

# Blind box economic marketing model analysis and prospect development strategy research: A case study of POP MART

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**Abstract.** Nowadays, China's blind box industry, as an emerging industry, is developing at a high speed. Blind box economy has greatly promoted China's economic development. Due to young people's strong curiosity and strong desire for shopping, the uncertainty and popularity of blind boxes, blind boxes are very attractive to contemporary young people. Therefore, based on simple data analysis, the author studies the marketing model of blind box economy, the problems existing in the blind box industry and the future development strategy of the blind box industry in this paper. This paper finds that the blind box economy is in the stage of rapid development, so there are a variety of problems, such as blind box bidding, poor quality of blind box, false publicity and after-sales service is not in place. To solve these problems, this paper puts forward some suggestions. First of all, the government should establish and improve the relevant laws of the blind box industry and strengthen supervision and law enforcement to protect the rights and interests of consumers. Secondly, businesses engaged in the blind box industry should operate in accordance with the law to ensure the production of good quality products and provide efficient after-sales service. Finally, consumers should learn and understand the blind box selling mechanism, rational consumption, and learn how to correctly safeguard their rights. The significance of this paper is to promote the healthy development of blind box economy and guide the blind box industry to become a more mature industry.

**Keywords:** Blind box; blind box economy; blind box industry; case study.

## 1. Introduction

The term "blind box economics" refers to the practice of profiting from the fact that customers cannot predict the precise product styles they will receive when they make a purchase in order to entice them with the "uncertainty" of the blind box and encourage repeat purchases. The "Lucky Bag," which appeared in Japanese department stores in the early 20th century, is where blind boxes got their start. The first iteration of blind boxes, however, was the 1980s-era Japanese "twisted egg" toy. The first blind box toy, Sonny Angel, was released by the Japanese business Dream in the early 2000s, but blind boxes did not become popularity until then. The blind box first made an appearance in the Chinese market in the shape of a "collection card," and then appeared in the form of a lipstick machine, a fortunate box, and other forms, but they did not spark a buying trend. 2015 saw the official launch of the blind box market in China as POP MART began to represent Sonny Angel, a Japanese blind box toy. Blind box has successfully boosted the consumption potential of youthful groups due to its "uncertainty" during the past two years as a result of people's increasing demands for satiating their emotional needs as consumption has improved. Blind boxes play essentially combines a hungry marketing strategy, an addiction mechanism, and social comfort. The blind box is given collection and socializing qualities by adding a gambling function and evoking consumers' emotional resonance. The blind box's artistic quality is diminished, but its entertainment value is much increased, making it the "new favorite" of today's youth.

Blind box products, represented by POP MART, have been increasingly favored by young buyers in recent years and become popular in the market. Meanwhile, with the rapid emergence of blind box economy, the "blind box +" marketing model has been copied and referenced by many industries. Since 2020, the Forbidden City, McDonald's and Shanghai Disney have introduced the concept of blind boxes in their marketing and promotion, while Ikea, Xiecheng, Starbucks, and even the variety show National Treasure and the 2022 Beijing Winter Olympic Games have launched a series of blind

box products, which are warmly sought after by young people [1]. In addition, unexpected blind box products such as book box, air ticket box, antique box, fresh box, college admission letter box and so on appear one after another, which also makes the concept of "everything can be blind box" more deeply rooted in people's hearts. Today, the small box has gone beyond the common concept of fashion toys in the past and extended to multiple industries, becoming a new way for brand merchants to gather brand traffic.

Therefore, this paper will take POP MART as an example to analyze the marketing model of the blind box economy, the problems existing in the blind box industry and the future development strategy of the blind box industry, because POP MART is a representative company in China's blind box industry and has the highest market share.

