to [REDACTED].¹⁷⁵⁰ However, Figma expressed scepticism over whether [REDACTED].¹⁷⁵¹ Instead, Figma decided to make an [REDACTED], and which it was also [REDACTED]. This is

¹⁷⁴⁰ Figma Internal Documents.

¹⁷⁴¹ Figma Internal Document.

¹⁷⁴² Figma Internal Document.

¹⁷⁴³ Figma response to s109 notice.

¹⁷⁴⁴ Figma Internal Document.

¹⁷⁴⁵ Figma Internal Document.

¹⁷⁴⁶ Figma Internal Document.

¹⁷⁴⁷ Third-party Email to the CMA.

¹⁷⁴⁸ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.39c.

¹⁷⁴⁹ Parties' response to TOH 2 working paper.

¹⁷⁵⁰ Figma Internal Documents.

¹⁷⁵¹ Figma Internal Document.

inconsistent with Figma's interest in raster editing as a whole falling away, and more consistent with Figma simply deciding that [REDACTED] was not the right vehicle to progress its interest in raster editing.

9.275 We considered the evidence in relation to the purpose of the [REDACTED].

- (a) After [REDACTED] ([REDACTED]) had raised [REDACTED] with Figma, [REDACTED] (Figma, CEO and co-founder) replied stating that '[REDACTED]'.¹⁷⁵² This exchange occurred immediately before the three days of May 2022 offsite discussions, at which [REDACTED] (Figma, CEO and co-founder) voted in favour of pursuing raster editing software, as described in paragraph 9.249(a) above. M
- (b) The [REDACTED] conversations were informed by a 6 June 2022 valuation memo overviews a [REDACTED], authored by [REDACTED] (Corporate Development & Strategy). This referred to the transaction as '[REDACTED]'.¹⁷⁵³ This indicates Figma [REDACTED]. The same memo stated the transaction would '[REDACTED]', noting that '[REDACTED]'. The memo also included as counterfactuals a scenario of [REDACTED] (which was labelled '[REDACTED]') and a scenario in which [REDACTED] (which was labelled '[REDACTED]'). The modelling recommended an offer value of USD [REDACTED].¹⁷⁵⁴
- (c) [REDACTED] (Figma, CEO and co-founder) responded to the modelling, [REDACTED] but he could get comfortable at [REDACTED] dollars.¹⁷⁵⁵ This is within the same bounds as recommended in the valuation memo, which assumed that Figma [REDACTED].¹⁷⁵⁶
- (d) [REDACTED] (Figma, Head of Corporate Development & Strategy) internal commentary on discussions with [REDACTED] shows that Figma had been '[REDACTED]' by saying '[REDACTED]'.¹⁷⁵⁷ This suggests that Figma communicated to [REDACTED] would continue to work on raster editing software (ie find product market fit for [REDACTED] product).
- (e) Notes of [REDACTED] (Figma, Head of Corporate Development & Strategy) conversations with [REDACTED] indicate that [REDACTED] told [REDACTED] products (which we interpret as a reference to [REDACTED]), and Figma's product(s)) [REDACTED]. [REDACTED] also said Figma wanted to help [REDACTED]; that the [REDACTED]; and that the [REDACTED].¹⁷⁵⁸

¹⁷⁵² Figma Internal Document.

¹⁷⁵³ Figma Internal Document.

¹⁷⁵⁴ Figma Internal Document.

¹⁷⁵⁵ Figma Internal Document.

¹⁷⁵⁶ Figma Internal Document.

¹⁷⁵⁷ Figma Internal Document.

¹⁷⁵⁸ Figma Internal Document.

- 9.276 Overall, we consider that the evidence above shows that Figma was interested in [REDACTED], in order to develop/enhance Figma's raster editing functionality.
- 9.277 The Parties submitted that the [REDACTED] cited above was prepared by a junior employee who had worked at Figma for approximately one month and was not familiar with Figma's strategic policy and objectives.¹⁷⁵⁹ Further, the Parties submitted that [REDACTED] (Figma, CEO and co-founder) labelled some of the modelling assumptions as '[REDACTED]' and proposed a [REDACTED]. According to the Parties, this shows that [REDACTED] viewed [REDACTED] as an [REDACTED].¹⁷⁶⁰ However, as set out in above, the range that [REDACTED] (Figma CEO and co-founder) approved was consistent with the [REDACTED] being used by Figma to enter raster editing rather than [REDACTED].
- 9.278 The Parties submitted that references to '[REDACTED]' cited in paragraph 9.275(d) above [REDACTED].¹⁷⁶¹ However, notes for the call in which the offer was floated indicate that Figma was concerned about [REDACTED].¹⁷⁶²
- 9.279 We consider to what extent Figma was interested in [REDACTED], so that they could facilitate the development of vector and raster functionality.
- (a) The Parties submitted that once its interest in [REDACTED], Figma's discussion with the [REDACTED] team was motivated only by Figma's interest in the [REDACTED] of [REDACTED] people.¹⁷⁶³ The Parties submitted that the [REDACTED] team comprised of talented engineers [REDACTED].¹⁷⁶⁴
 - (b) [REDACTED] (Figma, CEO and co-founder) appears to have been keen to retain [REDACTED] engineers, [REDACTED].¹⁷⁶⁵
 - (c) [REDACTED] email to Figma [REDACTED] states that they were [REDACTED] that [REDACTED] potential to get [REDACTED] to market [REDACTED]. In this context, [REDACTED] said that Figma may have seen the deal as [REDACTED].¹⁷⁶⁶ [REDACTED] told us that from its perspective [REDACTED].¹⁷⁶⁷
 - (d) Further, [REDACTED]. [REDACTED].¹⁷⁶⁸
- 9.280 We consider that [REDACTED] to Figma and that [REDACTED] in raster editing.

¹⁷⁵⁹ Parties, Submission to the CMA.

¹⁷⁶⁰ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.39(c); Parties' Submission to the CMA.

¹⁷⁶¹ Parties' response to TOH 2 working paper.

¹⁷⁶² Figma Internal Document.

¹⁷⁶³ Parties' response to TOH 2 working paper.

¹⁷⁶⁴ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.39c.

¹⁷⁶⁵ Figma Internal Document.

¹⁷⁶⁶ Figma Internal Document.

¹⁷⁶⁷ Third-party call transcript.

¹⁷⁶⁸ Figma Site Visit.

9.281 We set out evidence below on Figma's perception of [REDACTED] and the likelihood of [REDACTED] success.

- (a) The Parties further submitted that Figma was sceptical about [REDACTED] likelihood of success, in part due to [REDACTED]. The Parties submitted that this informed why [REDACTED].¹⁷⁶⁹
- (b) Figma considered investing in [REDACTED] after its [REDACTED], which suggests that it believed in [REDACTED] success.¹⁷⁷⁰
- (c) Figma was cautious about investing in [REDACTED] in [REDACTED] in the near future, which suggests Figma expected [REDACTED].¹⁷⁷¹ [REDACTED] (Figma, CEO and co-founder) said that [REDACTED].¹⁷⁷²

9.282 We consider that the document evidence indicated that Figma felt that [REDACTED] could succeed and that this motivated Figma's interest in the context of raster editing.

9.283 Finally, we considered to what extent [REDACTED] would have given rise to new or accelerated product development.

- (a) [REDACTED] launched a [REDACTED].¹⁷⁷³ This indicates that [REDACTED].
- (b) [REDACTED] would have been able to leverage Figma's [REDACTED]. [REDACTED] (Figma, Head of Corporate Development & Strategy) considered this upside of the transaction as a means for Figma [REDACTED].¹⁷⁷⁴ We consider that if Figma had [REDACTED], Figma would have accelerated [REDACTED] product development and customer adoption.
- (c) Figma's internal documents set out below indicate that Figma [REDACTED].
 - (i) A note from the call between Figma and [REDACTED] in June 2022 shows that Figma [REDACTED].¹⁷⁷⁵
 - (ii) A March 2022 board presentation states that [REDACTED],¹⁷⁷⁶ both apparently triggering further investment.

9.284 We consider that, relative to the standalone progression of [REDACTED] would have given rise to new or accelerated raster product development and customer

¹⁷⁶⁹ Parties' response to TOH 2 working paper.

¹⁷⁷⁰ Figma Internal Document.

¹⁷⁷¹ Figma Internal Document.

¹⁷⁷² Figma Internal Document.

¹⁷⁷³ 'Announcing Modify's public beta and seed round', accessed by the CMA on 26 October 2023.

¹⁷⁷⁴ Figma Internal Document.

¹⁷⁷⁵ Figma Internal Document.

¹⁷⁷⁶ Figma Internal Document.

adoption, leveraging Figma's customer base. This would result in an increased competitive threat to Adobe.

9.285 On the basis of the above, we consider that [REDACTED] is evidence of Figma taking actions to develop raster editing functionality. Further, we consider that this evidence is consistent with its [REDACTED] (of which point 2 was [REDACTED]) and the vote at the May 2022 offsite in which [REDACTED] (Figma, CEO and co-founder) voted in favour of progressing raster editing. These are discussed at paragraphs 9.239 and 9.249(a) respectively.

- *Provisional conclusion on Figma's discussions, plans, and steps taken*

9.286 On the basis of the above, we consider that the evidence shows that vector and raster editing was under sustained and serious consideration (alongside Dev Mode and [REDACTED]). The development of vector and raster editing functionality consistently received more consideration than other projects, such as broader productivity tools and AR/VR products. In our view, Figma has made some plans to develop vector and raster functionality organically and through acquisition. Vector and raster functionality were part of board documents, including the [REDACTED], from 2018 onwards. Figma's future steps in relation to vector and raster editing were not firmed up in a detailed plan. However, this is consistent with the Parties' submissions about Figma's decision-making process, which does not focus on formal meetings and internal record keeping.

9.287 The evidence shows that the exact timescales for vector and raster editing product development were still subject to internal discussion. Vector and raster editing appear to have been a lower priority than Dev Mode, and unlikely to be accelerated within twelve months unless Figma [REDACTED]. But developing vector and raster editing functionality would continue to be a near to medium-term priority.

9.288 Finally, Figma has already taken steps to develop its vector and raster functionality. Figma's internal documents show that Figma made some limited investments to develop its product offering in vector editing through internal planning and market research. In raster editing, Figma made concrete steps towards entering the market [REDACTED].

Challenges and resource constraints

9.289 In identifying and assessing the challenges that Figma would need to overcome, we take into account:

- (a) The Parties' submissions that the key barriers to entry are (i) technical capabilities, (ii) product development costs, (iii) access to engineers, and (iv) the time necessary to develop such a product.¹⁷⁷⁷
- (b) The Parties further submission that Figma would face [REDACTED].¹⁷⁷⁸
- (c) Third-party questionnaires in which we asked competitors to identify what barriers to entry and expansion exist, as discussed further in Chapter 11.

9.290 We structure the assessment as follows: (i) technical challenges and resources, (ii) other resource commitments, (iii) financial resources, and (iv) overall ability to overcome challenges.

- *Technical challenges and resources*

9.291 As set out above (see paragraphs 9.39 to 9.42) , we consider that there are technical challenges with developing vector and raster editing functionality. However, building this functionality for a lightweight tool would be less challenging than for a more advanced tool.

9.292 As set out below we consider Figma would likely build out functionality incrementally and therefore face lower challenges over the nearer term. To assess the challenges Figma might face overall, whilst noting significant uncertainties, we considered what level of functionality Figma might seek to achieve over the medium term.

- (a) We considered the level of functionality envisaged for Illustrator Web and Photoshop Web. As set out in paragraph 9.207(e), Adobe considered that functionality of around [REDACTED]% of the features of Adobe's desktop functionality represented over [REDACTED]% of use cases.¹⁷⁷⁹ Illustrator Web had [REDACTED]% of the functionality of the desktop Illustrator version at the launch of its beta version,¹⁷⁸⁰ while Photoshop Web has [REDACTED]% of the [REDACTED] features of the desktop Photoshop version.¹⁷⁸¹
- (b) We also consider that Figma would also have sought to develop online and collaborative technology to fit its 'brand' and expertise, in line with Figma's submissions around the importance of its user persona,¹⁷⁸² which third parties would have found difficult to replicate.

¹⁷⁷⁷ Adobe response to s109 notice.

¹⁷⁷⁸ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23(a).

¹⁷⁷⁹ Adobe Internal Document.

¹⁷⁸⁰ Adobe Technical Briefing.

¹⁷⁸¹ Adobe Internal Document.

¹⁷⁸² [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.23(a).

9.293 The Parties also submitted that the main technical challenge for Figma to enter into creative tools would be the amount of time and resources it takes to build complex new products for radically different use cases and audiences'.¹⁷⁸³ Further, the Parties submitted that Figma [REDACTED].¹⁷⁸⁴

9.294 Some internal documents indicate that Figma faced some resource constraints, but this was more relevant in the very short term. For example, in May 2022 Figma stated that it did not have capacity for [REDACTED].¹⁷⁸⁵ Further, Figma's engineer count has been [REDACTED].¹⁷⁸⁶ This suggests that Figma is well placed to attract engineering talent organically and/or through acquisitions.

9.295 In addition, there is some contextual evidence that vector and raster functionality can be developed with an achievable level of resources for Figma.

- (a) Modyfi, which is building a raster product from scratch, has 11 engineers.¹⁷⁸⁷
- (b) Adobe had [REDACTED] engineers working on Illustrator and [REDACTED] engineers on Photoshop in the last quarter of 2022.¹⁷⁸⁸ Adobe was developing Photoshop Web and Illustrator Web over this period but was additionally working on other projects that do not appear necessary for Figma to build an incremental product offering, such as mobile projects.
- (c) Affinity, Adobe's main competitor in vector and raster editing software (see paragraphs 9.466 and 9.559 below), has 20 engineers for three products, and is also progressing some product development although this is limited in scale.¹⁷⁸⁹

9.296 The Parties made several more detailed submissions on the level of the technical challenge faced by Figma. Our full assessment is set out in Appendix D. In summary:

- (a) We consider that the technical limitations identified by the Parties to Figma developing its vector and raster editing functionality are likely to be surmountable in the medium term, given the right resources.
- (b) Figma Design itself, and its extension system, already supports some vector editing and raster editing functionality. This could be further

¹⁷⁸³ Parties, Submission to the CMA.

¹⁷⁸⁴ Parties' response to TOH 2 working paper.

¹⁷⁸⁵ Figma Internal Document.

¹⁷⁸⁶ FMN; Figma response to s109 notice.

¹⁷⁸⁷ Third-party call transcript.

¹⁷⁸⁸ Adobe response to s109 notice.

¹⁷⁸⁹ Third-party call transcript.

enhanced through new third-party extensions coming forward, and Figma could seek to accelerate this further. Were Figma to seek to integrate its own extensions with its own platform, performance limitations currently imposed for security reasons may not be needed.

- (c) We consider that Figma itself would not face insurmountable barriers to developing vector editing functionality in future and is particularly well placed to do so. Figma Design is already a vector-based web platform, and evidence shows its implementation of vector editing is already attractive for some users today. Were Figma to develop more advanced vector editing functionalities, this implementation may need revisiting. However, the Parties have not provided evidence that these challenges cannot be overcome, and we identified evidence that they can, particularly given the resources available to Figma.
- (d) We consider that there are more significant challenges for Figma to developing web-based raster editing functionality, however again they do not appear insurmountable. Figma's executives believed they could develop Figma's raster editing functionality, as set out in paragraphs 9.238 and 9.249, and some of Figma's existing web-based architecture would be largely compatible with adding raster editing today.
- (e) There is no evidence to support the Parties' view that Figma would need to develop both advanced multiplayer collaborative functionality and AI-based features to be competitive in the market for vector and raster editing software. In particular, Adobe's Photoshop Web and Illustrator Web do not currently have advanced multiplayer functionality. Figma appears well placed to develop both multiplayer functionality and AI-based features, given that it has industry leading expertise in the former and is already dedicating resources to the latter.
- (f) Further, we consider that new web technology and web APIs may have the potential to help Figma overcome some of these technical challenges. We also consider that Figma could also make certain trade-offs in the short term in order to do so, for example in relation to browser compatibility, and that it could develop its vector and raster editing functionality in stages. We also consider that Figma could develop its vector or raster editing offering through acquisition, and the evidence in paragraphs 9.265 to shows Figma made steps in this direction.
- (g) Finally we consider that Adobe had plans to integrate substantial creative editing functionality into Project Spice, and that it would have been able to do so.

9.297 In the context of these submissions, the Parties submitted that [REDACTED].¹⁷⁹⁰ These estimates are predicated on the Parties' submission that Figma would need to incorporate advanced features, such as machine learning,¹⁷⁹¹ and that Figma would need to match the majority of functionality offered by Adobe and other competitors' software.¹⁷⁹²

9.298 Our views in relation to the appropriate timeframes to consider in our assessment are set out in paragraph 9.63. In regard of this, we consider that Figma would likely seek to build out functionality incrementally and that it would not need to incorporate advanced features to match the majority of functionality offered by Adobe's products, as Adobe's web versions of Illustrator and Photoshop show. Further, we consider that the timeframes over which Adobe developed Illustrator Web and Photoshop Web are broadly informative of the time it could take Figma to further develop its vector and raster editing functionality, given its pre-existing functionality, resources, in-house experience, and ability to acquire or acqui-hire new talent. As set out in paragraph 9.165, Illustrator Web took Adobe [REDACTED] from proof of concept to private beta. As set out in paragraph 9.165, Illustrator Web took Adobe [REDACTED] from proof of concept to private beta. Photoshop Web took [REDACTED] from proof of concept to private beta, and [REDACTED] from 'concept accept' status.¹⁷⁹³ Further, we note that Figma appears to have had sufficiently strong ability to overcome these challenges for Adobe to perceive it as a threat – as discussed in paragraphs 9.148 to 9.170 above.

9.299 Based on the evidence set out above, we consider in the round that these technical challenges were surmountable by Figma, and that Figma was particularly well placed to address them within the near to medium term.

- *Other resource commitments*

9.300 We consider whether Figma's current resource commitments to Dev Mode and [REDACTED] represent material challenges for Figma to pursue vector and raster editing product development.

9.301 As a general point, we note that Figma has a track record in developing products quickly and sometimes in parallel. For example, [REDACTED].¹⁷⁹⁴ [REDACTED]. [REDACTED] (Figma, CEO and Co-founder) [REDACTED]. [REDACTED].¹⁷⁹⁵

¹⁷⁹⁰ Parties, Submission to the CMA.

¹⁷⁹¹ Parties, Submission to the CMA.

¹⁷⁹² Adobe, Submission to the CMA.

¹⁷⁹³ Figma's response to the CMA's RFI.

¹⁷⁹⁴ Figma Internal Document.

¹⁷⁹⁵ Figma Internal Document.

9.302 In relation to its current resource commitments specifically, we identified that Figma's current plans on Dev Mode and [REDACTED] imply these will be progressed swiftly and that resources may become available for other projects in the relatively near term.

(a) [REDACTED]. [REDACTED].¹⁷⁹⁶ However, Dev Mode is already in public beta. We consider that future engineering requirements might be lower once Dev Move is developed.

(b) In relation to Slides, as noted above, Figma decided to undertake Slides [REDACTED]. In any event, it only had 12 dedicated employees to its Slides project (27 additional employees partially allocated) in October 2023.¹⁷⁹⁷ [REDACTED] is not yet in private beta, but [REDACTED] is based on [REDACTED].¹⁷⁹⁸ Figma plans to [REDACTED], which implies that it will take Figma [REDACTED].¹⁷⁹⁹

9.303 The Parties submitted that 'Figma's finite product, design, and engineering resources are deployed to reflect [its] business priorities' and that pivoting towards the development of vector or raster editing functionality (either within Figma or as standalone tools) would 'come at the cost of developing Figma's [REDACTED]'. The Parties specifically highlighted that Figma is focused on 'refining and further developing the coding and development feature set in Dev Mode' and that this will 'continue to be an ongoing and significant effort for years to come.' The Parties also submitted that [REDACTED].¹⁸⁰⁰ However, as set out above, and also as submitted by the Parties,¹⁸⁰¹ [REDACTED] and FigJam are both based on [REDACTED].

9.304 On the basis of the above, we consider this evidence implies that Figma currently faces some resource constraints due to its commitments on Dev Mode and [REDACTED] (noting however that the decision to develop [REDACTED] was [REDACTED]), but these are likely to fall going forward. We consider that whilst Figma does face some trade-offs, particularly in the short term, Figma could resource the development of vector and raster editing functionality on a short to medium time horizon. This is particularly true if Figma were to use acquisitions or acquihires to accelerate its progress, which as discussed above appears to be its strategy.

¹⁷⁹⁶ FMN.

¹⁷⁹⁷ Figma response to s109 notice.

¹⁷⁹⁸ Parties' response to TOH 2 working paper.

¹⁷⁹⁹ Figma site visit slide deck.

¹⁸⁰⁰ Parties' response to TOH 2 working paper.

¹⁸⁰¹ Parties' response to TOH 2 working paper.

- *Financial resources*

9.305 Adobe estimates that it would cost over USD [REDACTED] to build a tool that would have sophisticated creative design functionalities. Adobe estimated that the costs of developing such a product starting from a rudimentary creative design software to a competitive offering would be similar to starting without a rudimentary creative design offering.¹⁸⁰² Adobe submitted however that the cost and time for entry will be highly dependent on a range of factors and that this makes any estimate around cost of entry highly speculative and unreliable.¹⁸⁰³

9.306 Figma has access to substantial financial resources. For example, Figma successfully raised USD 200 million in 2021.¹⁸⁰⁴ One competitor stated that access to capital is important and access to USD 300 million was one of the reasons why Figma succeeded in the all-in-one product design market: 'it is about the access of the capital, not about the technical feature'.¹⁸⁰⁵ Furthermore, as set out above, Figma's investors have consistently linked consideration of challenging Adobe in creative design software (which would include vector and raster editing) to their decision to continue investing in Figma (see paragraph 9.258 above). In our view this implies that they consider this direction worthwhile investing in and therefore that Figma is likely to be able to access any necessary capital. We also note that Figma is [REDACTED].¹⁸⁰⁶

- *Overall ability to overcome these challenges*

9.307 Figma's documents indicate that, while there are some challenges in developing creative tools, Figma is particularly well placed to disrupt Adobe in vector editing software and relatively well placed in raster editing software in the round.

(a) A letter from [REDACTED] (Figma, CEO and co-founder) to Figma's board of directors setting out Figma's [REDACTED] dated July 2021 states that the [REDACTED].¹⁸⁰⁷ We note that the engineering team has grown since then, and there is no indication that any key expertise has been lost.

¹⁸⁰² Adobe response to s109 notice.

¹⁸⁰³ Adobe response to s109 notice.

¹⁸⁰⁴ 'Software Design Startup Figma Is Now Worth \$10 Billion - Bloomberg', accessed by the CMA on 23 November 2023.

¹⁸⁰⁵ Third-party call transcript.

¹⁸⁰⁶ Figma response to the CMA's s109 notice.

¹⁸⁰⁷ Figma Internal Document.

- (b) At the May 2022 offsite, all offsite attendees agreed (with one undecided vote) that Figma can [REDACTED] meaningfully against existing creative tools (eg [REDACTED]) and Figma is [REDACTED].¹⁸⁰⁸
- (c) [REDACTED] (Figma, Chief Product Officer) high-level notes from the offsite dated October 2020 state that [REDACTED] as Figma is '[REDACTED]'.¹⁸⁰⁹ While the Parties submitted that it is not surprising that [REDACTED] (Figma, Chief Product Officer) personal notes discuss [REDACTED],¹⁸¹⁰ other Figma senior executives also talked about [REDACTED] being well placed to [REDACTED].
- (d) [REDACTED] (Figma, Chief Product Officer) note in the February 2022 offsite materials states that [REDACTED].¹⁸¹¹

- *Provisional conclusion on challenges and resource constraints*

9.308 We consider that the Parties identified some credible technical challenges in relation to developing vector and raster editing functionality. The evidence shows that the challenges were less severe for vector editing, but in both cases the challenges were surmountable. By drawing on a combination of investment and acquisitions, we consider that Figma could have overcome the challenges to develop vector and raster functionality in the near to medium term. Further, we consider that Figma was particularly well placed to do so for vector editing and relatively well placed in raster editing compared to other software providers, taking into account its business capabilities and resources.

9.309 In the near term, we consider that Figma's existing efforts to develop Dev Mode (and [REDACTED], which Figma decided to develop [REDACTED]) will continue and result in monetizable products in 2024. This could reduce the opportunity cost of developing vector and raster editing by freeing up at least some internal resource currently working on these products. Internal document evidence shows that Figma intended to begin development of raster editing simultaneously with finishing Dev Mode.

9.310 The evidence shows that Figma has substantial access to capital, a sizeable engineering team and has been able to grow its staff base significantly in a short period of time. At the organisation level, Figma may therefore face relatively low resource constraints in the future. We therefore consider that, even if Figma's existing product development activities continued to consume

¹⁸⁰⁸ Figma Internal Document.

¹⁸⁰⁹ Figma Internal Document.

¹⁸¹⁰ Parties' Submission to the CMA.

¹⁸¹¹ Figma Internal Document.

some resources, or Figma decided to pursue other product development opportunities such as productivity, Figma would still be able to develop vector and raster editing functionality in the near- to medium-term.

9.311 Overall, the evidence shows that Figma's executives considered they were well placed to develop vector and raster editing functionality that could challenge Illustrator and Photoshop. Adobe's perception and reaction to the threat from Figma also implies that Adobe believed that Figma was well placed to overcome these challenges.

Strategic fit

9.312 As noted at paragraph 9.217(b) above, the Parties submitted that vector and raster editing do not give rise to product market fit with Figma's existing products. In this section we therefore consider the strategic fit of vector and raster editing functionality. In considering strategic fit, we consider the following factors: (i) customer adjacency and demand; (ii) size of opportunity; (iii) impact on Figma's existing products; and (iv) overall views of market participants.

- *Customer adjacency and demand*

9.313 We consider data submitted by the Parties from their internal databases and then evidence from internal documents.

9.314 The extent of the customer overlap between Adobe and Figma at both organisational level and individual level is informative of Figma's incentives to develop vector and raster editing software for the same reasons as it is informative of the degree of threat to Adobe, as set out in paragraph 9.136.

9.315 Our analysis of data submitted by the Parties from their internal databases shows that [X]% and [X]% of organisations using Figma Design at the end of 2022 also used Illustrator and Photoshop respectively in the last quarter of 2022.¹⁸¹² The overlap is higher ([X]% and [X]%, respectively, when considering only organisations with Organisation and Enterprise licenses, ie two highest Figma pricing tiers).¹⁸¹³ We also considered overlaps at the individual level. [X]% and [X]% of Figma Design's individual users at the end of 2022 used Illustrator and Photoshop respectively in the last quarter of

¹⁸¹² CMA analysis based on Adobe Internal Document, Adobe Figma Annex S 109 4 Q35.1 to Adobe's response to s109 notice.

¹⁸¹³ CMA analysis based on Adobe Internal Document, Adobe Figma Annex S 109 4 Q35.1 to Adobe's response to s109 notice.

2022. When looking only at users with Figma's paid plans, the shares are [REDACTED]% and [REDACTED]%, respectively.^{1814, 1815}

9.316 Contrary to the Parties' submissions that there is no material overlap between Figma Design and Illustrator/Photoshop user personas,¹⁸¹⁶ based on this evidence we consider that there is a significant share of Figma Design customers who use Illustrator and Photoshop. Further, as set out in paragraph 9.138 above, we consider there are some reasons why this share may be understated.

9.317 The Parties further submitted that the share of Figma Design first-time users who had also used Illustrator in the prior six months [REDACTED].¹⁸¹⁷ The Parties submitted that their analysis [REDACTED].

9.318 Our full assessment is set out in Appendix C. In summary, we consider that the size of the opportunity is growing in absolute terms. Further, it appears to be growing in percentage terms at the organisation level. We therefore consider that Figma's ability to cross sell to its existing customer base will remain material. In particular:

- (a) We consider that increasing uptake of Figma amongst developers (and non-designers) is not an indicator of a low or reducing incentive for Figma to expand into vector and raster editing software.
- (b) While the share of paid Figma Design users who also used Illustrator (Photoshop) declined from [REDACTED]% ([REDACTED]%) in Q3 2020 to [REDACTED]% ([REDACTED]%) in Q4 2022,¹⁸¹⁸ our analysis of the Parties' data shows that the number of Figma Design users in absolute terms using Illustrator or Photoshop more than quadrupled during the same period.¹⁸¹⁹
- (c) The share of organisations using both Figma Design and Illustrator (as a proportion of all organisations using Figma Design) [REDACTED].¹⁸²⁰ The corresponding figures for Photoshop [REDACTED]. As set out in paragraph 9.136 above, we consider that treating organisations as a measure of customer overlap is appropriate: where one team uses Figma Design and another team uses Adobe's products, Figma would be able to cross sell any

¹⁸¹⁴ CMA analysis based on Adobe Internal Document, Annex S 109 6 Q14 15 16 to Adobe's response to s109 notice.

