A Product Designer's Guide to Competitive Analysis

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For anyone starting to design a new product, it is critical to make sure it has good market fit. The product also has to have a compelling competitive advantage over others in the marketplace.

So how do you evaluate competitive edge? By running an effective competitive analysis.

Competitive analysis means:

"Identifying your **competitors** and evaluating their strategies to determine their **strengths** and **weaknesses** relative to those of your **own product** or **service**."
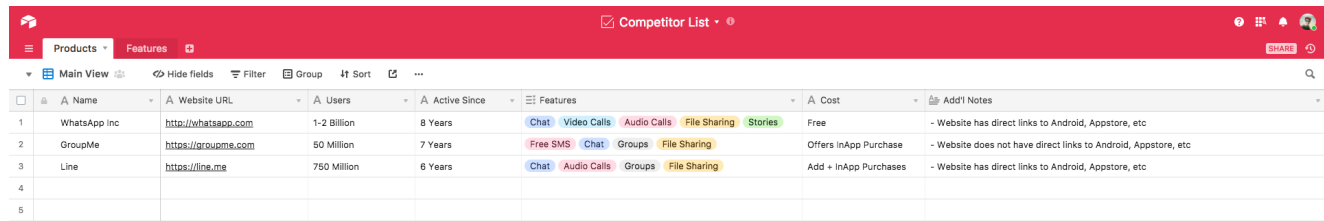

Define the Problem and Find Competitors' Products to Analyze

Once you have identified a problem you think you may be able to develop into a business opportunity, your first step is to research what products or services your target customers are currently using to solve the same problem. Is there an equivalent product or service out there? Is there an alternative solution people are using that's good enough but not perfect? A band-aid; a vitamin but not a painkiller?

Try to identify the **top three to five** competitors and figure out what it is that they are doing right. How well is the <u>service design</u> or product integrated with its UX? Typically, the entire *experience* of a service provides an edge that goes way beyond how a product works.

Once identified, start organizing the list of competitors into a table:

A typical competitor table contains the following:

- Competitor's name
- Competitor's URL
- The number of users/downloads — mainly to identify the effectiveness of the platform
- Number of years the platform or product has been in use *(optional)*
- The main features being offered by competitors
- Cost of service/product
- Additional notes

It's helpful to follow the five steps listed below while running a competitive analysis:

1. Understand/Research the Competition

Every company or product begins with an intention to solve a pressing problem. Consequently, a considerable amount of market and <u>user research</u> is carried out. The companies that succeed (and are able to sustain that success) are those which constantly refine and improve their offerings and overall service—in other words, their product's **UX**.

Doing a deep dive and understanding the competition is something that helps drive a <u>better design strategy</u> for your product or client. An important competitive analysis best practice is to discover three things: the **why**, the **what**, and the **how** behind your competitors' products.

Why does this problem exist in the market? Why are competitors doing things a certain way? Why do people trust/use a competitor's product? Why is a particular product among the top 3/top 5 solutions in the market? Ask the Five Whys, a technique developed over 80 years ago by one of the fathers of the Japanese industrial revolution. The "Five Whys" strategy is a simple, effective tool for uncovering the root of a problem.

Asking these questions helps identify the *source* of your competitors' success.

What are the "painkiller" solutions competitors are offering to end users? What is the precise nature of the problem they're solving? What are the steps they follow to provide solutions? What are the devices/platforms through which they interact with end users? What are the specific features of a competitor's product designed to solve the problem?

Asking these questions will help identify the *advantages* you may have over the competition as well as help identify where a competitor may have the edge over your product/idea.

How does the competition sustain a competitive advantage over the other alternative solutions? How are they managing their platform infrastructure from a technical standpoint? How has the competition designed their product's look and feel that contributes to its UX? How is the pricing structured?

Asking these questions helps you identify and understand the *process* competitors are following. These questions can also help identify gaps in their overall service design that

your platform/product may be able to fill.

2. Use Their Products

You can establish a basic understanding about the competition by studying their online/offline presence. However, if you want to really understand their service design, you will need to actually **use a competitor's product**.

