

Analysis on Marketing Strategy of “Blind Box Economy”

— Taking POP Mart as an Example

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Abstract: In recent years, the blind box has triggered a consumer buying boom with its own innovative concept. Blind box consumption has developed from a product purchase behavior to a brand-new marketing model. This paper will study the POP Mart through literature review and data analysis, and deeply understand its marketing strategies and concepts. Through research, POP Mart’s successful marketing methods include accurately catering to consumer psychology, IP co-branding and crossover marketing, and sales channels management strategy. After the discussion, this paper will sort out the marketing strategies of POP mart, and pointedly put forward two shortcomings of POP Mart in terms of operation: the lack of IP content and the expansion of sales channels.

Keywords: blind box, POP mart, economy, IP, marketing strategy

1. Introduction

The rise of the blind box is mainly due to the vigorous development of the secondary culture and the rapid growth of the trend toy group. The post-95 group is promoting the small blind box into the mainstream consumption trend. According to the Marketing Research Institute, in the past four years, the post-95 group has expanded from 40 million to 90 million, becoming the market pattern of mainstream consumers in the blind box economy [1]. In recent years, the purchase of blind boxes has become a new fashion, and the whole industry has formed a mature industrial chain. There are many industry giants in the industry, earning billions of yuan a year. POP Mart is the most important blind box manufacturer in China. POP Mart made a profit of 1.56 million yuan in 2017, 451 million yuan in 2019, and 850 million yuan in 2021. The explosive growth of profits has made this enterprise a new favorite of the capital market [2]. Philip Kotler defines marketing as “the process in which an enterprise creates value for customers and establishes a solid relationship with them in order to obtain benefits from customers.” [3]. This paper will discuss the development and innovation of the blind box economy by analyzing the marketing strategies of POP Mart, and put forward some targeted suggestions for the existing marketing strategies to provide practical development references for more enterprises. This paper mainly adopts the methods of literature research, case analysis and data analysis.

2. Marketing Strategy Analysis of POP Mart

2.1. Cater to Consumer Psychology

2.1.1. Commercialize Art and Fashion Play

In the book “Consumer Society”, Baudrillard believes that in a consumer society, what people consume is no longer the value of things. The essence of consumption is actually “symbol consumption”. He believes that what people now consume is not the use value of goods but their symbolic value. [4]. Traditional works of art are often very expensive and difficult to be accepted by the general public. POP Mart commercializes high-end art and reinterprets it in a way that young people like, so that young people can obtain priceless art experiences at an affordable price. Compared with the value of the art toy itself, consumers pay more attention to the value behind it: when you buy POP mart, you belong to a member with unique artistic aesthetics and lead the trend. In this set of logic, the consumer’s consumption demand is changed from material demand to spiritual demand. As Wang Ning, chairman of POP mart, said: “we believe that in the future, we want to create a larger market or make everyone more generous. It is not necessarily just the just needed. Everyone will limit their just-needed consumption. Only spiritual consumption will be a larger market. Only when facing spiritual consumption will all people become extremely generous.” In Maslow’s demand theory, the highest-level demand of humans is the demand for self-realization. What POP Mart wants to do is the business at the upper level of Maslow’s demand theory. What users buy is not just demand, but culture [5].

2.1.2. The Gambler Psychology

The difference between the blind box and the previous ordinary fashion games is that customers can only know what is inside the blind box after buying it. This is what makes the blind box fascinating: great uncertainty is accompanied by great surprise. You never know what to choose after a long struggle. [6]. In general, there are 12 blind boxes in a box and 12 dolls in a box. In the setting of the merchant, a blind box is divided into fixed and hidden ones. Many customers hope to draw hidden money with a small and broad mind. But in fact, the probability of drawing hidden funds is extremely low, about 0.69%. Therefore, this kind of “gambler” psychology and probability cognition bias make consumers constantly buy blind boxes.