¹⁸¹⁵ Adobe's data submitted the CMA includes free trial users. We consider that this is likely to understate the degree of overlap, if users of free trials are less likely to be customers of Figma Design offerings and are also only temporarily using Adobe's products. Adobe response to the CMA's s109.

¹⁸¹⁶ Parties' response to TOH 2 working paper.

¹⁸¹⁷ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C5.7 at Figure 43.

¹⁸¹⁸ CMA analysis based on Adobe Internal Document, Annex RFI 8 Q6.1 to Adobe's response to the CMA's RFI.

¹⁸¹⁹ Adobe's response to the CMA's RFI.

¹⁸²⁰ Adobe's response to the CMA's.

expanded vector/raster offering to that other team, irrespective of whether the same individuals are using the products.

9.319 Figma's documents also bear out that its strategy involves cross selling its products within organisations, further supporting the relevance of organisation level overlap figures.

(a) Figma's annual company priorities have included [REDACTED].¹⁸²¹ We consider this indicates Figma's strategy was to focus on adjacent customers in order to drive network effects (explained in paragraphs 9.14 to 9.20).

(b) Documents set out in paragraphs 9.3 to 9.42 and 9.345, and paragraphs 8.3 to 8.46 also show cross selling was part of Figma's strategy.

9.320 The Parties submitted that 'the evidence available to Figma executives, and which informs their decision-making, does not include any such user overlap data' on the shared customers between Figma Design and Illustrator/Photoshop.¹⁸²² Even though Figma did not have access to precise overlap figures based on the Parties' usage data during the regular course of business, we consider that Figma would have been able to gain an increased understanding of the degree of adjacency over time. This would have been based on its regular conversations with vector and raster editing industry participants, conversations with its own user base, and bespoke research.

9.321 Further, Figma already had access to documents which showed there was a material customer adjacency between its customer base and vector and raster editing customers.

(a) Third-party research prepared by [REDACTED], (a third-party document which was submitted to us by Figma), containing [REDACTED] learnings from a survey of Figma's customers in April 2021 states that [REDACTED].¹⁸²³ While the majority of those surveyed were product designers, the title of the box is [REDACTED]. Therefore, we consider that this reflects product design use cases for both vector and raster editing.

¹⁸²¹ Figma Internal Document. Flywheel effects typically refer to positive feedback loops. Definitions vary but are close in concept to network effects.

¹⁸²² Parties' response to TOH 2 working paper.

¹⁸²³ Figma Internal Document.

(b) Figma uses Slack channels to discuss customer feedback. For example, a Slack message dated May 2021 discusses [REDACTED].¹⁸²⁴ Another message dated September 2021 gives [REDACTED].¹⁸²⁵

(c) Figma sometimes conducts [REDACTED]. As set out above in paragraph 9.264, [REDACTED].¹⁸²⁶ [REDACTED]. For example, [REDACTED] (Figma, Director of Engineering) [REDACTED].¹⁸²⁷

(d) In 2022, [REDACTED]. [REDACTED].¹⁸²⁸ [REDACTED].¹⁸²⁹ [REDACTED].¹⁸³⁰

9.322 The Parties submitted that Figma's [REDACTED] program showed that there is no material customer demand for more sophisticated vector and raster editing functionality.¹⁸³¹ We assessed the [REDACTED] report in more detail. The majority of top 10 priorities are [REDACTED].¹⁸³² Given the themes listed in the [REDACTED] report, we consider that [REDACTED] reports seem likely to contain views primarily on incremental functionality which could be added, and therefore this evidence is more relevant for vector editing than raster editing. [REDACTED].

9.323 Contemporaneous communications also show Figma's executives considered that there was material adjacency. This included:

(a) An April 2022 note written by [REDACTED] (Figma, Chief Financial Officer) of a discussion around [REDACTED] with [REDACTED] (Figma, CEO and co-founder), [REDACTED] (Figma, Chief Product Officer), [REDACTED] (Figma, VP of Product) and [REDACTED] (Figma, Chief Technology Officer), identified in paragraph 9.257(b). This states that [REDACTED] are described as [REDACTED]. [REDACTED] (Figma, Chief Financial Officer) notes [REDACTED] comment that [REDACTED].¹⁸³³

(b) The May 2022 offsite, which took place on [REDACTED], included some [REDACTED]. [REDACTED].¹⁸³⁴ The same document refers to [REDACTED].¹⁸³⁵

9.324 We also considered third-party evidence on adjacency. When commenting on whether Figma is more or less well placed than other screen design providers to overcome any barriers to entry or expansion relating to vector and raster editing, some respondents to our screen design competitor questionnaire provided commentary on their assessments. In their assessments, some

¹⁸²⁴ Figma Internal Document.

¹⁸²⁵ Figma Internal Document.

¹⁸²⁶ Figma Internal Document.

¹⁸²⁷ Figma Internal Document.

¹⁸²⁸ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.9a.

¹⁸²⁹ Figma Internal Document.

¹⁸³⁰ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.9a.

¹⁸³¹ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C3.9a.

¹⁸³² Figma, Submission to the CMA.

¹⁸³³ Figma Internal Document.

¹⁸³⁴ Figma response to s109 notice; Figma Internal Document. [REDACTED].

¹⁸³⁵ Figma Internal Documents. [REDACTED] (Chief Product Officer) [REDACTED].

competitors in creative design mentioned the adjacency of vector and raster editing software to all-in-one product design software as one reason why Figma would be well placed to develop vector and raster editing functionality.

- (a) One prosumer tool provider stated that 'While technical and investment costs barriers are high, Figma's strong network effects, cross-organizational collaboration capabilities and high user 'stickiness' positions them better relative to other screen design providers to expand into additional tools.'¹⁸³⁶
- (b) A respondent to the competitor questionnaire stated that 'Figma has an advantage in that it is very established in a neighbouring market and can rely on its existing screen design customer base to launch creative design products like it has done with FigJam and now Dev Mode. It will likely keep building out in this space in areas such as these.'¹⁸³⁷

9.325 Additionally, we also gathered evidence from customers on whether there would be demand for Figma to develop vector and raster functionality. Customers told us that there may be some demand for incremental functionality but noted that there would be challenges in attracting designers to new tools and expanding Figma Design too far beyond its core purpose.

- (a) A customer told us that if Figma were to expand into vector and raster editing, it 'would have to win over the designers and their comfort to use essentially quite a different model to producing their artwork. Designers like their tools. If they are happy with something it is difficult to persuade them from a pure technology perspective. They would need a good incentive to do it'.¹⁸³⁸
- (b) A customer noted that there might be some demand for incremental functionality but there is no customer demand for replicating all Illustrator features in vector editing. This customer told us that 'it could be useful to have a few additional Illustrator-style functions in [Figma]' but 'it would depend: ... some designers are quite used to using Illustrator for the more complex stuff, so they are quite happy to still use that'. The customer did not know 'if it is worthwhile trying to make Figma this kind of one tool for everything' and added that 'adding in the entire Illustrator functionality within Figma, personally, I do not think is the way to go'¹⁸³⁹

¹⁸³⁶ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁸³⁷ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁸³⁸ Third-party call transcript.

¹⁸³⁹ Third-party call transcript.

9.326 In addition to customer overlap and views discussed above, we considered whether Figma considers other forms of adjacency between customer bases relevant in evaluating its product development decisions. [REDACTED] shows that [REDACTED] (Figma, CEO and co-founder) considered [REDACTED].¹⁸⁴⁰ [REDACTED] considered [REDACTED].

(a) [REDACTED] (Figma, CEO and co-founder) stated [REDACTED].¹⁸⁴¹

(b) [REDACTED] (Figma, CEO and co-founder) statements [REDACTED]. [REDACTED].¹⁸⁴²

9.327 On this basis, we consider that there is a material common customer base between product design and vector/raster editing software. Furthermore, Figma had an informed view on the extent of this customer overlap and considered overlap with its core product relevant in the prioritisation of vector and raster editing.

- *Size of opportunity*

9.328 We also considered wider evidence on the size of the opportunity, including Figma's perceptions.

9.329 Figma's internal documents, as well as third-party documents prepared for Figma, discuss the size of the potential opportunity in creative design software (including vector and raster editing software).

(a) A document prepared for the October 2021 offsite by [REDACTED] (Figma, Head of Corporate Development & Strategy) sets out that there is [REDACTED], although the document also challenges [REDACTED].¹⁸⁴³ The same document states that [REDACTED], although the same document also states that if [REDACTED].¹⁸⁴⁴

(b) Also, in relation to the October 2021 product offsite, whilst [REDACTED] (Figma, Head of Corporate Development & Strategy) described [REDACTED] (Figma, CEO and co-founder) as [REDACTED],¹⁸⁴⁵ [REDACTED] (Figma, CEO and co-founder) and [REDACTED] (Figma, Chief Technology Officer) [REDACTED].¹⁸⁴⁶

¹⁸⁴⁰ Figma Internal Document

¹⁸⁴¹ Figma Internal Document.

¹⁸⁴² Figma Internal Document.

¹⁸⁴³ Figma Internal Document.

¹⁸⁴⁴ Figma Internal Document.

¹⁸⁴⁵ Figma Internal Document.

¹⁸⁴⁶ Figma Internal Document.

(c) The February 2022 offsite document states that [REDACTED].¹⁸⁴⁷ Whilst this statement was not drafted by Figma's executive team, the May 2022 offsite document notes that [REDACTED].¹⁸⁴⁸

(d) [REDACTED]. [REDACTED]. [REDACTED]. [REDACTED].¹⁸⁴⁹ Figma submitted that none of the attendees recognised the document.¹⁸⁵⁰

9.330 We consider that the market opportunity for vector and raster editing could be unlocked through incremental expansion, similar to how Figma has won market share for Figma Design:

(a) The Figma October 2021 offsite document referred to in paragraph 9.329 above states that [REDACTED].¹⁸⁵¹ In this context, we note that Illustrator and Photoshop Web have a subset of functionality of its desktop version (see paragraph 9.292(a) above).

(b) Similarly, Figma has also followed the same approach of building out incremental functionality over time for its previous products, including for Figma Design.

(c) The Parties submitted that web versions of products such as Illustrator and Photoshop are not designed to replace the desktop versions, but are designed to be used in conjunction with the desktop products.¹⁸⁵² However, the Parties also explained that web versions target customers valuing web-based solutions that avoid 'the need to download software onto desktop'.¹⁸⁵³ We consider that for such customers the web version of Photoshop and Illustrator is a standalone product. We also note that some devices, such as Chromebooks, do not support a desktop version of Photoshop. For example, Adobe launched a Chromebook offer that does not include the desktop version.¹⁸⁵⁴

9.331 The Parties submitted that there is no incentive for Figma to develop such functionality (beginning with product and marketing design use cases), as Figma would not be able to win new audiences or charge additional money.¹⁸⁵⁵ The Parties further submit that developing Figma Design's vector editing functionality, which is currently limited, would create a 'bloated,

¹⁸⁴⁷ Figma Internal Document.

¹⁸⁴⁸ Figma Internal Document.

¹⁸⁴⁹ Figma Internal Document.

¹⁸⁵⁰ Parties' response to TOH 2 working paper.

¹⁸⁵¹ Figma Internal Document.

¹⁸⁵² Parties' response to TOH 2 working paper.

¹⁸⁵³ Parties' response to TOH 2 working paper.

¹⁸⁵⁴ [Adobe Express and Photoshop unlock new creative possibilities on Google Chromebook Plus Devices.](#) | Adobe Blog, accessed by the CMA on 26 October 2023.

¹⁸⁵⁵ Parties' response to TOH 2 working paper.

inefficient tool that would go against the grain of a decade of industry developments, and would be ill-suited to Figma's user persona'.¹⁸⁵⁶

- 9.332 We consider that by developing new vector and raster editing functionality Figma can attract new paid users within organisations, such as brand designers (see paragraph 9.16 on network effects within organisation), and improve the strength of its current offering (see paragraphs 9.320 to 9.327 above). The May 2022 offsite attendees also considered that the audience of vector and raster editing software is [X] (see paragraph 9.329(c) above).
- 9.333 Moreover, we consider that challenges with [X] new functionality which is developed incrementally (and challenges associated with bloat) also apply to other products Figma is pursuing, including Figma Design. Figma has strategies to address the problem, including [X]. For example, a July 2022 document suggests that the benefits of [X] includes learning about [X].¹⁸⁵⁷ Figma later decided to offer [X] also as a standalone product.¹⁸⁵⁸ Another document on [X] dated April 2023 suggests that Figma [X].¹⁸⁵⁹ In the case of vector and raster editing, we consider that Figma could utilise these strategies.
- 9.334 To provide a sense check on the order of magnitude of the size of the opportunity, we compared Figma Design's global revenue of USD [X] million in 2022 with 2022 revenues generated by Adobe in vector and raster editing.¹⁸⁶⁰ These revenues were USD [X] billion and USD [X] billion for Illustrator and Photoshop respectively (as set out at paragraph 9.137).¹⁸⁶¹ Were Figma only to seek to win a proportion of these revenue in line with the current use case overlap set out in paragraph 9.9 (which showed that [X]% and [X]% of Illustrator and Photoshop users conduct product design related tasks in this software), the size of the opportunity would still be material. We discuss the extent to which these use cases (and revenue) are at risk for Adobe above.
- 9.335 On this basis, we consider that the size of the opportunity presented by vector and raster editing is large, and was perceived by Figma to be large. We also consider that Figma would be well placed to gain market penetration for these products.

¹⁸⁵⁶ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C3.23(a).

¹⁸⁵⁷ Figma Internal Document.

¹⁸⁵⁸ Pricing for Figma's Free, Professional, and Organization plans, accessed by the CMA on 27 October 2023.

¹⁸⁵⁹ Figma Internal Document.

¹⁸⁶⁰ FMN.

¹⁸⁶¹ Adobe response to the CMA's s109 notice.

- *Impact on Figma's existing products*

9.336 We consider to what extent Figma's expansion into vector and raster editing software could also increase the competitive strength of Figma's core product Figma Design. We also consider the impact on Figma's other existing and forthcoming products.

9.337 As set out in paragraphs 9.11 to 9.13 above, multi-market presence is a relevant factor increasing the competitive strength of both vector and raster editing offerings and product design offerings. As set out in Chapter 8, Adobe is a main competitor of Figma in the market for all-in-one product design software. Adobe competes against Figma through a bundled offering including its product design and creative design software.

9.338 Adobe's presence in vector and raster editing software improves the strength of Adobe XD and the competitive constraint it imposes on Figma Design. This is evidenced by some of Figma's internal documents (drawing on materials it received from a third party):

(a) A Figma FAQ for Designer Advocates dated October 2022 appears to indicate that a barrier to [X], despite the [X].¹⁸⁶²

(b) A note on creative tooling research dated March 2021 prepared by a Figma researcher [X].¹⁸⁶³ We note the Parties submitted that this workstream on creative tooling did not proceed further.¹⁸⁶⁴

(c) [X] (Figma, Head of Corporate Development & Strategy) emailed [X] (Figma, CEO and co-founder) and [X] (Figma, Chief Financial Officer) with key takeaways from notes produced by [X] in March 2021 (a third-party document which was submitted to us by Figma) which noted that [X].¹⁸⁶⁵

(d) In an internal message to [X] (Figma, Chief Product Officer) dated 4 November 2021, [X] (Figma, VP of Product) notes that [X].¹⁸⁶⁶

9.339 This evidence shows that Figma's lack of a creative design offering weakens somewhat the strength of Figma Design relative to Adobe XD in product design, for at least some categories of customers. This further increases the incentive for Figma to develop vector and raster functionality.

¹⁸⁶² Figma Internal Document.

¹⁸⁶³ Figma Internal Document

¹⁸⁶⁴ Figma's response to the CMA section 109 notice.

¹⁸⁶⁵ Figma Internal Document.

¹⁸⁶⁶ Figma Internal Document.

9.340 Further, we consider that the lack of a creative design offering would have become increasingly problematic for Figma going forward. As set out above in paragraph 9.203, one aspect of Adobe’s strategy in relation to product design was to improve the connectedness and interoperability of its product design and creative design offerings, such as through its [REDACTED] as discussed in paragraph 9.206. In particular:

- (a) Adobe was developing Project Spice, a web-based infinite canvas that would include product design and creative design functionality. It was also developing Photoshop Web and Illustrator Web, and as set out in paragraph 9.199(a), 9.199 saw these as providing [REDACTED]. A note from a February 2022 meeting including [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) states [REDACTED].¹⁸⁶⁷
- (b) Adobe states on its website that it was ‘making improvements to interoperability workflows’ for ‘a seamless experience when working with XD and Photoshop’.¹⁸⁶⁸ A message from [REDACTED] (Adobe, VP of CC Web App) to [REDACTED] (Adobe, VP of Photoshop) dated July 2021 indicates that interoperability with Photoshop Desktop through being able to [REDACTED] was [REDACTED] for Adobe XD, and that this interoperability could be a [REDACTED] in the context of [REDACTED].¹⁸⁶⁹

9.341 The Parties submitted that even if Adobe was able to cross-sell Adobe XD to its wide pre-existing customer base, that did not prevent Figma from becoming a much more successful product design tool than Adobe XD.¹⁸⁷⁰ We consider that a multi-market presence would add to Figma’s ability to compete, but is not necessary in itself for it to win customers.

9.342 The Parties further submitted that Figma’s public website encourages customers to use ‘the best tool for the job’ citing Photoshop and Illustrator and exhorting their users: ‘Don’t stop,’.¹⁸⁷¹ The Parties submitted that this indicates Figma is [REDACTED].¹⁸⁷² We consider that the limited strength of Figma’s current vector and raster editing functionality so far, and the limited third-party competition in vector and raster editing, would have reduced Figma’s incentive to encourage its customers to switch from Adobe.

9.343 The Parties submitted that Adobe XD users made [REDACTED] use of integrations between Adobe XD and Photoshop.¹⁸⁷³ We consider that Adobe customers

¹⁸⁶⁷ Adobe Internal Document.

¹⁸⁶⁸ [Bring assets from Photoshop into Adobe XD](#), accessed by the CMA on 2 November 2023.

¹⁸⁶⁹ Adobe Internal Document.

¹⁸⁷⁰ Parties’ response to TOH 2 working paper.

¹⁸⁷¹ Parties’ response to TOH 2 working paper.

¹⁸⁷² Parties’ response to TOH 2 working paper.

¹⁸⁷³ Parties’ response to TOH 2 working paper.

may have made greater use of integrations were they to have been improved. Adobe's conversations when developing Project Spice (as discussed in paragraph 9.203) indicate that Adobe believed that these integrations were important for the success of both its creative design and its product design offerings.

9.344 Based on the evidence above, we consider that Adobe was engaging in multi-market competition involving product design, and vector/raster editing. We consider that this strategy would give Figma an additional incentive for Figma to engage in a similar multi-market strategy involving Figma Design and vector/raster editing.

9.345 Indeed, we consider that Figma's documents show that it is pursuing a multi-market strategy. This strategy involves expanding into adjacent areas to support the success of its other existing products (such as Figma Design).

(a) Figma has an ambition to be [REDACTED] and its current products (FigJam, Figma Design, Dev Mode in beta) cover the product design process from brainstorm to code through multiple interlinking products.¹⁸⁷⁴ As set out above [REDACTED].

(b) A Figma internal document from Q1 2021 titled [REDACTED] states [REDACTED]. It explains that [REDACTED].¹⁸⁷⁵

(c) The same Figma internal document on [REDACTED].¹⁸⁷⁶ In particular, the document indicates that Figma sees [REDACTED].¹⁸⁷⁷ This is consistent with a CEO update authored by [REDACTED] (Figma, CEO and co-founder) dated October 2019 and sent to the board [REDACTED].¹⁸⁷⁸

(d) A presentation for the Figma board of directors meeting dated October 2020 showed that Figma had considered [REDACTED]. This document recognised [REDACTED].¹⁸⁷⁹ [REDACTED].

9.346 We consider that the reasons Figma states for pursuing this multi-market strategy, and which appear to have driven its product development (for FigJam, Dev Mode, and to some extent [REDACTED]) also apply to vector and raster editing.

¹⁸⁷⁴ Figma.

¹⁸⁷⁵ Figma Internal Document.

¹⁸⁷⁶ Figma Internal Document.

¹⁸⁷⁷ Figma Internal Document.

¹⁸⁷⁸ Figma Internal Document.

¹⁸⁷⁹ Figma Internal Document.

- (a) [REDACTED] a June 2021 Figma document for investors [REDACTED].¹⁸⁸⁰ Additionally, we consider that the positioning of Figma on the same slide suggests that it has an ambition to be an alternative to the full non-Figma toolchain, including vector and raster editing.
- (b) As set out in paragraph 8.21, vector editing, and raster editing are in many cases part of the product design workflow. Therefore, Figma's ambition to be [REDACTED] would seem to apply to vector and raster editing. Further, adding vector and raster editing functionality would drive network effects on Figma's platform (which are described in paragraphs 9.15 to 9.20 and envisaged by the documentation immediately above).

9.347 We consider that developing vector and raster functionality would benefit Figma's existing products, by helping them compete against Adobe's bundled offering.

- *Overall views of market participants*

9.348 We also gathered evidence from third parties on the strategic fit of Figma expanding its vector and raster editing functionality. We asked Adobe and Figma's customers about the risk of Adobe losing sales in vector and raster editing to Figma currently, and the risk of Adobe losing sales in the future due to Figma being well-positioned to expand the functionality of its software (with response options of none, low, medium, and high).¹⁸⁸¹

- (a) For vector editing, the majority of customers stated that the current risk to Adobe from Figma is at most low, with less than a quarter of customers stating that the current risk is medium or high.¹⁸⁸² However, for the future risk, should Figma expand its offering in vector editing, around half the customers stated that the risk of Adobe losing sales to Figma is medium or high.¹⁸⁸³

¹⁸⁸⁰ Figma Internal Document. Figma is portrayed as encompassing the five product categories of non-Figma toolchain: (i) storage, (ii) asset creation, (iii) prototyping, (iv) handoff, and (v) version control.

¹⁸⁸¹ Question 22 of the CMA's phase 2 customer questionnaire states 'For each of the tasks listed in the table below, please explain what (if any) risk there is of Adobe losing sales to Figma absent the Merger due to: a. Figma's software (including Figma Design's extensions: plugins and widgets) currently offering similar functionality to Adobe; and/or b. Figma being well-positioned to expand the functionality of its software in the future (eg new creative design functionality or other types of product development). In your answer, please include any relevant tasks or use cases where this applies and expected timeframe'.

¹⁸⁸² Third-party responses to the CMA's phase 2 customer questionnaire: [Current risk: high: 2 out of 23: [REDACTED], [REDACTED]; medium: 3 out of 23: [REDACTED], [REDACTED], [REDACTED]; low: 11 out of 23: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; none: 7 out of 23: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹⁸⁸³ Third-party responses to the CMA's phase 2 customer questionnaire: [Future risk: high: 4 out of 20: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; medium: 7 out of 20: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; low: 8 out of 20: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; none: 1 out of 21: [REDACTED]]. [REDACTED] noted that the future risk to Adobe from Figma is low based on its current digital focus, however, if it were to pivot to producing printed content, the future risk is medium.

9.351 Figma's investors appear to have considered that Figma had the ability and incentive to compete with Photoshop and Illustrator in vector and raster editing.

- (a) Sequoia Capital's investment thesis provided to us by Greylock dated January 2019 describes Figma as a 'network effects product' and states 'If Adobe can build a dominant, wildly profitable \$6B ARR business in offline, unconnected creative tools, Figma can build an even larger and more defensible one by embracing collaboration and riding the long-term tailwind of global creative work'.¹⁸⁸⁸
- (b) An Index Ventures document dated June 2021 states that 'Figma can capture sizeable market share from the likes of Adobe over time' and cites Adobe Creative Cloud revenue of USD 9.1 billion.¹⁸⁸⁹
- (c) [Figma's board member for Greylock] investment thesis and statements discussed in paragraphs 9.257(c), 9.258(b) and 9.259 above indicate that he believed Figma could compete with Adobe in creative design.

9.352 The Parties submitted that Figma has much stronger incentives to focus elsewhere, such as on [REDACTED] related offerings.¹⁸⁹⁰ In assessing Figma's ability and incentive to develop vector and raster editing functionality we have considered other resource commitments, including other ongoing product development commitments such as [REDACTED] and [REDACTED] (see paragraphs 9.300 to 9.304). The evidence shows that these other commitments are compatible with an ability and incentive for Figma to also develop its vector and raster editing functionality. Further, other new opportunities identified by Figma do not appear to have been given the same level of priority as vector and raster editing, as discussed in paragraphs 9.238 to 9.246. In relation to [REDACTED] specifically, [REDACTED] (Figma, CEO and co-founder) [REDACTED] (see paragraph 9.239 above) states that '[REDACTED]' are '[REDACTED]'.¹⁸⁹¹

9.353 Overall, we place lower weight on this third-party evidence than we do on the internal documents. However, we consider that this evidence is consistent with the internal document evidence set out above.

- *Provisional conclusion on strategic fit*

9.354 We consider that a material proportion of Figma's user base undertake vector and raster editing. Tapping into this existing customer base would reduce the

¹⁸⁸⁸ Third-party Internal Document.

¹⁸⁸⁹ Third-party Internal Document.

¹⁸⁹⁰ [Parties' response to the phase 2 Issues Statement](#), 9 August 2023, paragraph C4.4.

¹⁸⁹¹ Figma Internal Document.

cost to Figma of acquiring customers in vector and raster editing and allow Figma to expand more quickly, therefore contributing to its incentive to develop its vector and raster editing functionality. The workflow adjacency between vector and raster editing and Figma's existing offering is also higher than for other opportunities Figma had considered, such as further productivity software.

- 9.355 We consider that Adobe is pursuing a multi-market competition strategy to strengthen its product design offering, which in turn strengthens Figma's incentive to employ such a strategy. We consider that developing vector or raster editing functionality would strengthen Figma Design against other multi-market offerings, such as Adobe's. The evidence shows that Figma's overall product development plans follow a multi-market competition strategy and that its reasons for doing so also apply to vector and raster editing. This incentive does not apply to other opportunities Figma had considered, such as further productivity software.
- 9.356 We consider that the size of the opportunity presented by vector and raster editing is, and was perceived by Figma to be, large. Whilst it is difficult to compare this to other opportunities, the size of other opportunities also appear to be large. However, there is evidence that Figma's ability to gain market share in vector and raster editing may be greater than for other opportunities.
- 9.357 Drawing across the evidence set out above, we consider that Figma's executives believed that vector and raster editing had a good strategic fit with Figma. Adobe's perception and reaction to the threat from Figma also indicates that Adobe believed that vector and raster editing had a good strategic fit with Figma's business. Third-party evidence is also consistent with this.

Provisional conclusion on closeness of competition

- 9.358 To assess the threat Figma posed to Adobe's customer base and the extent to which it influenced product development, we considered the extent of the customer adjacency between Figma Design and both Illustrator and Photoshop, as well as internal documents and third-party evidence.
- 9.359 In relation to the customer adjacency, we assessed the proportion of Illustrator and Photoshop's customer base which overlaps with Figma Design (as these are adjacent markets). In our view, there is currently a material customer overlap. We consider that the users at risk represent a substantial source of revenue to Adobe, and more users and revenue could be at risk in future were Figma to develop vector and raster editing functionality extending beyond product design and related use cases.

