

Keeping Up With the Competitors: Using Competitive Intelligence to Connect With Your Target Audience



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Introduction

Why Read This Guide

The global marketplace is in the midst of a critical moment of digital transformation sped up by the pandemic. Now more than ever, having a competitive advantage requires a thorough analysis of competitors and the market's health. Customers want a product that is easy to use and solves their pain points.

As digital transformation changes how organizations interact with customers, it's easy for product organizations to get caught in the rat race of developing a new feature to outpace their competitors, which may lead to a feature war where there are no winners.

"We achieve more when we chase the dream instead of the competition." -Simon Sinek

Product leaders who agree with this sentiment know that an effective product strategy aligns with their overall product vision. They recognize that straying away from that vision moves them further from their company's growth goals and puts them at risk of becoming a feature factory focused on simply keeping up with their competitors rather than an innovative organization consistently delivering value to their customers. Let's be clear. Having a product vision doesn't necessarily mean abandoning all attention on competitors. Instead, when done right, developing a competitive intelligence strategy allows your team to effectively navigate the market and better understand how to capture a more significant subset of customers.

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After reading this guide, you will have the foundational information you need to implement an effective competitive intelligence strategy.

Intelligence is not one-size-fits-all.

There are several different types of intelligence that provide organizations with the information they need to make smarter decisions. Understanding the differences between competitive, business, and market intelligence is key to effectively using them in your planning and strategy.

Business intelligence

Business intelligence focuses on the internal business processes to evaluate whether an organization is meeting its goals. The process requires the organization to analyze its business metrics, sales, retention rate, costs, and churn rate. These metrics allow executives to focus on areas of improvement. Moreover, executives can implement and use this data to inform decisions on the organization's direction. Unlike competitive intelligence, business intelligence focuses solely on the internal workings of the business.

Market intelligence

Market intelligence is a comprehensive view of an industry and its key players. For example, organizations that build physical products may want to analyze the vendors that can provide them with the raw materials to build their products. This information can provide alternatives if they face unexpected economic situations or supply-chain issues.

There is a time and a place for each type of intelligence when evaluating business health. However, we're going to continue our focus on competitive intelligence. Keep reading to learn the difference between the two major types of competitors.

Competitive Intelligence

Competitive intelligence focuses on data-driven insights into the competitive landscape of your target market. This insight provides product leaders with an understanding of where their competitors and the market are heading.

Believe it or not, you already have competitive intelligence resources, tools, and websites at your disposal. Some examples include:

Press releases: organizations use press releases to announce new rounds of funding, new products, or partnerships. The information can provide keen insight into your competitor's trajectory within the industry.

Ad campaigns: give you clear insight into your competitor's positioning. Campaigns will also provide insight into any new features your competitor is trying to push into the market with their messaging.

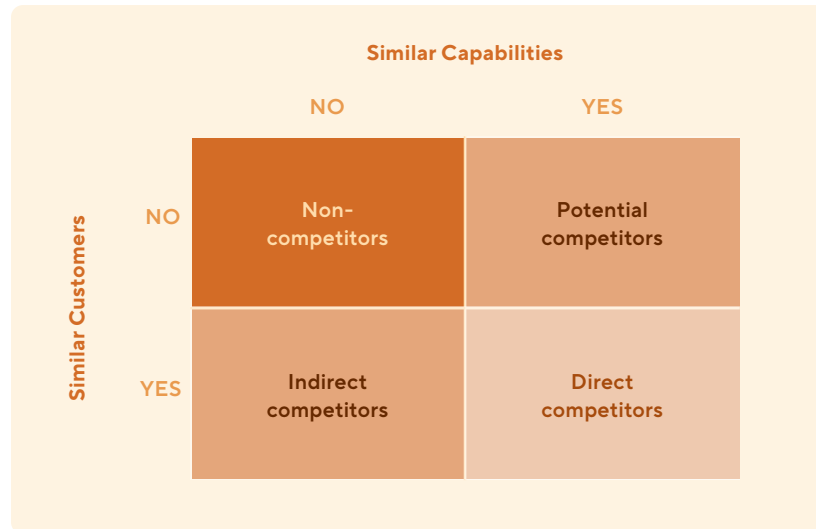
Ebook/White papers: serve as an in-depth guide backed by research and data. These resources are meant to educate an audience on a particular topic and, at times, provide a solution.

