

BeReal.

Leon Hua

Kevin Maguire

Ethan O’Keeffe

Ingrid Brast

Appendix

1. Executive Summary
 2. Introduction
 3. Industry Analysis
 4. Company Analysis
 5. Conclusion
 6. Works Cited
-

Executive Summary

The history books of the future will likely characterize the past decade as one where the prevalence of social media dominated our lives and revolutionized business, communication, and marketing. A major criticism of social media like Facebook, Instagram, and Snapchat, however, is the amount of processing, editing, and filtering involved in each post or interaction, creating false images of the lives of others and setting unrealistic expectations for a consumer's own life.

BeReal, then, is the antithesis of that aspect of social media. Without followers, filters, or likes, BeReal has exploded in usage during the first part of 2022, garnering exponential growth in popularity especially among younger audiences. Even despite recent success, the company faces challenges unique to its industry, and it would be in its best interest to address these issues.

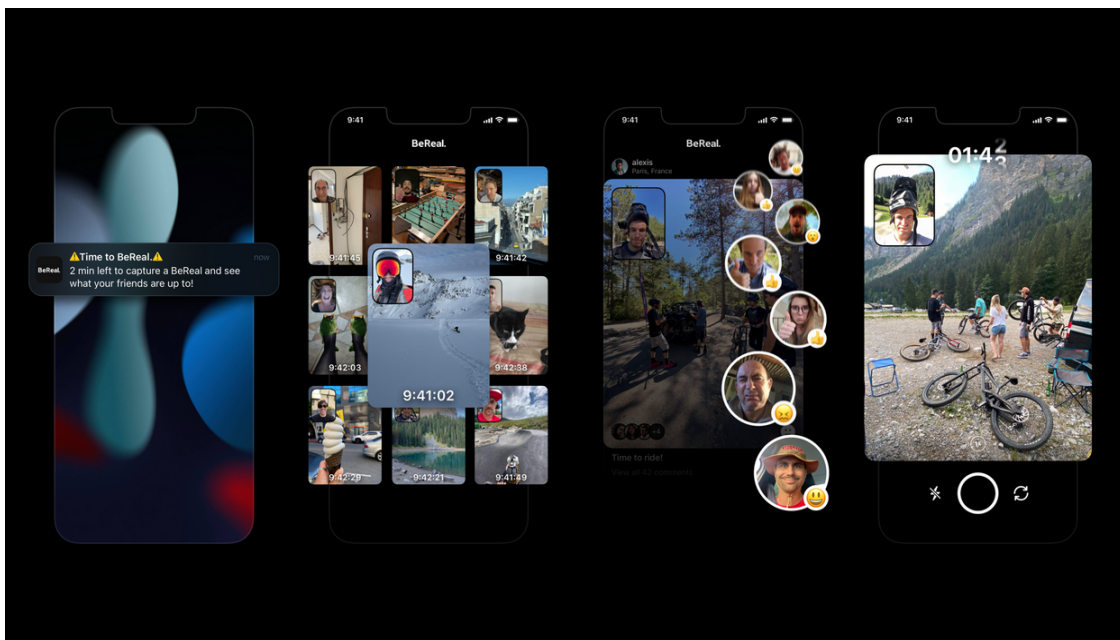
BeReal relies on a social media model that asks for one post per day from users. Every day, at a random time, everyone captures a photo within 2 minutes. This results in candid, unfiltered displays of what your friends might be up to at a given point in time. However, this model is not conducive to high screen time from its users, limiting the potential of the app and opportunities for businesses to interface with the app.

In addition, the last thing BeReal wants to be is a fad. With one post per day, user interest may decline over time, and it may go the same route as Poparazzi, an app that blew up in popularity during the summer of 2021 and has mostly faded out of relevance since. BeReal must maintain innovation in spite of its simplicity, and devise ways to keep users interested and coming back to the app even as time passes.

