

# Marketing Strategy Analysis of POP MART in the Chinese Market

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**Abstract.** Product marketing communication is the intermediary link between production and art consumption, which is the process from product production to artistic value realization. In the context of economic globalization, the interaction between products and people is narrower, and the traditional marketing communication methods can no longer meet the development of the times. Bubble Mart is a toy ensemble store. In 2017 because of the emergence of Japanese Twister and Blind Box, Bubble Mart started to borrow this method and introduce Blind Box to the hipster market. This paper uses the collection of POP MART case data and the selected case from the marketing status, industry analysis, future growth, etc., to analyze its marketing communication ways and methods.

**Keywords:** Marketing Strategy; POP MART; Challenge and Solutions.

## 1. Introduction

The Chinese art toy business had reached market maturity after ten years of development for some significant modern culture entertainment enterprises. The primary catalyst for the spread of art toys was the introduction of the blind box gaming style. China consistently outpaces the global growth rate as one of the most powerful consumer nations. In recent years, blind box economics has gained popularity. The scenario at the international art toy shows is packed directly due to the blind box economy's appeal. The success of POP MART, one of the top domestic blind box dealers, depends on a variety of proprietary information and distinctive marketing techniques. Additionally, distinctive products are constantly available in the art toy sector[1]. For the six months ended 30th June 2022, POP MART has achieved a gross profit of 1370407000 RMB, a year-on-year growth of 22.7% compared to 30th June 2021.

Existence is reasonable, and the product can circulate in the market and achieve good results because it has a certain logic. The brand creates the product attraction focus; this focus is on the customer's sense of experience, healing, surprise, freshness, etc. With the gradual expansion of brand influence, POP MART's market channels and brand effects have manifested, gathering more and more designers with the original ability for the brand and accumulating core IP reserves for POP MART. The revenue capacity of POP MART's self-developed products is far ahead, and its super business coverage has formed its industrial empire, making it more confident in marketing and market appeal.

The variety of blind boxes stimulates users' desire to buy. At the same time, the merchants capture the users' fetish of collecting for marketing and use lower prices to attract more users' attention and even enter the field. This is the addictive marketing mechanism created by the company.

First, the blind box itself is full of unknown surprises. The uncertainty of the blind box makes the user expect a certain kind of expectation in the transaction process. Once the answer is revealed, it is accompanied by the emotion of satisfaction, surprise, or loss. This emotion pulls the consumers, which is somewhat similar to the gambling psychology that makes people look forward to the unknown surprise of the blind box.

Second, the "fixed and hidden" model creates surprises beyond expectations. Once the user finds the "hidden models" in the blind box with a premium, the effect of that surprise is mass. The surprise effect is herd-based once users find the 'hidden' blind box. The human weakness of showing off the

'hidden' blind box will drive them to share it and attract more blind box fans to join in with the mentality of "gambling" to seek super-premium income.

Third, the fancy IP empowerment brings people a sense of freshness. Most of the time, the speed of product originality cannot catch up with the rate of user freshness cooling. To maintain the brand's freshness, POP MART adopts the mode of IP empowerment to create surprise and satisfaction to maintain the freshness between users and the brand and keep users' curiosity about the brand unabated.

## 2. Industry Analysis

Firstly, the threat of substitutes for the market is relatively low. Mentioning the blind box industry, we have to say POP MART's market share in this industry is more than 8.5 percent, the largest in China, the company revealed in its prospectus. Due to the perceptual map of the art toy industry, we can have a graphical representation of how consumers perceive brands which are graphically represented based on essential attributes. The distance between POP MART and the ideal point, which consists of a preferred combination of features, is narrower among rivals. Therefore, this represents a high market share of POP MART. A research report by Securities shows that the market share of the top five market players in the industry is 8.5%, 7.7%, 3.3%, 1.7%, and 1.6%, respectively.

Secondly, the threat of new entrants to the blind box market is high. Led by POP MART, there are many new entrants. In fact, from the market share, the concentration of the blind box industry is not high; about 80% of the market share can be divided by the "successors." Since joining the blind box store can provide blind box purchase channels, there will be no need to establish factories. Also, the blind box category is more secure, and joining the variety will have a fixed consumer group.