Google Analytics: is a powerful tool that allows you to keep track of your competitors. The tool allows you to analyze not only competitors' traffic analytics, but also provides you with insight into their SEO rankings.

Review Websites (G2, Capterra): provides you insight into your customer product reviews. You can use these websites also to view your competitor's reviews.

Direct competitors vs. indirect competitors

Keeping up with the competition at times is arduous. Yet, this important task allows product teams to differentiate their product within the market and identify and keep competitors in their purview. Product managers and teams may fail to identify emerging competitors or other products that provide similar solutions without implementing a competitive intelligence strategy.



Direct competitor

A direct competitor is an organization whose product or service mirrors your organization's. Not only do they provide a similar product or service, but they are directly competing with you for customers. Moreover, a direct competitor tends to have similar buyer personas and competitive pricing options. PepsiCo and The Coca-Cola Company are examples of direct competitors.

Indirect competitor

An indirect competitor is an organization whose product or service provides solutions to customers within the same market. However, the significant difference comes from the product or service itself. Though it may provide similar solutions for the target market, the product or service is distinctly different. Using the example above, Dr. Pepper Snapple Group, in this case, would be an indirect competitor to PepsiCo and The Coca-Cola Company because the company provides a soda option, Dr. Pepper, outside of a traditional cola option.

Know Thy Competitor

Implementing a competitive intelligence strategy

- 01 Identify Market Trends
- 02 Find Areas of Opportunity
- 03 Implement the Right Framework
- 04 Target the Right Metrics

The simple truth is competition leads to innovation, which results in market expansion. As a product leader, you aim to provide a product or service that activates customers to continue using your product and not seek out competitors.

To know thy competitor requires a deep dive into larger market trends, understanding your customers' needs and preferences, knowing competitor weaknesses, and finding areas of opportunity to position your product within the market.

01 Identify Market Trends

In recent years, there has been a significant emergence of communities across social media and hosted by individual companies. These communities are the perfect place for product leaders to spot emerging trends in their market through online chatter.

For example, LinkedIn Groups allows individual professionals to develop and moderate a space where they can freely discuss best practices and solve shared pain points. This open door allows for an authentic discourse with those in your industry and prospective customers. Based on this commentary, you can discover what key topics are popular with your target audience.

Bonus tip: If possible, join communities hosted or related to your competitors to learn more about how people are talking about your competitors' solutions.

Another great resource for identifying market trends is subscribing to industry and competitor newsletters. Staying up to date on competitor feature launches, as well as keeping an eye out for any press releases, provides you further access to how your competitors are reacting to emerging market trends.

Staying current on the latest trends can better prepare you for shifts within the market.

02 Find Areas of Opportunity

Product leaders have several resources to identify customer pain points and the underlying opportunities for their business. By finding these areas of opportunity through competitive intelligence, they can not only better understand their competitors but they can see the many opportunities they have with their product offerings.

Customer interviews

These one-on-one discussions provide product leaders with valuable insights. In addition to understanding how customers use your product, you can determine the value they get from it based on these conversations. If you can interview customers who chose your competitor instead, you can provide your product team with an eye-opening account of why your competitor's product solved your lost customer's pain points. By gathering this competitive intelligence, you and your team can analyze where your product fell short.

Surveys

Product surveys provide customers with the opportunity to provide quick feedback and are an excellent competitive intelligence resource. You can use surveys to gauge the temperature of a new product or feature through in-app surveys. When gathering competitive intelligence, ensure that your survey questions are tactical and provide answers that can assist you in providing actionable solutions for customers.

