

How Pop Mart Is a Major Player in the Market

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Abstract: The rapid development of the fashion game industry in recent years is a microcosm of the national pursuit of spiritual and cultural satisfaction. After nearly a decade of development, China's fashion game market is still in a period of rapid growth. In the field of fashion games, Pop mart is the pioneer of its industrialization and the industry benchmark. Pop mart has grown rapidly and come into the spotlight in a short period of time, with substantial annual revenue growth every year. In this case, it is important for people to know why Pop mart is the leader of this industry in detail and some thoughts about their future business direction post-pandemic. This paper scrutinizes and analyzes why Pop mart dominates this market in terms of business model, product planning, sales approach, and consumer psychology. It also indicates how to maintain the company's development and economic growth in the face of a serious epidemic.

Keywords: fashion games, Pop mart, strategy

1. Introduction

In an era of rapid development, toys are no longer the exclusive property of children. Some adults will still be willing to spend money for an ornamental toy that is no more than a dozen centimeters in size. So, the market is starting to focus more and more on toys for different age groups. Then gradually the name Pop mart came into the public eye.

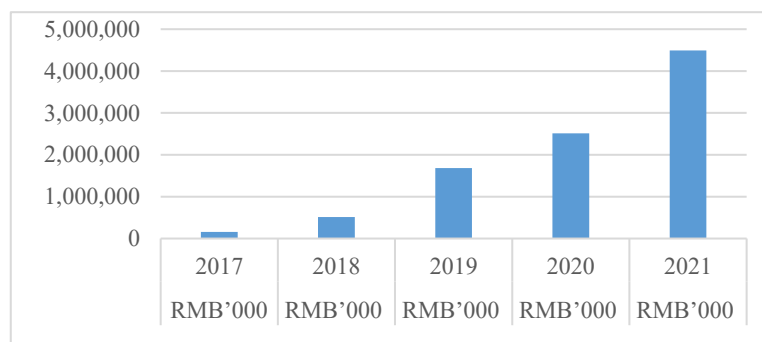


Figure 1: Revenue report (for the year ended 31 December).

According to the 2021 annual report provided by pop mart, and as shown in the Fig. 1, the company's revenue in 2021 increased by almost 10X compared to 2017 [1], which shows a tremendous increasing trend. Given that the company's revenue has already increased to 25 billion

yuan, they still almost doubled up their revenue in 2021. Also, “According to a report published by MobTech, the country's mystery box market is to exceed 30 billion yuan (about US\$4.59 billion) by 2024” [2]. It points out that pop mart is a company that still has potential for future growth that cannot be underestimated. But it is still incredible to people that a toy company can grow so fast. So, it is very valuable for people to explore how pop mart, as a toy company, can use new concepts of products and marketing models, and how it can enter the consumers' view in a very short time, get high revenue and then occupy the main position in the market.

2. Innovation in Different Areas

2.1. Innovation of Sales Model

For a new company in a new field, innovation in any aspect will have a positive impact on the company that cannot be ignored. In the case of pop mart, the company has been able to innovate in different aspects. First of all, in terms of sales model, as a toy company, pop mart has its unique means of selling its products. They have a special perspective on how to stimulate consumers to buy their products. Under a specific theme of characters, there are about 12 different styles of products packed in the same box. People buy without knowing what's inside and won't know what's inside until after they buy. “Under the premise of rational economic man, the marginal benefit is diminishing, buying an additional unit of product will cause the additional benefit to decrease. Whereas, for consumers of blind boxes, the more they buy, the more they want” [3]. This is because “consumers, often driven by a certain gambling mentality, are keen to spend on blind boxes, which could deliver high levels of emotional or social satisfaction for a relatively low price” [4]. It states that this indicates a special economic model is the blind box economy, they use the consumer's gambling psychology to motivate consumers to buy more blind boxes. At the same time, “With its high degree of uncertainty and playability, it has won the support and love of contemporary young people and gradually formed a blind box fever” [5]. Under this situation, especially young people are more willing to go after some exciting psychology, and this form of product can better stimulate their desire to consume.

But what is even more special is that in addition to the 12 normal products in a set, the pop mart will randomly put a hidden model in a set of blind boxes, and this special product is many times less likely than people buying a blind box to draw a normal product. When people want this hidden style, they will buy more blind boxes. If people buy the product they like, they will get a high level of satisfaction. If they don't get the product they want, most people's choice is to buy another box or just make a whole set purchase. This way even a single individual will contribute a very high amount of product sales. On the other hand, the pricing system for pop mart is worth noting aspect. The price for pop mart products ranges from 40RMB/box (common product) to more than 2000RMB/box (limited collection series). Board product line with a wide pricing range can target different customer wealth level, as I mentioned before, this pricing system leverage people's gambling and collocation psychology, specifically, the consumer can buy (“bet”) at a low price (as low as 40 RMB), if consumer look for more stimulation, they can always spend more money to start collecting a more precious collection. As you can see in the chart below, even though the higher price collection may be contributed to very little of pop mart's sales quantity (for example the last segment), it helps pop mart to seize the market and brings sales.