- 9.360 In relation to the document evidence, this shows that Adobe perceived Figma as a threat to its core markets for vector and raster editing, and its flagship products Illustrator and Photoshop. We note particularly that Adobe undertook detailed analysis of the threat posed by Figma over a period between September 2021 and March 2022 and concluded that Figma posed a risk. Other internal documents consistently show concerns by Adobe management over the threat from Figma in relation to professional users until August 2022, a few weeks before the Merger was announced (on 15 September 2022). Third-party customer evidence also indicates that Figma Design is already an alternative for some customers to Illustrator, and – to a lesser extent – Photoshop, at least for certain use cases related to product design.
- 9.361 The evidence also shows that Adobe took actions to mitigate the threat from Figma. Adobe’s competitive response to Figma included product development which sought to defend Adobe’s wider Creative Cloud suite. This specifically included the development of web versions of Illustrator and Photoshop, but also the prioritisation of certain features in the desktop versions. Furthermore, Project Spice envisaged the inclusion of both vector and raster editing functionality within a web-based app also providing product design functionality for professional users. Both the wider Project Spice and the inclusion of vector and raster editing functionality in it specifically appear to have been a direct response to the threat from Figma.
- 9.362 We have also assessed the extent to which Figma has the ability and incentive to develop its vector and raster editing functionality. This is informed by Figma’s product development to date, its plans and steps taken to develop its vector and raster editing functionality, and the challenges it would need to overcome.
- 9.363 In relation to product development to date, we consider that Figma’s functionality in both vector and raster editing has improved incrementally over time. In relation to vector editing functionality in particular, Figma also has an engineering team in place which could be built out over time. Figma users can also access vector functionality developed through third-party extensions, and new vector and raster editing extensions have recently been emerging. Figma has also taken steps to make development of extensions more attractive to third parties.
- 9.364 We have examined Figma’s discussions, plans, and steps taken to develop its vector and raster editing functionalities. We also considered other factors relating to its ability and incentive to develop these functionalities, particularly technical challenges, resource constraints and strategic fit.

- 9.365 We consider that the evidence we have collected shows that the development of vector and raster editing functionality was under sustained and serious consideration by senior Figma executives from 2018 at least until June 2022, including at board level. The evidence also shows that the development of vector and raster editing functionality consistently received more serious consideration than other projects.
- 9.366 Figma had also made outline plans to develop vector and raster editing functionality organically, had considered a number of acquisitions in these areas and reached an advanced stage in relation to one raster editing acquisition opportunity.
- 9.367 We have also assessed the challenges that Figma would need to overcome in order to develop its functionality in vector and raster editing. We consider that the Parties identified some credible technical challenges that Figma would face. The evidence shows that the challenges were less severe for vector editing, but in both cases they were surmountable. By drawing on a combination of investment and acquisitions, we consider that Figma could have addressed the challenges to develop vector and raster functionality in the near- to medium-term. Further, we consider that Figma was particularly well placed to do so for vector editing, and relatively well placed in raster editing, compared to other software providers (taking into account its business capabilities and resources).
- 9.368 We have also considered evidence in relation to the strategic fit of vector and raster editing functionality with Figma's other products, particularly Figma Design. We considered evidence on market adjacency, the size of the opportunity, the impact of product development on Figma's other products, and views from market participants on strategic fit.
- 9.369 In relation to the level of market adjacency, we consider that a material proportion of Figma's user base undertakes vector and raster editing and that Figma considers these tools to be part of the same product design workflow. Tapping into this existing customer base would reduce the cost to Figma of acquiring customers in vector and raster editing, thus contributing to its incentive to develop this functionality. The size of the opportunity for Figma in vector and raster editing appears overall large.
- 9.370 Further, the strength of Figma's position in product design is influenced by the strength of its vector and raster editing functionality, which we consider would increasingly be needed to compete for new customers against Adobe. This gives Figma a stronger incentive, above what it would already have absent this multi-market competitive pressure, to develop its presence in vector and raster editing. On this basis, we consider that, absent the Merger, Figma

represents a particularly credible dynamic competitor to Adobe in vector and raster editing software for professional users, and this threat is already strong for product design and related digital use cases.

Competitive constraints

9.371 In this section we set out evidence on the competitive constraints (other than Figma) faced by Adobe in vector and raster editing, with a focus on product development. We first set out the Parties' submissions, and then assess for each competitor to Illustrator and Photoshop, internal document and third-party evidence on their existing vector and raster editing offerings and their product development.

Parties' submissions

9.372 The Parties submitted that Adobe has a wide set of competitors who 'are constantly innovating and improving their features',¹⁸⁹² naming [X] competitors offering a suite of creative design tools including both vector and raster editing and identifying over [X] additional competitors in vector editing and over [X] additional competitors in raster editing.¹⁸⁹³

9.373 In the Issues Statement Response and associated documentation, the Parties grouped together these competitors into five categories: (i) competitors offering a suite of creative design software; (ii) additional competitors focused on specific asset creation software; (iii) 'Big Tech' players; (iv) additional competitors in a 'hypothetical' market for creative design software for screen design use cases; and (v) disruptive industry trends. We set out the competitors identified in each category in Appendix F.

9.374 The Parties submitted that Adobe perceives a number of players to be competitive threats in raster and/or vector editing, including Affinity, Corel, Canva, Picsart, and Pixlr. The Parties also submitted that Adobe's internal documents show that many of the competitors and disruptive trends identified have driven, and are driving, Adobe's product development efforts [X].¹⁸⁹⁴

9.375 The Parties submitted that there is no evidentiary basis for conducting a competitive assessment on 'screen design use cases'. The Parties submitted that Adobe does not innovate on the basis of such a narrow use case, and amongst other related points, that there are no particular functionalities

¹⁸⁹² Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C4.4.

¹⁸⁹³ Parties' response to the phase 1 Issues Letter.

¹⁸⁹⁴ Parties' response to TOH 2 working paper.

required to cater for screen design use cases in comparison to other use cases.¹⁸⁹⁵

- 9.376 The Parties submitted that relevant factors for assessing the strength of a competitor's dynamic constraint include current vector and/or raster editing capabilities, ability to serve a broader range of use cases, ability to serve a broader range of customers, and specific product development plans in relation to creative tooling. The Parties also submitted that factors such as whether they have a comparable multi-market offering to Figma (ie an integrated product design product with vector and/or raster editing functionality), and/or collaborative web-based software are less important.¹⁸⁹⁶
- 9.377 The Parties submitted that Figma's [X], and that there are [X] effective competitors to Adobe in [X]. Specifically, the Parties submitted that a number of companies have comparable or more advanced functionality than Figma in relation to vector editing software (such as Illustrator, Affinity Designer, Procreate, Corel, and Inkscape) and raster editing software (such as Photoshop, Canva, Affinity, PicsArt, Capture One, GIMP, Pixelmator, and PicMonkey).¹⁸⁹⁷ These companies were all amongst those named by Adobe as competitors.
- 9.378 The Parties also submitted that Adobe faces constraints from disruptive industry trends and players driving these, which the Parties subdivided into:
- (a) prosumer tools,¹⁸⁹⁸ including Canva, Picsart, and others;
 - (b) mobile products, including Picsart, CamScanner, and others; and
 - (c) AI, including Canva, Corel, Picsart, DALL-E, Midjourney, Muse.ai, and Stable Diffusion.¹⁸⁹⁹

Our assessment

- 9.379 Our assessment of competitors' strength in vector and raster editing software is done in the context of Adobe's very strong market position in each of these markets (see paragraphs 9.79 and 9.92 10.40 above). We note that where one merger firm has a strong position in the market, even small increments in

¹⁸⁹⁵ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C4.29.

¹⁸⁹⁶ Parties' response to TOH 2 working paper.

¹⁸⁹⁷ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraphs C3.3-C3.6.

¹⁸⁹⁸ Prosumer tools are designed to cater to a growing pool of non-professional users who demand professional-grade asset creation software tools. These users might lack a professional user's training and/or experience working with more complex tools. Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C4.11.

¹⁸⁹⁹ Parties' response to the phase 2 Issues Statement, 9 August 2023, paragraph C4.11; Parties' response to the phase 1 Issues Letter.

market power may give rise to competition concerns.¹⁹⁰⁰ We first set out our approach, before assessing the degree of constraint exerted by each of competitor we have identified as exerting a material constraint.

9.380 As explained in paragraphs 9.6 and 9.7 and 9.35, products in these markets are differentiated and customer requirements/needs differ depending on the use case, and, as a result, the competitive constraints faced by Adobe vary across customer segments. That is, some products exert a stronger or weaker constraint depending on the customer requirements and needs. This is consistent with the way in which Adobe monitors and responds to competition, as explained in paragraph 9.130. Therefore, when assessing competitive constraints on Adobe, we consider the extent to which vector and raster editing competitors pose a constraint in the same, or similar, area(s) where competition would be reduced following the Merger (ie where Figma poses a dynamic constraint on Adobe's vector and raster editing product development).

9.381 As set out above (see paragraphs 9.358 to 9.370), dynamic competitive interactions between the Parties in vector and raster editing primarily exist in relation to professional users. We therefore focus our assessment of competitive constraints in vector and raster editing for professional users. In doing so, we consider product differentiation between offerings targeted at professional users. In particular, we assess whether competitors' offerings cater to digital (as opposed to print) use cases. Within digital use cases, we also consider whether they cater to product design use cases in particular (and to a lesser extent marketing design use cases), as opposed to, for example, production of creative artwork.

9.382 As noted above, the Parties identified more than [X] competitors in vector editing and more than [X] in raster editing. We undertook an assessment to identify the most relevant competitors in each of vector and raster editing. This assessment is set out in full in Appendix F. In summary we reviewed key decision-making documents identified by the Parties,¹⁹⁰¹ alternatives identified by third parties, and internal documents advanced by the Parties. Based on this evidence, we identified five competitors in vector editing and seven competitors in raster editing which, following this initial assessment, appear to exercise a meaningful competitive constraint on Adobe for professional users, and particularly for product design use cases, relative to the others identified

¹⁹⁰⁰ CMA129, paragraph 4.12(a).

¹⁹⁰¹ Adobe response to the CMA's s109 notice. These documents are the Digital Media annual strategy plans, Quarterly Business Reviews (QBR), Annual Business Strategy (ABS), Annual Marketing Strategy (AMS), and Annual Product Strategy (APS) documents.

by the Parties.¹⁹⁰² Based on this evidence, we consider that other competitors in the lists submitted by the Parties pose, individually and collectively, a negligible constraint on Adobe for professional use cases. These competitors are discussed in Appendix F and are not considered further in this section.

9.383 The Parties submitted that all competitors identified in Adobe's key decision-making documents drive Adobe's product development efforts for Illustrator and Photoshop.¹⁹⁰³ We consider that references to competitors in the key decision-making documents do not by themselves demonstrate that these competitors exert a material constraint on Adobe's vector and raster product development for professional users and, as noted above, our assessment draws from a range of evidence.

9.384 In our assessment of the competitive constraint exerted by each of the five competitors in vector editing and seven competitors in raster editing, we have considered the following factors which we consider informative of the strength of a competitor's dynamic constraint for professional users:

- (a) the extent to which the competitor is perceived by Adobe and other market participants as a strong competitor, either as an enduring or growing threat to the use and adoption of Illustrator and Photoshop – and if so, for which use cases;
- (b) the extent to which the competitor's product(s), existing or under development, are an alternative to Adobe's products for similar use cases as those addressed by Figma's products, existing or under development (ie product and/or marketing design use cases);¹⁹⁰⁴ and
- (c) the extent to which the competitor has, or intends to develop/expand, or has the ability and incentive to develop/expand, vector or raster editing functionality, and if so, for which use cases.

9.385 In our assessment, we draw on the same key decision-making documents set out above, additional documents identified which are responsive of the competitive constraints faced by Adobe (including those identified by the Parties),¹⁹⁰⁵ and evidence of the extent to which Adobe monitors these competitors.

¹⁹⁰² Excluding Figma.

¹⁹⁰³ Parties' response to TOH 2 working paper.

¹⁹⁰⁴ We consider the competitor's existing product offering (eg the extent and types of product design functionality in its existing offering; whether the products are web, mobile or desktop, and whether features of its offering give rise to network effects), and its target use cases.

¹⁹⁰⁵ For example, in response to the CMA's first RFI, the Parties also identified Adobe's 2020 [REDACTED] plan as a relevant document in the context of the Adobe Illustrator team's product development strategy. See Adobe's response to the CMA's RFI.

9.386 Further, we consider evidence drawn from third-party views and CMA research. The third-party evidence includes responses to our customer and competitor questionnaires, and evidence provided in discussions with third parties. All respondents to our customer questionnaire were professionals, and the vast majority are active in product and/or marketing design. We therefore consider that they are likely to be evaluating the competitive strengths of alternatives to Illustrator and Photoshop for product/marketing design use cases in particular. The respondents to our competitor questionnaire are active in supplying a range of use cases, some less relevant to product and marketing design (such as mobile).

9.387 We first assess vector editing, then raster editing.

Vector editing

9.388 Based on our assessment of the evidence set out at paragraph 9.382 and in Appendix F, we consider the competitive constraints exerted by Affinity, Corel Draw, Canva, Inkscape, and Sketch in more detail below.

9.389 Affinity and Corel Draw are frequently identified as '[X]' competitors' for creative professionals in Adobe's key decision-making documents. Inkscape is also described as a '[X]' competitor' in some documents, while Canva is described as [X] '[X]' competitor' for creative professionals, along with Figma. Sketch is described as a competitor specifically for UI/UX use cases, along with Figma.

9.390 For each of the competitors listed above, we first provide an overview of its operations, including scale of operations and current product offering. We then consider Adobe's internal document evidence, followed by third-party feedback, and evidence from competitors on product development plans and entry and expansion.

9.391 One of Adobe's key decision-making documents for Illustrator contains a framework for analysing the competitive landscape. We refer to this framework throughout this section.

(a) Players in [X] are called [X]. These are described as [X].

(b) Players in [X] with [X] are called [X]. These are described as having [X] and being relevant for [X].

(c) Players in [X] are called [X]. These are described as offering [X].

(d) Players in [X] are called [X]. These are described as [X].¹⁹⁰⁶

9.392 We consider the strength of each competitor as a dynamic constraint on Adobe and any difference in this constraint relative to that imposed by Figma. For ease of comparison, Adobe's key decision-making documents state that Figma is a [X] within the above framework, which along with [X], is competing with UI/UX use cases (around [X]% of [X]) and is expanding its capabilities targeted [X].¹⁹⁰⁷ Figma is also described [X] alongside [X].¹⁹⁰⁸ Our full assessment of the constraint imposed by Figma is set out under Closeness of Competition above.

Affinity

9.393 We provide an overview of Affinity's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Affinity in vector editing.

- *Competitor overview*

9.394 Affinity is relatively small in scale, with the Parties estimating its annual revenue at USD [X] million in 2022, of which USD [X] million was from its vector editing product.¹⁹⁰⁹ Affinity also told us that it has [X] engineers.¹⁹¹⁰ The Parties estimated that Affinity had a share of supply of [X]% in vector editing in 2022.¹⁹¹¹ We note however that the shares include revenue for both professional and non-professional users, although the majority of revenue is associated with professionals as set out in paragraph 9.6(a). Affinity's share specifically in relation to professionals will therefore be small still.

9.395 In addition to its vector editing tool, Affinity Designer, Affinity offers a creative design suite with two other products, Affinity Photo (raster editing), and Affinity Publisher (layout).¹⁹¹² These products are available standalone or as a bundle. [X].¹⁹¹³

9.396 Affinity does not currently offer web-based software or collaborative functionality. However, it does have an extension store which allows users to

¹⁹⁰⁶ Adobe Internal Document.

¹⁹⁰⁷ Adobe Internal Document.

¹⁹⁰⁸ Adobe Internal Document.

¹⁹⁰⁹ Adobe Internal Document. For comparison, Figma had annual revenues of USD 125.7 million in 2021 and USD 300.3 million in 2022, and 850 employees.

¹⁹¹⁰ Third-party call transcript. For comparison, Figma had annual revenues of USD 125.7 million in 2021 and USD 300.3 million in 2022, and 850 employees.

¹⁹¹¹ Adobe response to the CMA's s109.

¹⁹¹² Third-party call transcript.

¹⁹¹³ 'Affinity (serif.com)', accessed by the CMA on 23 November 2023.

purchase packages for additional functionality, depending on their requirements. For example, Frankentoon has an Affinity extension, El Malo Illustration Kit, which provides users with additional vector brushes for Affinity Designer.¹⁹¹⁴

- *Internal document evidence*

9.397 In Adobe's key decision-making documents, Affinity is described as a '[X]' competitor' in relation to creative professionals, and as a '[X]' alternative to Illustrator.

(a) Adobe perceives Affinity as [X].¹⁹¹⁵

(b) A November 2020 document on [X] for 2021 states that Affinity is [X]. This document also indicates that, [X].¹⁹¹⁶

9.398 We have also reviewed other internal documents referencing Affinity. We have identified that Adobe perceives Illustrator as a stronger product than Affinity, but that it still perceived a degree of threat from Affinity.

(a) In May 2021, Adobe conducted an in-depth analysis of [X], in which it considers that [X]. The analysis also identified that Affinity has some features that Illustrator [X]. However, this analysis also identified [X].¹⁹¹⁷

(b) A document discussing a feature development¹⁹¹⁸ dated August 2021 shows that [X].¹⁹¹⁹ The document also lists in this context [X],¹⁹²⁰ [X].¹⁹²¹

(c) In an email chain discussing [X] in February 2021, [X] (Adobe, Principal Solutions Consultant) described [X]. [X].¹⁹²²

(d) Other internal documents indicate that, [X]. [X].¹⁹²³ [X].¹⁹²⁴

9.399 Across these documents, we have also identified evidence that suggests that the threat Adobe perceives from Affinity differs from the threat it perceives from Figma as Affinity lacks collaborative functionality and enterprise-level

¹⁹¹⁴ 'Affinity Store (serif.com) - El Malo Illustration Kit by Frankentoon', accessed by the CMA on 6 November 2023.

¹⁹¹⁵ Adobe Internal Documents.

¹⁹¹⁶ Adobe Internal Document.

¹⁹¹⁷ Adobe Internal Document.

¹⁹¹⁸ Specifically, [X]. [X]. Adobe response to s109 notice.

¹⁹¹⁹ Adobe Internal Document.

¹⁹²⁰ Da Vinci Resolve is not active in vector editing.

¹⁹²¹ Adobe Internal Document.

¹⁹²² Adobe Internal Document.

¹⁹²³ Adobe Internal Documents.

¹⁹²⁴ Adobe Internal Document.

software and support. For example, as set out above in paragraph 9.398(a), in its May 2021 in-depth analysis of [REDACTED], Adobe identified [REDACTED].¹⁹²⁵

9.400 We have also reviewed documents relating to the development of Illustrator Web and its broader creative web strategy, in which we have identified evidence that Adobe perceives Affinity's product development as relatively weak, but that Affinity still played a role [REDACTED] development [REDACTED] Illustrator Web. Affinity [REDACTED] Adobe's broader creative web strategy for professionals.

(a) An October 2022 internal memo from [REDACTED] (Adobe, VP of Photoshop) discussing [REDACTED] (outlined at paragraph 9.204(a)) notes that [REDACTED].¹⁹²⁶

(b) In the same email chain discussed in paragraph 9.398(c), [REDACTED] (Adobe, Director of Product marketing) explains that [REDACTED].¹⁹²⁷

(c) The [REDACTED] documentation which initiated development on [REDACTED] mentions [REDACTED].¹⁹²⁸

- *Third-party evidence*

9.401 In our customer questionnaire, we asked customers who they consider to be the alternatives to Illustrator and the strength of each alternative. Of the large and mid-size customers who provided a response on the alternatives to Illustrator, a small minority identified Affinity as an alternative to Illustrator and ranked it as a weak alternative on average.¹⁹²⁹ In our competitor questionnaire, we also asked respondents who they consider to be the other main competitors. Of the two respondents to the competitor questionnaire who provided an alternative to Illustrator, both identified Affinity, with opposing views on its strength: one competitor ranked Affinity as a weak alternative, while the other one as a very strong alternative.¹⁹³⁰

9.402 We also consider the reasons provided by respondents to the customer and competitor questionnaires for the rankings provided. We consider that these reasons in the round support the average ratings set out above. The qualitative responses include:

¹⁹²⁵ Adobe Internal Document.

¹⁹²⁶ Adobe Internal Document.

¹⁹²⁷ Adobe Internal Document.

¹⁹²⁸ The [REDACTED] document also [REDACTED]. Adobe Internal Documents.

¹⁹²⁹ Third-party responses to the CMA's phase 2 customer questionnaire. [3 out of 26: adequate: [REDACTED], [REDACTED]; very weak: [REDACTED]].


¹⁹³⁰ Third-party responses to the CMA's phase 2 creative design competitor questionnaire. [2 out of 2: very strong: [REDACTED]; weak: [REDACTED]].

- (a) Amongst the customer responses, one stated that 'Affinity Designer has far fewer features than Illustrator and is better suited for 'hobbyists' or early-career designers'.¹⁹³¹
- (b) One respondent to the competitor questionnaire said that 'Affinity Designer covers most vector-editing capabilities required by the majority of users.'¹⁹³²
- (c) However, another respondent stated that, although Affinity is an alternative to Illustrator, it 'offers a limited range of vector editing features' in comparison to Illustrator.¹⁹³³

9.403 We also consider evidence from Affinity in relation to the degree of constraint it imposes on Adobe, and in relation to which use cases. The evidence shows that Affinity considers itself a threat to Adobe across professional use cases, including, to some extent, UI design, which is closely related to product design. These are broadly similar use cases to those for which Figma is a threat to Adobe.

- (a) Affinity told us that it considers itself to be competitive with Adobe at the professional level as the only other company with a professional suite of products.¹⁹³⁴
- (b) Affinity told us that some of its customers use its products for UI design, and that the main difference between its products and Figma's for customers doing UI design is in relation to the online collaboration, which Affinity does not offer. However, Affinity also said that it considers its products more of a direct competitor to Adobe than to Figma.¹⁹³⁵

9.404 Affinity also provided information relevant to its plans to expand, and its ability and incentive to do so, particularly in relation to how it will compete with Adobe in the future. We consider that the evidence shows the threat posed by Affinity will not materially increase, relative to that exerted today.

- (a) .¹⁹³⁶
- (b) Affinity provided an indication of its incentives to expand into web-based functionality and product design. In regard to web development, Affinity indicated that it would have an incentive to develop web-based

¹⁹³¹ Third-party response to the CMA's phase 2 customer questionnaire.

¹⁹³² Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁹³³ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

¹⁹³⁴ Third-party call transcript.

¹⁹³⁵ Third-party call transcript.

¹⁹³⁶ Third-party call transcript.

functionality as it told us that this an important feature to customers interacting with non-designers. In regard to product design, Affinity indicated that it may not have an incentive to develop a tailored product design tool. In particular, Affinity told us that while it considers its bundle offering is important for it to be able to compete with Adobe, it considers it already offers sufficient functionality in its three existing apps to convince customers to switch away from an Adobe subscription and does not consider that it needs to, or is likely to, develop competitors to Adobe's other products within Creative Cloud.¹⁹³⁷

- *Provisional conclusion*

9.405 Based on the above, we consider that Affinity is fairly small in scale and typically viewed by customers as a weak alternative to Illustrator. While Adobe perceives a degree of threat from Affinity in relation to professional users, consistent with third-party evidence it considers Affinity's offering weaker than Illustrator. The evidence shows that Affinity poses some threat across a range of professional use cases, including to some extent, UI use cases, which are closely related to product design, although the lack of collaborative functionality appears as a weakness.

9.406 However, evidence on Affinity's product development roadmap and incentives, its relatively limited resourcing and Adobe's perception of Affinity's declining relevance in product development indicate that the dynamic constraint exerted by Affinity is limited for professional users.

9.407 Accordingly, we provisionally conclude that Affinity would pose a weak to moderate constraint on Adobe's product development in vector editing for professional users (including UI design use cases) and that the constraint may be declining.

Corel

9.408 We provide an overview of Corel's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Corel in vector editing.

- *Competitor overview*

9.409 Based on the Parties' estimates, Corel has annual revenues of USD [X] million, of which USD [X] million is from its vector editing tool.¹⁹³⁸ The Parties

¹⁹³⁷ Third-party call transcript.

¹⁹³⁸ Adobe Internal Document.

estimated Corel had a share of supply of [REDACTED]% in vector editing in 2022.¹⁹³⁹ As noted above, the share calculations include revenue for both professional and non-professional users.

9.410 In addition to its vector editing tool, Corel Draw, Corel offers the Corel Draw Graphics Suite with integrated vector and raster editing functionality, and three other standalone products, PaintShop Pro (raster editing), VideoStudio (video editing) and Pinnacle Studio (video editing). Corel also offers a web-based vector editing tool, Corel Vector, which is targeted at ‘hobbyists’.¹⁹⁴⁰ Corel does not offer tailored product or marketing design software.

9.411 Corel’s graphics suite is available on desktop, on the web, and on iPad. Corel offers some collaborative functionality, in which users can view work that is being done and add comments, but it does not offer co-editing functionality.¹⁹⁴¹

- *Internal document evidence*

9.412 In Adobe’s key decision-making documents, Corel is described as a ‘[REDACTED] competitor’ in relation to creative professionals.

(a) In an October 2021 document on [REDACTED] for 2022, Corel Draw is described [REDACTED].¹⁹⁴²

(b) In other documents, Corel Draw is described as a [REDACTED].¹⁹⁴³

9.413 We have also reviewed other internal documents referencing Corel. We have identified that Adobe perceives a degree of threat from Corel Draw to Illustrator, but a weaker threat than Affinity.

(a) Some Adobe documents identify Corel Draw as [REDACTED]. For example, a January 2020 document on Illustrator’s [REDACTED] shows that [REDACTED].¹⁹⁴⁴

(b) A strategy plan review for graphic design in 2020-2022 shows that [REDACTED].¹⁹⁴⁵

¹⁹³⁹ Adobe response to the CMA’s s109 notice.

¹⁹⁴⁰ Third-party call transcript.

¹⁹⁴¹ Third-party call transcript.

¹⁹⁴² Adobe Internal Document.

¹⁹⁴³ Adobe Internal Document.

¹⁹⁴⁴ Adobe Internal Document.

¹⁹⁴⁵ Adobe Internal Document

(c) In a 2019 Illustrator onboarding presentation, Corel Draw is described as [REDACTED].¹⁹⁴⁶

9.414 We have also reviewed documentation relating to the development of Illustrator Web and its broader creative web strategy. We have identified some additional evidence that Corel played a role in driving the development of Illustrator Web. For example, the [REDACTED] documentation which initiated development on [REDACTED] mentions [REDACTED] as a competitor for [REDACTED] in the context of [REDACTED]. [REDACTED].¹⁹⁴⁷

- *Third-party evidence*

9.415 In our customer questionnaire, we asked customers who they consider to be the alternatives to Illustrator and the strength of each alternative. Of the large and mid-size customers who provided a response on the alternatives to Illustrator, a small minority of customers identified Corel Draw as an alternative to Illustrator and ranked it on average as an adequate alternative.¹⁹⁴⁸ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which two respondents identified Corel Draw as a very strong alternative to Illustrator.¹⁹⁴⁹

9.416 We also consider the reasons provided by customers. We consider that these reasons in the round support the average ratings set out above. The qualitative responses include:

(a) One customer described Corel Draw as having ‘all the same features as Illustrator, not as widely used’ but ‘not integrated with other Adobe CC apps’.¹⁹⁵⁰

(b) Another customer stated that Corel Draw is ‘feature rich but not industry standard; expensive’.¹⁹⁵¹

9.417 We also consider evidence from Corel in relation to the degree of constraint it imposes on Adobe, and in relation to which use cases. The evidence shows that Corel considers itself a ‘challenger’ to Adobe in relation to professional users in physical media design use cases. This differs from the use cases for

¹⁹⁴⁶ Adobe Internal Document.

¹⁹⁴⁷ Adobe Internal Documents.

¹⁹⁴⁸ Third-party responses to the CMA’s phase 2 customer questionnaire: [6 out of 26: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

¹⁹⁴⁹ Third-party responses to the CMA’s phase 2 creative design competitor questionnaire: [2 out of 2: [REDACTED], [REDACTED]].

¹⁹⁵⁰ Third-party response to the CMA’s phase 2 customer questionnaire.

¹⁹⁵¹ Third-party response to the CMA’s phase 2 customer questionnaire.

which Adobe perceived Figma to be a threat, as Figma was perceived to be a threat in relation to digital design, rather than physical media design.

(a) Corel told us that it considers itself to be a strong competitor with Illustrator but considers itself (as well as Affinity) to be a ‘challenger’ to the market leader, Adobe.¹⁹⁵²

(b) Corel told us that it has more of an advantage in physical media (ie non-digital) and that its desktop vector editing tool is targeted to professionals.¹⁹⁵³

9.418 Corel also provided information relevant to its plans in relation to how it will compete with Adobe in the future. We consider that this information indicates that the threat posed by Corel will not materially increase, relative to that exerted today.

