

# Analysis of Pop Mart based on STP, 4P and PSESTEL

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**Abstract.** Contemporarily, the success of Bubble Mart can be attributed to the "blind box". In fact, it is problematic since there are no secrets or barriers in the blind box game and mechanism itself, and this cannot be the core driver of a fast-rising company. Therefore, this study will use Segmentation, Targeting, Positioning (STP), Product, Price, Promotion, Place (4P) and Political, Economic, Sociocultural, Technological, Environmental, Legal (PESTEL) to analyze the internal and external environment of Pop Mart in depth. To be specific, the strengths and weaknesses of Pop Mart's development are demonstrated and compared accordingly. Afterwards, the investment recommendations for Pop Mart are proposed. Moreover, the limitations of the current study and guideline further researches are offered. These results shed light on guiding further exploration of similar corporation in the industry.

**Keywords:** Pop Mart; Marketing; Business Model; Tide Play Industry.

## 1. Introduction

With the general development of the world economy, China's disposable income has increased, and the proportion of consumer spending on meeting spiritual needs is also rising steadily. In addition, the rapid development of the tide play market nowadays is a microcosm of the national pursuit of spiritual and cultural satisfaction. The tide play market is in the golden period of rapid growth. Essentially, trendy play is a kind of toy that incorporate elements of comics and design and have independent IP and trendy attributes. In terms of categories, it contains four categories, i.e., blind boxes, hand-me-down models, ball jointed dolls (BJD) and art toys. Since the image of the tide play usually comes from the well-known IP, in the appearance of special attention to the sense of art, creativity, and restoration of the IP image, most tide play often has a high value and a strong sense of design, as well as a higher price than ordinary toys. However, as one of the hottest categories in the field of trendy toys, there are very big differences between blind boxes and other categories.

The blind box originated from the Japanese "lucky bag", which was initially put into an opaque bag by supermarkets to dispose of slow-selling goods, attracting customers to buy by creating a sense of uncertainty. At this time, the actual value of the items in the bag is often higher than the price of the bag. With the rise of the second generation in Japan, including a variety of handicraft dolls, "Twister" also appeared. By the 1990s, this type of "blind box" concept began to collect cards in the form of China, especially in the student population caused a consumer boom. After the development of the domestic hip-hop market and various marketing tools, blind boxes appeared in large numbers in the public eye, especially around 2019, a concentrated explosion [1-3].

The "blind box", as the name implies, is a non-transparent packaging with items to achieve the sale of goods through the "gambling" psychology of consumers. The blind box economy is a general term for a series of economic activities related to it. Generally, consumers only know the possible styles of the blind box but are unable to identify the specific items. The earliest blind boxes often included a variety of hand-me-downs, co-branded IP dolls, etc. However, with the development of the market, it seems that "everything can be blind boxed" situation. A variety of blind boxes for food and beverage, beauty blind boxes, blind boxes for books, blind boxes for airline tickets, blind boxes for pets, etc. have emerged, and are sought after by a large number of consumers, especially young people after 95.

As an industry that is still developing, there are bound to be many people who will consider whether they should join it and let it create profits for themselves. As the leading company in the

industry, Pop Mart is undoubtedly the most valuable company in the industry to study. The dual attributes of Internet and retailing have incubated Pop Mart's "high gross profit, high repurchase, high ping efficiency" business. The gross profit is much higher than retail, the repurchase rate is higher than medical beauty, and the ping efficiency is higher than Seabed. Since 2020, Pop Mart has evolved from a channel distributor to a hip-hop IP incubation operator [4-6].

## 2. Descriptions of Pop mart

In 2010, at the age of 23, Wang Ning came to Beijing to start his own business, familiar with Japanese culture, and he founded Pop Mart by referring to the model of the famous Japanese grocery retail store "LOFT". The turnaround came in 2015 when Wang Ning found that the store's blind box of a Japanese hipster game was selling very well, so he started to cut other categories and focus on such products. Before the transformation, Pop Mart was a retail store. The basic business model of traditional retail stores is similar, earning nothing more than a middleman's price difference. After the transformation, Wang Ning began to focus the company's business on Intellectual Property (IP). As a result, Pop Mart's gross margin in 2019 was as high as 65%.

Pop Mart has also repeatedly emphasized that IP is the focus of the company's business. As of June 30, 2020, Pop Mart now operates 93 IPs, including 12 owned IPs, 25 exclusive Ips, and 56 non-exclusive IPs. On this basis, Pop Mart makes various images of the characters and puts them into the box, but the consumer does not know which image is inside until the consumer buys it. It makes consumers look forward to the result and even find the feeling of "gambling". In this case, many consumers have the desire to collect the entire series of blind boxes to complete the style and continue to buy. Sometimes a series of blind boxes include 8-12 items, and consumers will spend more money to get some "hot models" or even "hidden models" (the models with the lowest probability of being drawn in the series).

