

Research on the Business Model and Consumer Behavior of Bubble Mart

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Abstract: This study aims to explore the business model of Pop Mart and its influence on consumers' behavior. It mainly analyzes four critical components of its business model: IP-driven content ecosystem, blind box mechanism, community marketing and omni-channel strategy. By examining these components and the corresponding communication mechanisms and strategies, this study reveals how Pop Mart effectively stimulates consumers' purchase motivation and community engagement and accomplishes success in the designer toy market through unique IP operations, blind box sales and community building. This study also investigates personal, psychological, social and cultural factors that make impact on consumer purchasing behaviors, and further analyzes key factors that contribute to Pop Mart's success, the inspiration of its business model for new consumer brands and the reference value of its business model for retail industry's digital transformation. This study pays attentions to the existing optimization availability and potential risk of Pop Mart's business model as well, for instance, over-dependence on one single IP and plagiarism disputes. This research provides reference for the growth of new consumer brands and the digital transformation of retail industry, and to propose suggestions to the future development direction of Pop Mart.

Keywords: Pop Mart, Business Model, Consumer Behavior, Blind Box, IP.

1. Introduction

In recent years, blind box, as an emerging genre of consumer products, has grown rapidly in Chinese market and accomplished remarkable achievements. Its randomness and uncertainty greatly promotes consumers' curiosity and desire to buy. Covering designer toys, anime peripherals and other sphere, blind box products are very appealing to young consumers.

Among many brands, Pop Mart is particularly outstanding. It has quickly captured the market with unique business model and market operation. Through IP licensing and cooperation, product design, channel expansion and community operation, Pop Mart has taken blind box economy to a new level, and had significant impact on designer toy industry.

Scholarship about Pop Mart involves continued and multifaceted discussion of its business model that is disruptive and how it markets its products in some academic lenses. Scholars have carried out extensive studies to de-mystify why the company is highly successful in the cool toys niche.

Zeng's research offers a detailed case study on the marketing strategy of Pop Mart, illustrating how the blind box model effectively provokes consumer curiosity. The research indicates that through the random and surprising factor, Pop Mart effectively reprograms consumer psychology, transforming

uncertainty into a successful consumption motivator that launches the brand from obscurity to market leadership [1].

Tao and Zhang's paper examines Pop Mart's development process in a meticulous manner and presents three key factors of success: precise identification of target groups, strategic operation of IP, and distinctive brand positioning. They hold the view that popular toy brands with success depend on systematic IP image construction, conducting extensive research on consumer needs, and employing targeted promotion policies through various channels [2].

Wang's research delves into Pop Mart's innovative marketing and communication strategies in the Chinese market. The study identifies company intentionally embraced the Japanese capsule toy system, introducing a new phenomenon of blind box that revolutionized the trendy toy industry. Through identifying and tapping into market trends, Pop Mart created a distinctive marketing strategy [3].

Wu and Ma analyzed in depth brand management and identified that the success of Pop Mart is attributed to advanced internal and external brand attribute management. Their study highlights strategic communication, maintenance of relations, adaptive development strategy, and proper crisis response mechanism as necessary to create a strong and durable brand identity [4].

Wang's study delves into Pop Mart's online marketing strategy in the age of e-commerce, showing how the blind box economy has revolutionized conventional marketing models. The research shows how e-commerce platforms have made marketing more efficient, greatly cutting marketing costs and opening up new consumption contexts for fashionable products [5].

Liu and Nie's study presents a comprehensive analysis of Pop Mart's multi-platform internet marketing channel strategy. Reviewing the brand's performance across WeChat official accounts, mini-programs, Xiaohongshu, and Douyin, the study makes tacit comments on the efficacy of multi-platform marketing and digital communications [6].

Wu's comprehensive analysis based on data analysis and SWOT analysis reveals the multi-faceted reasons for Pop Mart's success. The brand's strengths, according to the research, are dense IP resources, precise market positioning, diversified marketing channels, and excellent consumer psychology insight, in addition to future development areas [7].

While existing research is enlightening, there remains much scope for an integrated examination of Pop Mart's business model and the intricate relationship with consumer trends. This study aims to bridge existing research gaps by offering an integrated and holistic analysis.