Free trials

By signing up for your competitor's free trial, you can evaluate their product through the lens of the customer. This competitive intelligence tactic gives you the feel of the product and allows you to test out your competition's features. From there, you can determine the product's ease of use and how it compares to your feature set.

From a positioning perspective, free trials provide you exposure to your competitor's communication and messaging. Most likely, you will receive emails regarding the product while you are in trial. These emails can provide the competitive intelligence to determine how your competitor positions themselves based on their product messaging. You may find that your competitor is targeting a subsection of the market that your product doesn't cater to. This provides you the opportunity to differentiate your product within the market further.

Online customer reviews

When conducting a competitive intelligence analysis, online customer reviews provide insight into how customers are receiving your product. A positive customer review can reinforce your product team's understanding of how a product or feature solves your customer's problems.

In contrast, a negative review provides information on why your product or feature falls short of market expectations.

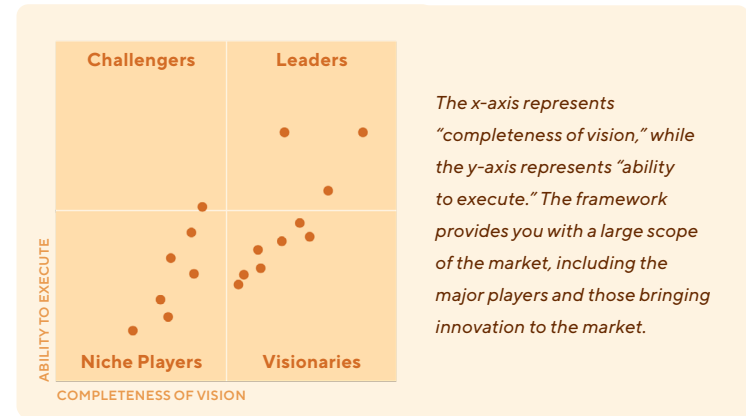
Popular review sites like G2 and Capterra can provide the information you need to start. You can utilize the information gathered from customer reviews sites to provide a clearer picture of how your product compares to competitors.

03 Implementing the Right Framework

Now that you have gathered more competitive intelligence than you possibly could need, it's time to organize this information into a structured format with a strategic framework, like Gartner's Magic Quadrant, Strategic Canvas, SWOT (Strengths, Weakness, Opportunities, Threats), or the Win/Loss matrix.

Gartner's Magic Quadrant

Gartner's Magic Quadrant is an excellent framework for identifying competitors within the market. The framework comprises four quadrants: Leaders, Challengers, Niche Players, and Visionaries.



However, hiring an outside consultant, like Gartner, comes with a significant cost that may require you to seek executive buy-in. If your organization has the budget, an outside consultant can provide the data and analysis to assist you in your product decisions.

Strategic Canvas

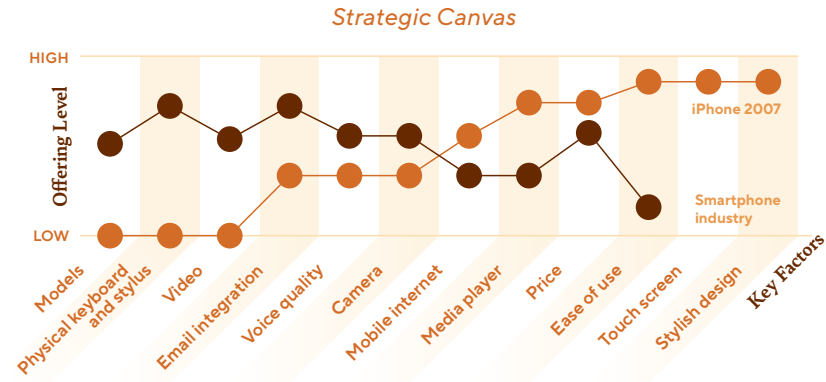
Each row in this framework represents a Value Element. A value element can be a feature, product pricing, or other aspects of the product, such as usability. From there, product teams assign each competitor a score within these categories. What this does is allows teams to identify differentiators and similarities between products. Finally, it provides insight into what is deemed essential by customers.