## **2. Case Description**

### **2.1 Overview of POP MART**

China's trend toy market has expanded quickly over the past few years, driven by the rapid development of global trend culture. The market's overall size increased from 6.3 billion yuan in 2015 to 47.8 billion yuan in 2022, with a growth rate as high as 758.7%. The blind box has consistently maintained a market share of more than 35% as a category of fashion toys. At the same time, as diverse gaming businesses have grown, China's blind box has gradually developed in recent years in terms of its IP richness, allowing it to satisfy the many groups' individualized aesthetic preferences and growing its market share. The blind box market in China was only worth 2.26 billion yuan in 2015, but by 2019 it had grown to 7.4 billion yuan. In conclusion, because of its late start, China's blind box sector is still in its early stages of development, with young consumer groups and rapid growth. The blind box sector in China will continue to grow in size as a result of the continual diversification, maturity, and marketing strategies of blind box enterprises, as well as the quick development of unmanned retail. In 2024, it's anticipated that the blind box market in China will reach 30 billion yuan [2].

The fashion, cultural, and entertainment brand POP MART was established in 2010. With an emphasis on five areas—global artist mining, IP operation, consumer access, promoting the culture of fashion play, innovative business growth, and investment—it has created a complete operation platform that spans the whole fashion toy industry chain. Its independently developed fashion toy products mainly include Blind Box, Ball-jointed Doll and a series of derivatives, forming a multi-product system with blind box as the center [3]. POP MART's IP franchises include Molly, Dimoo, Pucky, and The Monsters [3]. The company's main sales channels include direct retail stores, online sales, blind box vending machines, wholesale and exhibitions.

### **2.2 SWOT Analysis of POP MART**

The Strength of POP MART lies in its introduction of excellent design talents from numerous design schools and fashion fairs, which become the core of its ability to design and produce distinctive products [4]. The Weakness of POP MART is that most of the products it sells are relatively low in price, so the profits it can obtain from them are also relatively low. Therefore, it is difficult to make profits by reducing the sales volume [4]. The Opportunity of POP MART lies in the current Chinese government's attention to and support for the cultural entrepreneurship industry, and the government has provided certain tax deductions to reduce the burden on the enterprise [4]. The Threat of POP MART lies in the fierce competition in the blind box market, and in such a competitive environment, enterprises need to develop new blind boxes, which leads to the increase of enterprise costs [4].

### **2.3 The Competitive Advantages and Disadvantages of POP MART**

As of December 31, 2022, POP MART had the highest market share in the Chinese gaming industry at 10.97%. The advantage of POP MART over other competitors is that it is the No.1 brand in China's blind box industry. However, its weakness compared with other competitors is that the

price of the blind box is generally twice that of other brands, and the blind box of other brands is also more exquisite, so consumers may choose to buy the blind box of other brands.

### **3. Analysis on the Problems**

#### **3.1 Overview of the Problems**

With the rapid rise of the blind box economy, more and more people see the huge profits brought by the blind box industry and join the competition one after another. But the blind box industry is in the early stages of development, so more and more problems are coming to the public eye.

#### **3.2 Problem 1**

One of the aspects of the blind box economy that is heavily criticized by the general public is blind box bidding. The blind box gradually veers away from its original goal of enhancing consumer surprise and tends to make profits and blindness as a result of the popularity of the blind box and the growth of the market scale. As a result, more merchants and speculators are interested in the huge "cake" of the blind box. On the one hand, whether online or offline, it has become into standard practice for speculators to inflate prices for profit using hidden funds, leading to a significant blind box premium and regularly making headlines for extraordinarily high prices. A blind box from POP MART, whose original price was only 59 yuan, grew 39 times to 2,350 yuan, according to the Xianyu app's 2019 public statistics, which at the time was a hot topic of conversation [5]. On the other hand, as blind boxes gain popularity, more and more companies promote them as gimmicks, which creates the issue of overzealous marketing. At the moment, prominent brand marketing tactics include working with celebrities in the blind box, emphasizing the social aspects of the blind box, and promoting hunger through "hidden products" with a low acceptance percentage. While different firms employ different marketing strategies, all techniques have a significant lottery element that makes it simple to persuade customers to engage in irrational consumption. As an illustration, KFC and Dimoo of POP MART jointly launched a blind box [6]. Customers went mad to purchase the blind box because of the limited supply and slim chance of winning the hidden money. A few stupidities purchasing a set meal for 10,000 yuan and the service of "eating on behalf of the blind box", even took place, were named by the China Consumers Association, and sparked vehement public outcry.