Another special advantage of Pop Mart is that the products are physical, allowing people to exchange them. Besides, Pop Mart has created a platform for exchanging products in blind boxes. This brings more speculative demand to people, and there is a formal channel to cash in after consumers have opened to hidden models. Some IP products are only worth a few dozen RMB by themselves, but some of these scarce models can be sold on the secondary market for close to 40 times the price, from which they can earn a super high premium [7].

**Table 1.** The segmentation of marketing

Geographic Segmentation	Pop Mart established its first retail store in Beijing, China in 2010. In the following decade, Pop Mart has gradually opened stores in major first- and second-tier cities across the country, and in September 2020, Pop Mart's first overseas directly managed store opened in Seoul, Korea. So far, it has stores in Europe, Oceania, Japan and other places. As a comparison, TOP TOYS and 52TOYS are now mainly capturing the domestic market. They do not have stores in overseas markets. Instead, they are exporting to overseas through Taobao platform, thus developing overseas markets.
Demographic Segmentation	The consumer group is mainly young people born after 1995. In 2020, this group occupies nearly 40% of the consumption ratio of blind boxes, with a per capita ownership of 5. In Addition, 63% of these consumers are women are the main consumer force, followed by students in school. In this regard, the other two competing companies have similar consumer groups.
Psychographic Segmentation	Pop Mart's consumers are targeted at young people. With the development of society, they will become more capable of independent choice and judgment. The IP of trendy toys itself is content-free, making it possible for consumers to give their own content and values to their favorite IPs and become their own representatives.
Behavior Segmentation	The same IP product will be divided into 8-12 images, so usually after consumers buy one of them to get an image, they will have the desire to continue to collect a whole series of products. In this way, consumers will be caught in a cycle of constantly collecting blind boxes, removing blind boxes, continuing to collect blind boxes, and removing blind boxes. This has led to Pop Mart's high repurchase rate of 58%.

### 3. Segmentation, Targeting, Positioning

#### 3.1 Marketing Segmentation

The segmentation of marketing is separated into four parts as shown in Table. 1, which are Geographic, Demographic, Psychographic and Behavior. At the same time, this study will use Pop Mart's two most competitive rivals in China: TOP TOY and 52TOYS as a comparison.

#### 3.2 Target Marketing and Positioning

Target marketing is a company specializes in marketing to specific groups of people. These are the people whose needs the company feels are closer to what it is selling, making it easier to close a deal. Most of Pop Mart's products are priced under 100 yuan, which is in line with the general needs of most consumers in China. To be specific, it will launch models half a person high, and the price will increase with the size of the model. The most expensive Molly (the best-selling IP product in Pop Mart) is close to 60,000 RMB.

### 4. Product, Price, Promotion, Place

#### 4.1 Product

Core product is the basic level of products and is also the key that attract consumers to buy product form the particular brand. Pop Mart opens up more sales channels for itself by constantly buying out and discovering various new IP. Actual product is the second level of product. At this level, people will check five things (quality, features, design, brand and packaging) in the product so that they can choose their favorite product. Therefore, in this regard, Pop Mart, through his exclusive team of designers, has set up a very diverse image of the IP that can cater to the needs of various people.

Augmented product is the last level of product. At this level, the company can add the additional services and benefits built around the core and actual product. Pop Mart set up a blind box trading platform so that people can freely trade their products on it. It allows many people who have drawn a limited number of products to resell them on it to other buyers to make a profit. The products can be categorized as follows.

- Convenience Goods. This category is usually the one where customers buy most often, at a relatively low cost and price, and with a variety of sales channels. For example, online or through retail stores. For Pop Mart, Pop Mart's blind box with IP is this type of product. Because the price of these products usually revolves around 100RMB or less, many people are willing to pay a low price for a small toy that they like.
- Shopping Goods. This type of product usually has a low purchase volume. Consumers will first compare other brands when purchasing these products. Consumers will compare the products they feel are the most cost effective to buy. In this category, Pop Mart's 56 non-exclusive IP products are the best fit. These non-exclusive IPs will also cooperate with other toy brands to launch new products to increase their own profit, e.g., Disney, Hello Kitty.
- Special Goods. These products are usually purchased by loyal consumers of the brand. Moreover, these products require consumers to spend a higher price and pay more effort to get. Bubble Mart's collectible figurines series is this type of product. The price of these products than ordinary products have a larger volume and more sophisticated workmanship. Because of its high price, so many ordinary consumers will be discouraged. Hence, generally only the very favorite Pop Mart consumers will be purchased.
- Unsought Goods. These products are usually not as well known by consumers. Pop Mart also carries these products, e.g., cell phone cases and refrigerator stickers.