9.419 [X]. Corel told us that it has ‘light’ collaborative functionality that it intends to continue leveraging, both on its web product and its desktop apps. [X].¹⁹⁵⁴

9.420 We consider that this also indicates that Corel would not have incentives to develop a product design tool as it does not actively target itself towards digital design and has a stronger offering in relation to physical media.

- *Provisional conclusion*

9.421 Based on the above, we consider that Corel is fairly small in scale and viewed by only a minority of customers as an alternative to Illustrator, albeit an adequate alternative. While Adobe regards Corel as an alternative to Illustrator for professional users and perceives a degree of threat from it, it considers Corel a weaker competitor than Affinity. The evidence suggests that any threat from Corel is in relation to use cases different from the use cases where Figma would develop its product offering (print media as opposed to digital product and/or marketing design use cases).

9.422 The evidence suggests that the dynamic constraint exerted by Corel in this market may be even weaker, given its current product development roadmap and its focus on non-digital use cases.

9.423 Accordingly, we provisionally conclude that Corel would pose a weak to moderate constraint on Adobe’s product development in vector editing for

¹⁹⁵² Third-party call transcript.

¹⁹⁵³ Third-party call transcript.

¹⁹⁵⁴ Third-party call transcript.

professional users overall, but that the constraint is weak in relation to product/marketing design use cases and related sub-segments.

Canva

9.424 We provide an overview of Canva's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents and third-party views relevant to the competitive strength of Canva in vector editing.

- *Competitor overview*

9.425 Canva is larger in scale relative to Affinity and Corel, with the Parties estimating its annual revenue at USD [REDACTED] billion in 2021, of which USD [REDACTED] million was from its vector editing tool.¹⁹⁵⁵ The Parties estimated that Canva had a share of supply of [REDACTED]% in vector editing in 2022.¹⁹⁵⁶ [REDACTED] also raised USD [REDACTED] million in a fundraising round in September 2021.¹⁹⁵⁷ As noted above, the share calculations include revenue for both professional and non-professional users.

9.426 Canva is an online visual communication and collaboration platform. It offers an all-in-one graphic design tool, which incorporates basic vector, raster, and video editing functionality. Canva is focused on the use of templates with a library of existing elements that allow users to compose pre-existing elements (eg vectors, images, videos) onto a page.¹⁹⁵⁸

9.427 Canva has three pricing tiers: Free, Pro (USD 13 per month), and Enterprise (USD 30 per month).¹⁹⁵⁹

- *Internal document evidence*

9.428 In Adobe's key decision-making documents, Canva is described as a '[REDACTED] competitor', focused primarily on non-professionals.

(a) Canva is considered a [REDACTED] in a November 2020 document [REDACTED]. [REDACTED], the same document states that [REDACTED]. The document adds however [REDACTED]. The document also shows [REDACTED].¹⁹⁶⁰

¹⁹⁵⁵ Adobe Internal Document.

¹⁹⁵⁶ Adobe response to the CMA's s109 notice.

¹⁹⁵⁷ Adobe Internal Document.

¹⁹⁵⁸ Third-party call transcript.

¹⁹⁵⁹ Adobe Internal Document.

¹⁹⁶⁰ Adobe Internal Document.

(b) The October 2021 document on Illustrator's APS for 2022 also states [REDACTED].
[REDACTED].¹⁹⁶¹

9.429 We have also reviewed other internal documents, including third-party documents provided to us by Adobe, referencing Canva. These documents position Canva as a competitor for non-professional users.

(a) A June 2021 annual marketing plan for Creative Cloud indicates that [REDACTED].¹⁹⁶²

(b) A June 2022 [REDACTED] analyst report discussing Adobe's Creative Cloud, [REDACTED] considers that [REDACTED]. [REDACTED] view was that [REDACTED].¹⁹⁶³

9.430 Across these documents, we have also identified evidence that suggests the threat Adobe perceives from Canva differs from the threat from Figma as Canva is perceived as a threat for 'communicators', whereas Figma is perceived as a threat for creative professionals. In the June 2021 annual marketing plan for Creative Cloud discussed above, [REDACTED].¹⁹⁶⁴

9.431 We have also reviewed documentation relating to the development of Illustrator Web and its broader creative web strategy. We have identified evidence that Canva played a role [REDACTED] development [REDACTED]. For example, the [REDACTED] documentation which initiated development on [REDACTED] mentions [REDACTED].
[REDACTED].¹⁹⁶⁵

9.432 We have also identified evidence that Adobe is monitoring Canva in the context of its AI/ML offerings. For example, in a January 2023 document, [REDACTED].¹⁹⁶⁶

- *Third-party evidence*

9.433 In our customer questionnaire, we asked customers who they consider to be the alternatives to Illustrator and the strength of each alternative. Of the large and mid-size customers who provided a response on the alternatives to Illustrator, one customer identified Canva as an alternative to Illustrator and ranked it as a weak alternative.¹⁹⁶⁷ We also asked respondents to the

¹⁹⁶¹ Adobe Internal Document.

¹⁹⁶² Adobe Internal Document.

¹⁹⁶³ Adobe Internal Document.

¹⁹⁶⁴ Adobe Internal Document.

¹⁹⁶⁵ Adobe Internal Documents.

¹⁹⁶⁶ Adobe Internal Document.

¹⁹⁶⁷ Third-party response to the CMA's phase 2 customer questionnaire.

competitor questionnaire who they consider to be the other main competitors, to which no respondents identified Canva as an alternative to Illustrator.

9.434 We also consider the reasons provided by customers. We consider that the customer's qualitative response supports the rating set out above.

(a) The customer noted that '[i]n certain use cases Canva can be used for basic illustration/design work' but 'Illustrator provides a much more comprehensive suite of tools and capabilities.'¹⁹⁶⁸

9.435 We also consider evidence from Canva in relation to the degree of constraint it imposes on Adobe, and in relation to which use cases. The evidence shows that Canva considers itself a threat to Adobe in relation to non-professional use cases, but not in professional design. In addition, it considers its primary competition with Adobe is with Adobe Express, rather than Illustrator. This differs from the use cases for which Adobe perceives Figma to be a threat, as Figma is perceived to be a threat in relation to professional use cases.

(a) Canva told us that it considers itself to be a strong competitor to Express, and that it considers Adobe Express is a 'copycat' of Canva's product.

(b) Canva explained that while Adobe dominates the market in professional design, Canva competes for non-professional designers (small businesses, students and educators, and non-professional designers).¹⁹⁶⁹

9.436 Canva also provided information relevant to its plans in relation to how it will compete with Adobe in the future. We consider that this information indicates that the threat posed by Canva will not materially increase, relative to that exerted today. Canva explained that [redacted].¹⁹⁷⁰ Canva also told us that [redacted].¹⁹⁷¹

- *Provisional conclusion*

9.437 Based on the above, we consider that Canva, while relatively larger in scale than Affinity and Corel, focuses primarily on non-professional users. Indeed Canva told us that it considers its primary competition with Adobe is with Adobe Express, rather than Illustrator. Consistent with this, Canva was only mentioned by one customer, was rated by this customer as a weak alternative to Illustrator and is perceived by Adobe as a threat in the non-professional

¹⁹⁶⁸ Third-party response to the CMA's phase 2 customer questionnaire.

¹⁹⁶⁹ Third-party call transcript.

¹⁹⁷⁰ Third-party call transcript.

¹⁹⁷¹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

segment, although it formed part of the motivation to bring Illustrator to the web (together with other web-based apps such as Figma).

9.438 While Canva has access to significant capital and resources, the evidence shows that the dynamic constraint exerted by Canva on Adobe for professional users is weak, given its focus on non-professional users [REDACTED].

9.439 Accordingly, we provisionally conclude that Canva would pose a weak competitive constraint on Adobe's product development in vector editing for professional users.

Inkscape

9.440 We provide an overview of Inkscape's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Inkscape in vector editing.

- *Competitor overview*

9.441 Inkscape is a free, desktop-based open-source vector editing tool, in which all product development is done by volunteer developers and contributors.¹⁹⁷² The Parties' share of supply estimates were based on total revenue, [REDACTED].¹⁹⁷³

9.442 Inkscape is a standalone vector editing product. It does not offer product or marketing design software.

9.443 Inkscape does not currently offer web-based software or collaborative functionality.

- *Internal document evidence*

9.444 In Adobe's key decision-making documents, we identified that Inkscape is perceived as a [REDACTED] competitor for creative professionals because it targets non-professional users.

(a) In a November 2020 document on Illustrator's AMS for 2021, [REDACTED].¹⁹⁷⁴

(b) An October 2021 document on Illustrator's APS for 2022 [REDACTED].¹⁹⁷⁵

¹⁹⁷² Third-party call transcript.

¹⁹⁷³ Adobe response to the CMA's s109 notice.

¹⁹⁷⁴ Adobe Internal Document.

¹⁹⁷⁵ Adobe Internal Document.

9.445 We have also reviewed other internal documents referencing Inkscape. We have identified that Adobe perceives Inkscape as a competitor for non-professionals. For example, a strategy plan review for graphic design 2020-2022 [REDACTED].¹⁹⁷⁶

9.446 Across these documents, we have identified that Adobe's perception of Inkscape as a competitor only in the non-professional segments suggests that Adobe perceives Inkscape's offering to be differentiated from any future offering that Figma might have, given Figma is perceived to be a threat to professional use cases.

- *Third-party evidence*

9.447 In our customer questionnaire, we asked customers who they consider to be the alternatives to Illustrator and the strength of each. Of the large and mid-size customers who provided a response on the alternatives to Illustrator, a few customers identified Inkscape as an alternative to Illustrator and ranked it on average as an adequate alternative.¹⁹⁷⁷ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which two respondents identified Inkscape and ranked it as a strong alternative to Illustrator on average.¹⁹⁷⁸

9.448 We also consider evidence from Inkscape in relation to the degree of constraint it imposes on Adobe, and in relation to which use cases. The evidence shows that Inkscape considers itself to be a threat to Adobe, particularly in relation to 'hobbyists' and small design firms, but not in relation to larger enterprises. This differs to some extent from the use cases for which Adobe perceives Figma to be a threat, as Figma is perceived to be a threat in relation to all professional design.

(a) Inkscape told us that it considers itself to be competitive with Adobe, particularly for users who are unhappy with Adobe. However, it explained that it is more difficult for Inkscape to compete as it is both trying to offer equivalent functionality to those offered by Adobe, and to offer a different way of creating software.¹⁹⁷⁹

(b) Inkscape told us that, based on interactions with its users, its user base consists primarily of 'hobbyists' and professionals in small design firms, but that it is not able to compete with Illustrator for larger enterprises. It

¹⁹⁷⁶ Adobe Internal Document.

¹⁹⁷⁷ Third-party responses to the CMA's phase 2 customer questionnaire. [3 out of 26: [REDACTED], [REDACTED], [REDACTED]].

¹⁹⁷⁸ Third-party responses to the CMA's phase 2 creative design competitor questionnaire, [2 out of 2: [REDACTED], [REDACTED]].

¹⁹⁷⁹ Third-party call transcript.

said that its users tend to be those switching from Illustrator due to the price level and performance issues.¹⁹⁸⁰

9.449 Inkscape also provided information relevant to its plans and ability and incentive in relation to how it will compete with Adobe in the future. We consider that this information indicates that Inkscape's plans and ability are unlikely to materially increase the threat it poses on Adobe in future, relative to that exerted today.

- (a) Inkscape's focus for competing with Adobe going forward is [REDACTED]. Inkscape told us that its product development is driven primarily by [REDACTED], and that [REDACTED]. Inkscape also told us that [REDACTED].¹⁹⁸¹
- (b) In relation to factors which we consider have a bearing on its ability and incentive, Inkscape told us that as a non-profit, open-source software it typically has to keep up with proprietary software to offer free alternatives to the proprietary products, rather than innovating and developing disruptive new technologies. Inkscape also told us that long-term strategic developments are one of the biggest challenges faced by Inkscape.¹⁹⁸² This limits Inkscape's ability and incentive to innovate.

- *Provisional conclusion*

9.450 Based on the evidence above, we consider that Inkscape, with its free, desktop-based open-source vector editing tool, focuses on the non-professional segment. Adobe does not appear to perceive Inkscape as a competitor for professional users and Inkscape does not influence Adobe's product development. Taking Inkscape's limited ability and incentive to innovate also into account, the evidence therefore suggests that Inkscape's dynamic constraint is even weaker.

9.451 Accordingly, we provisionally conclude that Inkscape would pose a very weak competitive constraint on Adobe's product development in vector editing for professional users.

Sketch

9.452 We consider further Sketch, who is described as a competitor specifically for UI/UX use cases in Adobe's key decision-making documents, and was

¹⁹⁸⁰ Third-party call transcript.

¹⁹⁸¹ Third-party call transcript.

¹⁹⁸² Third-party call transcript.

identified by a small minority of customers as alternatives to Illustrator (as set out in paragraph 9.457).

9.453 We provide an overview of Sketch's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Sketch in vector editing.

- *Competitor overview*

9.454 As set out in Chapter 8, Sketch offers an all-in-one product design tool. It is a desktop-based product and is only available for Mac.¹⁹⁸³ Sketch's product design tool can also be used for vector editing.¹⁹⁸⁴

9.455 As also set out in paragraph 8.228, the Parties estimated Sketch had annual revenue of USD [REDACTED] million from 2020 to 2022.¹⁹⁸⁵ However, the Parties do not provide an estimate for Sketch's share of supply in vector editing software, which as for Figma, is integrated with its product design software and therefore not monetised separately as vector editing software.¹⁹⁸⁶

- *Internal document evidence*

9.456 Based on Adobe's key decision-making documents, Adobe perceives Sketch as a constraint for UI/UX use cases which are closely related to product design, but the constraint appears limited in relation to creative professionals.

(a) A November 2020 document on annual marketing strategy for 2021 states that [REDACTED].¹⁹⁸⁷

(b) A December 2021 document on Illustrator's APS for 2022 [REDACTED].¹⁹⁸⁸

- *Third-party evidence*

9.457 In our customer questionnaire, we asked customers who they consider to be the alternatives to Illustrator and the strength of each. Of the large and mid-size customers who provided a response on the alternatives to Illustrator, a few identified Sketch as an alternative to Illustrator and ranked it on average as a weak alternative.¹⁹⁸⁹ We also asked respondents to the competitor

¹⁹⁸³ Third-party call note.

¹⁹⁸⁴ [Vector editing · Sketch](#), accessed by the CMA on 21 November 2023

¹⁹⁸⁵ FMN.

¹⁹⁸⁶ Website: [The best platform for digital product design · Sketch](#), accessed by the CMA on 21 November 2023

¹⁹⁸⁷ Adobe Internal Document.

¹⁹⁸⁸ Adobe Internal Document.

¹⁹⁸⁹ Third-party responses to the CMA's phase 2 customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED]].

questionnaire who they considered to be the other main competitors, to which no respondents identified Sketch as an alternative to Illustrator.

9.458 We also consider the reasons provided by customers. We consider that these reasons in the round support the average ratings set out above. The qualitative responses include:

- (a) One customer described Sketch as being able to '[handle] vector editing but less comprehensive features [than Illustrator]'.¹⁹⁹⁰
- (b) Another customer stated that Sketch is 'not as comprehensive when it comes to high end illustration and for print'.¹⁹⁹¹

9.459 We also consider evidence from Sketch in relation to its plans for how it will compete with Adobe in the future. We consider that this information indicates that Sketch's plans are unlikely to materially increase the threat it poses on Adobe in the future, relative to that exerted today. In particular, Sketch told us that it does not have any plans to move into vector or raster editing software, and that it plans to focus on the development of its existing tools within the Mac software.¹⁹⁹²

- *Provisional conclusion*

9.460 Based on the above, we consider that Sketch's all-in-one product design tool is considered by Adobe a constraint (together with Figma) for UI/UX use cases, which are closely related to product design. However, Sketch has been losing share in product design software due to the growth of Figma (see paragraph 8.66) and separately Sketch told us it does not have any plans to enter vector (or raster) editing software.

9.461 Accordingly, we provisionally conclude that Sketch would pose a very weak competitive constraint on Adobe's product development in vector editing for professional users, although it represents more of a constraint in relation to product design use cases more specifically.

Wider entry and expansion and disruptive threats

9.462 We considered whether entry and expansion from other sources may provide a competitive constraint on Adobe. In particular, we consider the sources of

¹⁹⁹⁰ Third-party response to the CMA's phase 2 customer questionnaire.

¹⁹⁹¹ Third-party response to the CMA's phase 2 customer questionnaire.

¹⁹⁹² Third-party response to the CMA's phase 1 competitor questionnaire.

entry and expansion identified by the Parties, namely prosumer tools, mobile products, or AI.

9.463 Our full assessment is set out in Appendix F, except for one specific instance raised by the Parties (Canva) which is discussed at paragraph 9.432 above. We also assess entry and expansion from identified competitors in the context of the dynamic constraints they may exert, both above and in Appendix F.

9.464 In summary, we consider that the (threat of) entry and expansion from prosumer tools, mobile products, and AI does not pose more than a weak competitive constraint on Adobe's product development in vector editing for professional users over the short to medium term. We consider entry and expansion in response to the Merger in Chapter 11.

Provisional conclusion on competitive constraints for vector editing

9.465 We note that where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns.¹⁹⁹³ Given Adobe's long standing and very strong market position, we consider that Adobe faces limited competitive constraints in vector editing in relation to professionals.

9.466 The evidence set out above also shows that very few competitors provide any meaningful competitive constraint on Adobe's product development in vector editing for professional users, and that the constraint is weak to moderate at most. The constraint is even more limited for product design and related digital use cases.

(a) Affinity and Corel provide a weak to moderate constraint, although the constraint from Affinity may be declining, and the constraint from Corel is weak in relation to product/marketing design use cases and related sub-segments.

(b) Canva poses a weak constraint for professional users.

(c) Inkscape and Sketch pose a very weak constraint for professional users, although Sketch represents more of a constraint in relation to product design use cases more specifically.

(d) The competitors set out in Appendix F, individually and collectively, pose a negligible constraint on Adobe for professional users.

¹⁹⁹³ CMA129, paragraph 4.12(a).

- (e) The (threat of) entry and expansion from prosumer tools, mobile products, and AI does not pose more than a weak competitive constraint on Adobe's product development in vector editing for professional users over the short to medium term.

9.467 Therefore, we provisionally conclude that after the Merger, the Merged Entity would continue to face limited competitive constraints.

9.468 As discussed in more detail in Chapter 11, we also consider that there are significant barriers to entry and expansion in relation to vector editing, and that neither entry nor expansion would be timely, likely, nor sufficient to pose a constraint on the Merged Entity.

Raster editing

9.469 Based on our assessment of the evidence set out at paragraph 9.382 and in Appendix F, we consider the competitive constraints exerted by Affinity, Corel, Canva, GIMP, Pixelmator, and Procreate in more detail below.

9.470 Affinity, Corel, GIMP, and Pixelmator are identified as '[X]' competitors' for creative professionals in Adobe's key decision-making documents. Picsart is also identified as '[X]' threat for creative professionals. Canva and Procreate are '[X]' as competitors for professional users in the key documents, however, they were identified as alternatives by a small minority of customers in response to our questionnaire.

9.471 For each of the competitors listed above, we first provide an overview of its operations, including scale of operations and current product offering. We then consider Adobe's internal document evidence, followed by third-party feedback, and evidence from competitors on their product development plans and entry and expansion.

9.472 One of Adobe's key decision-making documents for Photoshop contains a framework for analysing the competitive landscape '[X]' (summarised in paragraph 9.391 above).¹⁹⁹⁴ We refer to this framework throughout the section:

(a) '[X]'.
[REDACTED]

(b) '[X]'.
[REDACTED]

(c) '[X]'.
[REDACTED]

¹⁹⁹⁴ Adobe Internal Document.

(d) [REDACTED].

9.473 We consider the strength of each competitor as a dynamic constraint on Adobe and any difference in this constraint relative to that imposed by Figma. For ease of comparison, while we note that Adobe's framework described in the paragraph above does not list Figma,¹⁹⁹⁵ Adobe's key decision-making documents elsewhere describe [REDACTED],¹⁹⁹⁶ an example of key trends in [REDACTED],¹⁹⁹⁷ and [REDACTED].¹⁹⁹⁸

Affinity

9.474 We provide an overview of Affinity's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Affinity in raster editing.

- *Competitor overview*

9.475 As set out in paragraph 9.394, Affinity is a relatively small-scale competitor. The Parties estimated its annual revenue in raster editing was USD [REDACTED] million in 2022.¹⁹⁹⁹ The Parties estimated that [REDACTED] had a share of supply of [REDACTED]% in 2022.²⁰⁰⁰ We note however that the shares of supply include revenue for both professional and non-professional users. As set out in paragraph 9.6(a), professional use cases represent [REDACTED]% of Photoshop revenue. Affinity's share specifically in relation to professional use cases will therefore still be small.

9.476 Affinity's raster editing tool, Affinity Photo, is part of its creative design suite.

9.477 Affinity does not currently offer web-based software or collaborative functionality. However, it does have an extension store which allows users to purchase packages for additional functionality, depending on their requirements. For example, DAUB Brushes offers an Affinity extension, DAUB Caligo, which provides users with additional raster brushes for Affinity Photo and Affinity Designer.²⁰⁰¹

¹⁹⁹⁵ Adobe Internal Document.

¹⁹⁹⁶ Adobe Internal Document.

¹⁹⁹⁷ Adobe Internal Document.

¹⁹⁹⁸ Adobe Internal Document.

¹⁹⁹⁹ Based on the Parties' estimates, in 2020, Affinity had total revenue of USD [REDACTED] million, of which USD [REDACTED] million was in vector editing (Annex to Adobe response to the CMA's s109 notice).

²⁰⁰⁰ Adobe response to the CMA's s109 notice.

²⁰⁰¹ 'Affinity Store (serif.com) – DAUB® Caligo', accessed by the CMA on 6 November 2023.

- *Internal document evidence*

9.478 In Adobe’s key decision-making documents, Affinity is perceived by Adobe as [REDACTED] threat in raster editing, particularly [REDACTED] customers.

(a) An October 2020 document on 2021 Photoshop [REDACTED]. [REDACTED]. [REDACTED].²⁰⁰²

(b) A November 2021 document on 2022 Photoshop APS is [REDACTED]. [REDACTED]. [REDACTED]. [REDACTED].²⁰⁰³

9.479 We have also reviewed other internal documents referencing Affinity. We have identified that Adobe perceives Affinity as a serious competitor for creative professionals, and a to Photoshop.

(a) The Photoshop business strategy dated May 2022 states [REDACTED] and that [REDACTED].²⁰⁰⁴

(b) As set out in paragraph 9.398(a) above, Adobe conducted an in-depth analysis of [REDACTED] in May 2021, in which it considered [REDACTED].²⁰⁰⁵

(c) A March 2021 document discussing growth opportunities for the Photoshop 2023 strategy also considers [REDACTED]. [REDACTED].²⁰⁰⁶

9.480 Across these documents, we have also identified evidence that shows Adobe may perceive weaknesses in Affinity’s offering, relative to any future offering that Figma might have.

(a) For example, in its May 2021 in-depth analysis of [REDACTED], Adobe identified [REDACTED].²⁰⁰⁷

(b) A summary of Photoshop’s [REDACTED] discussed by [REDACTED] (Adobe, VP of Digital Imaging) at a Photoshop Strategy Planning meeting in June 2022 states that [REDACTED]. [REDACTED].²⁰⁰⁸

9.481 As set out in paragraph 9.400(a), we have also identified evidence that Adobe perceives Affinity’s product development as relatively weak.

²⁰⁰² Adobe Internal Document.

²⁰⁰³ Adobe Internal Document.

²⁰⁰⁴ Adobe Internal Document.

²⁰⁰⁵ Adobe Internal Document.

²⁰⁰⁶ Adobe Internal Document.

²⁰⁰⁷ Adobe Internal Document.

²⁰⁰⁸ Adobe Internal Documents.

- *Third-party evidence*

9.482 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each alternative.²⁰⁰⁹ Of the large and mid-size customers who provided a response on the alternatives to Photoshop, a small minority of customers stated that Affinity Photo is an alternative to Photoshop and ranked it as a weak alternative on average, although the range of rankings is quite wide. Two customers ranked it as a very weak alternative, whereas another said it is a strong alternative.²⁰¹⁰ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors. On average, respondents ranked Affinity Photo as a strong alternative.²⁰¹¹

9.483 We also consider the reasons provided by customers and competitors for the rankings provided. We consider that these responses are somewhat contradictory but support the wide range of ratings set out above. The qualitative responses included:

- (a) One customer said 'Affinity Photo has far fewer features than Photoshop and is better suited for hobbyists or early-career designers'.²⁰¹²
- (b) One customer said that 'Affinity is cost effective and features on par with Photoshop but photoshop is better when it comes to editing RAW files from cameras'.²⁰¹³
- (c) A respondent to the competitor questionnaire stated that 'Affinity Photo offers a very large feature set with a focus on photography. It is a strong competitor to Adobe Photoshop for photography use cases'.²⁰¹⁴

9.484 We consider that the evidence from Affinity, set out in paragraphs 9.403 to 9.404 also applies to raster editing. In particular, it indicates that Affinity considers itself to be a competitor to Adobe across professional use cases, but that Affinity [REDACTED].

²⁰⁰⁹ Question 7 of the CMA's phase 2 customer questionnaire states that 'If you have used Adobe Photoshop (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe Illustrator, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative'.

²⁰¹⁰ Third-party responses to the CMA's phase 2 customer questionnaire. [3 out of 22: [REDACTED], [REDACTED], [REDACTED]].

²⁰¹¹ Third-party responses to the CMA's phase 2 creative design competitor questionnaire. [4 out of 6: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²⁰¹² Third-party response to the CMA's phase 2 customer questionnaire.

²⁰¹³ Third-party response to the CMA's phase 2 customer questionnaire.

²⁰¹⁴ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

- *Provisional conclusion*

9.485 Based on the above, we consider that Affinity is fairly small in scale and is generally viewed by customers as a weak alternative to Photoshop. While Adobe regards Affinity as a serious competitor in raster editing for professionals (in particular for price-sensitive customers), consistent with third-party evidence it considers that Affinity's offering has a number of weaknesses.

9.486 Further, evidence on Affinity's product development roadmap and incentives, and Adobe's perception of its declining relevance in product development indicate that the dynamic constraint exerted by Affinity is limited for these users.

9.487 Accordingly, we provisionally conclude that Affinity would pose a weak to moderate competitive constraint on Adobe's product development in raster editing for professional users and that the constraint may be declining.

Corel

9.488 We provide an overview of Corel's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents and third-party views relevant to the competitive strength of Corel in raster editing.

- *Competitor overview*

9.489 As set out in paragraph 9.409, the Parties estimated Corel's annual revenue at USD [X] million, of which USD [X] million is in raster editing.²⁰¹⁵ The Parties estimated Corel had a share of supply of [X]% in raster editing in 2022.²⁰¹⁶ As noted above, the share of supply calculations include revenue for both professional and non-professional users.

9.490 Corel offers both a desktop-based raster editing product, PaintShop Pro, and raster editing capability within its graphics design suite, Corel Draw Graphics Design.

9.491 As set out in paragraph 9.411, Corel's graphics suite is available on desktop, on the web, and on iPad, and Corel offers some basic collaborative functionality.

²⁰¹⁵ Adobe, Annex to response to the CMA's s109 notice.

²⁰¹⁶ Adobe response to the CMA's s109 notice.

- *Internal document evidence*

9.492 In Adobe's key decision-making documents, Corel is described as a '[X]' competitor' in relation to creative professionals.

(a) An October 2020 document on 2021 Photoshop AMS states that '[X]'.²⁰¹⁷

(b) Later documents are consistent with the above description. For example, '[X]'.²⁰¹⁸

- *Third-party evidence*

9.493 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each alternative. Of the large and mid-size customers who provided a response on the alternatives to Photoshop, one customer stated that Corel Paintshop Pro is an alternative to Photoshop and ranked it as a strong alternative.²⁰¹⁹ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which one respondent stated that Corel Painter is an alternative to Photoshop and ranked it as an adequate alternative.²⁰²⁰ One respondent stated that Corel Painter '[o]ffers only basic photo-editing capabilities (weak alternative), but it is a strong competitor for the digital art side of Photoshop (strong alternative)'.²⁰²¹

9.494 We also consider evidence from Corel in relation to the degree of constraint it imposes on Adobe and in relation to which use cases. The evidence shows that Corel considers itself a weak competitor to Photoshop and that it is focused on physical media. This differs from the use cases for which Adobe perceives Figma to be a threat, as Figma is perceived to be a threat in relation to digital design rather than physical media.

