

Research on the Marketing Strategy and Sustainable Development of Chinese Trendy Toy Enterprises

– Using POPMART as an Example

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Abstract: With the continuous development and improvement of the e-commerce business, blind boxes have developed from toys to everything that can be "blind" and are favored by most young consumers. The blind box economy has become a typical economic phenomenon of cultural consumption of the Z-generation group. After POPMART launched its first trendy toy Molly Constellation series in 2016, the blind box channel opened up the trendy toy market and became a mainstream product in the trendy toy retail industry. Therefore, this paper takes POPMART as a case study of blind box IP marketing strategy and mainly analyzes the current marketing model of POPMART from six aspects: customer demand, brand promotion, channel management, product positioning and market segmentation, competition and risk, and marketing effect to provide solutions for the sustainable development of the current blind box IP marketing strategy.

Keywords: POPMART, blind box IP, marketing strategies

1. Introduction

In the current context of the rapid development of Internet society, blind box culture is gradually becoming popular in the consumer context. The original Chinese brand POPMART is one of the representative brands of Tide Play Blind Box. Blind boxes originated in Japan; the initial department stores for promotional sales will sell some unknown goods of the lucky bag. In the late 20th century, Japan's model handbag market also followed this method. The first bag for anime or film works around derivatives. There are hidden limited edition styles, which are the precursor to the blind box [1]. With the emergence of the iconic toy IP Sonny Angel launched by POPMART in 2015 to become a pop-up, the door to the trendy toys in the domestic tide play market has been fully opened, and the purchase of blind boxes has become a new trend. Data shows that from 2015 to 2019, China's blind box market size has proliferated from 6.3 billion to 20.7 billion. Only five years ago, China's blind box market size doubled. A large number of trendy toy companies have been established, including 52Toys, IP Station, POPMART, IPTAR, and other trendy toy planet companies. POPMART is the

industry leader in introducing IP and the overall revenue situation [2]. This study will take industry leader POPMART as the research object and blind box products as the research vehicle to conduct a relatively comprehensive analysis of the marketing strategy of the company's blind box products. This study will use the method of overview research to study the marketing optimization strategy of the blind box company in six aspects: customer demand, brand promotion, channel management, product positioning and segmentation, competition and risk, and marketing effectiveness, and try to provide suggestions for the company's long-term development strategy after the analysis is completed.

2. Analysis of Consumer Behavior in the Blind Box Economy

2.1. Customer Characteristics

2.1.1. The Emergence of Generation Z

Generation Z, born between the mid-1990s and late 2000s, has emerged as a significant consumer group in the blind box economy. This cohort is marked by higher growth dividends, more extraordinary consumption ability, and willingness as compared to previous generations. They display a preference for driving physical consumption through spiritual consumption, indicating a growing inclination towards cultural and entertainment consumption. Generation Z's values of seeking personalization and cultural diversity align well with the ethos of the blind box culture [3].

2.2. The Rise of Female Consumer Groups

The female consumer group has become an increasingly influential demographic in the blind box economy due to their preference for cute and adorable collectibles and the role played by social media in promoting the spread of blind box culture. With the advent of mobile Internet penetration, the number of active female users has doubled, and the size and stickiness of this demographic have steadily increased over the years. To date, the active female user base has reached 582 million, accounting for 49.3% of the total network [4].

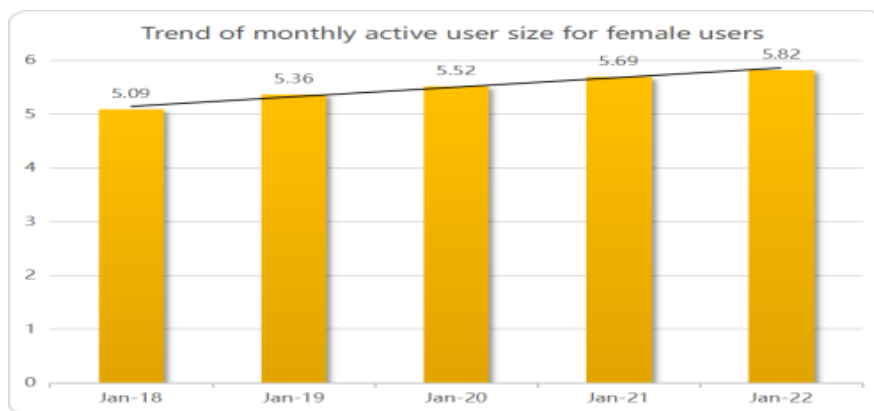


Figure 1: Trend of monthly active user size for female users [5].