BeReal also does not currently have any ways of monetization, as the app does not offer advertisements or subscriptions of any sort. If monetization is introduced to the app, some of the appeal may be lost and users may be turned off from the app. However, it is difficult to see how the app can be sustainable in the long-term without some sort of monetization, even if there may be backlash from users.

Overview

BeReal is a company promoting an alternative way of using photo sharing social media apps. It differs from apps such as Instagram, Snapchat, and TikTok by removing the presence of likes, followers, and other statistics provided to users in order to gauge popularity and social reach. The app sends one notification per day to its users at the same time across the world, prompting them to take one photo within the 2 minute time mark and encouraging them to “BeReal”



History

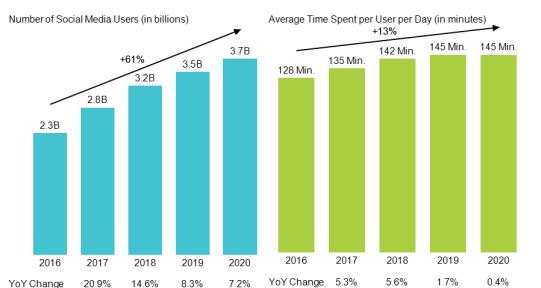
BeReal was founded by French billionaire Alexis Barreyat in January of 2020 and remained geared towards its french users for more than a year. It began to take off in America in late 2021 and is currently very popular on college campuses worldwide.

Industry Analysis : Definition and Trends

BeReal operates in the social networking industry which refers to online platforms that allow user-created content to be published and shared. BeReal more specifically stands within the mobile app segment of the social networking industry and rejects common core aspects of some of its main competitors. The global social networking market is valued at \$192.95 Billion USD as of 2019 and is experiencing rapid growth, expected to reach nearly \$1 trillion USD by 2026 (GlobeNewswire). The market for social media and social networking is expanding exponentially and is expected to continue these growth patterns.

Social Media Usage Growth

The number of social media users worldwide has grown 61% from 2016-2020, while average time spent per user per day has grown only 13%.



Social media is used to communicate with friends, family, and strangers, to stay informed, or to buy and compare products. BeReal is a platform that is used to “spontaneously share your real life with your friends”, with an emphasis on showing reality where its competitors show a polished sensationalistic perspective of someone’s life. Their slogan is “Without filters, followers, and likes. Only your friends for real.”

BeReal competes for customers and benchmarks in terms of product and quality most closely with Instagram and Snapchat. Other firms in the industry include Facebook, Twitter, and other social networking sites, but compete less closely because they are either microblog media or pure networking. BeReal is more competitive with Instagram and Snapchat because they are primary use photo sharing platforms.

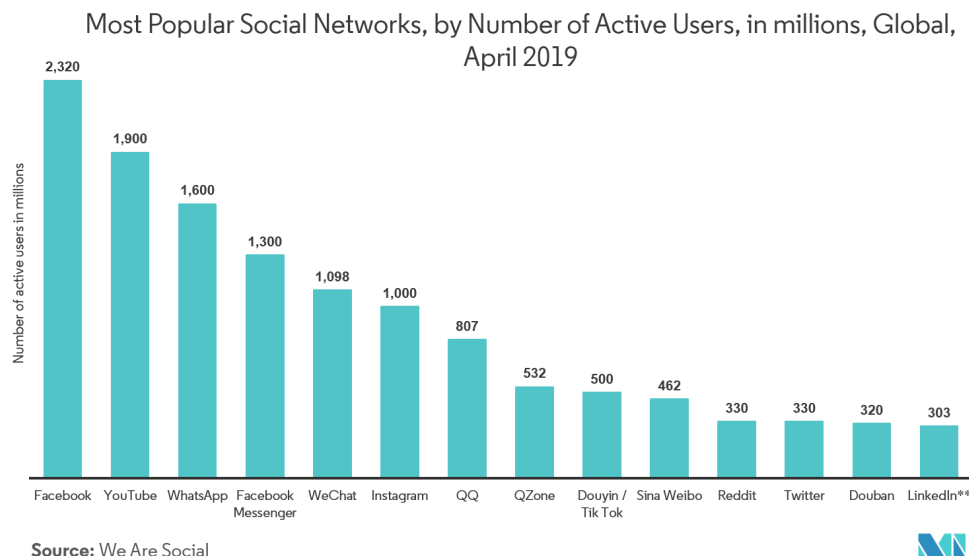
Your **Friends.**
For **Real.**

BeReal.