(a) Corel told us that it considers itself to be competitor with Photoshop but considers it has a less sophisticated offering than Photoshop, which 'does not have as much to offer as Photoshop'.²⁰²²

²⁰¹⁷ Adobe Internal Document.

²⁰¹⁸ Adobe Internal Document.

²⁰¹⁹ Third-party responses to the CMA's phase 2 customer questionnaire.

²⁰²⁰ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²⁰²¹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²⁰²² Third-party call transcript.

(b) As set out in paragraph 9.417, Corel told us that it has more of an advantage in physical media and that its graphics suite is targeted to professionals.²⁰²³

9.495 We consider that the evidence from Corel regarding its plans, set out in paragraph 9.419, also applies to raster editing. In particular, [✂]. We consider that this information indicates that the threat posed by Corel will not materially increase, relative to that exerted today.

- *Provisional conclusion*

9.496 Based on the above, we consider that Corel is fairly small in scale and viewed by only one customer as an alternative to Photoshop, albeit a strong alternative. While Adobe regards Corel as a competitor to Photoshop in raster editing for professionals, it perceives it as a weaker competitor than Affinity. Corel considers itself to be a weaker and less sophisticated alternative to Photoshop, with a [✂].

9.497 The evidence suggests that the dynamic competitive constraint exerted by Corel in this market may be even weaker, given its current product development roadmap and its focus on non-digital use cases.

9.498 Accordingly, we provisionally conclude that Corel would pose a weak competitive constraint on Adobe's product development in raster editing for professional users.

GIMP

9.499 We provide an overview of GIMP's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents and third-party views relevant to the competitive strength of GIMP in raster editing.

- *Competitive overview*

9.500 GIMP is a free, desktop-based open-source raster editing tool, in which all product development is based on user demand and community involvement.²⁰²⁴ The Parties' share of supply estimates are based on total revenue, therefore they do not include a share of supply estimate for GIMP.²⁰²⁵

²⁰²³ Third-party call transcript.

²⁰²⁴ Third-party call transcript.

²⁰²⁵ Adobe response to the CMA's s109 notice.

9.501 GIMP is a standalone raster editing product. It does not offer tailored product or marketing design software.

9.502 GIMP does not currently offer web-based or collaborative functionality.

- *Internal document evidence*

9.503 In Adobe's key decision-making documents, [REDACTED] to Photoshop for creative professionals.

(a) In the November 2021 document on 2022 Photoshop APS, [REDACTED].²⁰²⁶

(b) In the October 2020 document on 2021 Photoshop AMS, [REDACTED]. [REDACTED].²⁰²⁷

(c) A document on 2022 ABS for Photoshop also lists [REDACTED].²⁰²⁸

- *Third-party evidence*

9.504 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each of the large and mid-size customers who provided a response on the alternatives to Photoshop, a small minority of customers identified GIMP as an alternative and ranked it as a weak alternative to Photoshop overall.²⁰²⁹ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which one respondent identified GIMP as a strong alternative, and one identified it as a weak alternative.²⁰³⁰

9.505 We also consider the reasons provided by respondents to the customer and competitor questionnaires for the rankings provided. We consider that these reasons in the round support the average ratings set out above. The qualitative responses include:

(a) One customer said that 'Gimp is open source and has customizable UI but photoshop has rich set of tools that Gimp doesn't'.²⁰³¹

(b) Another customer described GIMP as '[a] free alternative that we use when licenses for Adobe Photoshop are unavailable'.²⁰³²

²⁰²⁶ Adobe Internal Document.

²⁰²⁷ Adobe Internal Document.

²⁰²⁸ Adobe Internal Document.

²⁰²⁹ Third-party responses to the CMA's phase 2 customer questionnaire. [4 out of 22: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²⁰³⁰ Third-party responses to the CMA's phase 2 creative design competitor questionnaire. [2 out of 6: [REDACTED], [REDACTED]].

²⁰³¹ Third-party response to the CMA's phase 2 customer questionnaire.

²⁰³² Third-party response to the CMA's phase 2 customer questionnaire.

- (c) One respondent to the competitor questionnaire said that GIMP has a 'Huge number of features RAW and PSD compatible Free and open source'.²⁰³³
- (d) Another respondent described GIMP as an 'established alternative in development for years, mediocre user experience, reduced feature set out of the box, free open-source solution'.²⁰³⁴

9.506 We also consider evidence from GIMP in relation to the degree of constraint it imposes on Adobe, and in relation to which use cases. The evidence shows that GIMP does not perceive itself to be competing with Adobe, but that it is attracting customers from Adobe, including some professional users.

- (a) GIMP told us that it does not consider itself as a competitor to Adobe. While GIMP offers a similar product to Adobe, it does not consciously compete with Adobe. However, GIMP told us that while Adobe has more financial resources, and probably as a result is better in some respects, it also considers that it is better in others, particularly given its community-led product development. GIMP also told us that it sees a lot of users coming from Photoshop to GIMP. It explained that users can move to GIMP using the open architecture and that users can write plug-ins and scripts for any specialist uses.²⁰³⁵
- (b) GIMP also told us that, while it doesn't track its users and therefore does not know the extent to which it is used by professionals, based on conferences and issues reports, they know that there are professional users of GIMP.²⁰³⁶

9.507 GIMP also provided information relevant to its plans to expand, and its ability and incentive to do so, particularly in relation to how it will compete with Adobe in the future. We consider that the evidence shows that GIMP poses a weaker dynamic constraint than its static constraint. In particular, GIMP told us that it currently has no plans to expand its offering onto the web or to build collaboration features, however, its public roadmap is subject to change due to feature demand. GIMP's product development is community-led, based both on user requests, and the features which its users choose to build.²⁰³⁷

²⁰³³ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²⁰³⁴ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²⁰³⁵ Third-party call transcript.

²⁰³⁶ Third-party call transcript.

²⁰³⁷ Third-party call transcript.

- *Provisional conclusion*

9.508 Based on the above, we consider that GIMP, which offers a free, desktop-based open-source raster editing tool, is regarded by Adobe as a competitor to Photoshop for professionals, albeit weaker than Affinity. This is consistent with the customer evidence, with only a small minority of customers identifying GIMP as a weak alternative to Photoshop. While GIMP considers it attracts customers from Adobe, it does not consider itself to be competing with it.

9.509 The evidence also suggests that the dynamic competitive constraint exerted by GIMP in the market is even weaker, given its [REDACTED]. Adobe's product development does not appear to be influenced by the threat of GIMP.

9.510 Accordingly, we provisionally conclude that GIMP would pose a weak competitive constraint on Adobe's product development in raster editing for professional users.

Pixelmator

9.511 We provide an overview of Pixelmator's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of Pixelmator in raster editing.

- *Competitive overview*

9.512 Pixelmator is relatively small in scale, with the Parties estimating its annual revenue at USD [REDACTED] million in 2022.²⁰³⁸ The Parties estimated that Pixelmator had a share of supply of [REDACTED]% in raster editing in 2022.²⁰³⁹ As noted above, the share of supply calculations include revenue for both professional and non-professional users. Pixelmator also told us that it has 30 developers.²⁰⁴⁰

9.513 Pixelmator offers a Mac-based raster editing tool, Pixelmator, and a photography based tool, Photomator.²⁰⁴¹ Pixelmator does not offer product or marketing design software.

9.514 Pixelmator does not currently offer web-based software, collaborative functionality, or extensions for Sketch or Figma.

²⁰³⁸ Adobe, Annex to Adobe response to the CMA's s109 notice.

²⁰³⁹ Adobe response to the CMA's s109 notice.

²⁰⁴⁰ Third-party call transcript.

²⁰⁴¹ Third-party call transcript.

- *Internal document evidence*

9.515 In Adobe’s key decision-making documents, Pixelmator is considered a ‘[redacted] competitor’ to Photoshop for creative professionals.

(a) In the November 2021 document on 2022 Photoshop APS, [redacted].²⁰⁴²

(b) In the October 2020 document on 2021 Photoshop AMS, [redacted].²⁰⁴³

(c) A document on 2022 ABS for Photoshop also lists [redacted].²⁰⁴⁴

9.516 We have also reviewed other internal documents referencing Pixelmator. We have identified that Adobe perceives Pixelmator as a threat in relation to mobile versions, and particularly in relation to its photo app. For example, a December 2021 document contains a competitive analysis of [redacted].²⁰⁴⁵

- *Third-party evidence*

9.517 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each. Of the large and mid-size customers who provided a response on the alternatives to Photoshop, one customer told us that Pixelmator Pro is an alternative to Photoshop but provided no ranking.²⁰⁴⁶ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which two respondents told us that Pixelmator is an alternative to Photoshop and ranked it an adequate alternative overall.²⁰⁴⁷

9.518 We also consider the reasons provided by respondents to the customer and competitor questionnaires for the rankings provided. Only one respondent provided a qualitative response, stating Pixelmator has a ‘Very intuitive user experience, less professional features focusing more on ease of use’.²⁰⁴⁸

9.519 We have also considered evidence from Pixelmator in relation to the degree of constraint it imposes on Adobe and in relation to which use cases. The evidence shows that Pixelmator is focused on the non-professional segment, Mac users only, and considers itself too small to pose a significant constraint on Adobe.

²⁰⁴² Adobe Internal Document.

²⁰⁴³ Adobe Internal Document.

²⁰⁴⁴ Adobe Internal Document.

²⁰⁴⁵ Adobe Internal Document.

²⁰⁴⁶ Third-party response to the CMA’s phase 2 customer questionnaire.

²⁰⁴⁷ Third-party response to the CMA’s phase 2 creative design competitor questionnaire. [[redacted], [redacted]].

²⁰⁴⁸ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

- (a) Pixelmator told us that it does not consider itself to be a strong competitive constraint on Adobe, particularly due to its small size and Mac focus.²⁰⁴⁹
- (b) Pixelmator told us that, while its products can be used in professional contexts, it is focused on ‘pro-consumer’ users, rather than professional users, and does not actively sell into professional contexts. In contrast, it considers Photoshop to focus on professional users. Pixelmator also told us that Pixelmator Pro can be used in product design use cases due to the layout and design features.²⁰⁵⁰

9.520 Pixelmator also provided information relevant to its plans to expand, and its ability and incentive to do so, particularly in relation to how it will compete with Adobe in the future. We consider that the evidence shows that Pixelmator’s plans and ability are unlikely to materially increase the threat it poses on Adobe in future, relative to that exerted today.

- (a) Pixelmator told us that its product development plan for Pixelmator Pro is [REDACTED]. It indicated that it does not anticipate the need to [REDACTED]. Pixelmator also told us that [REDACTED], and that it [REDACTED].²⁰⁵¹
- (b) Pixelmator told us that its ability to expand and develop new functionality, such as collaboration, is constrained due to its dependency on Apple’s technology. It depends heavily on Apple’s technologies, so any product development is typically dependent on Apple making ground in a given area. Pixelmator also indicated that it is very small in size, which may constrain its ability to expand and invest in product development.²⁰⁵²

- *Provisional conclusion*

9.521 Based on the above, we consider that Adobe perceives Pixelmator’s products as a threat, but primarily in relation to Lightroom rather than Photoshop. Pixelmator also does not consider itself to be a strong competitor to Adobe, particularly in relation to its future product development plans, as it focuses on non-professional (Mac) users. Consistent with this, only one customer considered Pixelmator to be a competitor to Photoshop.

9.522 The evidence also suggests that the dynamic competitive constraint exerted by Pixelmator in the market is even weaker, given its current product development roadmap and the constraints on its ability to expand. Adobe’s

²⁰⁴⁹ Third-party call transcript.

²⁰⁵⁰ Third-party call transcript.

²⁰⁵¹ Third-party call transcript.

²⁰⁵² Third-party call transcript.

product development does not appear to be influenced by the threat of Pixelmator.

9.523 Accordingly, we provisionally conclude that Pixelmator would pose a weak competitive constraint on Adobe's product development in raster editing for professional users.

PicsArt

9.524 We provide an overview of PicsArt's operations, specifically scale of operations and product offering. We then consider Adobe's internal documents, and third-party views relevant to the competitive strength of PicsArt in raster editing.

- *Competitive overview*

9.525 PicsArt is relatively small in scale, with the Parties estimating its annual revenue at USD [REDACTED] million in 2022, of which USD [REDACTED] million was from its raster editing tool.²⁰⁵³ The Parties estimated PicsArt has a share of supply in raster editing of [REDACTED]% in 2022.²⁰⁵⁴ As noted above, the shares of supply calculations include revenue for both professional and non-professional users.

9.526 PicsArt is web-based raster editing app. PicsArt also offers a video-editing app but does not offer product or marketing design software.

- *Internal document evidence*

9.527 In Adobe's key decision-making documents, PicsArt is perceived as [REDACTED] threat for creative professionals.

(a) The October 2020 document on 2021 Photoshop AMS acknowledges that [REDACTED]. [REDACTED].²⁰⁵⁵

(b) A November 2021 document on 2022 Photoshop APS describes [REDACTED]. [REDACTED]. [REDACTED].²⁰⁵⁶

(c) The December 2022 document on 2023 Photoshop APS states [REDACTED].²⁰⁵⁷

²⁰⁵³ Adobe, Annex to response to the CMA's s109 notice.

²⁰⁵⁴ Adobe response to the CMA's s109 notice.

²⁰⁵⁵ Adobe Internal Document.

²⁰⁵⁶ Adobe Internal Document.

²⁰⁵⁷ Adobe Internal Document.

9.528 We have also reviewed other internal documents referencing PicsArt. We identified that Adobe's perception of a threat from PicsArt is not always consistent.

(a) In a January 2022 Photoshop Ecosystem project plan review, [REDACTED].²⁰⁵⁸

(b) In a February 2022 Photoshop category review document, [REDACTED]. However, there is no reference to [REDACTED] increasing threat or transition towards creative professionals which had been identified in earlier documents.²⁰⁵⁹

(c) However, in a document on Photoshop strategy prepared in August 2022 for an internal meeting to share the strategies of different Adobe teams, [REDACTED].²⁰⁶⁰

9.529 We have also identified evidence that PicsArt played a role [REDACTED] development [REDACTED]. For example, in the 2022 Photoshop APS document, Adobe [REDACTED].²⁰⁶¹

9.530 We have also identified evidence that Adobe was monitoring PicsArt in the context of its AI/ML offerings. For example, in a January 2023 document, Adobe [REDACTED].²⁰⁶²

- *Third-party evidence*

9.531 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each. Of the large and mid-size customers who provided a response on the alternatives to Photoshop, no customers identified PicsArt as a competitor. We also asked respondents to the competitor questionnaire who they consider to be the other main competitors. In response, two respondents identified PicsArt and ranked it as adequate on average.²⁰⁶³

9.532 We also consider the reasons provided by these respondents. We consider that the qualitative responses support the average rating set out above.

(a) One respondent to the competitor questionnaire stated that 'Picsart is tailored more towards average users than professionals, but it has a very

²⁰⁵⁸ Adobe Internal Document.

²⁰⁵⁹ Adobe Internal Document.

²⁰⁶⁰ Adobe Internal Document.

²⁰⁶¹ Adobe Internal Document.

²⁰⁶² Adobe Internal Document.

²⁰⁶³ Third-party responses to the CMA's phase 2 customer questionnaire. Third-party responses to the CMA's phase 2 creative design competitor questionnaire: [REDACTED] [REDACTED].

large feature set for photo-editing. Also, its use of AI tools helps lessen the learning curve for newcomers.’²⁰⁶⁴

- (b) Another respondent to the competitor questionnaire told us that ‘PicsArt, while originally focused more on a consumer level feature set, seems to have expanded more to small and medium business offerings. Photoshop has a professional level feature set.’²⁰⁶⁵

9.533 We did not receive any evidence from PicsArt.

- *Provisional conclusion*

9.534 Based on the above, we consider that Adobe regards PicsArt as a competitor primarily in regard to non-professionals, although it perceives it as an increasing threat, including in regard to professionals. The evidence shows that PicsArt’s product development is increasing its overall competitive constraint. However, it is relatively small in scale, which may limit its access to capital and resources, which would affect its ability to develop its offering further. It was also not identified by customers as a competitor to Photoshop.

9.535 Accordingly, we provisionally conclude that PicsArt would pose a weak competitive constraint on Adobe’s product development in raster editing for professional users.

Other competitors (Canva and Procreate)

9.536 We consider further Canva and Procreate, who were [✂] competitors to Adobe in raster editing for professionals in Adobe’s key-decision making documents, but were identified by a small minority of customers as alternatives to Photoshop (as set out in paragraph 9.469).

9.537 We provide an overview of Canva’s and Procreate’s operations, specifically scale of operations and product offering. We then consider Adobe’s internal documents, and third-party views relevant to the competitive strength of these competitors in raster editing.

- *Competitor overview*

9.538 As set out in paragraph 9.425, Canva is large in scale relative to other competitors to Adobe, with access to significant capital. The Parties estimated

²⁰⁶⁴ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

²⁰⁶⁵ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

its revenue in raster editing was USD [REDACTED] million in 2021.²⁰⁶⁶ Procreate is small in scale, with the Parties estimating its annual revenue of USD [REDACTED] million in 2022, of which USD [REDACTED] million was estimated to be in raster editing.²⁰⁶⁷

9.539 The Parties estimated the shares of supply of [REDACTED] and [REDACTED] at [REDACTED]% and [REDACTED]%, respectively, in raster editing in 2022.²⁰⁶⁸ As noted above, the shares of supply calculations include revenue for both professional and non-professional users.

9.540 As set out in paragraph 9.426, Canva is an all-in-one graphic design tool, which incorporates basic vector, raster, and video editing functionality.

9.541 Procreate is an iOS based raster-editing app, available on iPad and iPhone, and is not available on desktop. Procreate does not offer product or marketing design software, or web-based collaborative functionality, but does offer an extension for Figma.

- *Internal document evidence*

9.542 In Adobe's key decision-making documents, Canva and Procreate are perceived as competitors for non-professionals, but not for professionals.

(a) An October 2020 document on 2021 Photoshop AMS [REDACTED]. [REDACTED]. [REDACTED]. [REDACTED].²⁰⁶⁹

(b) [REDACTED] in the 2022 ABS for Photoshop. [REDACTED].²⁰⁷⁰

(c) A November 2021 document on 2022 Photoshop APS states [REDACTED]. [REDACTED].²⁰⁷¹

9.543 As set out in paragraphs 9.429 to 9.430, other internal documents also indicate that Canva was targeting non-professional users.

9.544 We also identified evidence that shows Adobe may also perceive Canva as a dynamic threat for non-professionals. In particular, a summary of Photoshop's [REDACTED] discussed by [REDACTED] (Adobe, VP of Digital Imaging) at a Photoshop Strategy Planning meeting in June 2022 states [REDACTED].²⁰⁷²

²⁰⁶⁶ Adobe, Annex to response to the CMA's s109 notice.

²⁰⁶⁷ Adobe, Annex to response to the CMA's s109 notice.

²⁰⁶⁸ Adobe response to the CMA's s109 notice.

²⁰⁶⁹ Adobe Internal Document.

²⁰⁷⁰ Adobe Internal Document.

²⁰⁷¹ Adobe Internal Document.

²⁰⁷² Adobe Internal Documents.

9.545 Additional documents referencing Procreate indicate that Procreate played a role [REDACTED] development [REDACTED] the iPad app, Fresco. For example, a message from [REDACTED] (Adobe, VP of Photoshop) to [REDACTED] (Adobe, VP of Product Marketing) in October 2022 discusses how [REDACTED].²⁰⁷³

9.546 We have also identified evidence that Adobe is monitoring Canva in the context of its AI/ML offerings. For example, in a January 2023 document, [REDACTED].²⁰⁷⁴

- *Third-party evidence*

9.547 In our customer questionnaire, we asked customers who they consider to be the alternatives to Photoshop and the strength of each alternative. Of the large and mid-size customers who provided a response on the alternatives to Photoshop, Canva and Procreate were both identified as alternatives by a small minority of customers, and were both ranked as adequate alternatives, on average.²⁰⁷⁵ We also asked respondents to the competitor questionnaire who they consider to be the other main competitors, to which two respondents stated that Canva is a weak and strong alternative, respectively, while no respondents identified Procreate as an alternative.²⁰⁷⁶

9.548 We also consider the reasons provided by customers and competitors. We consider that the qualitative responses indicate Canva is a weaker competitor than suggested by the rankings set out above.

- (a) One customer stated that Canva ‘has similar but not all capabilities of Adobe Photoshop and lack integration with other Adobe products we use daily’.²⁰⁷⁷
- (b) One customer stated that ‘In certain use cases Canva can be used for basic graphic compositional work. Photoshop provides a much more comprehensive suite of tools and capabilities.’²⁰⁷⁸
- (c) A respondent to the competitor questionnaire described Canva as ‘A consumer/prosumer targeting product.’²⁰⁷⁹

²⁰⁷³ Adobe Internal Document.

²⁰⁷⁴ Adobe Internal Document.

²⁰⁷⁵ Third-party responses to the CMA’s phase 2 customer questionnaire. [3 out of 22: [REDACTED], [REDACTED], [REDACTED]; 4 out of 22: [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²⁰⁷⁶ Third-party responses to the CMA’s phase 2 creative design competitor questionnaire: [2 out of 6 [REDACTED], [REDACTED]].

²⁰⁷⁷ Third-party response to the CMA’s phase 2 customer questionnaire.

²⁰⁷⁸ Third-party response to the CMA’s phase 2 customer questionnaire.

²⁰⁷⁹ Third-party response to the CMA’s phase 2 creative design competitor questionnaire.

9.549 We consider that, in the round, the qualitative responses for Procreate support the average rating set out above.

(a) One customer said that '[Procreate] is a very streamlined but effective drawing and image manipulation app. I don't know of any alternative to Photoshop that has as complete a set of advanced image manipulation tools.'²⁰⁸⁰

(b) Another customer told us that 'Procreate can be used to create detailed raster-based artwork, simulating brushes and textures. Photoshop provides a much more comprehensive suite of tools and capabilities.'²⁰⁸¹

9.550 We consider that the evidence from Canva regarding its plans for vector editing, set out in paragraph 9.436, also applies to raster editing. In particular, Canva told us that it [✂] and [✂].²⁰⁸² We consider that this information indicates that the threat posed by Canva will not materially increase, relative to that exerted today.

9.551 We did not receive any evidence from Procreate.

- *Provisional conclusion*

9.552 Based on the above, we consider that Canva is primarily a competitor to Photoshop for non-professional users, but we note that a small minority of customers consider it as an adequate alternative to Photoshop. While Canva formed part of the motivation to bring Photoshop to the web (together with other web-based apps), it does not appear to be a particular threat to Adobe for professionals. Canva has access to significant capital and resources, however the evidence indicates that Canva's product development focuses on non-professional users and that it has no plans to enter the professional segment.

9.553 Procreate is perceived by Adobe as a weak competitor, but we note that a small minority of customers considered it as an adequate alternative to Photoshop. It is relatively small in scale, which may limit its access to capital and resources for product development, and is only available on iPad and iPhone.

²⁰⁸⁰ Third-party response to the CMA's phase 2 customer questionnaire.

²⁰⁸¹ Third-party response to the CMA's phase 2 customer questionnaire.

²⁰⁸² Third-party response to the CMA's phase 2 creative design competitor questionnaire.

9.554 Accordingly, we provisionally conclude that Canva and Procreate would pose very weak competitive constraints on Adobe's product development in raster editing for professional users.

Wider entry and expansion and disruptive threats

9.555 We have considered whether entry and expansion from other sources may provide a competitive constraint on Adobe. In particular, we consider the sources of entry and expansion identified by the Parties, namely prosumer tools, mobile products, or AI.

9.556 Our full assessment is set out in Appendix F, except for two specific instances raised by the Parties (PicsArt and Canva) which are discussed at paragraphs 9.530 and 9.546, respectively, above. We also assess entry and expansion from identified competitors in the context of the dynamic constraints they may exert, both above and in Appendix F.

9.557 In summary, we consider that the (threat of) entry and expansion from prosumer tools, mobile products, and AI does not pose more than a weak competitive constraint on Adobe's product development in raster editing for professionals over the short to medium term. We consider entry and expansion in response to the Merger in Chapter 11.

Provisional conclusion on competitive constraints for raster editing

9.558 We note that where one merger firm has a strong position in the market, even small increments in market power may give rise to competition concerns.²⁰⁸³ Given Adobe's long standing and very strong market position, we consider that Adobe faces limited competitive constraints in raster editing software in relation to professionals.

9.559 The evidence set out above also shows that very few competitors provide any meaningful competitive constraint on Adobe's product development in raster editing for professional users, and that the constraint is weak to moderate at most. The constraint is more limited for product design and related digital use cases.

(a) Affinity poses a weak to moderate constraint for professional users, and the constraint may be declining.

²⁰⁸³ CMA129, paragraph 4.12(a).

- (b) Corel (which has a focus on non-digital use cases), GIMP, Pixelmator, and PicsArt provide a weak competitive constraint for professional users.
- (c) Canva and Procreate pose very weak competitive constraints for professional users.
- (d) The competitors set out in Appendix F, individually and collectively, pose a negligible constraint on Adobe for professional use cases.
- (e) The (threat of) entry and expansion from prosumer tools, mobile products, and AI does not pose more than a weak competitive constraint on Adobe's product development in vector editing for professional users over the short to medium term.

9.560 Therefore, we provisionally conclude that after the Merger, the Merged Entity would continue to face limited competitive constraints.

9.561 As discussed in more detail in Chapter 11, we also consider that there are significant barriers to entry and expansion in relation to vector editing, and that neither entry nor expansion would be timely, likely, nor sufficient to pose a constraint on the Merged Entity.

Provisional conclusion on ToH2

9.562 We have considered whether the Merger gives rise to competition concerns due to the loss of dynamic competition in product development and innovation between the Parties in vector editing and raster editing software (or in any relevant segment of these markets).

9.563 Based on the evidence set out above, we consider that Adobe has very strong market positions, which have endured over decades, in both vector and raster editing software, with shares of supply of over 70% and 80% respectively. The remaining competitors are much smaller, with the next biggest competitor having a share of supply under 10% in vector editing and under 5% in raster editing. Figma currently has a limited presence in vector editing software and a very limited presence in raster editing software, primarily through Figma Design, although this functionality is enhanced by third-party extensions.

9.564 Adobe has an extensive multiproduct offering, with over 20 creative design applications as part of its Creative Cloud suite. It is extending these to the web and mobile surfaces. Figma also has a web-based multiproduct offering, insofar as Figma Design integrates product design with vector and raster editing. Figma is also launching further adjacent products, such as FigJam and [✂].

- 9.565 Adobe derives significant competitive advantages from its multi-market presence and network effects. However, we consider that disruptive technological trends may be threatening Adobe's primarily desktop-based ecosystem of products, with competition from web-based platforms appearing particularly threatening. Adobe's ecosystem also faces some threats from mobile-first players, and over the longer term, may face a threat from AI.
- 9.566 To assess the threat Figma posed to Adobe's customer base and the extent to which this threat influenced Adobe's product development, we considered the extent of the customer adjacency between Figma Design and both Illustrator and Photoshop, as well as internal documents and third-party evidence.
- 9.567 In relation to the customer adjacency, we assessed the proportion of Illustrator and Photoshop's customer base which overlaps with Figma Design (as these are adjacent markets). In our view, there is currently a material customer overlap. We consider that the users at risk represent a substantial source of revenue to Adobe, and more users and revenue could be at risk in future were Figma to develop vector and raster editing functionality extending beyond product design and related use cases.
- 9.568 In relation to the document evidence, this shows that Adobe perceived Figma as a threat to its core markets for vector and raster editing software, and its flagship products Illustrator and Photoshop. We note particularly that Adobe undertook detailed analysis of the threat posed by Figma over a period between September 2021 and March 2022 and concluded that Figma posed a threat. Other internal documents consistently show concerns by Adobe management over the threat from Figma in relation to professional users until August 2022, a few weeks before the Merger was announced (on 15 September 2022). Third-party customer evidence also indicates that Figma Design is already an alternative for some customers to Illustrator, and – to a lesser extent – Photoshop, at least for certain use cases related to product design.
- 9.569 The evidence also shows that Adobe took actions to mitigate the threat from Figma. Adobe's competitive response to Figma included product development which sought to defend Adobe's wider Creative Cloud suite. This specifically included the development of web versions of Illustrator and Photoshop, but also the prioritisation of certain features in the desktop versions. Furthermore, Project Spice envisaged the inclusion of both vector and raster editing functionality within a web-based app also providing product design functionality for professional users. Both the wider Project Spice and the inclusion of vector and raster editing functionality in it, appear to have been a direct response to the threat from Figma.

