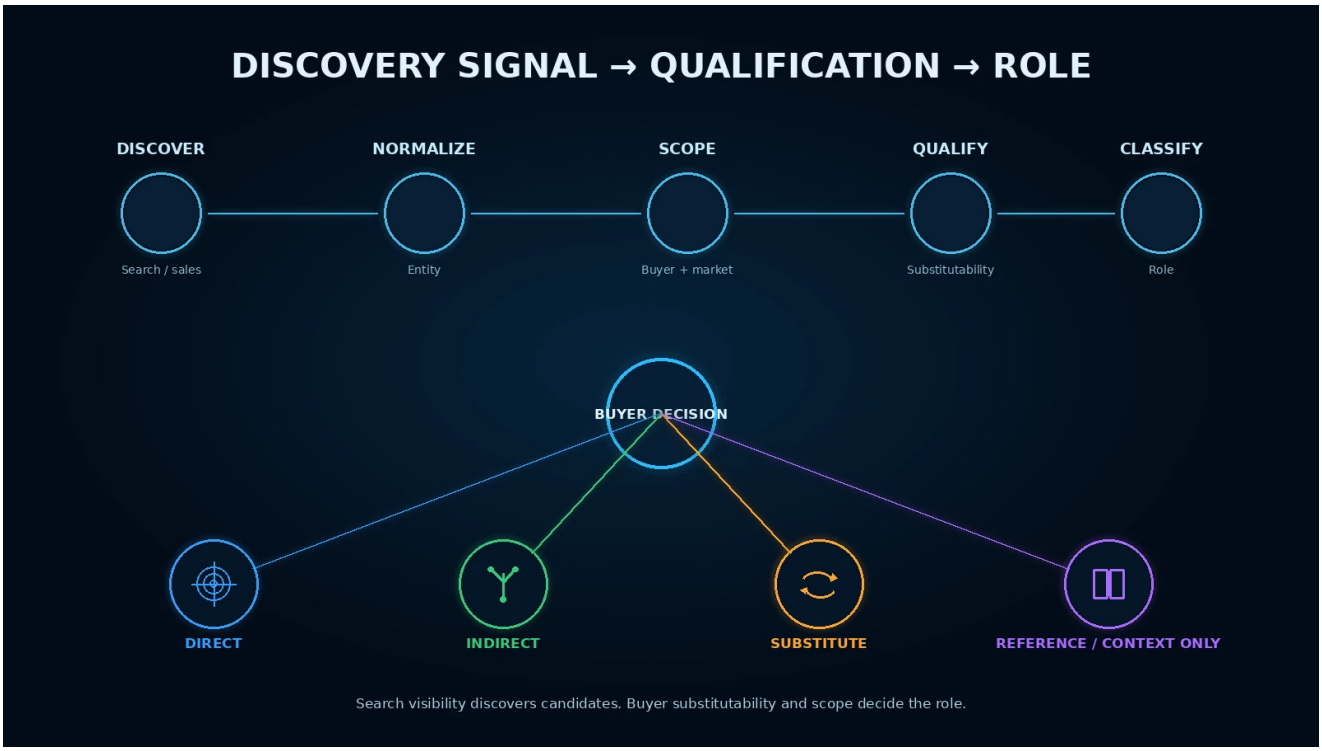
# Direct, Indirect, Substitute and Reference Competitors Explained

A practical handoff guide for classifying candidate entities by buyer substitutability, decision scope and evidence.




**The decision rule: search visibility discovers candidates. Buyer substitutability, serviceability, decision scope and evidence decide the role.**

Use this guide with the browser classification check for one-off decisions and the Competitor Role Register for an auditable working record. The method is designed for competitive intelligence, positioning, pricing, market-entry, SEO and product decisions - not legal market definition.