SWOT (Strengths, Weaknesses, Opportunities)

This framework is practical when presenting competitor findings to your product team or executive stakeholders. It allows you to present the information in an easily digestible format that provides a high-level overview of your competitors.

Win/loss Matrix

The Win/loss matrix is helpful for product leaders to assess who their major competitors are within the market. Moreover, the framework allows you to identify who you consistently best when acquiring new customers. Lastly, the win/loss matrix can assist your marketing team in creating marketing materials that better arm the sales team with messaging and real-world examples of why customers choose your product over a competitor's.



SWOT

	HELPFUL	HARMFUL
INTERNAL	Strengths	Weaknesses
EXTERNAL	Opportunities	Threats

04 Target the Right Metrics

When implementing a competitive intelligence strategy, there is no one size fits all metric. Each organization has its vision, requiring specific metrics that provide further product insight. Product leaders must collect the correct information not only to understand their competitors better but to understand the competitive landscape as well. Some common competitive intelligence metrics that product teams use include churn rate, competitive win rate, and deal size.

Churn rate

Churn rate refers to the number of accounts that choose to cancel or not renew their subscription. The equation for churn rate is $(\text{customers lost in a period}) / (\text{customers at the beginning of that period}) \times 100$, which will give your team a percentage. Typically, the churn rate is measured on a quarterly or annual basis. The average annual churn rate in SaaS is 5%-7%.

If a competitor has a high churn rate, there may be an opportunity to acquire customers looking for another product solution. Communicate with your sales team to see if any prospective customers are unhappy with their current solution and see if that solution is one of your competitors. You can leverage this information to learn not only why your potential customer no longer values their old solution but discover how your customers can gain further value from your product.

Competitive win rate

Typically, you may associate competitive win rate as something the sales team and executives concern themselves with. However, the product team can also use this information when implementing a competitive intelligence analysis. On a high-level, competitive win rate is defined as the (the number of won deals) / (the number of deals in the pipeline). You can calculate the competitive win rate monthly, quarterly, or annually.

A high competitive win rate means that the market is responding to your product over that of your competitors. However, if your target market begins to choose a competitor, now is the time to conduct a competitive analysis to determine what impacts your win rate. You may learn that the features your product offers may not meet the minimum requirements of your market. In this case, a thorough competitive analysis can help determine what separates your product from your competitors.

Deal size

An average deal size determines how much customers are willing to pay for your product. Deal size is calculated by using the equation (total revenue) / (number of won deals) within a given period, whether that is monthly, quarterly, or annually. From this number, product teams can evaluate whether or not the market is responding to the product.

By conducting a competitive analysis and communicating with the sales team, product leaders can further explore why the average deal size is decreasing. It may be that a competitor's new feature set is filling a gap in the market. On the other hand, if your team notices that the average deal size is increasing after a new feature release, it could be a good sign that the market is responding positively to your new product.

Benefits of conducting an effective analysis

Without competitors, your target market may not be profitable in the long haul. The existence of competitors within a shared market reflects the health of the overall market. For example, if you notice an upshift in start-ups and funding, it's a sign of a healthy market.

Develop a better pricing strategy

The price of your solution can either make or break your product. If your product is too expensive, customers will choose a competitor that offers the same features but at a cheaper price point. On the other end of the spectrum, pricing your product at a lower price than your competitors can degrade the integrity of your product by making it look “cheap” compared to your competitors. Furthermore, by pricing your product low, you may miss out on a larger profit margin.

Sometimes your competitors can serve as indirect allies by helping refine your product and positioning. Competition fosters an environment of innovation, though it's essential to avoid a feature war with competitors due to the risk of losing sight of your product vision. An effective competitive strategy can allow you to more effectively:

Understand gaps in the market

Competitive analysis provides teams with the opportunity to discover potential opportunities to fill gaps within the market. By analyzing customer reviews, a product leader can identify opportunities to create a new feature or product that can provide a solution for a subset of their target market. For example, a customer may want a feature that allows them to standardize their roadmap. A product leader can then evaluate their competitors to see if any of them have a solution for standardization. If not, this is an excellent opportunity to fill that gap in the market.