Here is how:

- If available, register for a free trial (or sign up for a brief period).
- Use the competitor's product and analyze how their user journeys/task flows are designed. Draw an approximate user journey map (for example, completing a purchase). How is the UX?
- Examine how easy or frustrating it is to complete a task.
- How well are they solving a problem? Could it be improved?
- Interact with the competitor's customer service—via email, Twitter, Facebook, phone calls, etc. and make note of how they handle such interactions.
- How does the general **discoverability** of your competitor's product/service rank? Their marketing and growth strategy? Analyze the competitor's **SEO**, **Alexa rankings**, and **social presence**.
- What is the competitor's **pricing strategy**? Sometimes, even if your product's features match the competitor's, you can gain an edge by being smart about your pricing strategy.
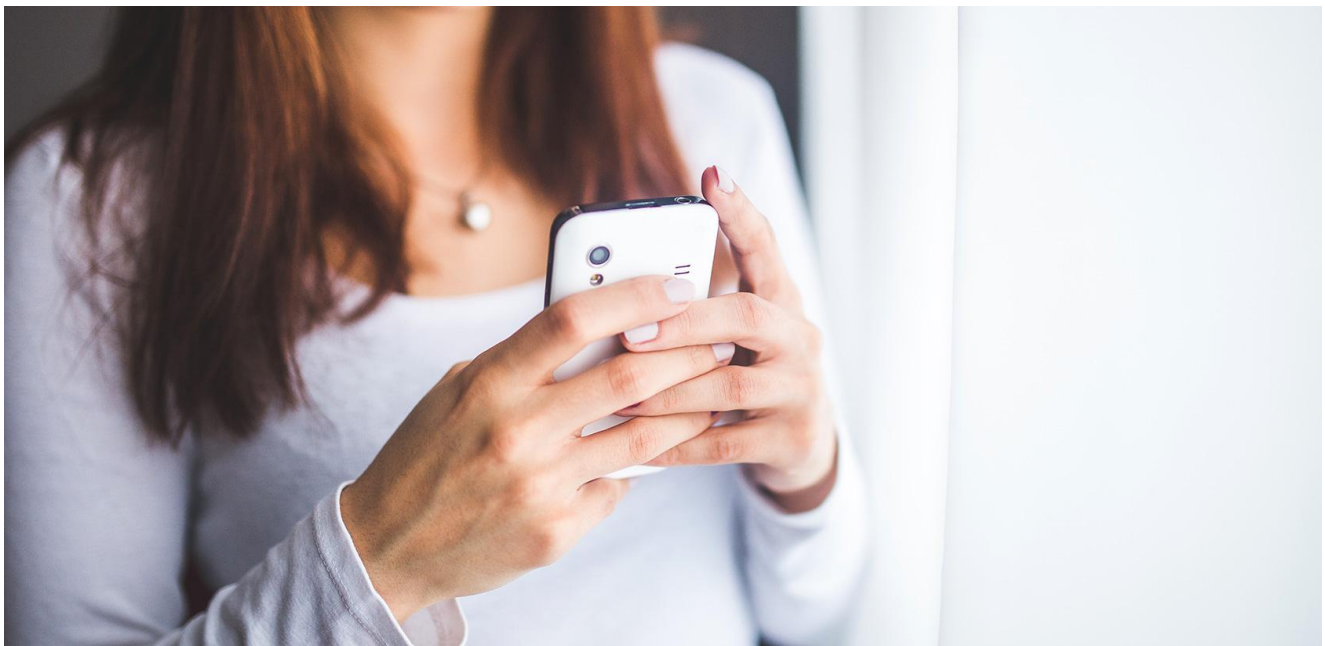
3. Pinpoint UX Issues with Competitors' Products

Every platform or a product is designed with a certain type of user/target demographic in mind. It typically goes through many iterations based on various post-launch analytics, user research, and testing. Nevertheless, some product designs are based purely on assumptions, hypotheses, and the opinion of stakeholders, and therefore often turns out to be less than perfect. We can learn from others' mistakes by identifying a competitor's problems, or what remains unsolved with their product's overall UX.