This study aims to analyze the business model of Pop Mart, and investigates the multifaceted impact it has imposed on consumer behavior. Through the case of Pop Mart, this study attempts to more comprehensively understand the internal logic behind its success in design toy market, and to provide valuable reference to the development of relevant industries.

2. Bubble Mart's business model and effect

2.1. IP-driven content ecosystem and propagation mechanism

Pop Mart has reshaped the trendier toy sector with a cutting-edge and multi-dimensional IP model. With an entire IP ecosystem of its own-owned and solely licensed IPs, the company has taken a breakthrough intrinsically in its IP management model. Pop Mart has acquired a distinctive competitiveness by strategic buying, incubating, and breeding IPs like Molly, Dimoo, SKULLPANDA, Pucky, and The Monsters [2].

The company's IP strategy is not limited to product innovation. With 93 IPs operating as of June 30, 2020, 12 of which it owns itself, 25 exclusive, and 56 non-exclusive assets, Pop Mart has established an international creative IP network. The system relies on cooperation with over 350 artists on a revenue-sharing platform that encourages perpetual innovation. The strategic plan

guarantees a steady supply of fresh content, while self-owned IPs like Molly traditionally contributing approximately 30% of total revenue.

Its IP penetration strategy extends beyond traditional boundaries, reaching out to multiple consumer and entertainment touchpoints. From figures and merchandise to animation, games, and theme parks, Pop Mart has an end-to-end IP lifecycle management strategy. The company proactively fosters toy culture by participating in international exhibitions and global animation conferences, and establishes itself as a cultural leader instead of a mere toy manufacturer.

2.2. Blind box mechanism and propagation strategy

The blind box mechanism is a psychological coup on consumer engagement. By designing deliberate uncertainty in product selection, particularly with low-probability hidden variants (approximately 1/144 chance), Pop Mart masterfully ignites the behavior of collectors and gambling psychology [5]. This strategy engenders outstanding consumer behavior, wherein core consumers exhibit outstanding loyalty through annual consumption of more than ten purchases.

It offers unboxing ritual with social currency, generating extremely high levels of interaction across online platforms like Xiaohongshu and Douyin. Limited editions become social currency, driving a self-sustaining marketing cycle whereby consumers are rewarded by both ownership of the product and possibility of social acceptance. The scarcity and hunger marketing strategy, through limited edition and collaboration drops, also sustain the dynamic.

As of December 27, 2023, Pop Mart's market dominance was evident. It has 30,500 followers on Qiandao Chaowan Zu, which is the biggest second-hand art toy platform. And five of the top ten most followed IPs there are from Pop Mart [8]. This achievement is a testament to the success of their innovative marketing strategy.

2.3. Community marketing and interaction mechanism

Pop Mart has created a comprehensive community engagement strategy that shifts consumer interaction from transactional to experiential. The paid membership model, in the form of the "Premium Card", provides premium privileges such as priority shopping and point exchange. This has incredibly good outcomes, with members generating more than 90% of the company's revenues.

It has users from not only regular retail, but also mobile app and offline exhibitions like the PTS Trendy Toy Exhibition. Apart from retail stores, Pop Mart's entire sales system extends to robot stores, online channels, and toy exhibitions, fostering an integrated multi-channel membership operation strategy to ensure continuous user engagement and brand loyalty.

The second hand market forces further enhance brand dissemination. Exotic variants often sell for substantially higher prices on sites such as Idle Fish (Xian Yu), sometimes increasing by dozens of times their initial price, adding a further level of consumer hype and brand enigma.

2.4. Omnichannel layout and propagation strategy

Pop Mart's omnichannel strategy is a cutting-edge blend of online and offline shopping experiences. With over 500 overseas stores situated in the first and second-tier city commercial districts, the company creates experiential retail sites attractive to both check-in culture enthusiasts and consumers who like to buy at the spot.

Pop Mart placed automated vending machines in shopping malls and subway stations, which offer low-cost access to dispersed consumer traffic. Moreover, online channels like Tmall and JD fuel daily sales, while the WeChat mini-program's interactive "box-drawing" feature strengthens social amplification and user stickiness.