2.2. Innovation of Products

“If blind boxes were POP MART's catalyst to the art toy craze, their IP (Intellectual Properties) operation, as well as creation and design, are the pillars of POP MART's success” [6]. Also, the pop mart annual report indicates that “IP operation, as well as creative designs, are essential to our

products, and the key driving forces for the development of Pop Mart. We continuously enrich our types of IP and launch products of diversified styles to meet the demands of different groups of customers” [1]. In the creation of the product, the Pop mart has spent a lot of thought, and it is easy to see that the successful original IPs have really brought the company revenue that should not be underestimated, not living up to the investment in the original IPs.

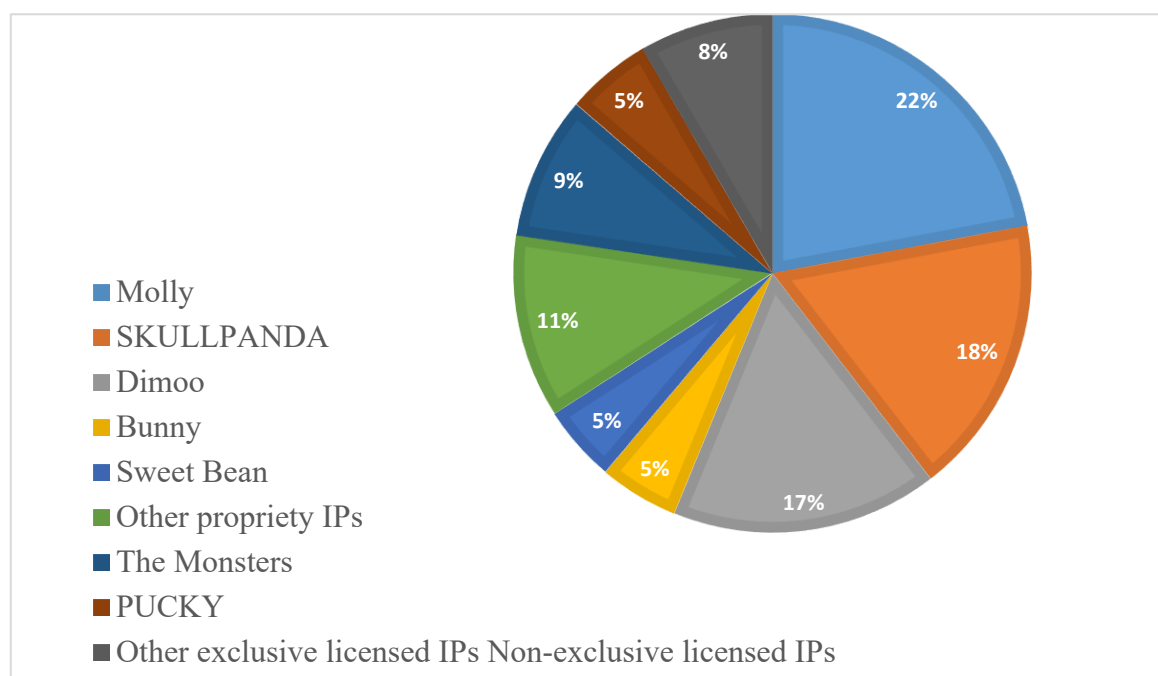


Figure 2: Percentage of revenue from different Ips.

In the beginning, Pop mart only focused on the Molly IP (As shown in Fig.2). But since the Molly series of blind boxes were very popular among people and had good sales, Pop mart started to design more Molly series of blind boxes. Although there was a successful case of Molly, they didn't stop there but invited more designers to design new IPs. For example, Dimoo appeared afterward. The design style of each individual IP was very different, and although the audience was not very active, each IP had accumulated a large number of consumers. For example, the table contains many IPs. Since Molly, Dimoo, and SKULLPANDA were popular with consumers at an early stage, they accounted for the majority of the company's profits.

3. Collaboration with Other Brands

Pop mart is also very good at observing consumers' needs and doing co-branding activities with some big-hit IPs of other brands. This is because, “Co-branding can be a win-win strategy to help drive sales, develop brand images, and save marketing or advertising cost in the restaurant industry” [7]. This is usually a mutually beneficial marketing tool, which means that people can learn about other brands through Pop mart and buy Pop mart's products because they like other brands. It's wise that the brands Pop mart chose to have a large fan base and hit new sales highs in that period of time. In the annual report, it indicates that “Pop Mart also maintains a close partnership with various internationally renowned IP enterprises, such as Disney, Universal, Warner Bros., Sanrio, NBA, etc. Based on IP diversification, we have also made great progress in the innovation of pop toys” [1]. And usually, these co-branding activities are limited time, and people don't want to miss these precious opportunities, so it will stimulate people to spend more. Pop mart is not only focusing on the blind box but also investing in more areas, such as clothing.