#### **3.3 Problem 2**

The most important area of consumer complaints involves blind box quality control, which is lax. Uneven quality control is another serious issue that exists today. Because our nation's blind box economy is still in its early stages of growth and because industry standards and oversight are not ideal, blind boxes are regularly subject to issues with poor safety and quality and defective product issues. POP MART, which has the greatest market share, and 1983 have all recently received complaints from customers owing to issues with the quality of their products. Use POP MART as an illustration. Consumers raised concerns about POP MART's exposure to high formaldehyde as early as 2019 [7]. Although it released a statement claiming that its goods complied with EU safety requirements, the controversy concerning excessive formaldehyde has not been resolved as of yet, and many customers continue to worry about how harsh the products smell. The connected topic "Exposure to excessive formaldehyde in POP Retail" has been read more than 110 million times and debated 28,000 times on social media, which illustrates people's interest in this issue [8]. Consumer complaints also frequently center on the name of blind box sales of subpar "three no" products. Owing to the booming blind box industry, many illicit merchants sell subpar, unsalable inventory products by exploiting information asymmetry. This leads to incorrect product versions, manufacturing flaws, and other issues that violate consumers' lawful rights and interests.

### 3.4 Problem 3

The challenge for retailers suspected of using deceptive advertising is that the market for blind boxes today does not support the products and messaging. The choice is up to the seller at this time because the market for blind boxes is one that the seller now controls. Customers must only rely on the merchants' advertising to make decisions and purchases, and it is simple for them to deceive them by inflating the value of their products, inventing the odds of winning the lottery, and using inconsistent color and style. Yet, some retailers find it convenient to commit fraud and inflate publicity to increase sales thanks to the unpredictable nature of the blind box and the payment before inspection features. Since the growth of the blind box economy, there have been many complaints about fraudulent advertising by retailers, including well-known names like POP MART and MINISO. Because the actual fabric used did not match the publicity page, which attracted public attention, POP MART was fined 200,000 yuan in December 2021 by the Market Supervision Administration of Chaoyang District of Beijing on suspicion of false publicity for the "blind box of stockings" sold by its flagship store on Tmall [9]. Previous to this, POP MART released a blind box product during the "Double 11" event in 2019 called the "New Product Premium Gift Bag," which was also mentioned by the authorities as a result of consumer complaints [10]. Several professionals in the sector think that a brand's repeated use of deceptive publicity tactics would surely erode consumer confidence and is not good for the brand's long-term growth. The blind box's quality and reputation are crucial from a company operation standpoint in order to consistently draw customers. The company won't be able to grow in the long run if it relies just on the blind box's IP appeal and scarcity to generate revenue.

### 3.5 Problem 4

Some customers complain that the after-sales support offered by blind box sellers is similarly subpar. The challenge of returning and exchanging blind boxes is one of them that draws the ire of customers. A consumer in Tieling, Liaoning Province, reportedly paid 295 yuan in December 2020 to purchase five blind boxes from a blind box vending machine at a POP MART [11]. All three of the boxes had quality issues when the express service opened them, but the customer's customer service declined the request for a return, stating that they could only swap them for fresh supplies. At the beginning of 2022, it was made public by some media that some buyers had bid on a blind box with a value over 2,000 yuan claimed by the seller through Taobao broadcasting room at a price of nearly 1,200 yuan, only to discover upon opening the box that the actual value of the item was only over 200 yuan—far below what the seller had claimed. The merchant responded that the blind box product does not support seven days of unjustifiable returns in the face of consumer demands for returns. Nowadays, the after-sales service policies for blind box toys vary amongst stores. However, there is a restriction that "no 7-day return or exchange without cause is supported" in the after-sales service conditions of well-known blind box brands like POP MART, 52TOYS, and 1983, and other retailers do not set up self-service refund channels on online sales platforms. Additionally, consumer concerns center on the unsatisfactory blind box sales process and the ineffectiveness of after-sales issues. The blind box business, which is still in its infancy, urgently requires pertinent legislation and regulations to standardize how blind boxes operate and protect consumers' legitimate rights and interests as well as the interests of the general public.