The product life cycle of it is given as follows:

- Introduction Stage. At this stage, sales can be very low because the product has just entered the market. Pop Mart was founded in 2010 by then 23-year-old founder Wang Ning. The

earliest Pop Mart was very different from the business we see today. After the company started up until 2015, Pop Mart was more like a chain of offline department stores, but the product selection was trendier, with categories including home life, digital audio and video, etc.

- **Growth Stage.** At this stage, the sales of the products started to skyrocket and started to be profitable. For Pop Mart, the change happened at the end of 2015, the Bubble Mart team found a product 'Sonny Angel' selling like hotcakes during the operation in 2015, this product alone accounted for 30%-40% of revenue in 2015, thus discovering the opportunity of trendy toys, the company started to sign more trendy toy IPs in 2016, the landmark event was the signing of Molly in April 2016 and the opening of the first IP store in Shanghai Plaza 66 in July 2016, thus transforming Bubble Mart into a trendy toy IP development, operation and retail company.
- **Maturity Stage.** At this stage, sales of the product have peaked and continue to generate stable earnings for the company. For Pop Mart, after signing up Molly as its exclusive IP. Products designed based on Molly accounted for 89.4% and 62.9% of the total sales revenue in 2017 & 2018 respectively. This has catapulted Pop Mart to become a leading hipster game company in China and even globally [8].
- **Decline Stage.** This is the last stage of the Product Life Cycle. After reaching this stage, the product sales will decrease. Besides, it will become obsolete and will be eliminated from the market. Pop Mart's main product, Molly, went through a four-year period, and in 2020, the Molly line experienced negative revenue growth, dropping from 456 million RMB in 2019 to 356 million RMB. Pop Mart continued to collaborate with brands such as Gouda in crossover co-branding and theme exhibitions in 2021 before stopping the trend of making the Molly line revenue decline.

With regarding to brand strategies, A strong brand is able to help a company differentiate itself from its rivals, stand out from the competition, influence a consumer's purchase decision in the company's favor, build customer loyalty and boost the company's financial performance. Branding adds value to a product, which is what creates consumer loyalty. Pop Mart is very good at branding their products. Because Pop Mart understands that one IP does not last for the company's profitability, the first thing they will do is to keep adding new IPs to work with and operate well. They also strive to expand multiple channels of contact with consumers and overseas markets. For consumers, Pop Mart is committed to improving the user experience and turning consumers into their loyal customers. In addition, it is constantly seeking new investment opportunities and acquisitions. As Pop Mart's founder Wang Ning has repeatedly emphasized, Pop Mart will become the most Disney-like company in China in the future [9, 10].

#### 4.2 Price Strategies of Pop Mart

Market skimming is when a company set a high selling price when a product first entered the market to get maximum profit from the customer segments that are willing to spend. For Pop Mart, collectible figurines (as shown in Fig. 1) are the products in this category. The minimum pricing for this line is 1500 RMB or more. Some consumers will sell some special versions on the secondary market at a premium of up to several times the original price. This kind of product helps Pop Mart to filter out the group of consumers who are willing to spend a lot of money on the product.

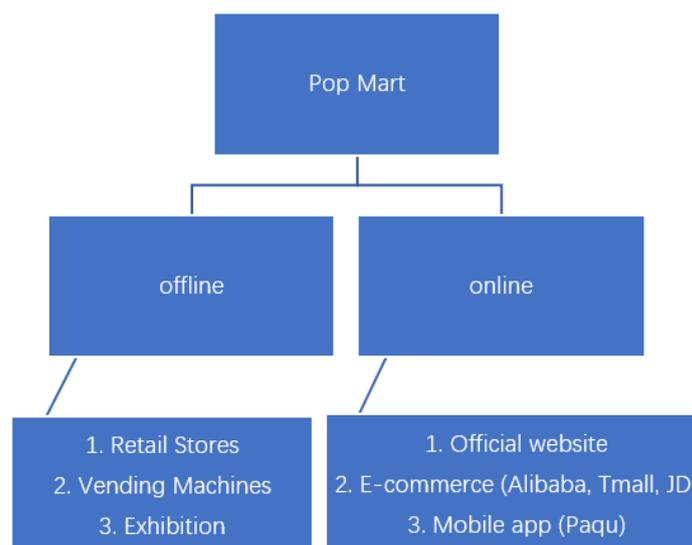
Market penetration: Market Penetration is a pricing strategy that includes selling a new product at a low price to attract more buyers. It is this strategy that Pop Mart uses to enter the eyes of the young Z-era consumers in China. With a price tag of under 100 RMB, consumers were able to relax after experiencing the excitement that comes with the uncertainty of a blind box. It was easy for many consumers to get caught in the cycle of collecting and unpacking blind boxes in order to find the style they wanted.



