

Marketing Analysis of POP MART



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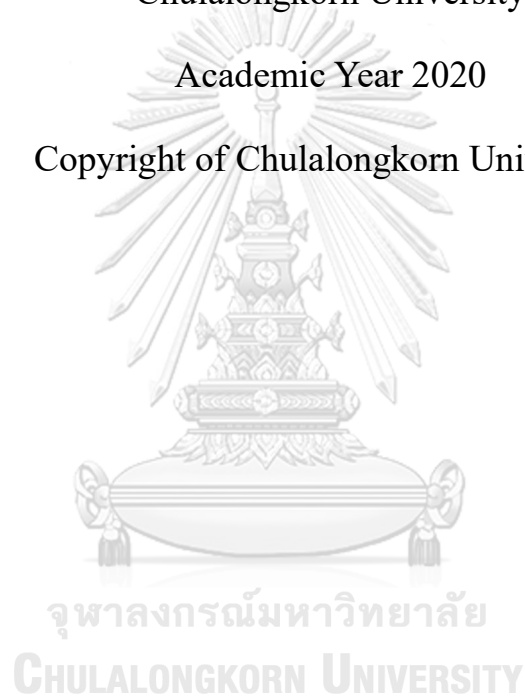
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การวิเคราะห์การตลาดบน POP MART



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POP MART เป็น ผู้นำที่ ครอบคลุม ห่วงโซ่อุตสาหกรรมของเล่น หิน สมัยในจีน
แผ่นดินใหญ่ การศึกษารายบุคคลนี้ใช้ STP, ส่วนประสมการตลาด และ SWOT เพื่อวิเคราะห์
โมเดลการตลาดแบบ omnichannel ของ POP MART กลยุทธ์ของ POP MART สามารถ
ประยุกต์ใช้กับบริษัทอื่นในอุตสาหกรรมที่คล้ายคลึงกันได้



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POP MART is a leading comprehensive industry chain of trendy toys in Mainland China. This individual study applies STP, Marketing Mix, and SWOT methods to analyze POP MART's omnichannel marketing model. POP MART's strategy could be transferable to other companies in a similar industry.



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1. INTRODUCTION

1.1 Background

In the past, although pop toys had a broad market and development prospect, due to the lack of industrialized development and modeled operation, the sales of the products were often limited to the "pop toy fan circle" and could not be widely spread to other segments. However, in recent years, pop toys have appeared frequently in the vision of Chinese consumers, thanks to POP MART, which has brought pop toys from niche consumers to a broader market stage. POP MART is a pop toy brand company, the company's main business – pop toy blind box, has been enthusiastically sought after by young people. POP MART (9992.HK) listed on the Hong Kong Stock Exchange at the last month of year 2020, its price per share has increased by 79.22% within one day. Up to May 30, 2021, its market value worth more than HKD 110 billion(HKEX, 2021). Behind the booming sales of POP MART's pop toy blind box is the company's unique marketing strategies. This individual study selects POP MART as the case study subject because this company is one of the most representative pioneers in Chinese pop toy industry while holding the largest market share than other competitors in the same industry(POPMART, 2020). In addition, at present, there are relatively few players in this industry, and the industry threshold is relatively low, with a large potential business value to be explored. The marketing strategies that POP MART have practiced during each growth period are qualified and referable alternatives for companies/brands that are at different stages of their life cycles, including new entrants, current practitioners, and those who are interested in this business circuit.

1.2 Research Objective

The purpose of this individual study is to analyze POP MART's integrated marketing strategies in China's pop toy market behind its leading sales performance in 2020.

1.3 Definition of Terms

- (1) Pop Toy: pop toys are a type of toy infused with distinctive design and aesthetic pop content, or featuring licensed content of movie, animation or game characters, and cover a variety of forms such as anthropomorphic, plush, model cars, and construction sets.
- (2) Pop Toy Blind Box: A pop toy blind box is a lottery-like product in which a merchant puts the periphery of any film, television, animation work, or a doll toy

designed by a designer, into a sealed box, and the consumer does not know the specific type of toys he or she has purchased until the box is opened.

- (3) IP Products: Products that are designed and developed based on intellectual property rights, visualize and personify IP, explode market popularity, attract traffic and fans, and achieve dynamic growth.

2. Methodology and Data Gathering Process

2.1 Methodology

This individual study aims to analyze POP MART's marketing strategy in Mainland China by using a combination of both quantitative and qualitative research methods. Three types of marketing analysis are demonstrated: STP Analysis (Segmentation, Targeting, and Positioning), Marketing Mix Analysis (Product, Price, Place, and Promotion), and SWOT Analysis (Strengths, Weakness, Opportunities, and Threats).

2.2 Data

This individual study applies the marketing strategy analysis by referring to secondary data that are collected from three main reliable and public sources: POP MART's Official Website, the company's Prospectus and 2020 Annual Report.



3. Company Overview

3.1 Company History

POP MART was founded in 2010, its initial business model focuses on trendy products retailing, now it has developed into the largest pop toy brands in Mainland China (POP MART, 2020). The company's development history can be divided into the following three stages:

- (1) Entrepreneurial Start-up Period (2010-2015):

The company started as a retailer of some popular pop toy brands and derivatives products, then it ushered in a transformation opportunity by acting as an agent for Japanese Sonny Angel pop toy blind boxes in Mainland China market.