2.3. The "Breaking Circle" Phenomenon in Subculture Groups

As a subculture circle within the pan-secondary culture, the blind box economy has gradually expanded its reach beyond its original boundaries. This expansion is attributed to the upgrading of consumption patterns, the rapid development of the internet, and the growing size of the pan-secondary population. The blind box economy is still in its early stages of development, characterized

by low price/cognitive thresholds, strong commercial adaptability, and cross-circle linkages. This makes it an attractive proposition for young consumers, and its popularity is expected to surge in the coming years. The emergence of this new consumption mode has further expanded the scale and potential of the subculture market [6].

2.4. Analysis of Customer Demand

Generation Z's circle culture consumption market, which encompasses e-sports, secondary yuan, molded play artifacts, and national style, has a different appetite for blind box goods. This indicates a strong interest and demand for blind box goods among this cohort. Additionally, female users have a higher affinity towards elimination games and online video platforms and exhibit a greater inclination towards collecting various toys, cards, and other blind box goods. The popularity of blind box goods among female customers has also been reflected in their high demand on e-commerce platforms such as Shopee [6].

2.5. Shopping Experience

Generation Z consumers generally belong to households with a higher economic level and income. This demographic prioritizes the satisfaction of spiritual needs over the practical value of products when making purchasing decisions. The "pleasing oneself" attitude is prevalent among this group, and they exhibit great enthusiasm and pursuit of personalized and interesting products. In this regard, secondary knowledge and blind box goods have gained widespread acceptance.

As consumers increasingly prioritize the shopping experience, major retailers have made significant efforts to enhance their offerings in this area. Notably, POPMART has made considerable strides in this domain, with a focus on store layout and product display. The global flagship store of POPMART on Nanjing East Road is characterized by a strong emphasis on critical intellectual properties (IP) and seasonal new products. The store design incorporates popular physical decoration styles, such as ring designs and toy display walls, to create an immersive shopping experience for consumers. The dynamic pop music complements the trendy play culture, thereby highlighting POPMART's business philosophy of constantly pursuing the latest cultural trends.

2.6. Customer Service

Customer service is a crucial core competency for major retail enterprises, and POPMART has taken several steps to meet the needs of its customers. Firstly, the company offers a 24-hour customer service hotline and online customer service support to provide round-the-clock assistance to consumers. Secondly, POPMART places a strong emphasis on pre-sales education and after-sales service, providing professional guidance and support in product purchase, use, and maintenance.

Additionally, the firm has established a robust user feedback mechanism, which allows it to address consumer complaints actively. POPMART also engages in various online and offline activities to foster interaction and communication between the brand and its customers.

3. POPMART's Brand Promotion Concept

3.1. Brand Foundation Concept

POPMART is a retail company with young women as its primary customer group. Its brand concept is "creating a better lifestyle for young people." By providing a rich and diverse selection of products and a good shopping experience, POPMART provides young consumers with a more convenient and interesting way to shop and meet their needs for a fashionable and personalized life. In POPMART's concept, the blind box belongs to the innovative strategy and personalized product positioning.

POPMART introduces the blind box as an emerging concept in merchandising, and by launching a series of pop culture-related blind box products, it meets the current demands of young people for chasing fashion, collecting rare items, and enjoying unique shopping experiences.

3.2. Brand Promotion Concept

In terms of brand promotion, POPMART focuses on interaction and communication with consumers. Through various ways, such as online social media and offline activities, POPMART actively expands brand awareness and influence. Especially in the application field of short videos, which is popular among young people, POPMART has carried out a series of interesting and interactive activities, which have attracted wide attention and participation.

In addition, POPMART is also committed to innovation and trendsetting, continuous innovation in product design, marketing models, and other aspects, and constantly improving its competitiveness and market share. For example, in response to the trend of young people pursuing personalization, POPMART has achieved personalization through customized goods and social e-commerce, which has been highly recognized and supported by consumers [7].

4. POPMART's Omni-channel Marketing Strategy

4.1. Offline Channels

4.1.1. Retail Stores

POPMART's retail network is dominated by core primary and secondary shopping areas. The physical store enhances the store experience and high-traffic zone options. POPMART has 114 retail stores in 33 mainstream shopping districts in Tier 1 and 2 cities, with an average area of about 100-150 square meters. Retail stores are important channels for enterprises to establish market positions and establish contact with enterprises. The company uses retail stores to gather fans, experience new products, enhance the shopping experience, and raise brand awareness.