**Fig. 1** A sketch of collectible figurines.

### 4.3 Distribution Strategie of Pop Mart

In a manufacturing company, producers could choose to sell their own products or use marketing channels. A distribution system is a very important aspect for a company to consider, in order to maximize efficiency and increase profit. The distribution strategies of the Pop mart are presented in Fig. 2. The offline channel is mainly through three ways, namely retail stores, vending machines and exhibitions, and Pop Mart is mainly focusing on Tier 1 and Tier 2 cities. By 2020, Pop Mart's offline retail stores and unmanned vending machines have basically covered all first and second tier cities in China, and Pop Mart's physical stores or unmanned vending machines can be found in popular shopping areas in almost all cities, which makes it easier for consumers to access the blind boxes launched by Pop Mart. With the advantage of this channel, Pop Mart has built up its brand competitiveness in just a few years, making the brand more memorable to consumers. In addition, Pop Mart has also hosted several large trendy exhibitions, and invited world-renowned toy manufacturers, designers and artists to exhibit. This has generated more influence from around the world and further promoted Pop Mart as a brand, enhancing Pop Mart's own visibility and influence.



**Fig. 2** The offline and online organization of Pop Mart.

On the other hand, there are also three main online channels to sell their products to consumers: Pop Mart's official website, various large e-commerce platforms and their own mobile app (Paqu). Paqu, Pop Mart's self-developed app, is an online platform for its main consumer groups to socialize and consume. Here, consumers can communicate with each other about their IP doll collecting

experience, and obtain the first-hand information about new product launches. In addition, Pop Mart has also added the function of placing orders in this App, so that consumers can directly make purchases and transactions of IP figures in this App. This complementary marketing approach can effectively increase the number of product sales and consumer stickiness to the product. In addition, Taobao, Tmall and JD, the mainstream online consumer platforms, have also been effectively used by Pop Mart as channels.

#### **4.4 Promotion Mix**

As for E-Marketing, with the rapid changes in technology, companies have to adapt to these changes quickly or they will fall behind. Online marketing is now the most popular promotion mix amongst the millennial and generation Z. Pop Mart does a lot of E-marketing today because people are becoming very contented with the Internet. Pop Mart uses social media like WeChat, TikTok and many others to promote its product. Not to mention that Pop Mart has its own developed mobile application, Paqu, which allows its users to be the first to see the new products released by Pop Mart. Using online marketing, it is easier for Pop Mart to develop customer relationship because information is easily accessible on the Internet.

Regarding to hunger marketing, it is necessary to adopt a scarcity marketing strategy, through the "fixed + hidden" model to affect the consumer's consumption decision. The consumer is encouraged to keep buying, so as to win the hidden models. Once buying a scarce model, it is like winning a lottery ticket, whether it is for own collection or for resale, it is a very pleasant experience, which is the emotional value of the blind box.

For public relation marketing, Pop Mart is often involved in charity work, such as school reconstruction, as a way to improve the company's image in the minds of the public. On the other hand, Pop Mart also conducts large scale events such as exhibitions with artists to attract a large number of consumers to attend and participate in games for gifts or coupons.

## **5. PESTEL**

### **5.1 Political/Legal Environment**

International companies similar Pop Mart must be able to adapt to each host country's political environment and implement their foreign trade policies in order to thrive internationally. Pop Mart needs to be very cautious about such issues as there are no laws and regulations in China to protect intellectual property rights. Since everything in Pop Mart is closely related to IP, if there is a problem, it will have a serious negative impact on the brand image.

### **5.2 Economic Environment**

The new epidemic has profoundly affected the development of the world economy. Although China's economic environment has gradually recovered again, it still has a significant impact on many companies, and Pop Mart is no exception. Firstly, in the first half of 2022, due to the recurring epidemic in China, the company suspended the operation of certain offline stores and robot stores in some regions (mainly in first and second tier cities). Combined with the extended timeframe of logistics affecting online sales, as well as the weakening of customer traffic and consumer desire, it led to a decline in earnings growth. Secondly, the company's business expansion in the early stage led to an increase in expenses compared to the same period last year, and hence a decline in profit. However, after the epidemic improves, this expense ratio is expected to decline in the future.