Reassess and realign

When your product was first launched, it may have provided all the solutions your customer base needed. However, as time passes, it's important to reassess whether or not your product meets the minimum requirements to compete within the market. The requirement for your MVP last year may not meet the demands of your market today. For this reason, a competitive analysis provides you and your team with the necessary information to not only reassess your product but also realign your product strategy.

Stand out in the market

By implementing a competitive intelligence strategy, product leaders can help their organization stand out. For example, by conducting a thorough analysis, you can identify what distinguishes your product from your competitors. Moreover, by understanding your competitors, you can avoid similar mistakes they have made in positioning their products. Furthermore, it gives you deeper insight into what features your competitors and the market find important and which are “nice to haves.”

Avoid the feature war

After conducting a competitive intelligence analysis, it's easy for product teams to want to develop every new feature they possibly can. The issue with this philosophy is that your team will move away from being product-led and begin operating as a feature factory.

In our 2023 State of Product Management Report, we found that 54% of product managers' roadmaps were designed around outputs, while 43% reported their organization focused on outcomes. With more than half of those surveyed reporting that their roadmaps were designed around outputs, the results conclude that the feature factory problem still exists. Our report also found that when executive leadership heavily influenced the roadmap, 70% of product leaders reported that their roadmaps were designed around "outputs" instead of "outcomes."

With the agile process, product leaders understand the need to design their roadmaps around outcomes. Product teams who strategically implement their learnings from competitive intelligence exercises utilize this information and apply it to their outcome-based roadmaps. These roadmaps prevent product teams from wanting to pump out every new feature that comes to mind, which prevents them from becoming a feature factory that is output focused.

By focusing on product outcomes and applying the learnings from their competitive intelligence analysis, product teams can provide better solutions for current and future customers, thus not only improving the product but also improving customer retention and experience. Competitive intelligence equips teams with the data they need to succeed in the marketplace

Competitive Intelligence: 4 Key Takeaways

01 Gathering intelligence is an ongoing challenge

Competitive intelligence is an ongoing process that can assist you in developing a sound product strategy. Product leaders understand that a practical competitive analysis can provide their product team with a deeper understanding of not only their product but also their product's standing within the market. Product teams must stay alert to emerging trends and competitors within their industry. Implementing a competitive intelligence strategy in your product process can prepare your product team to position your product in the best possible light.

02 Communication is key

Communication with customers should continue to be an essential part of your competitive intelligence strategy. Your customer interviews will provide the data to develop a product strategy that aligns with your organization's goals and prevent the development of a product that would put your organization at financial risk. Furthermore, you must update product teams, sales, marketing, and executives on notable competitive intelligence findings.

03 Avoid the feature war and feature factory

When conducting competitive intelligence, you may find that your competitor offers more features or new features that benefit your product and customers. Avoid the temptation to develop new features because your competitor offers them. You must stick to a feature set that provides valuable solutions to your customers and aligns with your product vision or risk becoming a feature factory.

In our 2023 State of Product Management Report, we found that 54% of product managers' roadmaps were designed around outputs, which is proof the problem of the feature factory still exists.

04 Define and refine your strategy

Competitive intelligence helps define and refine your product's value proposition, which assists your sales and marketing teams by providing them with clearer product messaging. A competitive intelligence strategy can arm your organization with data-filled insights that can assist in not only developing your product strategy but providing deeper insight into your product's positioning and potential trajectory in the market.



About ProductPlan

ProductPlan makes it easy for teams of all sizes to build beautiful roadmaps. Thousands of product managers worldwide—including teams from Virgin Atlantic, Microsoft, and G2—trust ProductPlan to help them visualize and share their strategies across their entire organization. With our intuitive features, product managers spend less time building roadmaps and more time shipping products.

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