4.1.2. Robot Shop

POPMART Robot Shop belongs to the official POPMART self-service product purchase channel, which can be placed on many channels, such as airports, subways, office buildings, and shopping districts. Robot Store has low pre-investment costs, high operational efficiency, high penetration radiation capacity in cities below the second tier, mobile site selection capability, and a pilot role in sinking markets. Robot Store sales performance and market feedback provide valuable data insights for retail store expansion strategies. At the same time, self-management of the robot store can help companies coordinate deployment, reduce intermediate costs, and reduce total costs.

4.1.3. Trendy Play Exhibition

POPMART hosts the International Trendy Toy Fair every year and currently holds six exhibitions, with more than 500 designers and 250 brands exhibiting and more than 50,000 visitors to a single exhibition [8]. It has become one of the most important exhibitions in trendy toys in China. Trendy Play Exhibition attracts fans to exhibit and shape the influence of Exhibition culture by offering limited products and inviting designers to participate in on-site interaction, creating public opinion to raise awareness of the exhibition.

4.2. Online Channel

4.2.1. Tmall, Jingdong E-Commerce Platform

During the Double Eleven period, POPMART's Tmall flagship store had total sales of more than 142 million, becoming the first toy brand to enter the "Double Eleven Billion RMB Club." 2020 First half revenue was 147 million yuan, up 122.2% year-on-year, and Double Eleven's revenue on the day was about equal to the revenue of the whole first half of the year. Compared with last year, Double Eleven grew by 72.80%, surpassing Lego and Bandai as the world's best-known brands and placing it firmly at the top of the toy industry [9].

4.2.2. Media Operations

POPMART relies on Weibo, microblogging WeChat and other media channels to fully bloom, to carry out diversified network marketing. And they have increased human and material resources in Tiktok, Bilibili, and RED, including WeChat, microblogging, and other social networks and social media into the small program "POPMART box drawer", with the help of small program empowerment to restore the "selection - payment - unboxing" trilogy to the line, shortening the user's purchase chain. Since launching in 2018, Mall's revenue grew from 23 million yuan to 271 million yuan in 2019, surpassing the 251 million yuan in revenue for the Tmall flagship store that year, with 3.2 million registered members and a membership buyback rate of 58% [10].

4.2.3. Baba Fun App Community

Baba Fun is a trendy toy app that belongs to Beijing Baba Fun Technology. App users can trade toys, meet people, post and share information, collect toys from various brands, and communicate with hip artists. The app also provides an online communication platform for blind box enthusiasts. POPMART is also committed to driving the penetration of fashion gaming culture and opening up space for growth in the industry. POPMART is the first to cultivate the ecology of Tide Opera in various ways, guiding the continuous infiltration of Tide Opera culture. Through the app, users can gain access to the latest information, showcase their collections, and communicate/trade with other users, thus expanding the reach of the company's products and increasing consumer understanding and stickiness.

Affected by the novel coronavirus epidemic outbreak, POPMART is deeply expanding its online channels in 2020, optimizing its own "Baba Fun" mobile user terminal and online blind box applets in addition to cooperating with more platforms such as RED and POIZON. Overall, according to POPMART's 2021 annual report, retail stores accounted for 37.3% of revenue, and online channels accounted for 41.8% of revenue [11].

5. POPMART's Market Positioning and Segmentation

Table 1: Age of users at POPMART [12].

Age	18-24 years old	25-29 years old	30-40 years old	Others
Percentage %	32	26	20	22

Table 2: POPMART's user groups.

Career	White-collar	Students	Faculty and Staff	Self-employed	Others
Percentage %	33.2	25.2	12	8.7	20.9

Table 3: The loyalty of POPMART's customers.

Loyalty	Willingness to pay more than 500 RMB	Purchased within six months	Purchased more than five times	Purchased more than once
Percentage %	27.6	68.9	19.8	68.5

Under the fierce market competition, the product launch should fully consider the needs of the target customers and carry out the selection and positioning of the target market. POPMART has a clear market position – adult toys. Most products are sold in individual styles ranging from RMB 39-89. Consumers are 18-35 years old, with an average age of 27, mainly young white-collar workers and company employees in first- and second-tier cities, mainly women, most of whom are also the main consumer group of secondary yuan. This generation has different values and consumption ideas from the previous generation, and they pursue sensory stimulation for the purpose of life and consumption. Most of these consumers have decent jobs and good incomes and are able and willing to pay for their own hobbies [13]. As shown in Tables 1, 2, and 3, POPMART's customers are also mostly young people between the ages of 18 and 29, accounting for nearly 60% of the total, which shows that young people (Generation Z) are in favor of trendy toy products [14].