The social media platform has a 70.47% three-firm concentration and a 78.04% five-firm concentration, meaning that there is a relatively high share between the top firms which limits ability to enter the industry. However, between 2010 and 2015, Facebook and Youtube had a two-firm concentration of 80-90% , meaning that the intensity of competition has been increasing over time (Karl). Facebook continues to experience shrinking market share while the industry continues to grow exponentially, meaning that there is added market share for new and existing firms to attain.

Market Share of Social Media Platform Visitors:

1. Facebook 36.64% (▼ down)
2. YouTube 27.01% (▲ up)
3. Twitter 6.82% (▼ down)
4. Reddit 5.10% ((▲ up))AAAA
5. Instagram 2.47% (▲ up)
6. Pinterest 1.95% ((▲ up))AAAA
7. LinkedIn 1.58% (▲ up)
8. Quora 1.29% (▲ up)
9. Tumblr 1.16% (▼ down)
10. Yelp 1.03% (▲ up)



Still, Facebook leads the industry with 36.64% market share and approximately 2.32 billion active users (Mordor Intelligence). Their decreasing market share may suggest a decrease in active users, but rather they are growing in active users, just at a slower rate than the market is growing. They also have somewhat of a “duopoly” on online advertising with Google, controlling over 70% of the market (Iqbal). For this reason, Facebook is still growing its annual revenue at a large rate. Their annual ad revenue was \$85.9 billion in 2020, an increase from just \$17.9 billion in 2015.

Facebook targets a different age demographic however. 70.3% of Facebook's active users are 25 or older (Iqbal). The user base of Snapchat, Instagram, and the intended target demographic of BeReal is younger.

Facebook age demographics

Age group	Percentage of users
13-17	5.9
18-24	23.8
25-34	31.6
35-44	16.9
45-54	10.5
55-64	6.4
65+	4.9

Sensitivity of Sales

The social networking industry is not sensitive to the business cycle. As noted, consumers typically pay no cost to use these products, income is not a crucial determinant of demand. There are also few fixed costs incurred in production of a platform in comparison to other industries that require more capital investment for plant, property, and equipment.

Porter's Five Forces Analysis



1) Threat to Entry

As the industry name of social networking would suggest, there are demand side economies of scale, meaning that the service or product increases in value with the number of users that use it. A social networking platform with nobody using it is not valuable; a social networking platform with many users encourages new users to join. This makes the threat of entry lower for incumbent firms because it is difficult to grow a firm without scale within the industry.

However, there are some qualities of the social networking industry that make entry and exit easier. First, there is essentially no switching costs between products. In fact, it isn't necessary to stop using one product to use another at all. A social networking user could use both BeReal and Instagram with no cost or commitment. In addition, there is minimal capital requirement to create an app. The capital requirement comes from advertising.

In consequence, there are thousands of social networking apps and other platforms. It's difficult to grow a platform but the ability to enter and exit the industry isn't costly so the threat to entry is high for incumbent firms.

2) Buyer Power

The buyers in the social networking industry have a lot of power. Buyer power refers to their bargaining leverage and price sensitivity. In the social networking industry, essentially all platforms are free to use. Because of this, a consumer is not going to use a social media app or platform that has any cost at all, since they can find another platform for no cost.

Consumers also have a lot of power because of their abilities to influence downstream buyers. The network effect within the industry makes consumer perception of a platform to be positive in order to grow the platform. Social networking platforms primarily grow by word of mouth from users.

3) Supplier Power

The suppliers of social networking platforms have some power but not a massive amount of power. There is a relative ease to create a platform and enter the industry. For this reason, there are thousands of different platforms for a consumer to choose from and they can switch at no cost. They can also threaten to backward integrate and make a platform on their own.