## 4. Suggestions

In view of the problems found above, there are the following suggestions for improvement.

### 4.1 Suggestions for Governments

The competent government departments should create a healthy market environment. In view of illegal business activities using blind boxes, judicial, legislative, and regulatory and other departments should take the initiative to act and maintain a healthy and legal market environment. On the one hand, it is necessary to start the legislative process in time, establish and improve the legal system

related to the blind box industry, complete the weaknesses and plug the loopholes. Based on protecting the legitimate rights and interests of consumers and maintaining the steady development of the market economy, it is necessary to express its legal attitude at the first time, correct its wrong practices, provide legal basis for legal governance, and build a solid defense line for the rectification of "blind box chaos". On the other hand, the public security, market supervision and other departments should strengthen the supervision and law enforcement, according to the existing laws, to clear up and regulate the chaos, widely accept consumer complaints, timely and thorough investigation, standardize the sales behavior, actively protect the rights and interests of consumers, and let the blind box industry return to the right road of development.

#### **4.2 Suggestions for Businesses and Operators**

Businesses and operators should operate in accordance with the law. For the merchants and operators engaged in the blind box industry, blind box is a new form of commodity and service, law-abiding and honest management are still the primary criteria to be followed. It is necessary to regulate the behavior of selling blind boxes, not to induce consumers to overconsume in disguised ways, operate in good faith according to law, treat customers sincerely, and ensure that the quality information of goods is true and legal. At the same time, we should actively guide the positive and positive aesthetic taste, create a good business environment for blind box, and continuously expand the development of blind box market.

#### **4.3 Suggestions for Consumers**

Consumers should consume rationally and act according to their ability. Take the initiative to overcome the desire to extract the blind box, recognize the nature and harm of this kind of sales mode, not too addicted, not to blindly follow the Joneses, from their own interests to make decisions, to avoid spending more than their own economic ability, or excessive purchase caused by unnecessary waste.

### **5. Conclusion**

This paper finds that the blind box economy is in the stage of rapid development, so there are a variety of problems, such as blind box bidding, poor quality of blind box, false publicity and after-sales service is not in place. To solve these problems, this paper puts forward some suggestions. First of all, the government should establish and improve the relevant laws of the blind box industry and strengthen supervision and law enforcement to protect the rights and interests of consumers. Secondly, businesses engaged in the blind box industry should operate in accordance with the law to ensure the production of good quality products and provide efficient after-sales service. Finally, consumers should learn and understand the blind box selling mechanism, rational consumption, and learn how to correctly safeguard their rights. At the same time, there are still some defects in this paper. In this paper, only one company, POP MART, is selected for research, which lacks popularity. The research method of this paper is simple data analysis without data model analysis.

The advent of the blind box economy marks a new stage of the Internet economy, bringing business opportunities and challenges to companies. However, to develop a blind box economy, companies should consider more than just the financial aspect. Blind boxes are about creating an element of surprise and excitement for customers, as well as providing them with a unique and unique experience. To this end, companies should make full use of data analysis, algorithms, scientific and rational thinking and comprehensive customer service to create a comprehensive blind box economic experience. With a comprehensive understanding and knowledge of the blind box economy and its associated opportunities, companies can put it into practice and develop a successful blind box model to help them succeed in an increasingly competitive and digitized world.

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