- 9.570 We have also assessed the extent to which Figma has the ability and incentive to develop its vector and raster editing functionality including with a view to enhancing its overall Figma Design offering. This is informed by Figma's product development to date, its plans and steps taken to develop its vector and raster editing functionality, and the challenges it would need to overcome.
- 9.571 In relation to product development to date, we consider that Figma's functionality in both vector and raster editing has improved incrementally over time. In relation to vector editing functionality in particular, Figma also has an engineering team in place which could be built out over time. Figma users can also access vector functionality developed through third-party extensions, and new vector and raster editing extensions have recently been emerging, and Figma has taken steps to make development of extensions more attractive to third parties.
- 9.572 In relation to Figma's discussions, plans, and steps taken, the evidence we have collected shows that the development of vector and raster editing functionality was under sustained and serious consideration by senior Figma executives from 2018 at least until June 2022, including at board level. The evidence also shows that the development of vector and raster editing functionality consistently received more serious consideration than other projects.
- 9.573 Figma had also made outline plans to develop vector and raster editing functionality organically, had considered a number of acquisitions in these areas and reached an advanced stage in relation to one raster editing acquisition opportunity.
- 9.574 We have also assessed the challenges that Figma would need to overcome in order to develop its functionality in vector and raster editing. We consider that the Parties identified some credible technical challenges that Figma would face. The evidence shows that the challenges were less severe for vector editing, but in both cases they were surmountable. By drawing on a combination of investment and acquisitions, we consider that Figma could have addressed the challenges to develop vector and raster functionality in the near- to medium-term. Further, we consider that Figma was particularly well placed to do so for vector editing, and relatively well placed in raster editing compared to other software providers (taking into account its business capabilities and resources).
- 9.575 We have also considered evidence in relation to the strategic fit of vector and raster editing software with Figma's other products, particularly Figma Design. We considered evidence on market adjacency, the size of the opportunity, the

impact of product development on Figma's other products, and views from market participants on strategic fit.

- 9.576 In relation to the level of market adjacency, we consider that a material proportion of Figma's user base undertakes vector and raster editing and that Figma considers these tools to be part of the same product design workflow. Tapping into this existing customer base would reduce the cost to Figma of acquiring customers in vector and raster editing, thus contributing to its incentive to develop this functionality. The size of the opportunity for Figma in vector and raster editing appears overall large.
- 9.577 Further, the strength of Figma's position in product design is influenced by the strength of its vector and raster editing functionality, which we consider would increasingly be needed to compete for new customers against Adobe. This gives Figma a stronger incentive to develop its presence in vector and raster editing, above what it would already have absent the multi-market competitive pressure the Parties exert on each other.
- 9.578 On this basis, we consider that, absent the Merger, Figma represents a particularly credible dynamic competitor to Adobe in vector and raster editing software for professional users, and this threat is already strong for product design and related digital use cases.
- 9.579 We have considered other competitors' strengths in vector and raster editing software in the context of Adobe's very strong market positions in both of these markets and relative to the constraint exerted by Figma.
- 9.580 Based on the evidence set out above, we consider that Adobe faces (and the Merged Entity would face after the Merger) limited competitive constraints on its product development and innovation in vector and raster editing for professional users, and that the constraint is more limited for product design and related digital use cases. Taking into account their current market positions, product development plans and target use cases, Affinity (in vector and raster editing) and Corel (in vector editing) pose a weak to moderate constraint on Adobe's product development. Other competitors in vector and raster editing pose weak or very weak constraints.
- 9.581 For the reasons set out in this chapter, our provisional conclusion is that, subject to our findings on countervailing factors, the Merger may be expected to result in an SLC in each of:
- (a) the global market for vector editing software; and
 - (b) the global market for raster editing software.

10. Theory of Harm 2 (c) and (d): video editing and motion design software

Introduction

- 10.1 This theory of harm relates to horizontal unilateral effects arising from a loss of dynamic competition in product development and innovation between the Parties in video editing and motion design software (or in any relevant segment of these markets). We consider the same factors as in Chapter 9.
- 10.2 Adobe has a video editing software, Premiere Pro, and a motion design software, After Effects.²⁰⁸⁴ Figma does [✂]. Figma Design offers [✂] and [✂].²⁰⁸⁵

Nature of competition

- 10.3 This section sets out our provisional assessment on the nature of competition between the Parties and their competitors in video editing and motion design editing software. We follow the same structure as in Chapter 9, namely customer landscape; sales and purchasing behaviour; how firms compete; and costs of supply.
- 10.4 The provisional conclusions set out in this section are important context for our provisional assessment of dynamic competition concerns in the supply of video editing and motion design software.

Customer landscape

- 10.5 Users of video editing and motion design software overlap with users of product design software. We considered Adobe's internal documents to understand the extent of overlap between video editing and motion design software.
- 10.6 Adobe's documents for Premiere Pro in relation to video editing showed no evidence of a material customer overlap. Equivalent documents for After Effects showed that there was a material customer overlap between motion design and segments closely related to product design (and wider use cases for Figma Design). The overlap at the product level is discussed further at paragraphs 10.46 to 10.48 and 10.70 below.

²⁰⁸⁴ FMN.

²⁰⁸⁵ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs C3.7 and C3.8.

- (a) In relation to video editing, Adobe's key decision-making documents showing segmentation for Premiere Pro [REDACTED] relevant to product design. In relation to motion design, a September 2021 Adobe internal document on APS²⁰⁸⁶ for motion design in FY22 showing customer segments for After Effects states that [REDACTED]% [REDACTED].²⁰⁸⁷
- (b) In relation to broader use cases, an Adobe internal document from September 2021 on APS for After Effects in 2022 states that [REDACTED]% [REDACTED].²⁰⁸⁸

10.7 As set out in paragraphs 9.5 to 9.8, the Parties' user bases overlap in the supply of software to professionals, and the functionality required by professionals differs from the functionality required by non-professionals. The documents show this is also the case for video editing and motion design.²⁰⁸⁹

Sales and purchasing behaviour

- 10.8 Adobe has a wide suite of creative design products: its Creative Cloud 'All Apps' plan includes '20+ products',²⁰⁹⁰ which includes Premiere Pro, After Effects, and Adobe XD amongst others. The prevalence of multi-market presence amongst competitors appears to be lower than for vector and raster editing. In particular, Apple and Blackmagic Design²⁰⁹¹ offer both a video editing and a motion design product each (Apple Final Cut Pro and Apple Motion and; Blackmagic DaVinci Resolve and Blackmagic Fusion respectively), but no other large competitor in video editing and motion design has a creative design bundle.
- 10.9 While, as set out in paragraphs 9.13 to 9.14, we consider that creative design is adjacent to product design, we consider that there are some differences between creative design products. In particular, we consider that video editing and motion design are less adjacent to product design than vector and raster editing.

²⁰⁸⁶ Annual Product Strategy.

²⁰⁸⁷ Adobe Internal Document.

²⁰⁸⁸ Adobe Internal Document.

²⁰⁸⁹ Adobe Internal Document.

²⁰⁹⁰ ['Creative Cloud pricing and membership plans | Adobe Creative Cloud'](#), accessed by the CMA on 23 November 2023. As set out above Adobe also has an extension ecosystem.

²⁰⁹¹ Blackmagic Design is a camera and film software company, who offer video editing and motion design software through Blackmagic DaVinci Resolve and Blackmagic Fusion; ['Blackmagic Design – Products'](#), accessed by the CMA on 23 November 2023. We consider the products in Competitive Constraints (paragraphs 10.80 to 10.88, and 10.94(d)).

- (a) The proportion of Adobe's creative design tools customer base who also use Figma Design is comparable to the proportion who use Photoshop and Illustrator.
- (b) Assets created in motion design software can relate to the product design workflow, and there are some indirect connections with video editing. For example, a Slack message sent by [REDACTED] (Figma, Head of Corporate Development and Strategy) in April 2022 states that '[REDACTED]'.²⁰⁹² Further evidence is set out in paragraph 10.69 to 10.72 below.

How firms compete

10.10 The Parties submitted that 'each Party operates in dynamic software markets. Product development, innovation and speed are the keys to success'.²⁰⁹³ This is in line with submissions from third parties, which show that competition takes place on innovation in product development, particularly innovation around new/high-level features, as well as on current offerings on factors such as price.²⁰⁹⁴

10.11 This evidence suggests that the Parties compete in relation to current offerings on price and in relation to product development and innovation on new/high-level features.

Cost of supply (including product development and innovation)

10.12 We consider that the evidence set out in Theory of Harm 1 Nature of competition generally also applies also to video editing and motion design software. This evidence shows that software markets are typically characterised by economies of scale and high product development costs.

10.13 Evidence indicates that there are significant barriers to entry and expansion for video editing and motion design software. In summary, respondents to the competitor questionnaire generally considered that barriers were high/very high for both video editing and motion design, and that barriers were similar

²⁰⁹² Figma Internal Document.

²⁰⁹³ Parties' response to working papers.

²⁰⁹⁴ Question 25 of the CMA's phase 2 large and mid-sized customer questionnaire states 'If you use products in the following categories, please complete the table below by listing factors that are important to you when deciding between different screen design and creative design software, where 1 = not important, 2 = slightly important, 3 = moderately important, 4 = important, and 5 = very important' (categories are; screen design, vector editing, raster editing, video editing, motion design. [For video editing. Factor: features: very important: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; important: [REDACTED], [REDACTED]; moderately important: [REDACTED]; not important: [REDACTED]. Factor: price: very important: [REDACTED]; important: [REDACTED], [REDACTED], [REDACTED]; moderately important: [REDACTED], [REDACTED], [REDACTED]; slightly important: [REDACTED], [REDACTED], [REDACTED], [REDACTED].] [For motion design. Factor: features: very important: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]; important: [REDACTED], [REDACTED], [REDACTED]; not important: [REDACTED]. Factor: price: very important: [REDACTED], [REDACTED]; important: [REDACTED], [REDACTED], [REDACTED]; moderately important: [REDACTED], [REDACTED], [REDACTED]; slightly important: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].]

even with an adjacent creative design product.²⁰⁹⁵ These findings are generally consistent with the Parties' submissions.

10.14 We take high/very high barriers to entry into account when assessing the strengths of the Parties relative to their competitors below.

Framework for assessment

10.15 We have applied the same framework for assessment as in Chapter 9.

10.16 We consider whether the Merger might raise competition concerns as a result of the loss of dynamic competition between the Parties in video editing and motion design software. Our framework for the competitive assessment mirrors that for Theory of Harm 2(a) and 2(b) in relation to vector editing and raster editing, as set out in Chapter 9.

10.17 In the following sections, we review evidence relating to the Parties' current market positions, the closeness of competition between the Parties, and evidence of the remaining competitive constraints on the Merged Entity.²⁰⁹⁶

Parties' current market positions

10.18 In this section we set out evidence on the Parties' current market positions in video editing and motion design software respectively. We also consider how their position in other markets strengthens their position in these markets.

Parties' submissions

10.19 The Parties submitted that Adobe is present in the market for video editing software through its Premiere Pro product,²⁰⁹⁷ and in the market for motion design software through its After Effects product.²⁰⁹⁸

10.20 In relation to Figma's presence in video editing, the Parties submitted that Figma only allows users to export videos (from an external source) into Figma Design without being able to make any edits to the video. They contrast this to

²⁰⁹⁵ [REDACTED] of the CMA's phase 2 creative design competitor questionnaire states 'Please describe the barriers to enter into each software type listed in the table below (providing an indication of the cost and timescale to enter) and assign a score from 1 to 5 based on how difficult it is to enter (i) from scratch and (ii) from adjacent creative design area (eg from vector into raster editing), where 1 = very low barriers, 2 = low, 3 = moderate, 4 = high, and 5 = very high.'; Third-party responses to the CMA's phase 2 creative design competitor questionnaire: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

²⁰⁹⁶ CMA129, paragraph 4.12(a).

²⁰⁹⁷ FMN.

²⁰⁹⁸ FMN.

functionality in Premiere Pro and competitors such as DaVinci Resolve 18 and Apple iMovie, which allow users to manipulate the video.²⁰⁹⁹

10.21 In relation to Figma's presence in motion design, the Parties submitted that Figma only allows users to make simple transitions and custom animation timing between screens as part of the prototyping process. Users cannot, however, make or export motion design assets. The Parties contrast this to After Effects and competitors such as DaVinci Resolve 18 and Apple Motion which allow users to animate elements at different speeds between screens and to animate along a custom path.²¹⁰⁰

10.22 The Parties submitted that any creative tooling functionality provided to Figma by plugins is limited to product design and development use cases only and is developed independently of Figma.²¹⁰¹ They also submitted objects bought into Figma from external environments and natively supported within Figma (including videos or animations²¹⁰²) cannot be edited once imported to the Figma canvas.²¹⁰³

10.23 The Parties also submitted that a number of companies have comparable or more advanced functionality than Figma in relation to video editing and motion design.²¹⁰⁴

Our assessment

10.24 We consider the functionality already provided by Adobe and Figma, the Parties estimated shares of supply, internal document evidence on the Parties' respective market positions, and third-party views.

Video editing software

10.25 Adobe is present in video editing through its Premiere Pro product, which contains extensive functionality²¹⁰⁵ and is widely considered the market

²⁰⁹⁹ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.7.

²¹⁰⁰ Animation along a custom path allows a user to create a map using a pen tool for their animated element to follow, based on anchoring points; ['Adobe After Effects - animate along path'](#), accessed by the CMA on 23 November 2023; [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.8.

²¹⁰¹ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs C3.14-C3.16.

²¹⁰² Animation creation is an aspect of motion design software (see paragraph 5.37(e)).

²¹⁰³ Parties' response to TOH2 working paper.

²¹⁰⁴ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraphs C3.3, C3.7, C3.8.

²¹⁰⁵ FMN. In October 2021 Adobe also announced it had completed the acquisition of Frame.IO, a video collaboration platform (see ['Adobe completes Frame.io acquisition | Adobe'](#), accessed by the CMA on 23 November 2023). Premiere Pro (and After Effects) now include Frame.IO (see ['Premiere Pro and After Effects Now Include Frame.io for Creative Cloud | Adobe Blog'](#), accessed by the CMA on 13 November 2023).

leader. Figma Design includes [REDACTED], as explained above and in paragraph 5.45. [REDACTED], but Figma identified that [REDACTED].²¹⁰⁶

10.26 Table 10.1 shows the shares of supply for video editing software provided by the Parties, which we evaluate further below.

Table 10.1: Share of supply estimates in video editing software based on revenue, globally, 2022

[REDACTED]

Source: Adobe's response to the CMA's s109 notice.

10.27 Adobe has [REDACTED]%, followed by [REDACTED], which has [REDACTED]%. Three competitors have shares of [REDACTED]% each. The remaining competitors have [REDACTED]% share. The shares of supply provided by the Parties have some limitations, as set out in paragraph 9.85 and 9.97.

10.28 Adobe's internal documents indicate that Adobe has a strong position in the market for video editing, but also highlights that it faces challenges from certain competitors. For example, a 2020 Adobe internal document for Premiere Pro FY21 AMS²¹⁰⁷ describes the product as [REDACTED].²¹⁰⁸

10.29 A respondent to our competitor questionnaire said that Premiere Pro is '#1 in category (tied with or approximately evenly split with Apple Final Cut Pro)'.²¹⁰⁹

10.30 Figma is not present in these shares which relate to products monetised as video editing software. One customer stated that Figma's extensions can be used for simple video editing use cases.²¹¹⁰ However, most customers that use creative design extensions on Figma stated that Figma's extensions do not currently offer similar functionality to Adobe's creative design software.²¹¹¹

²¹⁰⁶ Figma's response to the CMA's s109 notices.

²¹⁰⁷ Annual Marketing Strategy.

²¹⁰⁸ Adobe Internal Document.

²¹⁰⁹ [REDACTED] of the CMA's phase 2 creative design competitor questionnaire states, 'Please provide your views on Adobe's market position for each of the products listed in the table below (if you compete with them). (Products listed; Illustrator, Photoshop, Premiere Pro, After Effects'; Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²¹¹⁰ [REDACTED] of the CMA's phase 2 large and mid-sized customer questionnaire states 'If you have used Figma Design (as per your answer to question 2a above), please explain the following in relation to extensions (including plugins and widgets) on Figma: a. what extensions (if any) you use for vector editing, raster editing, video editing, or motion design; b. the extent (if at all) to which you consider these extensions offer similar functionality to Adobe's creative design software in vector editing, raster editing, video editing, or motion design (ie Illustrator, Photoshop, Premiere Pro, and After Effects), such that extensions on Figma Design act as an alternative in certain use cases (please specify which use cases)'. Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²¹¹¹ Based on responses from customers that use vector, raster, video, and motion plugins. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

Motion design software

10.31 Adobe is present in motion design software through its After Effects product which contains extensive functionality,²¹¹² with further functionality available through extensions.²¹¹³ Adobe is widely considered the market leader. Figma Design includes [X], as explained above and in paragraph 5.46. Extensions provide some very limited functionality. Out of Figma's [X], Figma identified [X], ie [X]%, [X].²¹¹⁴ Figma stated that [X].²¹¹⁵

10.32 Table 10.2 shows the shares of supply for motion design software provided by the Parties, which we evaluate further below.

Table 10.2: Share of supply estimates in motion design software based on revenue, globally, 2022

[X]

Source: Adobe's response to the CMA's s109 notice.

10.33 Adobe has the [X] share at [X]% and faces the [X] competitor in terms of market share, [X], with [X]%. The [X] competitor in terms of market share is [X], with [X]%. The [X] competitor is [X], with [X]% of the market. The shares of supply provided by the Parties have some limitations, as set out in paragraphs 9.85 and 9.97. These limitations include that free products (such as Blender) are not reflected in shares of supply.

10.34 Adobe's internal documents indicate that Adobe has a very strong position in motion design, but some documents suggest that Adobe [X]. For example, a September 2021 document on motion APS for FY22 states that [X].²¹¹⁶

10.35 A respondent to our competitor questionnaire said that After Effects is 'one of the market leaders in visual effects, motion graphics and compositing space, with large market share with some alternatives available'.²¹¹⁷

10.36 Figma is not present in these shares which relate to products monetised as motion design software. One customer that uses motion design functionality stated that Figma's extensions offer some of the functionality of After Effects.²¹¹⁸ However, most customers that use creative design extensions on

²¹¹² FMN.

²¹¹³ 'After Effects Third-Party Plugins', accessed by the CMA on 23 November 2023.

²¹¹⁴ Figma's response to the CMA's s109 notices.

²¹¹⁵ Figma's response to the CMA's s109 notice.

²¹¹⁶ Adobe Internal Document.

²¹¹⁷ Third party response to PFs putbacks.

²¹¹⁸ [X] of the CMA's phase 2 large and mid-sized customer questionnaire states 'If you have used Figma Design (as per your answer to question 2a above), please explain the following in relation to extensions (including plugins and widgets) on Figma: a. what extensions (if any) you use for vector editing, raster editing, video editing, or motion design; b. the extent (if at all) to which you consider these extensions offer similar

Figma stated that Figma's extensions do not currently offer similar functionality to Adobe's creative design software.²¹¹⁹

Parties' positions in adjacent markets

10.37 We consider whether offering multiple adjacent products to video editing and motion design (such as other creative design products) strengthens the Parties' market positions.

10.38 In both video editing and motion design, some internal documents reflect that Adobe's Creative Cloud strengthens Adobe's market position drawing on the full range of creative design products.

(a) A September 2021 Adobe internal document on motion design APS for FY22 states that [REDACTED]%.²¹²⁰ Another Adobe internal document from October 2021 on the Premiere Pro user study conducted in Q3 2021 states [REDACTED]. The percentage of [REDACTED]%, [REDACTED]%, and [REDACTED]% respectively.²¹²¹

(b) An Adobe internal document from 2020 on Premiere Pro AMS for FY21 states that [REDACTED].²¹²²

(c) A September 2019 Adobe internal document on the opportunity in the motion design market states that [REDACTED]. [REDACTED].²¹²³

(d) A September 2021 Adobe internal document on motion design APS for FY22 states that [REDACTED].²¹²⁴

10.39 We consider that these documents show Premiere Pro and After Effects users make heavy use of Adobe's wider ecosystem. This may reduce the threat Adobe perceives from players who cannot replicate the full bundle of Adobe apps.

Provisional conclusions on the Parties' market positions

10.40 Based on the evidence set out above, our provisional view is that Adobe has a strong market position in both video editing and motion design. Figma

functionality to Adobe's creative design software in vector editing, raster editing, video editing, or motion design (ie Illustrator, Photoshop, Premiere Pro, and After Effects), such that extensions on Figma Design act as an alternative in certain use cases (please specify which use cases)'; Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²¹¹⁹ Based on responses from customers that use vector, raster, video, and motion plugins. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED].

²¹²⁰ Adobe Internal Document.

²¹²¹ Adobe Internal Document.

²¹²² Adobe Internal Document.

²¹²³ Adobe Internal Document.

²¹²⁴ Adobe Internal Document.

currently has a very limited presence in video editing and motion design software and the plugins in Figma Design that provide these capabilities currently do not currently provide a source of revenue to Figma.

- 10.41 The evidence above shows that Adobe's offering in adjacent products related to video editing and motion design strengthens its market position in each of these markets. This reduces the extent to which competitors without an established creative design offering, or who cannot offer both video editing and motion design, are able to challenge Premiere Pro and After Effects with a single-product offering.

Closeness of competition

- 10.42 In this section, we set out evidence on closeness of competition between the Parties, in particular dynamic competition between the Parties in product development and innovation pre-Merger. We first consider evidence of Adobe's perceived threat from and responses to Figma. We then consider evidence on Figma's ability and incentive to develop its video editing and motion design software.

Adobe's perceived threat from Figma and Adobe's product development as a response to this threat

- 10.43 We set out the Parties' submissions before considering evidence on the threat that Adobe perceived from Figma and Adobe's product development efforts as a response to Figma.

Parties' submissions

- 10.44 The Parties submitted that Adobe does not consider Figma to be a material current or dynamic competitive threat in video editing or motion design software.²¹²⁵ Most of the Parties' submissions related to creative design in general, and these are summarised in paragraphs 9.126 and 9.127. However, the Parties submitted that [REDACTED].²¹²⁶

Our assessment

- 10.45 In this section we consider evidence on the customer overlap, Adobe's perception of a threat from Figma, and its current efforts in product development.

²¹²⁵ Parties' response to the phase 2 issues statement, 9 August 2023, paragraphs C5.1 to C5.10.

²¹²⁶ Parties' response to the phase 2 issues statement, 9 August 2023, paragraph C3.17.

Analysis of the customer overlap

- 10.46 We consider customer overlap analysis submitted by the Parties showing the proportion of Premiere Pro and After Effects customers who use Figma Design. The context for and interpretation of these figures in paragraphs 9.132 to 9.138, and Appendix C applies also to video editing and motion design.
- 10.47 Our analysis of data submitted by the Parties from their internal databases showed that [REDACTED]% and [REDACTED]% of organisations whose staff used Premiere Pro and After Effects at the end of 2022 also had staff using Figma Design in the last quarter of 2022.²¹²⁷ We also considered overlaps at the individual level. These showed that [REDACTED]% and [REDACTED]% of Premiere Pro and After Effects' individual users respectively at the end of 2022 used Figma Design in the last quarter of 2022.²¹²⁸ The Parties' internal documents are broadly consistent with this level of user overlap in video editing. For example, an Adobe internal document from September 2021 on motion design APS for FY22 [REDACTED].²¹²⁹
- 10.48 Given that Adobe's annual revenues in Premiere Pro and After Effects are USD [REDACTED] billion and USD [REDACTED] billion respectively, a user base overlap of this magnitude represents a material threat to Adobe. We note, however, that this revenue is significantly lower than that of vector and raster editing software, and therefore that less revenue is at risk in relation to video editing and motion design than in vector and raster editing.²¹³⁰

Evidence on Adobe's perceived threat from Figma

- 10.49 In this section, we discuss whether Adobe perceived Figma as a threat in video editing and motion design, based on the key decision-making documents submitted by the Parties and other relevant internal documents.
- 10.50 We reviewed the key decision-making documents for Premiere Pro and After Effects submitted by the Parties.²¹³¹ Figma was only identified [REDACTED] in the key decision-making documents for Premiere Pro and After Effects, whereas other competitors (such as Blackmagic Design and Apple) were more frequently

²¹²⁷ CMA analysis of data submitted by the Parties. Adobe's response to the CMA's s109 notice; Adobe Internal Document. At the organisation level, the unit of analysis is an organisation (corporate entity), and an overlap is defined as the same corporate entity using both the relevant Adobe and Figma product/plans (regardless of whether there is an overlap at the individual user level).

²¹²⁸ Adobe's response to the CMA's s109 notice; Adobe Internal Document.

²¹²⁹ Adobe Internal Document.

²¹³⁰ Adobe Internal Document. Adobe's 2022 revenues were USD [REDACTED] billion and USD [REDACTED] billion for Illustrator and Photoshop respectively.

²¹³¹ Adobe Internal Document. In addition to the Parties' submission, we identified two additional documents in the same decision-making series for After Effects, but noted that these documents frequently refer to Premiere Pro.

identified as threats, including dynamic threats (see paragraphs 10.77 to 10.98 below).

- (a) An Adobe internal document from February 2023 on Digital Video and Audio APS FY23 [REDACTED]: '[REDACTED]'. The quote did not indicate that Figma itself would challenge video editing, nor did Adobe draw such inference in the document explicitly.²¹³²
- (b) An Adobe internal document from September 2021 on the After Effects AMS for FY21 refers [REDACTED]. [REDACTED].²¹³³

10.51 Some documents referenced in paragraphs 9.150 to 9.157 identified Figma as a threat to the wider Creative Cloud. However, the documents also show that the threat to video and motion was perceived as lower and significantly more distant than that for vector and raster editing. For example:

- (a) Adobe conducted in-depth analysis [REDACTED] at the beginning of 2021. This document analysis [REDACTED]. [REDACTED].²¹³⁴
- (b) An Adobe internal presentation dated 20 November 2020 states that [REDACTED]. This slide included [REDACTED]. Additionally, a further slide said that [REDACTED].²¹³⁵

10.52 As set out in paragraph 9.158 to 9.161, Adobe undertook in-depth analyses of the risk to its Creative Cloud applications in February 2022. This focused only on vector editing and raster editing and did not include video editing nor motion design.²¹³⁶ Further, the in-depth analysis for Photoshop states that [REDACTED]. The document caveats, however, that [REDACTED].²¹³⁷ Internal communications within Adobe over this period are also consistent with Figma not being considered a threat for Adobe's video editing and motion design. We did not identify material or frequent concerns expressed in relation to the threat to Premiere Pro or After Effects.²¹³⁸

10.53 Third-party evidence supports that Figma is not considered a competitor to Adobe in video editing and motion design. Customers and competitors were

²¹³² Adobe Internal Document.

²¹³³ Adobe Internal Document.

²¹³⁴ Adobe Internal Document.

²¹³⁵ Adobe Internal Document.

²¹³⁶ Adobe referred to its canceller studies in the in-depth analyses for Photoshop and Illustrator. Adobe's canceller surveys showed [REDACTED]. Adobe's response to the CMA's s109 notice.

²¹³⁷ Adobe Internal Document.

²¹³⁸ For example, we reviewed email and slack messages sent between senior executive Adobe members involved in creative design teams. In contrast to vector and raster editing, we do not find evidence of communication of the threat from Figma to Premiere Pro or After Effects. For example: Adobe Internal Documents.

asked to list alternatives to Premiere Pro²¹³⁹ and After Effects²¹⁴⁰ using open-ended questions, and in doing so, customers and competitors were asked to rate such alternatives by awarding a score out of five, corresponding to different degrees of the alternatives' suitability. No customers or competitors said that Figma was an alternative to either Premiere Pro or After Effects.²¹⁴¹

10.54 Based on the evidence set out above, we consider that there is little substantive evidence in the documents reviewed to suggest that Adobe perceived a material threat from Figma in the video editing and motion design space.