Smaller platforms hold very little power; larger platforms hold much more power. Despite there being no switching cost between networking platforms, consumers will not be inclined to switch platforms because it would be contradictory to the reason they use the product at all – to network with certain communities, which may not be on other platforms. The networking effect of consumers means that large platforms can maintain their user base easier. Products are differentiated enough between firms that it would impact the quality of a buyer's experience to switch.

4) Rivalry

There are thousands of platforms in the social networking industry which leads to more competition. However, the industry growth is so fast as all age demographics begin to

adopt social media that competition is lessened. There are approximately 3.7 billion worldwide users of social media and growing, meaning that there is a huge market for platforms to try and get a piece of.

There is also differentiation of products and low barriers for exiting the industry, which leads to less competition. An underperforming networking platform can exit the market without a lot of cost or negative consequence. Also, since price is not a defining characteristic of this industry, consumers choose a platform based on size, quality, and differentiation. For example, BeReal acts as a “non-artificial” platform, which allows it to be desirable to consumers who view incumbent platforms as artificial. This differentiation of product makes the industry less competitive.

5) Substitutes

There are many substitutes in the social networking industry. Presently, there are hundreds or thousands of existing platforms. A platform with any cost will lead to switching to another platform. There is also the credibility of threats to backwards integration since app development is a commonly learned skill now.

Instead of the traditional performance and price trade off that most industries have, firms in the social networking industry have to focus on only performance and differentiation from mainstream competitors.

PESTLE Analysis



1) Political - Most western democratic countries experience freedom of press and freedom of speech meaning that the social networking industry is highly unregulated. Other countries like China have strong political barriers to being in the social networking industry. China blocks many U.S. websites like Facebook and Instagram and is very restrictive of media environments, censoring and controlling most online information (Xu).

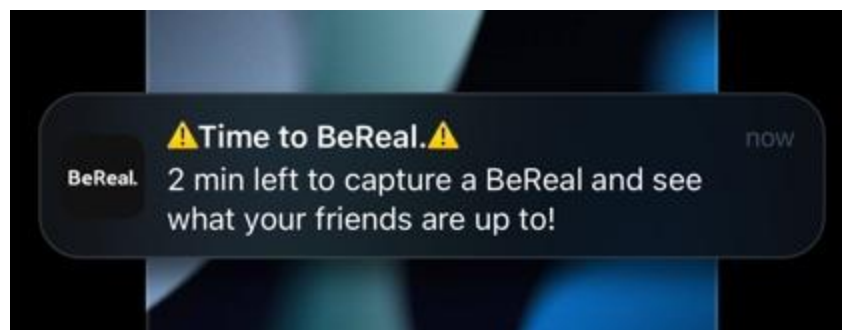
2) Economic - The state of the economy largely doesn't affect the social networking industry because most of the platforms allow consumers to enjoy them at no cost. For this reason, there are few economic factors affecting the industry.

3) Social - Cultural and demographic factors are some of the strongest for this industry. Age, culture, location, and views are extremely important to who uses a platform and who they interact with. Some platforms experience concentration of specific demographics. For example, WeChat is the largest social media platform in China (1 billion monthly active users) while it is largely not used in other countries. Another example is Parler, which is known as a conservative social network and is used almost exclusively by people with conservative political beliefs.

4) Technological - The social networking industry relies on technology to exist at all. However, maturity of technology and disruption of technology is at this point not a huge concern, although it is a consideration. Innovation of the technologies used by this industry are not generally that disruptive. For example, the rise of the mobile phone just saw website platforms like Facebook.com transition to mobile apps. However, this is a young industry so it's difficult to predict how technology will impact it in the future.

5) Legal - There aren't that many legislative regulations for this industry. However, there have been legal complications in the past, specifically about consumer protection and data collection. In 2018, Facebook had a lot of controversy for collecting data from consumers to make their experience and ad placements more specific. The scandal was in response to the question of whether it was ethical for social networks to create psychological profiles of its users without their knowledge. Facebook settled by paying \$100 million to the U.S. Securities and Exchange Commission for misuse of user data. Their stock also fell about 24%.