2.1.3. The Use of Addiction Psychology by Merchants

Consumer behavior can be roughly divided into three levels of involvement, namely, shallow involvement, moderate involvement and deep involvement. Consumption addiction belongs to the situation of deep involvement, that is, purchase and repurchase [7]. The popularity of blind boxes is not accidental. The secret of addicting players lies in their deep insight into the psychology of users. The unit price is low, the rate of re purchase is high, and the rate of a new purchase is fast. In the process of buying and drawing, players put in real feelings. In a sense, what they smoke is not a blind box, but the excitement in the face of the unknown. Especially among young people with great work pressure and schoolwork pressure, the blind box can relieve the pressure, meet the emotional release demand, make people addicted to it, and even buy addictions with its excitement and expectation brought by uncertainty. At the same time, the phenomenon of blind box addiction can be explained by economic concepts. If an individual invests a lot of money and time in the blind box but still fails to draw the hidden money, then the money and time cost of the fait accompli paid at this time is the sunk cost, and they will be sentimentally attached to the sunk cost property, resulting in the idea that “I have paid so much and can not give up like this”. “The hidden money has not been drawn after

drawing a thousand yuan”, which is both a sunk cost and a hidden loss. In other words, they are extremely averse to losses, which has led to the emergence of the cost reversal effect, that is, “I must draw some hidden money so that I can recover the capital or make up for some of my previous losses”. Then there will be an unintentional vicious capital increase, that is, repeated purchases. When we have realized that the possibility of achieving positive returns is already very high, we still increase investment, which will last for thousands of people, just for the joy of random returns, the aversion to losses, and the sense of satisfaction brought by the cost doubling effect [8].

2.2. IP Co-branding and Cross-border Marketing

2.2.1. IP Joint Name

IP marketing is to combine the brand with IP to create a brand image with more personalized characteristics and value connotation, so as to attract the attention of consumers, deepen the impression of the brand in the minds of consumers through continuous content output, convey a value or idea to users, realize the personalization of the product or brand, and then enhance the brand's popularity and social recognition. POP mart's success also stems from its great emphasis on IP production, R & D, and marketing. IP is the core competitiveness of POP Mart. POP Mart takes IP as the core of its business, and IP types are divided into self-owned IP, exclusive IP and nonexclusive IP. Since the acquisition and launch of the first IP Molly in 2016, the company has continuously expanded its IP categories through independent design and the acquisition of exclusive and nonexclusive authorized IP. By virtue of its leading position in the industry and excellent platform operation capability, it has bound high-quality IP resources and continuously promoted its own IP and gradually formed a relatively balanced revenue structure.

The life cycle of classic IP is long, and the new IP grows rapidly, which is a visual expression of the operational advantages of POP Mart IP. POP mart's own IP mainly includes Molly, Skullpanda, Dimoo, Bunny, etc. In 2021, the self-owned IP revenue was 2.587 billion yuan, with a year-on-year increase of 164%. The proportion of self-owned IP revenue increased from 39% in 2020 to 57.6% in 2021, and the revenue contribution increased significantly. The year 2021 marks the 15th anniversary of Molly's launch. So far, Molly is still popular with fans. The annual revenue is 705 million yuan, an increase of 97.6% year on year. Skullpanda realized revenue of 595 million yuan, a year-on-year increase of 1423.8%; Dimoo realized revenue of 567 million yuan, a year-on-year increase of 79.8%. Skullpanda is the second largest private IP and a local brand in the Chinese Mainland, which has generated an income of 595 million yuan. It was created by the designer Xiong Miao. With its strong style label, it hedged with the Mengshi market and broke out of the Red Sea market at one stroke. Under the image characteristics of dark, niche and cool, skullpanda looks like a bold exploration and self-expression with impact. At the same time, POP Mart has cooperated with super large IP enterprises including Disney, universal, Warner, Japan, South Korea, etc. to promote the fashion culture. Today, POP Mart has formed a whole industrial chain layout covering artist mining, IP incubation operation, consumer touch and promotion of fashion culture. POP Mart has a grand goal: to build an IP Empire like Disney. But there is also a simple vision: “from selling goods to selling emotions, and from delivering goods to delivering entertainment”, which is also the source of vitality for players.