Version 1.0.0 · Updated 1 August 2026

# 1. The four-role framework

These are roles for a specific buyer decision, not permanent company labels. The same entity can change role when buyer, market, product, tier or serviceability changes.

| Role | Qualification | Primary analytical use |
|---|---|---|
| **DIRECT** | Same buyer and underlying need/job; serviceable; credibly considered; materially similar offer or mechanism. | Commercial buyer-choice, offer, price, positioning and win/loss benchmarking. |
| **INDIRECT** | Same buyer and need/job; serviceable; credibly considered; materially different adjacent commercial mechanism. | Alternative-mechanism, route-to-outcome and adjacent-category analysis. |
| **SUBSTITUTE** | Alternative path that can achieve, defer or avoid the outcome instead of the focal purchase. | Demand risk, build/buy/hire/outsource/manual/status-quo analysis. |
| **REFERENCE / CONTEXT ONLY** | Useful for discovery, standards, language, authority, visibility or benchmark context but not qualified as an active commercial alternative. | Context only; do not use for pricing, product-parity or win/loss conclusions without re-qualification. |

**Why indirect and substitute are separated here: common sources often overlap those terms. This operational contract reserves INDIRECT for an adjacent commercial option and SUBSTITUTE for a path that materially replaces, delays or avoids the focal purchase.**

# 2. Classification decision path

Apply these gates in order. A later attractive label never overrides an earlier scope or evidence failure.

- Validate identity and scope. Missing candidate or incomplete buyer/need/offer/market/tier/decision scope -> INVALID INPUT.
- Protect uncertainty. Contradictory or explicitly unresolved evidence -> UNRESOLVED.
- Check serviceability. Not available in scope -> REFERENCE / CONTEXT ONLY when genuine benchmark value remains; otherwise EXCLUDED.
- Check buyer and need overlap. If either fails, retain only for defined context value; otherwise EXCLUDED.
- Check credible buyer consideration. Similar-looking products are not active competitors if buyers do not credibly consider them.
- Check offer/mechanism similarity. Materially similar active option -> DIRECT.
- Check the different path. Different adjacent commercial mechanism -> INDIRECT; alternative path that replaces/delays/avoids purchase -> SUBSTITUTE.

**No-forced-classification rule: if one missing fact could change DIRECT ↔ INDIRECT ↔ SUBSTITUTE ↔ REFERENCE / CONTEXT ONLY, preserve UNRESOLVED and name the evidence needed next.**

| State | When it applies | Next action |
|---|---|---|
| UNRESOLVED | Material evidence is missing or contradictory. | Collect the specific buyer, serviceability, consideration or mechanism evidence that could change the role. |
| EXCLUDED | No material decision relationship and no defined context value in this scope. | Remove from the active set; retain identity/audit trail so it is not rediscovered as a new entity. |
| INVALID INPUT | Required identity/scope or controlled values are invalid. | Correct inputs and rerun. |

# 3. Evidence expectations

Keep the role separate from the evidence state: OBSERVED, INFERRED or UNRESOLVED. Avoid converting judgment into a fake numeric confidence score.

| Evidence | What it can support | What it cannot prove alone |
|---|---|---|
| Win/loss, shortlists, RFPs, switching, interviews | Buyer consideration and closeness of substitution. | Universal role across every market or segment. |
| Offer, pricing, product/service evidence | Offer/mechanism similarity and commercial availability. | That buyers actually compare the options. |
| Geography, language, regulation, implementation | Serviceability in scope. | Active consideration by the buyer. |
| SERP, keyword and AI-answer overlap | Discovery and visibility competition. | Commercial substitutability. |
| Publishers, analysts, directories, marketplaces | Candidate discovery, language, standards and context. | That the source itself is a purchased alternative. |

**Observed evidence can support a bounded role. Inferred evidence can support a working assignment, but validate it before consequential exclusions or investments. Unresolved evidence is not decision-ready.**

# 4. Edge cases that expose weak taxonomies

| Scenario | Likely role | Why / boundary |
|---|---|---|
| Software vs internal spreadsheet | **SUBSTITUTE** | Manual path can delay or avoid the purchase; do not force feature parity. |
| Software vs agency performing the workflow | **SUBSTITUTE** | Buyer outsources instead of buying the focal software. Some markets may make managed software/service an INDIRECT option; classify the actual buying set. |
| Generalist platform for same job | **INDIRECT** | Active commercial option for same buyer/job with a different mechanism. |
| Category leader unavailable in geography | **REFERENCE / CONTEXT ONLY** | Useful benchmark, not serviceable in this scope; can become DIRECT elsewhere. |
| Publisher ranking for the same keywords | **REFERENCE / CONTEXT ONLY** | Search competitor and information source, not proven commercial alternative. |
| No decision / postpone | **SUBSTITUTE** | A real demand state when buyers can preserve the status quo instead of purchasing. |
| Conflicting serviceability evidence | UNRESOLVED | One missing fact can change the role; preserve uncertainty instead of voting on the label. |