6. POPMART's Corporate Profitability Crisis and Development Risks

6.1. Limitations in Profit Points

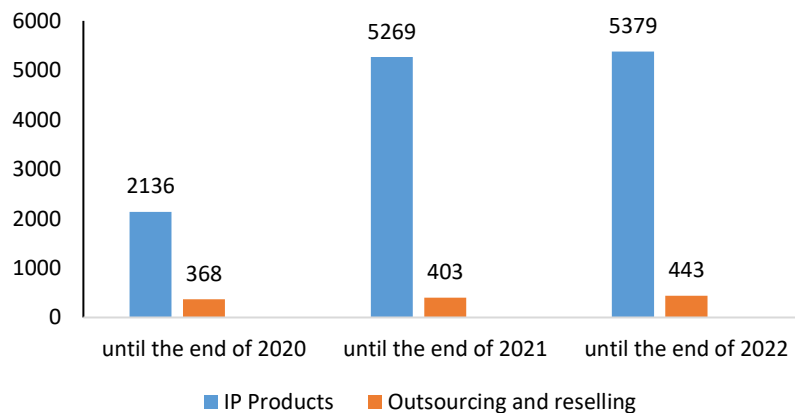


Figure 2: POPMART's Revenue Sources [based on IP, Unit: millions].

The bar chart shows that the main source of POPMART's revenue is currently IP products. But the value of the blind box IP form itself is limited and can continue to be sought after is the blind box IP as a carrier in the constantly changing and updated products. Therefore, for the marketing of blind box IP to achieve sustainable development, the most important thing is to maintain the heat of the core IP, as well as the incubation of new IP.

6.2. IP's Weakness of Innovation Capability

At present, POPMART, its consumption upgrade power is insufficient, and the fever of blind box play is declining; in the long run, there is a possibility that users' enthusiasm for blind box is fading, and they are facing the risk of losing their target consumer groups. In the long run, users' willingness for blind boxes is likely to fade, and the company meets the risk of losing its target consumers. The development of new products and new IP is not as expected. A long IP incubation period may deviate

from consumers' real-time preferences, resulting in market performance not meeting expectations [15].

6.3. Intense Industry Competition Risk

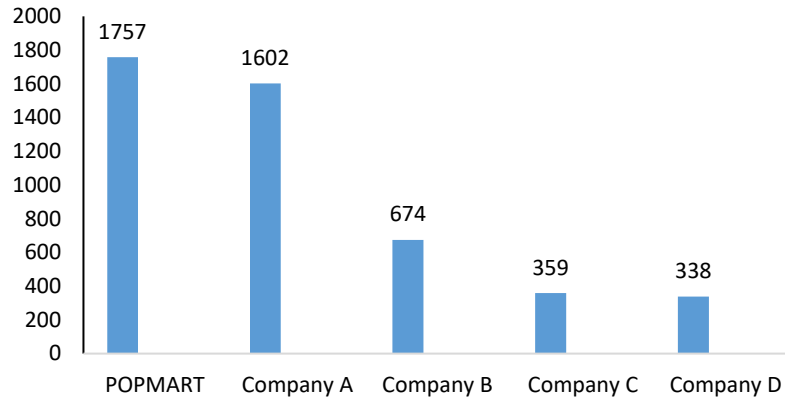


Figure 3: The competitive landscape of trendy toy companies in China [Unit: millions].

As shown in the figure, according to Frost & Sullivan's forecast, the market concentration of China's trendy toy retail industry is relatively fragmented, with an industry market share of only 22.8% in 2019. However, according to the China Business Industry Research Institute, POPMART will have a market share of 10.97% in 2022. For now, POPMART is in the leading position in the industry and is the largest trendy toy brand in China. Compared with the other four major companies in the same period, it is in the leading position, but not much different from the second place, still facing much potential competitive pressure. Major competitors include trendy toy companies and many smaller domestic and international collectible designers and manufacturers. For example, Toptoy, a spin-off brand of Masterpiece, KKV, is the first comprehensive lifestyle trend retail brand launched by KK Group [16].