2.2.2. Brand Cross-border Marketing

In recent years, the tide of play culture has been rising and is loved by young people, and cross-border brand association has gradually become one of the important ways to establish close contact with consumers, promoting the “breaking dimension” of the trend culture. At a time when brands are constantly colliding with each other across borders, because of the strong contrast between brands

and IP, the sense of surprise they create can amplify brand popularity and influence and achieve the communication effect of $1 + 1 > 2$. Creating and attracting new traffic and enhancing the awareness and attention of users and consumers to the brand are undoubtedly the most intuitive effects of cross-border marketing.

In recent years, POP Mart has cooperated with many brands, including Defu, UNIQLO, YSL, Infusa, L'Oreal, orange blossom, King glory game, Everbright credit card, etc. The content involves many fields, such as beauty, animation games, food and daily necessities. For the marketing mode of joint brand cooperation, the influence in communication mainly depends on the novelty of the content and the influence of the cross-border parties themselves. As consumers generally have more trust in big brands, rational consumption consciousness has risen. Based on this, POP Mart mainly chooses to combine some brands trusted by consumers for marketing. For example, in March 2021, the IP dimoo constellation series of POP Mart was launched. Haagen Dazs took advantage of the IP flow tuyere to launch dimoo constellation cooperative ice cream. By combining the strength of IP and brand, it expanded the depth of cooperation, online promotion + offline retail marketing iteration, traffic explosion and brand precipitation to create explosive products. It can also be seen everywhere on social media platforms such as xiaohongshu, with various playing methods and grass planting stickers. The cooperation combines products with blind box play and purchases limited ice cream to obtain a random constellation IP chocolate brand, which is loved by fans.

On April 29, 2022, the UNIQLO “UT” series, which has been co-branded with Disney, one piece, Pokémon and other animations, launched a dreamlike linkage with the IP labubu of POP mart, and joined hands with the artist long Jiasheng to draw clothing illustrations with labubu as the theme element, showing the style charm of playful and childlike. In this joint brand clothing, as a Chinese cultural brand, POP Mart shows the cultural and creative power of Chinese localization. At the same time, the action of integrating trend elements into the “UT” series opens a common topic with young consumer groups and conveys the brand's multi-cultural creativity. In addition to cooperating with brands and customizing according to products, there are also a variety of programs and POP mart to send program benefits. For example, the variety show “The coming one” launched Molly, and the program “National Treasure” also cooperate with Molly and develop the new style that simulate Libai, the great poet of ancient China.

2.3. Sales Channels Management

The main consumers of POP Mart are young people. This kind of person has always been influenced by the new social style and network thinking, which is quite different from the traditional consumer in terms of information reception and consumption concept. POP Mart sells blind boxes mainly in two ways: online and offline.

2.3.1. Online

Online, according to the financial statements of 2021, online revenue increased by 97.4% year-on-year compared with last year. Among them, POP Mart box extractors account for nearly 50%, Tmall flagship stores account for about 30%, and JD flagship stores account for more than 5%. Online mainly includes POP box extractor, Paqu app, Wechat official mall, Tmall flagship store, and other e-commerce brands. Among them, the Paqu app provides an online communication platform for blind box lovers. Excavate the virtual value of the tide play IP through the online community and create an exclusive interactive platform for tide play fans. Through the app, users can obtain the latest game information, display collections, and exchange/trade with friends, so as to expand the influence of the company's products and enhance the understanding and stickiness of consumers. In addition, the American version of the POP Mart app will be launched in early 2022. The app integrates social

networking, shopping, and brand experience, connects trendy toy artists and collectors, and promotes trendy toy culture to the world.