**Same company, different role: role changes are legitimate when the decision scope changes. Within one tightly defined assignment, use one primary role. If two distinct products from the same company are both in the buying set, create product-level assignments under the normalized company identity.**

# 5. Search competitors vs commercial competitors

SEO tools can correctly identify domains that compete for organic visibility. That relationship does not automatically make those domains commercial competitors. Keep discovery relationships and commercial relationships in separate fields.

| Discovery signal | Candidate entity | Normalized identity | Decision scope | Commercial qualification | Role |
|---|---|---|---|---|---|
| Search, AI answers, local pack, sales, reviews, marketplaces | Potentially relevant domain / company / option | Company + product + parent where useful | Buyer + need + offer + geography + tier + moment | Serviceability + consideration + substitutability | DIRECT / INDIRECT / SUBSTITUTE / REFERENCE / unresolved/excluded |

**A marketplace or publisher can be a high-priority visibility competitor and still be REFERENCE / CONTEXT ONLY for pricing. Conversely, an internal team or spreadsheet can be a serious SUBSTITUTE even though it never appears in a search-competitor report.**

# 6. Using the browser check and workbook

Browser classification check: use when you need one bounded result quickly. It returns canonical role, reason code, required action, permitted use, prohibited use and evidence note. It runs locally in the browser and does not transmit entered competitor data.

Competitor Role Register: use for multi-entity analysis, review, audit and handoff. Keep one normalized Competitor ID, one or more Scope IDs and one active role assignment for each Competitor ID + Scope ID. Supersede an old assignment rather than silently overwriting history.

## Minimum assignment fields

- Competitor identity and decision Scope ID.
- Serviceability, buyer overlap and underlying need/job overlap.
- Offer/mechanism similarity, credible buyer consideration and alternative-path status.
- Context/reference value, evidence state and contradictory-evidence flag.
- Canonical role, reason code, required action and analytical-use boundary.
- Evidence URL, notes, reviewer and observation date.
- Duplicate-active-assignment control.

**The workbook’s canonical fixtures are intended to prove logic parity across the browser check, workbook formulas and documented manual method. Native Microsoft Excel acceptance remains a separate hard gate.**

# 7. Final decision checklist

- Decision scope is complete enough that another reviewer would classify the same purchase context.
- Candidate identity is normalized and not duplicated for a different scope.
- Serviceability is evidenced for the actual geography, segment, tier and decision moment.
- Buyer consideration is observed or clearly labelled as inference.
- Search visibility has not been used as a shortcut for commercial substitutability.
- Non-vendor alternatives such as internal build, manual workflow, outsource, hire, bundle, postpone or no decision were considered.
- One primary role is assigned for this candidate + scope.
- UNRESOLVED is preserved when missing or contradictory evidence could change the role.
- Permitted and prohibited analytical uses are explicit.
- A review trigger is recorded when the market or scope can change.

**If the classification changes who enters pricing, positioning, market-entry or product analysis, review the scope before you benchmark the wrong entities.**

# 8. Source roles and method boundary

The sources below support buyer-substitution discipline, search-vs-business-competitor distinctions and jobs/outcomes framing. The exact role taxonomy, reason codes and deterministic decision order are SERPIFAI synthesis.

- U.S. Department of Justice, 2023 Merger Guidelines - Market Definition and Evaluating Competition Among Firms: customer substitution, switching, win/loss, surveys and product/geographic scope.
- European Commission, 2024 Market Definition Notice: customer substitutability, differentiation, geography, intended use and switching barriers.
- Ahrefs, Competitive Analysis Guide and Keyword Competitive Analysis: direct competitors and the distinction between business competitors and search competitors.
- Semrush, Organic Rankings Competitors Report: organic competitors are derived from shared keyword rankings.
- HubSpot and Shopify guidance on direct/indirect competitors: same audience/need versus alternative mechanisms.
- Intercom and jobs-to-be-done framing: understand the outcome customers are trying to achieve and the alternatives they can hire for that job.

**Boundary: This guide does not define legal relevant markets, assess market power or provide legal advice. Antitrust sources are used only to import evidence discipline around substitution and scope.**

Public article: https://www.serpifai.com/insights/direct-indirect-substitute-reference-competitors/