6) Environmental - This is largely not a factor for this industry since it operates through a digital space. Environmental issues and regulations are not a primary concern.



Company Analysis

Strengths

Unique Value Proposition: No other major social networking app is offering this simple method.
Has demonstrated popularity with young groups, explosive growth on college campuses.
Large number of downloads and growing popularity both in Europe and the US.
Trendy company is subject of goodwill from users.

Opportunities

Most apparent is the allowing advertisers to buy space on the platform. Could be integrated without being overly intrusive. The app could expand into other types of media to increase screentime (BeReal Videos, Sounds).
Can market as a way for families to stay in touch, increase its demographic reach. Celebrity usage can increase screen time. Shown success in NA and EU, increase reach to SA, African, and Asian markets.

Weaknesses

The one post a day is not conducive to high amount of screen time from users. Scroll time is limited by number of posts by friends. This limits impressions. Few opportunities for businesses to use the app.
There are currently no revenue generating parts of the app, it is unknown how advertising will affect the user experience.

Threats

The idea of the app is strongly based off its one picture a day and simplicity. There is always the threat of user interest in this idea waning with time.
Other apps, especially Instagram and Snapchat could potentially adopt a “one-a-day” model like BeReal.
BeReal has set itself apart from other apps. Monetizing its user base might result in strong backlash.

KEY PLAYERS

- Alexis Barreyat, Founder
- Kevin Perreau, Founder
- Roman Salzmain, COO

POSITION WITHIN INDUSTRY

#11 Social Networking App in the United States

#8 Social Networking App in France

#2 Social Networking App in United Kingdom

Position

BeReal is still a very new app, receiving its largest sum of series A funding less than a year ago in June of 2021; nonetheless, the app is already quickly making a name for itself within the industry. The app offers a unique consumer value proposition compared to others within the social media app industry, instead claiming to be the ‘anti-social’

media social media app. This helps distance itself from direct competitors and tackle an audience base which is moving away from traditional social media apps.

Nonetheless, it is still working to establish itself within the competitive social media app landscape. In the last month, its usage rank has moved up from #95 all the way to #59 within social apps on the Google Play store and maintained in the top 25 social networking apps on the iOS store, currently sitting at rank 10. Although evident of strong growth in user base, BeReal will have to continue this strong upward climb to establish itself as a renowned app and brand. Although fundamentally different, it is fair to compare BeReal to the other major photography based social media apps

Competitors

Facebook

With every new social media app, there always remains the reigning competitor in Facebook. The website has consistently maintained a major lead of visit share in social media markets at 36.64%. Where BeReal will have to work to get its name out, Facebook is known and used by billions globally. The 30+ market is already more than familiar with Facebook, and it might be easier for them to adopt a “one-a-day” model through Facebook than a new app.

Instagram

Owned by the same company, Instagram presents a similar threat to BeReal with a 2.47% visit share. Historically, Instagram has shown a propensity to adopt more innovative aspects of social media before Facebook (i.e stories from Snapchat). Additionally, Instagram has a younger userbase than Facebook. This could present an issue as it represents direct competition to the user base of BeReal.

Snapchat

The last major competitor which we chose to analyze was Snapchat. This app, much like BeReal, acts only as an application and not as a website. Currently at rank #6 on the global app store, Snapchat has a dominant position within photo-messaging apps. Although its primary function is different from BeReal, the app still has similar 24hr photo-sharing options. The features of this app could potentially be most threatening to BeReal. Snapchat’s marketing of photos only lasting a day is very similar to BeReal’s primary attraction. They could potentially adopt a strategy like BeReal’s within their app easily.

At the same time, Snapchat demonstrates a good model of monetization of BeReal. Despite its lack of traditional feed, it was able to incorporate other forms of media to increase screen time for users.