2.3.2. Offline

In 2021, the company will mainly carry out offline sales channel layout, with the turnover of offline sales channels accounting for more than 50% of the total. The company's offline sales channels are mainly distributed in retail stores, robot stores, and wholesale. According to the financial report, the sales revenue of retail stores increased to 1.673 billion yuan in 2021, an increase of 67% over the previous year. As of December 31, 2021, there were 288 retail stores, of which the operating revenue of retail stores accounted for nearly 65% of the offline channel turnover, and robot stores accounted for about 15%.

The retail network is mainly concentrated in the first and second-tier core business districts. Physical stores pay attention to store experience and are located in areas with high traffic. Retail stores are an important channel for the company to establish its market position and link with the company. The company gathers fans, experiences new products, improves shopping experience and improves the brand awareness through retail stores. The robot shop has a low investment cost and high operation efficiency in the early stage. It has the strong penetration and radiation ability of cities below the second tier, the ability to move the location, and the pilot role of sinking the market. The self-operation of the robot store can help the company to coordinate the deployment, reduce the intermediate expenses, and reduce the total cost. In recent years, art toys have also become a hot channel for offline sales of art toys. Since 2017, POP Mart has held three international trendy toy exhibitions in Shanghai and Beijing. Many famous artists and brands at home and abroad have participated in the exhibitions. Players can not only buy art toy products but also interact with artists. The art toy exhibition is closer to the daily life of the audience, broadens the channels for consumers to contact the art toy, and also becomes the wind vane of the domestic art toy market.

3. Deficiencies in Marketing Strategies

3.1. IP Still Needs Content Support

For a long time, the goal of POP Mart is to become the most Disney like company in China. However, the fantasy fairy tale world created by Disney relies on IP with stories. Disney has formed a closed-loop ecological industrial chain of “content IP + channels + derivatives” through IP, creating a unique revenue model [10]. In this regard, the IP image of POP Mart is obviously not attractive enough. A senior player of the game once commented that the plot and character of POP Mart are obviously thin. The IP characters lack distinct personality characteristics and rich life experiences, and it is difficult for players to empathize with the characters. This is one of the reasons why many people do not understand tide play. There is only one IP image, but there is no IP with content and stories, lacking the steps from the birth of content to commercialization.

3.2. The Fast of Channel Expansion

It is not uncommon for enterprises to grow too fast and fall off the track in recent years. Of course, it is also a risk faced by POP Mart. As the only fashion game enterprise in China that has made two-way profits in terms of brand and channel, POP Mart is in the period of channel expansion. By the end of 2020, POP Mart had opened 76 new offline stores in China, with a total of 187 stores. And the number of robot stores increased from 825 at the end of 2019 to 1351 at the end of 2020. In 2021, POP Mart opened 106 new offline stores in China, increasing its total from 187 at the end of 2020 to 288 at the end of 2021. With such rapid growth, there are no small risks. After the next few years

have passed, the channel expansion of POP Mart may become unbearable. The core competitiveness of POP Mart is the ability to screen, create, and operate IP products, and offline channel ability is only one of the key capabilities. If we put the cart before the horse and blindly promote the construction of offline channels, we will surely pull down the aggressive brands. The construction of channels should be promoted according to the market's acceptance of IP products.

4. Conclusion

This paper analysis and summarizes three sales strategies of POP Mart, including consumer psychology, IP co-branding and crossover marketing, and sales channels management strategy. Among them, IP co-branding is the most important strategy that helps the company grow stronger. Most of the profit and popularity comes from this. However, there is still some shortcomings during operating. The lack of IP content and expansion of sales channels will become the major stumbling block on the way of development. In addition to the above, there are still shortcomings in this paper. In the future, the author will go further to deeper exploration. We will develop a targeted Pop Mart plan by understanding the response measures of other companies to such problems.

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