### **5.3 Social Environment**

Pop Mart's consumer group is mainly Generation Z. Their spiritual needs are also largely driving the consumption upgrade. According to the research data released by QuestMobile on January 12, 2021, 74.5% of Generation Z users spent more than 200 RMB online (>61.5% of the average for the

whole network). They have grown up in a trendy culture and can easily find emotional resonance in Pop Mart's products. Generation Z has a strong desire for self-expression and is willing to pay money for spiritual satisfaction [11].

#### **5.4 Technological Environment**

Pop Mart's products are manufactured by a third party, so there is no special technology to guarantee the quality of Pop Mart's products. It makes Pop Mart's products easy to be imitated and copied. This makes Pop Mart's products easy to be imitated and copied. In particular, Pop Mart's pirated products have been appearing on many e-commerce platforms, which are affecting the brand image and taking over Pop Mart's market. In addition, as Pop Mart choose third-party processing, which also led to the uneven quality of the product is difficult to ensure. Specifically, the products have excessive formaldehyde or broken stains, which is also undermining the willingness of many loyal customers to buy.

#### **5.5 Environmental Factors**

On October 22, 2021, Pop Mart together with DIMOO (one of Pop Mart's product images) designer Ayan donated 500,000 RMB to the China Environmental Protection Foundation, specifically for the conservation activities of the endangered species, the Beaver, to jointly build an earth home where people and nature live in harmony. On August 4, 2022, Pop Mart and the regional nature conservation association completed the cultivation of 26,000 poplar seedlings and willows. This will not only improve the problem of scarce food resources in the beaver habitat, but also improve the ecosystem of the Ulungu River basin. Accordingly, Pop Mart is incorporating biodiversity conservation into its development planning and business decisions, which shows that Pop Mart is upgrading its comprehensive eco-economic transformation.

### **6. Suggestions**

Pop Mart is a pioneer in China's trendy toy culture and has strong IP creation and operation capabilities, which have been acquired and proven through its past business activities. At the same time, the company's expanding sales network and sales formats enable it to reach a full range of people and to interact with fans through its own platform, Paqu. These capabilities and operations have helped the Company form an integrated platform for the entire industry chain of trendy toys, resulting in a strong industry reputation and market leadership. In the early stage of rapid development of the industry, the company has a strong ability to gain insight into the minds of young people and the ability to implement offline channels and online operations, thus constituting a first-mover advantage. This positive cycle of good designers, big IPs and strong channels will strengthen each other, and the company will be able to grow faster and strengthen its existing advantages by raising capital after going public. This also constitutes a moat that is more difficult for latecomer players to break through quickly. It is believed that Pop Mart is still at an investable stage.

### **7. Limitation & Prospect**

Nevertheless, this study has some shortcomings and limitations. Primarily, Core IP are aging too quickly and new IPs are being updated at a slow pace. It has become an important revenue contributor, and the life cycle of trendy cultural products is highly uncertain, and IP fever may fade easily. The industry will be adversely affected if the long-term viability of core IPs is not sufficient to maintain their current appeal and if strong comparable IPs are not explored for the time being. Quality IPs require a long incubation period and can easily miss the consumer's favorite period, which may result in market performance not meeting expectations. In addition, Reliance on third-party manufacturers to produce products Since Pop Mart produces all the products through third-party manufacturers, which would be a big blow to Pop Mart if any of them were unable to produce due to unforeseen

circumstances, nor would Pop Mart be able to control that all manufacturers would strictly adhere to production quality and use the required production raw materials. This leaves Pop Mart in a very passive position as the quality of the products cannot be guaranteed.

In the future, further enhance artist discovery and IP creation and operation capabilities by adding IPs so as to achieve more IP iterations and more product sales. Secondly, it is necessary to increase the number of stores in first- and second-tier cities, enhance penetration in third- and fourth-tier cities, and expand overseas markets to increase consumer reach and expand the fan base. These are all practical and effective means to improve performance. As the industry is in the early stage of rapid development, the market space is large and different companies can achieve rapid development without forming direct competition because of their different positioning, which is also the most profitable period for the company.

## 8. Summary

Through the above analysis of STP, 4P and PESTEL, this paper concludes that Pop Mart has met the needs of the Z generation for cultural pursuit and spiritual satisfaction through its excellent IP operation, which is why it is loved and widely followed by them. However, one can also see that Pop Mart relies too much on a single source of IP revenue and has problems such as unstable product quality control and unclear intellectual property rights. This paper analyzes Pop Mart's business model and marketing methods. According to the analysis, it is hoped to give investors a deeper understanding of Pop Mart. Overall, these results offer a guideline for comprehensive analysis for Pop Mart.

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