Adobe's response to the threat

10.55 In this section we consider the following Adobe products and their development: (i) Photoshop and After Effects, including web versions, and (ii) Project Spice, to set out whether Adobe's actions were influenced by the threat from Figma.

10.56 The evidence shows that Adobe's product development includes [REDACTED].²¹⁴² An Adobe internal document²¹⁴³ dated November 2020 for 'CC Web' (Project Spice), includes [REDACTED]. The [REDACTED].²¹⁴⁴ However, the document states '[REDACTED]'.²¹⁴⁵ Further, Figma was not identified in any subsequent documentation we reviewed in connection with the move of video editing or motion design to the cloud. As set out above in paragraph 10.50, Figma was also not identified as a competitive threat in any other key documents for Premiere Pro. We therefore consider that the reference to Figma in this document was unlikely to have been in direct connection with video editing.

10.57 As set out in paragraphs 9.202 to 9.212, Project Spice was intended to include creative design functionalities and was a response to Figma.

²¹³⁹ [REDACTED] of the CMA's phase 2 large and mid-sized customer questionnaire states 'If you have used Adobe Premiere Pro (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe Premiere Pro, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative'.

²¹⁴⁰ [REDACTED] of the CMA's phase 2 large and mid-sized customer questionnaire states 'If you have used Adobe After Effects (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe After Effects, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative'.

²¹⁴¹ This contrasts with vector and raster editing, where a majority and a few customers said that Figma was an alternative respectively, as set out in paragraphs 9.171 to 9.174. Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire.

²¹⁴² For example, a document from 1 October 2021 on Digital Video & Audio APS states that [REDACTED]. [REDACTED]. Adobe Internal Document. Frame.io is a video collaboration platform, acquired by Adobe in 2021; '[Adobe completes Frame.io acquisition](#)', accessed by the CMA on 23 November 2023.

²¹⁴³ This is a '[REDACTED]' document. Adobe's product development includes [REDACTED].

²¹⁴⁴ Adobe Internal Document.

²¹⁴⁵ Adobe Internal Document.

However, documents rarely mentioned video editing or motion design. Those that did were clear such functionality was not an immediate priority. For example, a February 2022 slide deck, which appears to have been discussed at least in part with [REDACTED] (Adobe, President of Digital Media) and [REDACTED] (Adobe, Chief Product Officer of Creative Cloud) states in relation to Project Spice that '[REDACTED]'.²¹⁴⁶

10.58 On the basis of the evidence set out above, we consider that Adobe's efforts in video editing and motion design were not materially driven by Figma.

Figma's ability and incentive to develop video editing and motion design functionality

10.59 In this section we consider evidence on Figma's ability and incentive to develop video editing and motion design functionality.

Parties' submissions

10.60 We consider that the Parties' submissions (outlined in Chapter 9) that Figma has no plans or intention to offer a creative asset tooling product, and that it has not made any investments or efforts to enter or expand, and it does not have any incentive to start doing so in the foreseeable future, to be relevant for video editing and motion design.²¹⁴⁷

10.61 We first consider (i) Figma's consideration of, and the extent of any planning towards, developing video editing and motion design functionality, and (ii) Figma's actions to date, which are informative of Figma's ability and incentive to develop video editing and motion design capabilities. We consider other factors related to its ability and incentive for further product development, including challenges of entry, and its strategic fit with Figma's business.

10.62 In each section, we consider the available evidence from internal documents, quantitative analysis, and third-party evidence.

Our assessment

10.63 In this section we consider Figma's discussions, plans, and steps taken to develop video editing and motion design, as well as challenges and strategic fit.

²¹⁴⁶ Adobe Internal Documents.

²¹⁴⁷ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C3.23b.

Figma's discussions, plans, and steps taken

- 10.64 In this section we examine whether Figma undertook sustained and serious consideration of developing its video editing and motion design functionality. We also examine whether it took any steps in this direction.
- 10.65 We consider how video editing and motion design are positioned in internal documents relative to other opportunities considered by Figma. We consider communications to Figma's board and investors, strategy discussions at offsites, modelling and market research, and acquisitions considered in the video editing and motion design space.
- 10.66 [REDACTED] (Figma's CEO and co-founder) July 2021 letter to Figma's board of directors sets out Figma's '[REDACTED]', which we consider has evidentiary value for Figma's corporate intent (see paragraphs 9.239 to 9.246). The document does not mention motion design but states that '[REDACTED]'.²¹⁴⁸
- 10.67 A document dated September 2021 and titled 'Figma 2025 Financial – Product Narrative' sets out [REDACTED] potential scenarios for Figma's product development, [REDACTED]. The document later states that [REDACTED]. We consider [REDACTED] and the potential acquisition in more detail below. [REDACTED].²¹⁴⁹
- 10.68 In terms of strategy discussions, Figma held three separate offsite meetings held across 2021-2022, which we consider evidence of Figma's corporate intent.²¹⁵⁰ The documents show Figma was attracted by video editing and motion design, but more recent documents indicate that Figma were not planning to develop these in the short to medium term.
- (a) At a May 2022 offsite, [REDACTED] are listed, among other products, under '[REDACTED]'. [REDACTED].²¹⁵¹
- (b) Materials prepared for a February 2022 offsite show that Figma considered.²¹⁵² The materials note that if Figma went for. Motion design is mentioned in the context of [REDACTED].²¹⁵³

²¹⁴⁸ Figma Internal Document.

²¹⁴⁹ Figma Internal Document.

²¹⁵⁰ The Parties made submission on the purpose and notes of these offsites, which are discussed in paragraphs 9.248 to 9.255.

²¹⁵¹ Figma Internal Document.

²¹⁵² Figma Internal Document.

²¹⁵³ Figma Internal Document.

- (c) In a document from the October 2021 offsite, investing further in prototyping and specifically in [REDACTED]. However, where Figma discussed reliance [REDACTED].²¹⁵⁴

10.69 In terms of modelling and research, Figma's internal documents confirm Figma saw some upsides, but also had material doubt about the value of pursuing video editing and motion design.²¹⁵⁵

- (a) An investment memo for motion design from early-mid 2022 provides arguments for '[REDACTED]' in this space.²¹⁵⁶ The document acknowledges the success of [REDACTED],²¹⁵⁷ and considers whether [REDACTED]. Further analysis of the market size concludes that [REDACTED].²¹⁵⁸
- (b) An internal document from October 2021 on video editing and [REDACTED] considers whether motion design should [REDACTED] and states '[REDACTED]'.²¹⁵⁹
- (c) A note on creative tooling research prepared by a Figma researcher states that although [REDACTED].²¹⁶⁰

10.70 Figma's internal documents also show that Figma [REDACTED] in the video editing and motion design space [REDACTED].²¹⁶¹ Figma's internal documents show that it considered [REDACTED] attractive given [REDACTED] of moving into video editing.²¹⁶²

- (a) Figma invested in a video editing software company, [REDACTED],²¹⁶³ and had preliminary high-level discussions about the possibility of [REDACTED].²¹⁶⁴ The investment memo dated April 2022 states that Figma needed to be transparent with [REDACTED].²¹⁶⁵ The memo states however that it was [REDACTED].²¹⁶⁶
- (b) Figma prepared an investment memo also in April 2022 for a video editing company called [REDACTED]. [REDACTED] in the investment memo,²¹⁶⁷ and the memo states that [REDACTED].²¹⁶⁸

²¹⁵⁴ Figma Internal Document.

²¹⁵⁵ Other research we reviewed refers to 'creative tools' in a broad way and is not specific about its intentions or thinking relating to video and motion specifically.

²¹⁵⁶ Figma Internal Document.

²¹⁵⁷ [REDACTED].

²¹⁵⁸ Figma Internal Document.

²¹⁵⁹ Figma Internal Document.

²¹⁶⁰ Figma Internal Document.

²¹⁶¹ Figma's response to the CMA's s109 notice.

²¹⁶² By contrast, in raster editing Figma sought to acquire [REDACTED] and only sought an investment after this acquisition did not go ahead (see paragraphs 9.269 to 9.285).

²¹⁶³ Figma Ventures funded ~USD [REDACTED]. Figma's response to the CMA's s109 notice.

²¹⁶⁴ Figma's response to the CMA's s109 notice.

²¹⁶⁵ Figma Internal Document.

²¹⁶⁶ Figma Internal Document.

²¹⁶⁷ Figma Internal Document.

²¹⁶⁸ Figma Internal Document.

(c) Regarding both [REDACTED] and [REDACTED], [REDACTED] (Figma, Head of Corporate Development and Strategy) states in an April 2022 Slack message that [REDACTED].²¹⁶⁹

(d) An internal document from October 2021 on video editing and [REDACTED] states that it is [REDACTED] and that [REDACTED].²¹⁷⁰ =

10.71 Based on the evidence set out above, we consider that Figma's discussions and actions are consistent primarily with Figma keeping its options open on a longer-term time horizon, rather than indicating near to mid-term intent to develop or integrate video editing functionality with its products.

Challenges and strategic fit

10.72 Based on the evidence set out above, we have provisionally found that we don't need to consider the challenges of entry and strategic fit in order to set out closeness of competition. In particular, the evidence set out above shows that Adobe did not perceive Figma to be a material threat in video editing and motion design, and Adobe's product developments in video editing and motion design were not materially driven by Figma. Further, the evidence shows that Figma does not have the ability and incentive to develop video editing and motion design capabilities in the near to mid-term. Notwithstanding our provisional view that we don't need to consider the challenges of entry and strategic fit, we note that:

(a) The internal document evidence indicates that the technical challenges associated with developing video editing and motion design capabilities would be surmountable.²¹⁷¹

(b) Third-party evidence indicates that it is on average difficult for Figma to expand its offering to cover video editing functionality (although it is even harder for other screen design providers to do so).²¹⁷² For motion design,

²¹⁶⁹ Figma Internal Document.

²¹⁷⁰ Figma Internal Document.

²¹⁷¹ For example, a Figma Internal Document refers to a 'High tech barrier to entry'. We further consider that that challenges around memory management and network bandwidth (raised by the Parties in Appendix D) are likely to be very significant were Figma to seek to build video editing functionality. However, in line with its investment and acquisition discussions for video editing and motion design, Figma could have made acquisitions to reduce this challenge. For motion design, Figma may have been able to build motion design capabilities, and it had discussed doing so (see for example Figma Internal Document). For simple functionality, we consider that similar arguments apply as in Appendix D for vector editing. However, again Figma could have relied on acquisitions in whole or part.

²¹⁷² [REDACTED] of the CMA's phase 2 screen design competitor questionnaire states 'For (i) Figma, and (ii) other screen design providers (besides Figma), please: a) outline barriers to expand the capability of their existing tools, such as by adding new features, or develop new tools to cover additional creative design functionality; and b) assign score 1-5 on how difficult'; Third-party responses to the CMA's phase 2 screen design competitor questionnaire. Difficulty for Figma: average of 4.29: very difficult: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; difficult: [REDACTED]; moderate: [REDACTED], [REDACTED]. Difficulty for other screen design providers: average of 4.67: very difficult: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; difficult: [REDACTED], [REDACTED].

the third-party evidence indicates that is on average difficult for Figma to expand its offering to cover motion design software functionality (and it is equally as hard for other screen design providers to do so).²¹⁷³

- (c) The evidence shows that video editing is adjacent to motion design, but video editing may not be materially adjacent to product design.²¹⁷⁴ For motion design, the evidence shows that it is adjacent to product design.²¹⁷⁵ We therefore consider that Figma's incentive to develop video editing without motion design would be very low. Further, we consider that Figma Design's ability to compete against Adobe in product design in the future would not materially be strengthened by the addition of video editing or motion design functionality.
- (d) As set out in paragraphs 10.56 to 10.58 above, Adobe's plans to integrate video editing and motion design within Project Spice were comparatively distant to those in vector and raster editing, implying that Figma would face a relatively low multi-market incentive (compared to that set out in paragraphs 9.336 to 9.347) to develop video editing and motion design capabilities in the near term.
- (e) The evidence shows that the video editing market appears to be large and comparable to that of vector editing.²¹⁷⁶ However, Figma appears to have [REDACTED]. Figma's internal documents consistently reflect concerns that the market for motion designers is [REDACTED].²¹⁷⁷

Provisional conclusion on closeness of competition

10.73 The evidence above shows that Adobe did not consider Figma a material threat, and Adobe's product development wasn't materially influenced by Figma.

10.74 In particular, Adobe's internal documents do not show that Adobe perceived Figma to be a material threat in video editing and motion design, Adobe's product developments in video editing and motion design were not materially driven by Figma, and any threat Figma were to impose applies to a smaller level of revenue compared to vector and raster editing.

²¹⁷³ Third-party responses to the CMA's phase 2 screen design competitor questionnaire. Difficulty for Figma: average of 3.86: very difficult: [REDACTED], [REDACTED]; difficult: [REDACTED], [REDACTED], [REDACTED]; moderate: [REDACTED]; easy: [REDACTED]. Difficulty for other screen design providers: average of 4.33: very difficult: [REDACTED], [REDACTED]; difficult: [REDACTED], [REDACTED], [REDACTED].

²¹⁷⁴ See for example Figma Internal Documents.

²¹⁷⁵ See for example Figma Internal Document.

²¹⁷⁶ For example, Figma Internal Documents. Further, revenues associated with Premiere Pro are materially larger than those of After Effects, although smaller than those of Illustrator (as set out in Table 10.1, Table 10.2 and Table 9.1 respectively).

²¹⁷⁷ For example, Figma Internal Documents.

10.75 Evidence shows that Figma has, in the round, only a fairly weak ability and incentive to develop video editing and motion design functionality over the near to medium term.

10.76 In particular, Figma's discussions and actions are consistent primarily with Figma keeping its options open on a longer-term time horizon, rather than indicating near to mid-term intent to develop or integrate video editing and motion design functionality with its products.

Competitive constraints

10.77 In this section we consider the competitive constraints faced by Adobe in video editing and motion design software, first setting out the Parties' submissions, and then assessing internal documentary and third-party evidence.

Parties' submissions

10.78 The Parties submitted that Adobe has a wide set of competitors who 'are constantly innovating and improving their features',²¹⁷⁸ with those competitors they considered particularly relevant to video editing and motion design as follows.²¹⁷⁹

(a) For video editing: Apple, Microsoft, Avid Media Composer, Vegas Pro, Blackmagic DaVinci Resolve, and several other competitors;²¹⁸⁰ and

(b) For motion design: Apple Motion, Autodesk Maya, Blackmagic DaVinci Resolve, and several other competitors.²¹⁸¹

Our assessment

10.79 In this section we consider competitors in video editing, followed by motion design, based on internal documents and evidence from third parties.

²¹⁷⁸ [Parties' response to the phase 2 issues statement](#), 9 August 2023, paragraph C4.4.

²¹⁷⁹ Parties' response to the phase 1 Issues Letter. The Parties also raised other competitors offering a suite of products or who are not currently active in video editing and motion design but represent disruptors. These are discussed further in Appendix F.

²¹⁸⁰ Further alternatives listed by the Parties as additional competitors are ACDsee, Blender, HitFilm (Express) [Wondershare], Boris FX Media 100 Producer, Capture One, Edius Pro VideoPad Editor [Grass Valley], Filmora [Wondershare], Google Photos, Grass Valley EDIUS Pro, Inkscape, InShot, Instagram, Kinemaster, Likee, LumaFusion [Lumatouch], Microsoft Clipchamp, Microsoft Publisher, Microsoft Video Editor, Microsoft Video Editor PRO, OpenShot, Pinnacle Studio, Pixelmator, PowerDirector (Cyberlink), Procreate, Scenery, Sketch, Snapchat, Snapseed, TikTok, Vegas Pro, YouTube. Adobe's response to the CMA's s109 notice.

²¹⁸¹ Further alternatives listed by the Parties were Blender, HitFilm (Pro) [Wondershare], Houdini, Left Angle, Nuke, Toon Boom Animation. Adobe's response to s109 notice.

Video editing

10.80 In this section we consider evidence from internal documents and third parties. We note that, while Adobe's position in the market is strong, there appear to be other competitors (such as Blackmagic, Apple, and AVID) who have a material presence in the market.

Internal Document evidence

10.81 In Adobe's key decision-making documents, Blackmagic DaVinci Resolve, Apple Final Cut Pro, and AVID are identified as competitors to Premiere Pro for creative professionals. For example:

(a) A 2020 Adobe internal document on Premiere Pro AMS for FY21 outlines [REDACTED]. [REDACTED]. The same document states '[REDACTED]'.²¹⁸²

(b) A document from September 2021 on Annual Business Strategy for professional video editing in FY22 states that the '[REDACTED]'. A document from the same series dated February 2023 lists [REDACTED].²¹⁸³

10.82 Adobe's key decision-making documents also show that Apple, Blackmagic, and AVID are an increasing competitive force, and that Adobe innovates based on these threats. For example:

(a) A 2020 document on AMS for Premiere Pro in FY21 outlines a '[REDACTED]' which includes delivering [REDACTED] in the near term, and to '[REDACTED]' in the long term by developing [REDACTED].²¹⁸⁴

(b) A document dated April 2022 providing detailed competitor overview for [REDACTED] updates and states, [REDACTED].²¹⁸⁵

(c) A document from September 2021 on Annual Business Strategy for professional video outlines the focus areas needed [REDACTED] in FY22, [REDACTED]. The document also states '[REDACTED]'.²¹⁸⁶

(d) A document from October 2021 on Digital Video & Audio APS review [REDACTED].²¹⁸⁷

²¹⁸² Adobe Internal Document. A document from February 2023 on Digital Video & Audio APS for FY23 [REDACTED]; Adobe Internal Document.

²¹⁸³ Adobe Internal Documents.

²¹⁸⁴ Adobe Internal Document.

²¹⁸⁵ Adobe Internal Document.

²¹⁸⁶ Adobe Internal Document.

²¹⁸⁷ Adobe Internal Document.

10.83 Other competitors also appear in Adobe’s internal documents, although appear to exert a lower constraint. For example, an internal document from 2020 on Premiere Pro AMS for FY21 lists [REDACTED] competitors in the video editing market.²¹⁸⁸

Third-party evidence

10.84 In our customer and creative design competitor questionnaires, we asked who third parties consider to be the alternatives to Premiere Pro and the strength of each alternative.²¹⁸⁹ Customers identified Apple, Blackmagic, and AVID as alternatives to Premiere Pro.

- (a) Apple Final Cut Pro was the alternative to Premiere Pro named most frequently in our customer questionnaire. Customers naming it ranked it as a strong alternative on average.²¹⁹⁰ Several customers also stated that Apple iMovie is an alternative to Premiere Pro and ranked it an adequate alternative.²¹⁹¹ One customer explained in relation to Final Cut Pro that ‘You either love it or you don’t. Different editing workflow than most editing tools. Optimized for Prores editing workflows. Hardware accelerated on Macs. But only mac-based and limited motion graphics and compositing. Stand-alone perpetual license is quite reasonable’.²¹⁹²
- (b) Blackmagic DaVinci Resolve was the alternative identified second most frequently (tied with Apple iMovie). Customers ranked it as a strong alternative on average.²¹⁹³
- (c) Several customers stated that AVID Media Composer is an alternative to Premiere Pro. These customers ranked it as a very strong alternative on average.²¹⁹⁴ A customer said ‘Avid’s unique feature is its ability to support broadcast layout. As such, it is a strong alternative to Adobe Premiere

²¹⁸⁸ Adobe Internal Document.

²¹⁸⁹ [REDACTED] of the CMA’s phase 2 large and mid-sized customer questionnaire; If you have used Adobe Premiere Pro (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe Premiere Pro, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative.

²¹⁹⁰ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire: 8 out of 16: very strong: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; strong: [REDACTED]; adequate: [REDACTED], [REDACTED]; no ranking: [REDACTED].

²¹⁹¹ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire: 6 out of 16: very strong: [REDACTED], [REDACTED]; adequate: [REDACTED]; weak: [REDACTED], [REDACTED]; no ranking: [REDACTED].

²¹⁹² Third-party response to the CMA’s phase 2 large and mid-sized customer questionnaire.

²¹⁹³ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire: 6 out of 16: very strong: [REDACTED], [REDACTED]; strong: [REDACTED], [REDACTED], [REDACTED]; no ranking: [REDACTED].

²¹⁹⁴ Third-party responses to the CMA’s phase 2 large and mid-sized customer questionnaire: 5 out of 16: very strong: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; strong: [REDACTED].

Pro in areas where this is important (eg television). In other areas (Creative and Streaming), Avid is a very strong alternative'.²¹⁹⁵

10.85 In our creative design competitor questionnaire, we also asked respondents who they considered to be the other main competitors.²¹⁹⁶ Apple, Blackmagic, and AVID were identified as competitors to Premiere Pro.

- (a) Apple Final Cut Pro was an alternative. These respondents ranked it as very strong.²¹⁹⁷ No respondents stated that Apple iMovie is an alternative to Premiere Pro.
- (b) Two respondents stated that Blackmagic DaVinci Resolve was an alternative and both ranked it as very strong.²¹⁹⁸ One elaborated that Blackmagic DaVinci Resolve has 'Comparable features, better color correction, faster pace of development'.²¹⁹⁹
- (c) Avid Media Composer was identified as an alternative. These respondents ranked it as strong on average.²²⁰⁰ A respondent added that it expected AVID's position to remain strong at the very high end but that 'AVID's investment may slow compared to DaVinci and Adobe, who address larger segments'.²²⁰¹

10.86 Apple said that both Apple Final Cut Pro and Apple Motion are desktop only apps [REDACTED].²²⁰² Apple also said it had '[REDACTED]'.²²⁰³

10.87 Considering third-party views, no additional competitor was provided as an alternative to Premiere Pro more than once in either the customer or the

²¹⁹⁵ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²¹⁹⁶ [REDACTED] of the CMA's phase 2 creative design competitor questionnaire states 'If you told us that you compete with Adobe Premiere Pro in response to [REDACTED], please list the competitors of Adobe Premiere Pro other than yourself and, for each competitor, please indicate on a scale of 1 to 5 how strong an alternative they are to Adobe Premiere Pro (where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative). Please explain your reasoning and whether you expect the strength of each alternative to change in the future (if so, how)'.

²¹⁹⁷ Third-party responses to the CMA's phase 2 creative design competitor questionnaire: 2 out of 3, very strong: [REDACTED], [REDACTED].

²¹⁹⁸ Third-party responses to the CMA's phase 2 creative design competitor questionnaire: 2 out of 3, very strong: [REDACTED], [REDACTED].

²¹⁹⁹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁰⁰ Third-party responses to the CMA's phase 2 creative design competitor questionnaire: 2 out of 3, strong: [REDACTED]; adequate: [REDACTED].

²²⁰¹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁰² Third-party call transcript.

²²⁰³ [REDACTED] of the CMA's creative design competitor questionnaire states 'Please explain whether you have any plans that may have an impact on how you compete with Adobe and/or Figma in the future (eg product development plans in any of the Adobe and/or Figma software types listed in question 3 above). In your answer, please explain a. what steps you have already taken to progress these plans, b. What further steps you need to take to achieve these plans, c. What timeframe you are aiming for to implement these plans, d. Any obstacles/key factors that are likely to impact on your ability to achieve your plans, e. The extent to which you consider you can overcome these and how/why; and f. any other point in relation to your product development plans you would like to bring to our attention'; Third-party response to the CMA's phase 2 creative design competitor questionnaire.

competitor questionnaire responses. Figma was not mentioned as an alternative to Premiere Pro in either case.

Provisional conclusions on competitive constraints in video editing

10.88 Based on the evidence set out above, we provisionally conclude that Adobe faces strong competitive constraints from Apple, Blackmagic, and AVID. We also consider that the threat from these competitors influences product development and innovation by Adobe for its Premiere Pro product. Based on the above, we also consider that other competitors do not represent such significant competitive constraints on Adobe in relation to video editing for professionals.

Motion design

10.89 In this section we consider evidence from internal documents and third parties in relation to motion design. We note that, while Adobe's position in the market is strong, there appear to be other competitors (such as Autodesk, Apple, and Nuke) who have a material presence in the market. Blender, as a non-paid tool, is not included in the market shares, but we consider its strength as a competitive constraint below.

Internal document evidence

10.90 Adobe's internal documents, including some key decision-making documents, indicate that Apple and Blender are main competitors to After Effects.

10.91 Apple is active in the motion design market through Apple Motion, which is tightly integrated with Apple Final Cut Pro.²²⁰⁴ Apple Motion is a desktop motion graphics tool²²⁰⁵ that allows for creation of 2D and 3D transitions and effects.²²⁰⁶

10.92 Blender is a free, open-source 3D creative software that supports a variety of use cases such as animation, motion tracking, and video editing. The company employs 24 people who work on the software.²²⁰⁷ Adobe's key decision-making documents showed the following.

(a) A document from June 2022 summarising [REDACTED] states that [REDACTED] is the most common non-Adobe tool used in 3D editing, with [REDACTED] reporting usage.

²²⁰⁴ Adobe Internal Document.

²²⁰⁵ Third-party call transcript.

²²⁰⁶ 'Apple - Final Cut Pro - Motion', accessed by the CMA on 23 November 2023.

²²⁰⁷ 'Blender - About', accessed by the CMA on 23 November 2023.

[X] is also the only software used by [X] game design, graphic design, and advertising.²²⁰⁸

- (b) A key decision-making document from September 2021 on After Effects AMS for 2021 states that [X] is a [X] competitor for motion designers and that it is '[X]'.²²⁰⁹
- (c) The same document from September 2021 states that the competitive landscape for motion design is [X] and that [X] poses the greatest threat [X]. Motion designers are [X], which is described as a '[X]'. The document states that [X].²²¹⁰ Another document from September 2021 on motion APS for FY22 also notes that motion designers needing 3D are [X].²²¹¹ The same document describes [X] as a competitor for [X] but describes this as a '[X]'. The document later states that [X].²²¹²
- (d) The same internal document from September 2021 listed a range of competitors providing motion design functionality for UX Designers, which included [X].²²¹³ Likewise, the document showed competitors for graphic designers seeking motion [X].²²¹⁴ Further competitors for other segments were listed.
- (e) An internal document from September 2019 assessing the opportunity in motion design states that [X] competes in graphic animation, compositing, and asset blending.²²¹⁵

10.93 Adobe's key decision-making documents also show evidence that Blender is an increasing competitive force, and that Adobe innovates based on the threat from Blender. For example, the September 2021 key decision-making document on After Effects AMS for 2021 outlines Blender's strengths and weaknesses and suggests that to compete with Blender [X].²²¹⁶

Third-party evidence

10.94 In our customer and creative design competitor questionnaires, we asked who third parties consider to be the alternatives to After Effects and the strength of

²²⁰⁸ Adobe Internal Document.

²²⁰⁹ Adobe Internal Document.

²²¹⁰ Adobe Internal Document.

²²¹¹ Adobe Internal Document.

²²¹² Adobe Internal Document.

²²¹³ Adobe Internal Document.

²²¹⁴ Adobe Internal Document.

²²¹⁵ Adobe Internal Document.

²²¹⁶ Adobe Internal Document.

each alternative.²²¹⁷ Customers identified Apple and Blender as alternatives to After Effects. Other competitors identified more than twice in the customer questionnaires include Maxon Cinema 4D, Blackmagic Fusion, and Nuke.

- (a) Blender was the alternative to After Effects named most frequently in our customer questionnaire. However, customers who named it ranked it as a weak alternative on average.²²¹⁸ One customer said that Blender has 'exploded over past 5 years in capabilities'.²²¹⁹ However another customer said that 'certain elements are stronger in this product than in Adobe After Effects but it is more difficult to learn'.²²²⁰
- (b) Three customers stated that Apple Motion is an alternative to After Effects. It was ranked an adequate alternative by all these respondents.²²²¹ A customer also stated that Apple Logic Pro²²²² is an alternative to After Effects and ranked it as a very strong alternative.²²²³ A customer said that Apple Motion is not as comprehensive as After Effects which is the 'industry standard'.²²²⁴
- (c) Maxon Cinema 4D was identified by four customers and ranked an adequate alternative overall.²²²⁵
- (d) Blackmagic Fusion was identified by three customers and ranked a strong alternative overall.²²²⁶
- (e) Nuke was identified by three customers and ranked an adequate alternative overall.²²²⁷

²²¹⁷ [REDACTED] of the CMA's phase 2 large and mid-sized customer questionnaire; If you have used Adobe After Effects (as per your answer to question 2a above), please complete the table below by rating any alternatives to using Adobe After Effects, where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative. Please explain your reasoning and, if applicable, whether you consider using combinations of different software as an alternative.