4. Early Market Entry

In the early days, there were only a few companies to produce the blind box market. It was only because of the explosion of Molly that Pop mart was brought to the public's attention, and thus the blind box market began to develop. Because Pop mart occupied an important part of the market in the early days, and because of its broad product lines with a wide pricing range, pop mart attracts consumers from different wealth levels, it built barriers so that other companies could not enter the market so easily. And "Barriers to entry are factors which prevent or deter the entry of new firms into an industry even when incumbent firms are earning excess profits" [8]. This also gave Pop mart a strong advantage for its subsequent development. As stated in "Innovation and Entrepreneurship Observation": "The original price of Pan Shen's hidden Christmas money was 59 yuan, which was sold at a high price of 2350 yuan on the second-hand mart, up 40 times" [9]. This shows that Pop mart products also have an investment property. Although many new blind box companies and new IPs emerged, later, Pop Mart is still the hottest blind box company because of these favorable conditions, and will not be easily compared to other companies, nor will it be easily replaced by other companies.

5. Strategies for Dealing with the Pandemic

What has to be admitted is that people prefer to experience what it's like to draw a blind box in an offline store, but because malls in China are often closed due to the epidemic after an outbreak, offline stores are not always open to people. This can lead to a very big impact on sales in offline stores, this is an inevitable negative for all businesses which have offline stores. But pop mart geared towards online platforms quickly. According to the annual report, we know that "As a pioneer and key promoter of pop toy culture in China, despite being affected by the recurrence of COVID-19 pandemic, we still maintain fast growth of our business and experienced a year-on-year increase of 78.7% in revenue in 2021" [1]. This is because Pop mart has shifted its sales focus more to online stores, and they are rapidly developing online stores for sales, with their stores on many different online sales platforms. In major cities in China such as Beijing, Shanghai, and Hangzhou, Pop mart's online store can deliver the product within a few hours, this fast delivery service also attracts a lot of new customers. When people quarantine at home, collecting pop mart products provides a sense of joy in an affordable way (in comparison, skincare and cosmetic products and luxury brands' sales drop dramatically due to the pandemic). Especially for younger generations, can collect and post photos on the internet with the hashtag, social media also help to brand pop mart and stimulate sales. For consumers to experience the fun of drawing blind boxes online, Pop mart also developed the function of drawing blind boxes in their online stores, so that they can know which one of the series they are getting after paying for it.

Also, there are other strategies for this. Because the blind box fever has gradually increased in the last two years, Pop mart has also started to develop its products not only in mainland China but also in Hong Kong. "Mainland toymaker Pop Mart International Group made a stellar debut on the Hong Kong stock market on Friday, closing nearly 80 percent higher than its issue price to end the day with a market capitalization of US\$12.5 billion" [10]. This shows that the development of Pop mart has a very obvious effect.

Moreover, the Pop mart is definitely the leading company in the blind box market in China. Although it may not be the case in the overseas market, in order to expand their business territory, they are also gradually moving to overseas markets. "Pop Mart is currently present in 23 overseas countries and regions, including Korea, Japan, the United States, Canada, the United Kingdom, Singapore, etc" [1]. Since people have to admit that the overseas market also plays a very important role in increasing the company's revenue.

6. Conclusion

People have to admit that the toy market is changing a lot nowadays, but Pop mart is a company that has seized this opportunity and has made a good income in a very short time. They are innovative in different areas, first, the sales model, they take advantage of the consumer's psychology of seeking excitement and gambling to choose the model of blind box, so as to stimulate people's consumption. On the other hand, Pop mart has many original IPs and is co-branded with many brands, which are mutually beneficial in the market. After 12 years of exploration, the Pop mart has developed from a channel dealer to a fashion game IP incubation operator. In terms of consumption habits, consumers are easy to become loyal customers and spend a lot of money on their favorite styles; In terms of brand loyalty, consumers have high loyalty to the Pop mart. After the pandemic, Pop mart quickly adapted to change and seized the online market. Because Pop mart has adopted a lot of active policies, one is to gradually develop online platforms, so that consumers can easily buy products online, so that even if there is an epidemic, it will not affect product sales. Second, they started to sell their products not only in mainland China but also in Hong Kong and foreign markets. These are the reason why it is able to develop quickly and stabilize its position in the market.

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