Thirdly, the purchasing power of buyers is high in this industry. Along with the growth of Generation Z, the blind box derived from the pan-secondary market is one of the representatives of Generation Z crowd consumption. According to T Mall's "The top five most expensive hobbies for Generation Z," the art toys in the blind box market topped the top five most expensive hobbies on the list with a 187% growth rate. Nearly 200,000 consumers spend 20,000 yuan a year setting blind boxes, and some even spend 1 million buying blind boxes, making them the most vital purchasing power consumers. Based on the findings, the blind box meets the need of Generation Z, which is finding new products and following the trends for the future, the development of blind boxes as a new industry that is unlimited[2].

## 3. The "Addicting" Marketing Mechanism

The addicting marketing mechanism must have a strong attraction to the customers. The reason for the popularity of POP MART's blind box in the market is the surprise and feeling of excitement that it gives to the customers after opening it. It takes over the customers' mindset and makes purchasing more enjoyable. Overall, the entire marketing strategy provides four layers of surprise.

### 3.1 The blind box itself is about the unknown surprise.

Since customers are unaware of the products inside the uniform boxes, the customers have naturally generated some expectations for the answer inside. Once the customers opened and found the answer inside, it would bring emotions like happiness, surprise, disappointment, and all other potential feelings. It is almost similar to the feelings of gambling to the customers and making them look forward to their next purchase.

The information gap theory holds that there will be an information gap between the known information of a person and the unknown and desired information, which leads to a strong desire for knowledge. For example, ambiguous advertisements will make consumers desire complete information, arousing curiosity and attracting more attention[3].

### 3.2 Buying a blind box is almost like a lottery.

The trait of the "blind" customers can't tell what kind of toy they chose before opening the box. After purchasing and opening, customers can determine if they bought a hidden or a typical style. The designers of blind boxes capitalized on people's natural curiosities and publicized their products online to increase interest in the products. People are curious about novel topics and circumstances that they have never encountered. People who never purchase blind boxes want to know what is inside the tiny containers. Still, those addicted to them may buy a number of them, enjoy the surprise of choosing their favorite, and feel sad when choosing their least favorite, pushing them to keep buying[4].

If the answer inside is a standard IP or one customer already has, that would be bad luck. Otherwise, if they, fortunately, bought the hidden IP, that would undoubtedly represent good luck. So once the rare ones are found, whether the customer chooses to make it their collection or sell it at a higher price, it would all be a pleasurable experience. So that is the emotional value that POP MART provides. And this is also why people call the economics of blind box the economics of surprise. And if people want to deliver the emotional value correctly, it is the first step to let the customer's emotion be highly involved.

Firstly, the entry price is low since the price below one hundred is affordable for most.

Secondly, certainty is involved in the doomed uncertainty. For example, when buying a blind box, customers know that they will indeed have a harvest and begin to look forward to it.

Thirdly, the presence of a blind box is to control the product from the hand of the sellers to the buyers. Once the customer has a TV in hand, they would feel that they are holding the game, while sometimes it's just a little luck that is needed. For example, in the retail stores of POP MART, people can frequently see people shaking the box since they believe they can judge the answer from the voices of the box. No matter the solution, the customers would have some self-anesthesia that "just a little bit more luck can bring better results."

The blind box is an addicting behavior, while all these actions are based on the paying happiness system that the body provides. So POP MART is highly successful at the customer's buying psychology, which is also why the second-time purchases percentage of its members is 58% high.

### 3.3 The "fixed model & hidden model"

The Blind box's popularity also comes from the surprises that the hidden model brings. Once the customers from the premium ability of the hidden model, the surprise is even layered up on the happiness. The fans of the secret model would first be driven to share the human's weakness of willingness to bring about their differences. And secondly is for the excellent price that it can be sold second-hand on the market. The rarity hears means two things: first is, the less one thing can be made, the higher its price is. The second is hunger marketing.