The company's TikTok store has achieved intense consumer interaction by using creative videos and live streams. Its multi-channel approach ensures far-reaching market penetration and constant brand engagement with diverse consumer segments.

3. Consumer drivers

3.1. Personal factors

Pop Mart takes Generation Z as its core target clients, who are audience of 90s and 00s. Proportion of people aged 18-23 increased from 31% in the first half of 2021 to 33% in the first half of 2023, according to reports from Three Cobblers. Pop Mart uses unique IP images and novel design to attract this audience.

Compared with old generation, this audience has more diversified lifestyle, and Pop Mart developed various product lines to meet their demand. Pop Mart's products let consumers who like trend and social interaction demonstrate their individuality, whereas consumers who likes collection can can enjoy a sense of gratification by gathering full range of products.

As consumers age, they are more committed to products' collection value and emotional link. Pop Mart thus launched classic series and limited edition to meet this demand.

3.2. Psychological factors

Pop Mart ignite consumers' buying motivation by using randomness and limited edition. Its blind box model takes advantage of gambler psychology. There is hidden editions in its blind box, which will stir consumers to buy more blind boxes i order to get the hidden ones. In addition, Pop Mart has several limited edition, the scarcity in quantity and uniqueness in design and material also stimulates repeated purchase.

Pop Mart promotes its product awareness by exquisite design and package, and promotion on social media. Its products are deemed as trend, uniqueness and high quality. Thus consumers will receive recognition and admiration on social circle by sharing unboxing results and demonstrating limited or hidden editions. Such social communication not only strengthens consumers' awareness, but only expands the brand's influence.

Pop Mart's blind box is not merely toy, instead it is a kind of emotional consumption. Consumers will get surprised and gratified during unboxing. Pop Mart further strengthened this kind of emotional link through diversified channels such as theme parks and mobile games, which helps products evolve from static toys to emotional carrier.

3.3. Social factors

Pop Mart's products cater to the need of family consumers. It developed large packaging products, suitable for family sharing. They are sold in a whole box, containing multiple blind boxes, and family members can unbox and collect together. Also, its products are fit as birthday gifts or holiday gifts, and consumers like to buy them for family occasions.

Pop Mart's marketing strategy also adapted to consumers of different social roles and status. For fashion leaders, they can demonstrate their status and taste by by buying Pop Mart's limited edition and collection series. Pop Mart launched high-end figures and limited edition to meet higher social class consumers' demand likewise. For example, its MEGA collection series, every model is equipped with exclusive collectible card and limited serial number, which further elevates the products' uniqueness and collection value.

3.4. Cultural factors

Pop Mart's products are geared to different subculture community. For example, it has co-branded products with cartoon and music. For example, the joint model of SPACE MOLLY and "Chibi Maruko-chan" incorporates the classic shape of Maruko into the design of MOLLY. This design not only meets the collection needs of anime fans, but also enhances the product's attractiveness through emotional resonance.

Also, its localized design can meet demand from different cultural background, for example, its localized products in Beijing integrates elements like Beijing stone lions and swallow kites.

On global markets, Pop Mart learns from local users' preference and proactively makes changes to its IP accordingly. For example, in Thailand, its LABUBU limited edition is in Thai princess dress, which not only embodies its respect on local culture, but also strengthens consumers' cultural identity.

4. Insights and perspectives

4.1. Success factors and lessons for new consumption brands

Pop Mart achieved success through the model of "blind box + IP + social", which provides valuable experience to new consumption brands. Its IP incubation and fan operation strategies, such as cooperating with artists, deeply exploring consumers' emotional needs and accurately identifying target groups, are very worth learning. Meanwhile, Pop Mart makes use of social media and online community to meet consumers' collection and social demand and to create a sense of identity among circles, which enhances brand stickiness.

However, blind box's random mechanism brought the risk of addictive consumption. In its mechanism with hidden and limited editions, consumers are likely to buy more blind boxes in order to obtain rare items. One consumer once shared on social media that he spent more than 5,000 yuan on blind boxes in one month in order to acquire the hidden edition. Since Pop Mart's products went on market, criticism on probability of its blind boxes never ceased. Some media reported that the probability of hidden and special edition in Pop Mart's blind box is as low as 1/144 or even 1/720. This is criticized as being similar to gambling and inducing consumers to buy continuously. Thus, the company needs to be more active in fulfilling social responsibilities while pursuing profits. For example, setting a reasonable procurement limit, and increasing the transparency of winning probability will help to form rational consumption.