Financial Data

Although no financial data has officially been released in terms of revenue, BeReal completed its round of Series A Funding in June of 2021, raising the significant sum of \$30,000,000. Among the nine investors involved, notable names include the VC funds a16z, DST, and Accel. Joining the board of BeReal from this round of funding are Sonali De Rycker from Accel and Andrew Chen from 16z (Nordic 9).

Since this recent round of funding, BeReal has increased its employee count from only two to nearly fifty, emblematic of its quick rise and assertion within the social media scene (Pitchbook).

Conclusion

As websites and apps like Facebook, Instagram, Snapchat, and YouTube have worked their way into our routines, many consumers of these social media have developed unrealistic expectations for their lives, insecurity in relation to their peers, and false perceptions of others based on their fabricated highlight reels. BeReal offers a fresh take on social media, forcing users to be candid and unfiltered for a more down-to-earth social media experience. “Without filters, followers, and likes. Only your friends for real.”

After examining the social networking industry and BeReal’s unique positioning, it is clear that BeReal has a plethora of challenges to face moving forward, while also possessing massive potential for growth and success.

BeReal must reconcile with the limiting factors of the app, as the one-post-per-day model does not allow for a large amount of screen time in the ways that Facebook, YouTube, and Instagram do. This limits potential for interaction with consumers, opportunities with businesses, and avenues for monetization.

BeReal should innovate methods of maintaining relevance even as time passes, avoiding the pitfalls of many other social media platforms which have seen an explosion of success, and fading back into irrelevance months later.

Given the valuable information and insight provided by this report regarding the social networking industry and an analysis of BeReal, our team looks forward to hearing back with alternatives to mitigate these potential issues, and allow for further development in the social media industry.

Works Cited

- “Bereal Company Profile: Valuation & Investors.” *PitchBook*, 2022,
<https://pitchbook.com/profiles/company/466468-12#overview>.
- “Global Social Networking Platforms Market (2021 to 2026) - Featuring Facebook, Pinterest and Twitter Among Others.” *GlobeNewswire*, Notified, 27 Aug. 2021,
<https://www.globenewswire.com/news-release/2021/08/27/2287644/28124/en/Global-Social-Networking-Platforms-Market-2021-to-2026-Featuring-Facebook-Pinterest-and-Twitter-Among-Others.html#:~:text=The%20global%20social%20networking%20platforms,increasing%20at%20an%20exponential%20rate>.
- Iqbal, Mansoor. “Facebook Revenue and Usage Statistics (2022).” *Business Of Apps*, Business Of APps, 19 Jan. 2022,
<https://www.businessofapps.com/data/facebook-statistics/>.
- Karl. “Top 10 Social Networking Sites by Market Share Statistics [2022].” *DreamGrow*, DreamGrow, 17 Jan. 2022,
<https://www.dreamgrow.com/top-10-social-networking-sites-market-share-of-vi-sits/>.
- Mobile Application Market Size & Share Report, 2020-2027*, Sept. 2020,
<https://www.grandviewresearch.com/industry-analysis/mobile-application-market>.
- Novac, Dragos. “Bereal Closed a \$30 Million Capital Funding Round Backed by A16Z, DST, Accel and Kima Ventures.” *Nordic 9*, 3 June 2021,
<https://nordic9.com/news/bereal-closed-a-30-million-capital-funding-round-backed-by-a16z-dst-accel-and-kima-ventures/>.
- “SOCIAL MEDIA ANALYTICS MARKET - GROWTH, TRENDS, COVID-19 IMPACT, AND FORECASTS (2022 - 2027).” *Mordor Intelligence*, Mordor Intelligence,
<https://www.mordorintelligence.com/industry-reports/global-social-media-analytics-market>.
- “Social Media.” *Firsthand*, Firsthand, <https://firsthand.co/industries/social-media>.
- Xu, Beina. “Media Censorship in China.” *Council on Foreign Relations*, Council on Foreign Relations, 17 Feb. 2017,
<https://www.cfr.org/backgrounders/media-censorship-china>.
-