#### 3.3.1 The less, the more expensive

As long as one product has a series of equally amount produced models, the one with less would have an asset nature. So the price of the less produced one would have a premium price over the other models in the same series. Among one series of models, the probability of finding one hidden model is one out of 144. And the possibility of the particular model is even lower, about one out of 720. It is worth noticing that both numbers can be exhaustively divided into 12,  $12 \times 12 = 144$ , and  $12 \times 60 = 720$ , which means out of every 12 series, there is one possibility to have one hidden one and 60 for a special one. Therefore, it makes hidden and unique models especially rare in the market. The premium ability gives a small toy even the investing value. This is also why the hidden and unique models are much higher than the other models in the same series. Based on data, in 2019, the Christmas hidden model can be 2350 yuan on the Chinese second-hand selling website, which is 40 times higher than its original price. This is the high potential and premium ability of the rare models.

For the players, owning the rare models is the representation of old players and identity. So for the players who have already acknowledged the entire series, with only one or two left in the series, it is

for their mental barrier of wanting to have the whole series no matter how high the price is. And if they cannot afford second-hand products, they would try to use their lunch to keep buying until they find the one they want. This is the value brought by the rarity.

### **3.3.2 Hunger Marketing**

The unique and hidden models' setting created a rarity and hunger for marketing without malpractice. Hunger marketing originally means the sellers purposely trying to lower the amount of production, making the fake situation of unfilled demand. It is a strategy to keep the brand image while also selling the products at a relatively high price and a high percentage of profit. But, the typical models of the products of POP MART are not limited, and the price is not purposely set high. There are no reasons for the malnormal adjustment to the price since pursuing the rare models would bring unstopped sales for POP MART. So, this is the added value that POP MART brings through the "bubble-like" hunger marketing strategies.

### **3.3.3 Buying the low-price fundamental models**

To bring customers the surprises that blind boxes have generated, the brand still chose the low-price positioning; In the series of products of POP MART, the single selling price is from 59 to 599 yuan. The less expensive models are undoubtedly attractive for their cute or cool appearance. People are trying to express their personalities and standpoints in today's world. A blind box has also become a way for modern people to entertain themselves. Many people started their journey by purchasing just one model for 59 yuan. And with their great experience, they would have the passion for owning the entire series, so the number of models purchasing would keep growing. Where they would be more attached to the brand and keep on buying and investing even more in the brand.

### **3.3.4 Divers IPs would bring a feeling of freshness**

The speed of the original design is not compatible with the customers' cooling rate for a product. So to keep the unique attraction of the brand, POP MART uses the IPs to empower the brand. And continually bring surprises and a sense of fulfillment to the customers. To make the customers' curiosity only more, than less. For example, in collaboration with Mickey and Harry Potter, the models were made of classic animation characters. In addition, the original IPs that have Chinese cultures are also incredibly influential. For example, Journey to the West. They all have high sales in the stores.

### **3.3.5 Using the strong IP to create the social identity for the brand**

IP's authorization is regular, too, for marketing. With its current selective IP choices and collab, they can attract a lot of blind box lovers, while the special unique models would make the customers more attached to the brand. Besides current customers, the brand can attract more new customers interested in the IP initially. Attaching to the IP can help POP MART build its unique property. Once the brand has social property, the media exposure becomes a natural result, and it can help the brand to achieve real exponential marketing upgrades. And it is attracting a more extensive range of buyers while bringing rounds and rounds of media exposure.

IP is not entirely consistent with the brand. The brand is the image representative of the enterprise, products, and services. It results from the close combination of tangible and intangible assets and reflects the enterprise's comprehensive strength. According to the theory of Al Reese, "A brand is the representative of a category or the name of a category. Establishing a brand is to realize the leading role of the brand in a category and become the first in a category. From the perspective of consumers, when they want to consume a category, they think of a brand immediately, so the brand can be considered to have established a strong brand" [5].

## **4. Challenge and Solutions**

The social phenomenon corresponding to POP MART's revenue growth slowdown is that the "blind box fever" is gradually extinguishing. A Gen-Z stripling said that he has slowly lost interest

in the blind box, and at first, he would go to POP MART stores to queue for a long time for his favorite blind box, but now he feels that there is no point, and “many people around him have dropped out.” Previously, POP MART had achieved rapid growth through the “IP and blind box” format until it went public. Still, as the “blind box fever” gradually died out, the blind box approaches no more extended fits POP MART’s current development strategy.