²²¹⁸ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: 6 out of 13: adequate: [REDACTED], [REDACTED]; weak: [REDACTED], [REDACTED]; very weak: [REDACTED]; no ranking: [REDACTED].

²²¹⁹ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²²²⁰ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²²²¹ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: 3 out of 13: adequate: [REDACTED], [REDACTED], [REDACTED].

²²²² Apple Logic Pro is a digital audio editor on Apple Mac and iPad. 'Apple - Logic Pro', accessed by the CMA on 13 November 2023.

²²²³ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire: 1 out of 13: very strong: [REDACTED].

²²²⁴ Third-party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²²²⁵ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: 4 out of 13: strong: [REDACTED]; weak: [REDACTED], [REDACTED]; no ranking: [REDACTED].

²²²⁶ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: 3 out of 13: strong: [REDACTED], [REDACTED], [REDACTED].

²²²⁷ Third-party responses to the CMA's phase 2 large and mid-sized customer questionnaire: 3 out of 13: adequate: [REDACTED], [REDACTED], [REDACTED].

10.95 In our creative design competitor questionnaire, we also asked respondents who they considered to be the other main competitors to After Effects.²²²⁸ Apple, Blackmagic, and Google were identified as competitors to After Effects.

(a) One respondent to the competitor questionnaire stated that Apple Motion was an alternative and ranked it as strong.²²²⁹

(b) Blackmagic DaVinci Resolve was mentioned by one respondent and ranked strong.²²³⁰

(c) Google Web Designer was mentioned by one respondent and ranked very weak.²²³¹

(d) No respondents to our competitor questionnaire said that Blender was an alternative to After Effects.

10.96 Apple stated that Apple Motion is a desktop only app [REDACTED].²²³² As set out in paragraph 10.86 above, Apple said that it has '[REDACTED]'.²²³³

10.97 Figma was not identified as an alternative to After Effects by either customers or respondents to our creative design competitor questionnaire.

Provisional conclusion on competitive constraints in motion design

10.98 Based on the evidence set out above, we provisionally conclude that Adobe faces a moderate competitive constraint from Apple (through Apple Motion), and Blender. We provisionally conclude that the additional competitors in motion design outlined above also pose, collectively, at least a moderate constraint on Adobe's product development in motion design for professional users. These competitors also impose at least a moderate constraint in relation to product design use cases.

Entry and expansion

10.99 The video editing and motion design software markets are similarly dynamic markets, involving continuous product development and innovation. In both

²²²⁸ [REDACTED] of the CMA's phase 2 creative design competitor questionnaire states 'If you told us that you compete with Adobe After Effects in response to [REDACTED], please list the competitors of Adobe After Effects other than yourself and, for each competitor, please indicate on a scale of 1 to 5 how strong an alternative they are to Adobe After Effects (where 1 is a very weak alternative, 2 is a weak alternative, 3 is an adequate alternative, 4 is a strong alternative, and 5 is a very strong alternative). Please explain your reasoning and whether you expect the strength of each alternative to change in the future (if so, how)'.

²²²⁹ Third-party response to the CMA's phase 2 creative design competitor questionnaire, 1 out of 2: strong: [REDACTED].

²²³⁰ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²³¹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²³² Third-party call transcript.

²²³³ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

these markets Adobe has a leading position with Premiere Pro for video editing and After Effects in motion design. In these markets there are other moderate to strong competitors (such as Apple and Blackmagic for video editing, and Apple and Blender for motion design).

- 10.100 Our provisional conclusion is that the Merger is not likely to give rise to competition concerns in these markets. The evidence shows that Adobe did not consider Figma a material threat and that Adobe's product development in video editing and motion design software was not materially influenced by Figma. We also consider that Figma has, in the round, only a fairly weak ability and incentive to develop video editing and motion design functionalities over the near- to medium-term. Finally, there would remain moderate to strong competitors, post-Merger.
- 10.101 For the reasons set out in this chapter, our provisional conclusion is that the Merger may not be expected to result in an SLC in:
- (a) the global market for video editing software; or
 - (b) the global market for motion design software.

11. Countervailing factors

- 11.1 In this chapter, we consider whether there are countervailing factors which may prevent the SLCs we have found from arising. We note that the Parties have not put forward a reasoned case that the Merger would give rise to countervailing efficiencies, and we have not considered them further.
- 11.2 This chapter therefore assesses the potential for entry and/or expansion to mitigate the loss of competitive constraint resulting from the Merger.

Entry and expansion

Framework of assessment

- 11.3 If effective entry and/or expansion occurs as a result of the merger and any consequent adverse effect (for example, a price rise), the effect of the merger on competition may be mitigated. In these situations, the CMA might conclude that no SLC arises as a result of the merger.²²³⁴
- 11.4 The CMA considers that entry and/or expansion preventing an SLC from arising would be rare.²²³⁵
- 11.5 The CMA will use the following framework to determine whether entry or expansion would prevent an SLC. The entry or expansion must be:
- (a) 'timely;
 - (b) likely; and
 - (c) sufficient to prevent the SLC'.²²³⁶
- 11.6 These conditions are cumulative and must be satisfied simultaneously.²²³⁷

Timely

- 11.7 What is considered to be timely in order to prevent or mitigate the adverse effects of a merger will depend on the industry and the characteristics and dynamics of the market, and the timeframe over which the CMA expects an SLC to result from a merger. The CMA guidance provides that 'typically, entry or expansion being effective within two years of an SLC arising would be

²²³⁴ CMA129, paragraph 8.28.

²²³⁵ CMA129, paragraph 8.29.

²²³⁶ CMA129, paragraph 8.31.

²²³⁷ CMA129, paragraph 8.32.

considered by the CMA to be timely although, depending on the nature of the market, the CMA may consider a period of time shorter or longer than this'.²²³⁸

Likely

- 11.8 The CMA must be satisfied that potential rivals or existing rivals have both the 'ability and incentive' to enter and/or expand. The CMA will consider the scale of any barriers to entry and/or expansion.²²³⁹

Sufficient

- 11.9 Entry or expansion should be of sufficient scope and effectiveness to prevent an SLC from arising as a result of the merger.²²⁴⁰ Small-scale entry that is not comparable to the constraint eliminated by the merger is unlikely to prevent an SLC. In a differentiated market, entry into a market niche may be possible, but to the extent the niche product may not necessarily compete strongly with other products in the overall market, it may not constrain incumbents effectively.²²⁴¹
- 11.10 In this chapter, we look at potential barriers to both entry and expansion and evidence in relation to recent entry and expansion. We consider the possibility of countervailing entry from third parties as a result of the Merger. Our assessment of Figma's entry and expansion in vector editing software and raster editing software is covered in Chapter 9.

Parties' views

Product design

- 11.11 The Parties submitted there has been a long list of examples of entry and expansion over the past ten years which shows that success in the product design space is due to the ability to offer innovative solutions which strip away inefficient complexity and meet customer demand.²²⁴²
- 11.12 As set out paragraph 8.214, Figma submitted that the key requirements for entry into product design are research and development (**R&D**) costs and technical expertise. Figma noted that cost of entry is dependent on the nature of the product being introduced into the market (ie a product with fewer features would cost considerably less to develop than a fully-fledged product).

²²³⁸ CMA129, paragraph 8.33.

²²³⁹ CMA129, paragraph 8.35.

²²⁴⁰ CMA129, paragraph 8.37.

²²⁴¹ CMA129, paragraph 8.39.

²²⁴² Parties' response to TOH1 working paper.

Figma also submitted that scale of entry in terms of markets targeted, and customer acquisition channels adopted would have an impact on entry costs.²²⁴³

- 11.13 Further, the Parties noted that the ability for new entrants not only to enter the market but also quickly to gain traction dispels the notion that barriers prevent effective market entry. The Parties cited examples of Penpot and Uizard (both all-in-one tools) only launched in 2021 and have since grown rapidly.²²⁴⁴
- 11.14 In relation to barriers to entry, the Parties have argued that barriers to entry are not high for new entrants that have the right infrastructure and strategy in place, noting that the barriers are further reduced by innovative technologies that facilitate multi-player collaboration capabilities.²²⁴⁵ Figma submitted that barriers to entry can be low, for new entrants that are already experienced in building web-based collaborative products.²²⁴⁶
- 11.15 In terms of technical knowledge for entry, Figma submitted that developing Figma Design and FigJam required not only general IT engineering skills such as security engineering and systems engineering but also advanced engineering skills relating to web browsers internal systems, amongst others.²²⁴⁷
- 11.16 Figma also noted that its executive team's knowledge and experience of the interactive product design industry significantly helped with developing a product that addressed the needs of its targeted users.²²⁴⁸
- 11.17 As set out in paragraph 8.216, Adobe submitted that the key barriers to entry into product design software are (i) technical capabilities, (ii) access to engineering talent, (iii) product development costs, and (iv) the time needed to develop a product in an innovative and dynamic market.²²⁴⁹ Adobe submitted that these barriers have not deterred new entry or expansion into product design, noting new entrants such as Framer, Uizard, PenPot, Protopie, among others.²²⁵⁰
- 11.18 Adobe also noted that the possibility of an entrant addressing specific aspects of the all-in-one solution (ie just wireframing or prototyping, etc), given the possibility that users adopt a mix-and match approach ie use different product

²²⁴³ Figma response to the CMA's s109 notice.

²²⁴⁴ Parties' response to TOH1 working paper.

²²⁴⁵ Parties' response to TOH1 working paper.

²²⁴⁶ Figma response to the CMA's s109 notice.


²²⁴⁷ Figma response to the CMA's s109 notice.

²²⁴⁸ Figma response to the CMA's s109 notice.

²²⁴⁹ Figma response to the CMA's s109 notice.

²²⁵⁰ Figma response to the CMA's s109 notice.

design software for the parts of the design process. Adobe also cited the shift towards design-to-production tools ie the entrance of tools that enabled the user to go straight from design to creating the final product.²²⁵¹

11.19 Adobe also submitted that due to the market's movement towards multi-player collaborative product design and other innovations ([]), any new entrant would need to have a suitable underlying technology platform and capability to provide the requisite functionalities in order to enter and be competitive.²²⁵²

11.20 With regards to expansion into product design software, Figma submitted that barriers to expansion into product design are low, as it is cheaper than entry and extra costs would only relate to the costs of additional features or geographical expansion.²²⁵³ Adobe noted that the barriers are similar to those in paragraph 10.18, however to a lesser extent due to the incumbent leveraging off existing infrastructure.

11.21 The Parties have argued that barriers to entry and expansion noted above are not high given (i) the positive funding environment, (ii) the commercial opportunities in the product design space, (iii) Figma's continued innovation efforts in response to those of competitors, (iv) the prevalence of multi-homing, (v) Artificial Intelligence (**AI**) and (vi) the shift towards design-to-production.²²⁵⁴

Vector and raster editing

11.22 As set out in paragraph 9.289, Adobe identified (i) technical capabilities, (ii) product development costs (iii) access to engineers and (iv) the time necessary to develop a new product as key barriers to developing a creative design product (such as vector and raster editing software).²²⁵⁵

11.23 Further, in relation to barriers to expansion, Adobe submitted that these are similar to, but lower than, barriers to entry, as an existing supplier could leverage off existing code or technical infrastructure.²²⁵⁶

11.24 Adobe estimates that the costs of expansion (from rudimentary creative design software to a competitive offering) would be similar to the costs of

²²⁵¹ Adobe response to the CMA's s109 notice.

²²⁵² Adobe response to the CMA's s109 notice.

²²⁵³ Figma response to the CMA's s109 notice.

²²⁵⁴ Parties' response to TOH1 working paper.

²²⁵⁵ Adobe response to s109 notice.

²²⁵⁶ Adobe response to s109 notice.

building a standalone creative design tool with sophisticated creative design functionalities.²²⁵⁷

11.25 In terms of new entrants, Adobe identified Affinity, Capcut, and DALL-E as key new entrants within the last 10 years.²²⁵⁸

11.26 The Parties submitted that prosumer tools, mobile products and AI are disruptive trends in the industry.²²⁵⁹ The Parties also submitted that AI is a key disruptive trend in the industry, with this being demonstrated by an increasing number of competitors investing in AI or Machine learning driven asset creations, with both existing players (such as Canva, Corel and Picsart) and AI specialist new entrants (such as DALL-E, Midjourney and Stable Diffusion) competing and driving innovation to leverage AI for asset creation functionalities.²²⁶⁰

11.27 The Parties submitted that many of these new AI-assisted capabilities [✂] of existing vector and raster editing.²²⁶¹

11.28 The Parties submitted that a number of competitors in the creative design space have already capitalised on the development of sophisticated AI capabilities in order to launch new and improved creative tools that better serve users' needs. These players are leveraging AI to rapidly increase their presence in this space.²²⁶²

11.29 Adobe submitted that in response to this, it has been investing in and strategically prioritising AI-based innovation [✂], for example, Adobe has:²²⁶³

- (a) included AI-driven functionalities in Illustrator and Photoshop, and across its other products eg Content-Aware Fill and Generative Fill in Photoshop as well as Generative Recolor in Illustrator; and
- (b) also recently deployed a family of creative generative AI models, known as Firefly specifically created for content generation and editing.

²²⁵⁷ Adobe response to s109 notice.

²²⁵⁸ Adobe response to s109 notice.

²²⁵⁹ Parties' response to TOH2 working paper.

²²⁶⁰ Parties' response to TOH2 working paper.

²²⁶¹ Parties' response to TOH2 working paper.

²²⁶² Parties' response to TOH2 working paper.

²²⁶³ Parties' response to TOH2 working paper.

Third-party views

Product design

- 11.30 In terms of anticipated entry, most respondents to our competitor questionnaire were of the view that it would be difficult to enter product design due to the time, capital investment and technical expertise needed.²²⁶⁴
- 11.31 We consider that switching costs may also deter entry, as the majority of respondents to our customer questionnaire²²⁶⁵ considered the barriers to switching to be medium or high, with the most commonly listed reasons being the need to retrain/upskill workers²²⁶⁶ and the need to migrate projects.²²⁶⁷ One respondent to our competitor questionnaire cited the high switching costs for large enterprises who were already accustomed to using incumbents' products.²²⁶⁸
- 11.32 In relation to barriers to entry, all respondents to the competitor questionnaire also thought that barriers to entry in all-in-one product design software were high or very high.²²⁶⁹ Most thought that the barriers were slightly lower for existing providers of related tools (ie point tools, no-code/low-code tools, or prosumer tools), but on average, barriers for these providers was still considered as high.²²⁷⁰
- 11.33 These respondents said barriers to entry and expansion were high or very high due to the significant technical expertise and development time required, the substantial financial investment needed.²²⁷¹ We set out further detail in relation to third-party evidence on anticipated entry as well as barriers to entry and expansion in Chapter 8.

²²⁶⁴ Third party responses to the CMA's phase 2 screen design competitor questionnaire. [6 out of 10 who provided barriers in their answer: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²²⁶⁵ In this chapter, the customer questionnaire refers to the large and mid-sized customer questionnaire.

²²⁶⁶ Third party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [20 out of 29 considered barriers to be medium or high: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²²⁶⁷ Third party responses to the CMA's phase 2 large and mid-sized customer questionnaire. [10 out of 29: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²²⁶⁸ Third party response to the CMA's phase 2 screen design competitor questionnaire.

²²⁶⁹ Third party responses to the CMA's phase 2 screen design competitor questionnaire, question 19. [11 out of 11 respondents who assigned a score for barriers to entry from scratch: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. The average score for barriers to entry for firms from scratch was 4.91.

²²⁷⁰ Third party responses to the CMA's phase 2 screen design competitor questionnaire. [7 out of 11 respondents thought barriers were lower for existing providers of related tools: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]]. The average score for barriers to entry was 3.91 for point tool providers, 3.82 for no-code/low-code web building tools providers, and 4.10 for prosumer tool providers.

²²⁷¹ Third party responses to the CMA's phase 2 screen design competitor questionnaire. [Time: [REDACTED], [REDACTED], [REDACTED]; capital investment: [REDACTED], [REDACTED], [REDACTED], [REDACTED]; technical expertise: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

Vector editing

- 11.34 We set out third-party evidence on anticipated entry and expansion into vector editing software in Chapter 9 and Appendix F.
- 11.35 In relation to barriers to entry and expansion, we asked respondents to our competitor questionnaire to describe and rate the strength of barriers to entry and expansion in vector editing on a scale ranging from very low to very high, both from scratch and from an adjacent creative design area.²²⁷² Most said barriers in vector editing are high or very high, and that barriers were similar even with an adjacent product.²²⁷³
- 11.36 These respondents said barriers to entry and expansion were high or very high due to the significant technical expertise and development time required, the substantial financial investment needed as well as the potential switching costs for current users particularly enterprise users.²²⁷⁴ Only one respondent said barriers are very low, and none said they are low.²²⁷⁵
- 11.37 We also note the following individual responses to our competitor questionnaire:
- (a) One respondent said the two most significant barriers were the large feature set required and specialised technical knowledge needed. The respondent said there was a difficulty in achieving market visibility given the 'dominant' position of Adobe in the creative design market.²²⁷⁶
 - (b) Another respondent identified barriers in substantial financial investment and development time needed to create creative design software.²²⁷⁷
 - (c) Another respondent re-iterated the significant development time needed to create creative design software due to the complexity of rendering vector illustrations and the number of tools and use cases needed. The respondent estimated that it would take a small team three to five years to develop a competitive product.²²⁷⁸

²²⁷² Question 16 of the CMA's phase 2 creative design competitor questionnaire states 'Please describe the barriers to enter into each software type listed in the table below (providing an indication of the cost and timescale to enter) and assign a score from 1 to 5 based on how difficult it is to enter (i) from scratch and (ii) from adjacent creative design area (eg from vector into raster editing), where 1 = very low barriers, 2 = low, 3 = moderate, 4 = high, and 5 = very high'.

²²⁷³ Third-party responses to the CMA's phase 2 creative design competitor questionnaire. [4 out of 5: [X], [X], [X], [X]].

²²⁷⁴ Third party responses to the CMA's phase 2 creative design competitor questionnaire. [Technical expertise: [X], [X], [X], [X]; time: [X], [X], [X]; financial investment: [X], [X]; switching costs: [X], [X]].

²²⁷⁵ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁷⁶ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁷⁷ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁷⁸ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

- (d) One respondent noted that another barrier is the high end-user switching costs involved, as it would be expensive, time consuming, and require a cultural shift for an enterprise customer with a large user base to switch products.²²⁷⁹

Raster editing

11.38 We set out third-party evidence on anticipated entry and expansion into raster editing software in Chapter 9 and Appendix F.

11.39 In relation to barriers to entry and expansion, we asked respondents to our competitor questionnaire to describe and rate the strength of barriers to entry and expansion in raster editing on a scale ranging from very low to very high both from scratch and from an adjacent area of creative design.²²⁸⁰ Most said barriers in raster editing are high or very high from scratch, however the barriers were low to very high with an adjacent product.²²⁸¹

11.40 The respondents that submitted that barriers were high or very high identified the technical knowledge required, the development time needed, the vast number of tools and use cases required, as well as the high switching costs for existing enterprise users.²²⁸²

Our assessment

Product design

11.41 As set out in paragraphs 8.356 to 8.369, we consider that there are significant barriers to entry and expansion in the market for all-in-one product design software for professional uses. These barriers relate to significant development costs, technical expertise, the strength of the incumbents, access to engineering talent, and the time required to develop a viable product in an innovative and dynamic market. We also consider switching costs to be significant. While these barriers are not insurmountable, we

²²⁷⁹ Third-party response to the CMA's phase 2 creative design competitor questionnaire.

²²⁸⁰ Question 16 of the CMA's phase 2 creative design competitor questionnaire states 'Please describe the barriers to enter into each software type listed in the table below (providing an indication of the cost and timescale to enter) and assign a score from 1 to 5 based on how difficult it is to enter (i) from scratch and (ii) from adjacent creative design area (eg from vector into raster editing), where 1 = very low barriers, 2 = low, 3 = moderate, 4 = high, and 5 = very high'.

²²⁸¹ Third party responses to the CMA's phase 2 creative design competitor questionnaire. [Out of 8 total respondents on barriers to enter raster editing from scratch: [X], [X], [X], [X], [X], [X], [X], [X]; and 6 total respondents on barriers to enter from adjacent creative design: [X], [X], [X], [X], [X], [X]]. The average score for barriers to entry for firms from scratch was 4.00, while the average score for firms to enter from adjacent creative design was 3.67.

²²⁸² Third party responses to the CMA's phase 2 creative design competitor questionnaire. [Technical knowledge: [X], [X], [X], [X], [X]; time: [X], [X], [X], [X]; number of tools and use cases: [X], [X], [X]; switching costs: [X], [X]].

consider that they present a substantial challenge to any company wishing to enter or expand at significant scale and speed to countervail the loss of competition arising from the Merger.

- 11.42 Although the Parties considered barriers to entry to be low, respondents to the competitor and customer questionnaires generally thought that barriers were high.
- 11.43 Furthermore, although barriers to entry for point tools may be lower than for all-in one solutions, we have found that point tools provide only a weak constraint on the Parties all-in-one tools (see paragraph 8.318). Point tool competitors also considered the barriers to be very high for new entrants and high for existing point tool providers.²²⁸³
- 11.44 In relation to AI, the majority of respondents to the customer questionnaire considered that AI will have an impact, particularly in automating and speeding up simple or repetitive tasks, with some of these respondents noting that there are products already incorporating AI.²²⁸⁴ One respondent expected AI to reduce barriers to entry and increase competition.²²⁸⁵
- 11.45 Respondents to the competitor questionnaire acknowledged the potential impact of AI on product design software, however, there was no consensus view regarding whether it would raise or lower barriers to entry.²²⁸⁶
- 11.46 We also consider that we have not seen any evidence of new entry or expansion in product design on a large scale which implies that barriers to entry and expansion are high. Furthermore, we have not received any evidence from the Parties or through our enquiries, of any likely large-scale entry or expansion that would enter the product design market in a timely manner in response to the Merger.
- 11.47 We therefore do not consider that entry or expansion by a third party would be timely, likely, and sufficient to prevent the SLC that we have found in all-in-one product design.

²²⁸³ Third party responses to the CMA's phase 2 screen design competitor questionnaire. [5 out of 6 total respondents who were point tool providers: [X], [X], [X], [X], [X]]. The average score for barriers to entry for firms from scratch was 5.00, while this was 3.60 for point tool providers, 3.25 for no-code/low-code web building tools providers, and 4.25 for prosumer tool providers.

²²⁸⁴ Third party response to the CMA's phase 2 large and mid-sized customer questionnaire. [[X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X], [X]].

²²⁸⁵ Third party response to the CMA's phase 2 large and mid-sized customer questionnaire.

²²⁸⁶ Third party responses to the CMA's phase 2 screen design competitor questionnaire. [9 out of 11 acknowledged a potential impact: [X], [X], [X], [X], [X], [X], [X], [X], [X]].

Vector editing software

- 11.48 As set out in paragraph 9.468, and as with our assessment of product design, we consider that barriers to entry and expansion into vector editing include significant technical expertise, access to engineers, the financial investment required, switching costs for enterprise users as well as the time needed to develop a product in an innovative and dynamic market. We consider that these barriers are high and difficult to surmount, and they present a substantial challenge to any company wishing to enter or expand at sufficient scale and speed.
- 11.49 We consider third-party evidence on entry and expansion in Chapter 9 in the context of dynamic competitive constraints on Adobe's vector editing software. We consider that the evidence shows that entry and expansion at sufficient scale to prevent the provisional SLC we have found is unlikely to occur for vector editing software for professionals.
- 11.50 We note the Parties' submissions relating to the disruptive trends coming from prosumer tools, mobile products and AI. We consider that although AI could represent a significant long-term threat to Adobe, and we note that several customers stated that AI is the most significant long-term competitive threat to Adobe in creative design software more broadly.²²⁸⁷ We consider that AI has the potential to affect all participants in the industry and there is material uncertainty in the future of AI, as expressed by some of the respondents to the competitor questionnaire we contacted.²²⁸⁸
- 11.51 As discussed in Appendix F, the threat of entry is low, further, we have seen no evidence that this would lower barriers to entry or expansion or occur in response to the Merger.
- 11.52 In summary, we have not received any evidence from the Parties or through our enquiries, of any likely large-scale entry or expansion that would enter the creative design market in a timely manner in response to the Merger. Although some respondents to the competitor questionnaire have mentioned the likelihood of potential entry and expansion, we consider that there is no evidence that such entry or expansion by a third party would happen at sufficient scale, in a timely manner, and that it would occur in response to the Merger.

²²⁸⁷ Question 30 of the CMA's phase 2 customer questionnaire states 'Absent the Merger, what do you consider to be Adobe and Figma's most significant and long-term competitive threats to their respective market position in creative design and screen design software? Please explain your reasoning.' Third-party responses to the CMA's phase 2 customer questionnaire. [[REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

²²⁸⁸ Third party responses to the CMA's phase 2 creative design competitor questionnaire. [10 out of 13: [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED]].

Raster editing software

- 11.53 As set out in paragraph 9.561, and as with our assessment of vector editing software above, we consider that barriers to entry and expansion into raster editing include significant technical expertise, access to engineers, the financial investment required, the number of use case required, switching costs for enterprise users as well as the time needed to develop a product in an innovative and dynamic market.
- 11.54 We consider that these barriers are high and difficult to surmount, and they present a substantial challenge to any company wishing to enter or expand at sufficient scale and speed.
- 11.55 We consider third-party evidence and expansion in Chapter 9 in the context of dynamic competitive constraints on Adobe's raster editing software. We consider that the evidence shows that entry and expansion of sufficient scale by a third party is unlikely to occur for raster editing software for professionals.
- 11.56 In terms of recent entry and expansion, the evidence shows that none of these entrants identified by the Parties have entered and expanded at sufficient scale to offset the effects of the Merger.²²⁸⁹
- 11.57 In relation to disruptive trends from AI, prosumer tools and mobile products, we have seen no evidence that this will lower barriers to entry and expansion. On this basis, we currently consider that barriers to entry and expansion are high overall. They depend on factors which vary across firms such as the ability to deploy technical know-how and the ability to invest time and money.
- 11.58 In summary, we consider that any entry or expansion by a third party is not likely to happen at sufficient scale, in a timely manner, or in response to the Merger to prevent the provisional SLC we have found in raster editing software.

Video editing and motion design software

- 11.59 As set out in paragraphs 10.99 to 10.101, we have not identified an SLC in each of the supply of video editing and motion design software. We have therefore not considered entry and expansion as countervailing factors in these markets.

²²⁸⁹ Adobe response to the CMA's s109 notice.

Provisional conclusion

- 11.60 We consider that there are significant barriers to entry and expansion in all-in-one product design software for professional users, vector editing software, and raster editing software. These barriers generally are the cost of technical infrastructure, the cost of acquiring engineering talent, time to market, and switching costs of customers.
- 11.61 We consider that although there has been some entry by smaller companies, these have so far failed to gain any significant market share. The combination of high barriers to entry and lack of evidence of entry at the necessary scale leads us to consider that entry and expansion as a result of the Merger is unlikely to occur within a reasonable timescale or would be sufficient to counteract the effects of the Merger.
- 11.62 We therefore provisionally conclude that neither entry nor expansion would be timely, likely and sufficient to mitigate any potential adverse effects of the Merger and prevent the SLCs we have provisionally found from arising.

12. Provisional conclusions

- 12.1 We have provisionally concluded that the anticipated acquisition of Adobe by Figma constitutes arrangements in progress or in contemplation which, if carried into effect, will result in the creation of an RMS.
- 12.2 We have provisionally concluded that the Merger may be expected to result in an SLC in the global market for all-in-one product design software for professional users.
- 12.3 We have also provisionally concluded that the Merger may be expected to result in an SLC from the loss of competition in each of:
 - (a) the global market for vector editing software; and
 - (b) the global market for raster editing software.
- 12.4 Finally, we have provisionally concluded that the Merger may not be expected to result in an SLC in:
 - (a) the global market for video editing software; or
 - (b) the global market for motion design software.