4.2. Omni-channel strategy and digital transformation

Pop Mart's omni-channel strategy, including robot stores, theme stores and online integration, provides a model for digital transformation in the retail industry. Its integrated online and offline shopping experience, such as setting up vending machines in shopping malls and subway stations, and making creative videos and live broadcasts on Douyin stores, has achieved widespread brand dissemination and continuous interaction with consumers.

This multi-channel marketing not only enhances the brand's market penetration, but also provides a reference path for the retail industry in the process of digital transformation. Additionally, Pop Mart leverages data analytics from its online platforms to tailor offerings and optimize inventory, further strengthening its digital strategy. By using social media platforms like WeChat, Xiaohongshu, and Douyin, the company has also created a strong online presence, allowing for real-time engagement with consumers and reinforcing brand loyalty.

4.3. Areas for optimization and potential risks

There is still room for optimization in Pop Mart's business model. First, to avoid excessive dependence on a single IP, the company needs to develop a diversified IP matrix. The Molly series earlier contributed to 80% of Pop Mart's revenue. In 2020, this series accounted for 27.4% of its revenue, but it still has a significant impact on the company's overall performance. To address this, it needs to introduce more IPs of different styles and themes, and encourage users to co-participate in the design and development of IP, which can extend the IP's life cycle and enhance consumers' devotion and loyalty to the brand.

Moreover, as consumers age, the emotional value of trendy toys may change. The company need to launch products with higher artistic and collection value or to creates news products combined with technology and interaction experience, which will let consumers maintain long-term interest and stickiness.

The business model of Pop Mart also leads to some potential risks, such as inventory pressure and plagiarism disputes. In 2023, Pop Mart's inventory backlog rate was as high as 20% due to lower-than-expected market demand for some series. Its warehousing costs and capital pressure increased significantly. Thus, the company needs to optimize supply chain management and to adopt flexible production plans in order to reduce inventory risks.

Additionally, some of Pop Mart's products were found similar in design to those of other brands, which created consumer confusion and blemished the brand reputation. In February 2023, its AYLA series was blamed for having copied the design of DollChateau. This sparked dissatisfaction among consumers and widespread disputes. Although Pop Mart issued an apology statement soon after that and removed and recalled products of that series, it still caused an irreversible negative impact on the brand. The company needs to introduce a stricter audit mechanism in the design process. Also, it will need to seek cooperation with more designers from all over the globe, thus its products can incorporate more originality from them. Moreover, Pop Mart needs to enhance its internal management and ensure the designer team strictly follows intellectual property protection standards during the work process. These measures can safeguard originality in design and prevent plagiarism from the source.

5. Conclusion

This study undertakes Pop Mart as the object, and explores its business model and consumer behavior. The research reveals critical components that contribute to Pop Mart's success: IP-driven content ecosystem, blind box mechanism, community marketing and omni-channel strategy. Specifically, Pop Mart has achieved differentiated competitiveness in designer toy market by constructing unique IP ecosystem. It not only cultivates its own IP, but also cooperates with external high-quality IP by strategic purchase or licensing, ensuring freshness and diversity of the content. As the core sales strategy of Pop Mart, blind box mechanism effectively stimulates consumers' buying motive. By taking advantage of consumers' curiosity, collection desire and gambling psychology and social media's communication, this mechanism helps to form strong market influence. Community marketing and omni-channel also play a pivotal role in its business model. Through membership system, online and offline interaction, and diversified sales channel, Pop Mart has established complete consumer experience, and enhanced user stickiness and brand loyalty.

Pop Mart's success experience provides reference for new consumer brands. IP building is very significant to new consumer brands. Social media and online community are key vehicle to brand building. Omni-channel strategy and digital transformation are the development trends of retail industry. Looking ahead, Pop Mart should continue to work hard in product innovation, IP

diversification and sustainability in order to maintain competitiveness and achieve long-term development.

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