POP MART still needs to take several actions to keep growing its customer base and make a brand extension. However, the item itself doesn't have much worth as a collection. With the rapidly expanding POP MART, it won't appreciate with time like other things, like wine. Some others think it might surpass Disney as the next giant company. Disney, however, used tales to develop many popular characters who have since become childhood memories for kids worldwide. People are drawn to this brand by the values and concepts that these stories portray. POP MART needs emotional stickiness, value leadership, and human emotion-capturing skills to develop “Disney.” This may enable POP MART to differentiate from the purely commodities attributes-focused approach. Additionally, it can add new chapters to each character series, enhancing the product value. POP MART can become a business just like Disney by relying on a single IP, such as Molly, and it needs more “Molly” to prove itself [6].

By comparing the annual revenue generated by various IPs from 2019 to 2020, it is concluded that the popularity of blind boxes is cyclical, and Pop Mart must continue to produce IPs to maintain its dominant position in the market [7]. The core users of POP MART and the game Honor of Kings show a high degree of similarity. Combining the hip design language and the game's virtual image helps deepen the emotional connection between the IP and the users. The reason why the blind box is so suitable for the game is not a lack of marketing methods, publicity channels, and other external factors, but the main logic behind it is twofold.

First is that hip-playing and game IP user attributes are a natural fit. According to the relevant data, the current art toy market represented by blind boxes and garage kits is dominated by Generation Z. The mainstream audience of Honor of Kings is also young people who love modern culture. These two groups have a high degree of similarity; they are curious about new things. They have a high degree of acceptance while vigorously pursuing social identity and self-actualization and have specific consumption abilities. According to the latest data released by Sensor Tower Store Intelligence, Tencent's “Honor of Kings” drew \$268 million in the global App Store and Google Play in May 2022, reigning as the top-selling handheld game by 1.7% compared to the same period last year. Revenue from the Chinese iOS market accounted for 95% of the revenue, while overseas markets accounted for 5% of the revenue. This justifies that Honor of Kings’ customer base has objective purchasing power and disposable income.

Secondly, Honor of Kings and POP MART has a highly compatible concept for the value of IP. From a comprehensive point of view, POP MART is a representative of the art toy industry; since its origin, IP design has been a vital part of the core competitiveness. At the same time, Honor of Kings not only has an open and inclusive attitude in IP derivation and linkage but also has a substantial value.

Therefore, the highly overlapping value orientation will not only create new experiences for users, but both sides will also provide professional creative ability, own channel ability, and integrated marketing ability, thus leading to a long-term and stable partnership.

The public's aesthetic preferences are evolving due to rapid economic growth. Small and medium-sized businesses must improve their capacity for market adaptation and attempt to face unanticipated challenges. In addition, the company must identify one of its commercial factors with advantages and work to exploit this factor to create its distinct competitiveness. The business must promptly adapt and innovate regarding commercial elements with relative disadvantages [8].

As long as new products are launched, users will always have a reason to purchase. The new series is the most crucial design improvement for an IP because the production cost is not as high as the new product's research and development cost. For example, Converse and other espadrilles brands can design new prints, continuously launch new series through brand cross-level alliance, and then

promote through marketing. Avid Converse fans will always have the motivation to pay. To meet the needs of the user in design, through to the consumer psychological insight, combines the condition of market research and product sales, to meet the needs of consumers, enhance POP MART brand for consumers in the viscous that maintain a high purchase rate, rather than relying on excessive products marketing hype make consumers produce rebellious attitude; When choosing cobranded IP, with the help of the mature IP's fan groups, cross-border cooperation, such as FMCG, beauty makeup product, daily use, etc., to explore the user market of different groups and further segmentation, constantly improve the brand market recognition, fashion play this "minority" hobby into "public" hobby[9-10].

## 5. Conclusion

A blind box is one of the outcomes of the digital economy; it provides a new business model for the consumer market. The value of the entire blind box market could reach a new milestone in the future.

POP MART has been successful thanks to its blind box product marketing strategy and its continuously improving business model. Additionally, there are deficiencies in how this paper analyzes POP MART's prosperous experience. The process is relatively straightforward and has one direction. Future research can look at the success of POP MART from more perspectives, including consumer consumers psychology and the acceptance of blind boxes. Future studies should concentrate on how SMEs in the art toy sector cooperate with partners to work with other sectors to create various innovative items and achieve a win-win situation.

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