Here are some ideas that will help identify UX problems:

- Study and research various task flows and aspects of the competitor's product, like the user onboarding process. How many steps does it involve? Is it easy, or is it too convoluted and takes too long?
- Does the competitor's product pass **basic usability**, **heuristic guidelines**, and **interaction design principles**?
- Look at how they **optimized user flows**. Can they be improved? For example, if it takes someone using your competitor's product five steps and more than a minute to complete a purchase, see how it can be made faster.
- Identify any critical features the competitors may have missed or, if you are unable to find anything, what overall improvements can be made.
- How well have your competitors designed their **service**? What is the language they use in their **email communications**? On the system?
- How their **information architecture** is designed? Study their sitemap(s).

A competitor's sitemap and information architecture is worth studying.

4. Identify the Visual Design Shortcomings of a Competitor's Product

Study the competitor product's visual design (UI)—the color palette, typography, iconography, visual language, etc., and try to determine the reason why they did something a particular way, and if there is a better way of doing it.

Here are some ideas to evaluate the visual design:

- Find out how a competitor's landing page is **structured visually** and how they **persuade users** to sign up and purchase their offerings.

- What **color scheme** are they using? What could be the reason behind their color decisions?

- Are the **calls to action** clear?

- Does the **platform** work well on mobile or tablet devices?

- Collect **screenshots** of various screens from your competitor's platform, study them, and write up a report on all that's good as well as all that's wrong with it.

5. Prepare a Competitor Analysis Report

A typical competitor analysis report consists of an in-depth study of the shortlisted competitors. The report should highlight critical points the competitors have missed as well as the points where they have succeeded.

Here is a list of a few things which should be included in a competitor analysis report:

- An **in-depth analysis** of each of the identified competitors' products.

- **Screenshots** along with annotations explaining the specifics of each feature/UX flow.

- **Feature list** and/or approximate **sitemap** of each competitor's platform/product.

- **Strengths** and **areas of improvement** for each of the analyzed products.

- **Competitor analysis matrix** —A table which contains a column for features of a product and separate columns for each of the product.

Here is an example of how a **competitor analysis matrix** can be structured:

#	Features/Parameters	WhatsApp	GroupMe	Line
1	Text Chat	✔	✔	✔
2	Video Call	✔		
3	Audio Call	✔		✔
4	Photo Sharing	✔	✔	✔
5	Video Sharing	✔	✔	✔
6	Document Sharing	✔	✔	✔
7	Groups	✔		✔
8	Intelligent Groups			
9	Contact List	✔		
10	Event Planning		✔	
11	Reminders		✔	
12	Stories	✔		
13	Free	✔		
14	InApp Purchases		✔	✔
15	Free SMS		✔	
16	SCORE			
17				

A typical competitor analysis matrix contains the following:

1) Features/solutions of the platform you are building.

2) Confirmation that the competitors have/don't have the same feature/solution.

3) **Score**—you can assign a certain number of points to each of the features based on their importance. For example, in the sample above, **chat** may carry 10 points and **stories** may carry 5 points. Add all the points together and divide by the number of features **= competitor score** in percentage.

The **visual design**, **overall user experience**, and **performance** of each of the platforms you analyzed may also be included.

Final Words

A typical competitive analysis is a time consuming process, but it can be done quickly if you keep it simple:

- Identify the top 3-5 competitors to analyze, and determine their offerings and market position.
- Use their products/services to understand how their business is structured.
- Identify any UX issues with a competitor's product and create a comprehensive list. This list will help you learn from other people's mistakes.
- After identifying UX issues, look for any visual design shortcomings. For example, how well are the calls to action designed and what kind of color palette are they using? This will help you design a better visual experience for your product.
- Finally, always prepare a competitor analysis matrix where you list all your competitors along with their offerings/features. This report will help you understand the competition from a holistic viewpoint.

If performed correctly, a competitive analysis can dramatically improve customer satisfaction and your conversion rates as well as provide assurance that you stand apart from your competitors. Go ahead! Try it out.