7. POPMART's Corporate Sustainability Recommendations

7.1. Focus on Market Segments

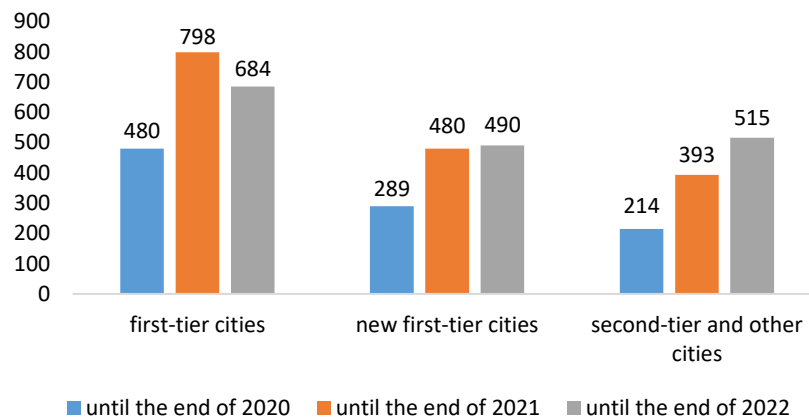


Figure 4: POPMART's retail stores of total revenue from 2020-2022 [123 first-tier cities, 95 new first-tier cities, 111 second-tier and other cities Unit: millions].

7.1.1. Increase Second-Tier and Other Cities' Layout

Now the tide play is more and more young people are familiar with, and the heat is now not limited to first-tier cities; and the price of POPMART is relatively reasonable, but also easy to be accepted by young people whose income level is not very high. So POPMART can increase the publicity in the second-tier cities, organize and plan some exhibitions, and actively participate in some comic book shows and other activities. For the third-tier cities or higher consumption capacity of the county market, you can first use the robot store and other such less costly ways to open the market, hold some small fan exchanges, some exhibitions to expand publicity, and product prices choose in the lower range, the primary purpose is to increase the heat, boost advertising, after which you can choose to invest in some small area of the retail store to enter the market.

7.1.2. Differentiation of Retail Stores in First-Tier Cities

Customers in Tier 1 cities have been the core source of revenue for POPMART, but at present, POPMART's product appeal is not very high in Tier 1 cities because the product has matured. This study believes that POPMART can differentiate itself from other cities in terms of product quality and design. For example, it can add private ordering, design some high-end products related to the core IP or cooperate with other brands to design exclusive products, but only if the quantity is limited, and increase the familiarity through the hype and other ways to keep the core IP hot.

At present, POPMART has adopted the appropriate means to achieve more significant results. For example, MEGA is a high-end brand created by POPMART to promote "trendy play art," and in 2022, it will continue to cultivate the "MEGA Collection" and continue to increase cooperation with famous designers and artists to launch artist-co-branded models to promote the integration of trends and art.

In addition, POPMART cooperated with Mickey-Mini, Pink Panther, Love Bear, and other IP to launch co-branded models, allowing trendy IP and classic IP to collide with new sparks continuously. POPMART also cooperated with Coca-Cola, Moncler and other famous brands to launch co-branded models. In addition to MOLLY, POPMART has launched products of the MEGA Collection for DIMOO, SKULLPANDA, and LABUBU, continuing to explore the possibilities of high-end tide play. Based on the two categories of 1000% and 400%, the 100% SPACE MOLLY anniversary series was launched and was well received by the market. In 2022, the MEGA collection series achieved a total revenue of RMB 466.8 million.

7.2. Expanding the Market Scope

As the market scale of POPMART expands, the variety of products increases. After POPMART's industry chain matures, it can also extend its production business, using its brand effect to cooperate with other brand parties or cooperate with some games with more characters to produce related dolls. At present, the market positioning of POPMART is mainly female. If the cooperation with the game party to have related IP products may be able to attract male users—for example, Shining Warmth or Original God.

8. Conclusion

The novel coronavirus epidemic has dealt a blow to the whole trendy toy industry to a certain extent, affecting the supply chain, inventory, and sales channels. However, in the past year, POPMART has continued to incubate quality IP, export new IP recognized by the market to the industry and continue to develop new product categories to promote the prosperity of the sector further. With the deepening of market education, consumers' awareness and acceptance of trendy toys and IP will continue to rise.

Although POPMART is a unicorn company in trendy toys in China and the company has a leading market share compared to the other four major players in the same industry, the gap between the company and the second place is not large, indicating that the potential competitive pressure faced by the company is still high. So POPMART is also facing some urgent risks to be solved. With the increase of POPMART products and market expansion in the supply chain, POPMART is currently taking the strategy of OEM cooperation, which in product quality control needs to be improved; for example, as of 2020 Black Cat complaint platform received POPMART complaints about quality and service complaints accounted for more than 70% of the information. The biggest risk challenge facing POPMART at present is that it is unpredictable whether the product updates will meet market expectations, and there is a risk that the incubation period for new IP products is long and inconsistent with the expectations expected by the market. This study analyzes the advantages and risks of POPMART's marketing strategy in some detail and proposes solutions to address the risks. This study hopes to provide a reference for the sustainable development of blind box IP products in trendy toys in China.

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