- (2) Transformation and Expansion Period (2016-2018):

The company entered the growth stage by signing the core IP - Molly, designed by

Chinese Hong Kong designer Kenney Wang(Wang, 2021), it is currently the top popping IP of POP MART. Meanwhile the focus of POP MART's business gradually shifted to the blind box brand. The company vigorously expanded the retail channel to seize the first-mover advantage within the pop toy industry.




(3) High-speed Development Period (2019 to present):

With improved layout of the pop toy industry chain, by December 30, 2020, the number of IPs operated by POP MART reached 85. It also built an omni-channel network (187 retail stores and 1,351 robot stores), acquired cumulating registered members reached 7.4 million. The company also stationed in Hong Kong, Taiwan, Europe, the United States, Southeast Asia, Australia and other markets, and continue to expand the global layout. The brand effect is becoming more prominent as its IP library is enriching, the channels are continuing to expand, and the consumer scale is rapidly expanding.

3.2 Product and Service

3.2.1 POP MART's Core Products are Pop Toy Blind Boxes

Table 1: POP MART Product Categories

| Features | PVC figure | BJD | Blind boxes |
|------------------------|---|--|---|
| Image |  |  |  |
| Size | >10cm | 10cm-20cm | 4.5cm-9.5cm |
| POP MART product price | 199-1,499 yuan | 399-799 yuan | 49-99 yuan |
| Market price | 100-10,000 yuan | 100-10,000 yuan | 10-1,000 yuan |
| Representative IP | Dimoo | Viya | Molly |

Source: POP MART official website, Company Prospectus (2020)

POP MART's product focus is IP-based pop toys. Compared with the pleasure brought by children's toys, the core value of pop toys lies in allowing consumers to obtain multiple psychological satisfaction, focusing on multi-dimensional self-pleasant needs, including aesthetics, collection, socialization, and companionship. At present, pop toys sold by POP MART can be divided into four types: PVC figure, BJD (ball jointed dolls), Blind Boxes, and Derivatives, of which Blind Boxes are the company's main products. (POPMART, 2020).

(1) PVC Figure: A general term for collectible character models, usually with a toy

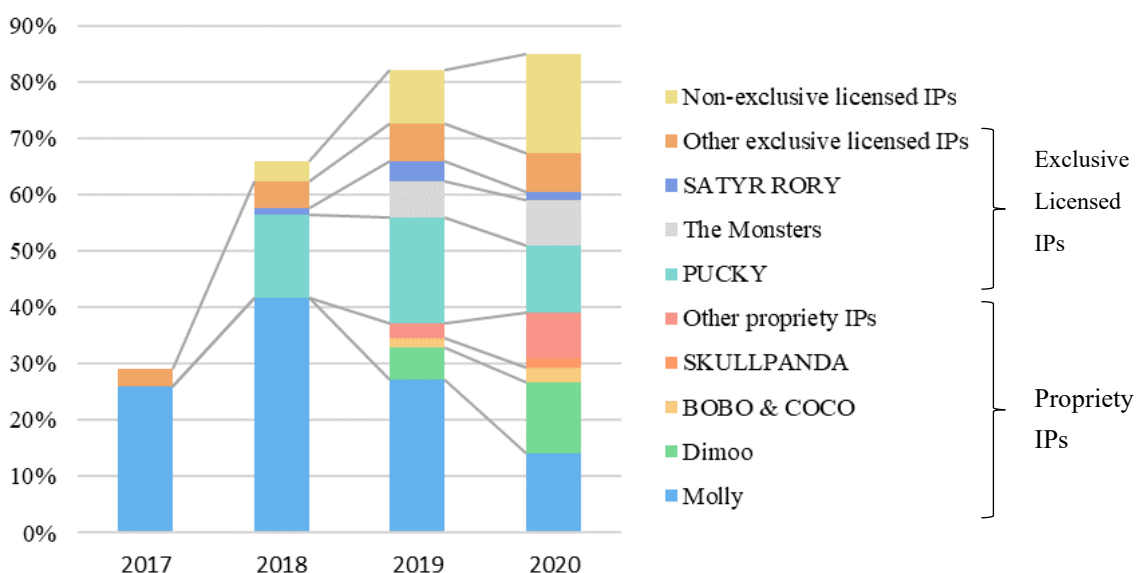
size of more than 10 cm.

- (2) BJD Dolls: Dolls with ball-joint links, featuring movable limbs, mostly between 10-20 cm in size.
- (3) Blind Boxes: Dolls sold in random sampling mode, with a doll size of no more than 9.5 cm and have the lowest price among all the products.
- (4) Derivatives: Badges, plushies, lights and cups.

3.2.2 Premium IP Resources

For POP MART, leading the public aesthetic in IP image and exploring further in-depth derivation of IP content remains as one of the core elements of long-term planning. The company's financial data show that the PDC (Pop Design Center) is maturing, with propriety IP-generated revenue exceeding 100 million yuan in 2020.

Figure 1: Proportion of Revenue by IPs



Source: POP MART Company Prospectus (2020)

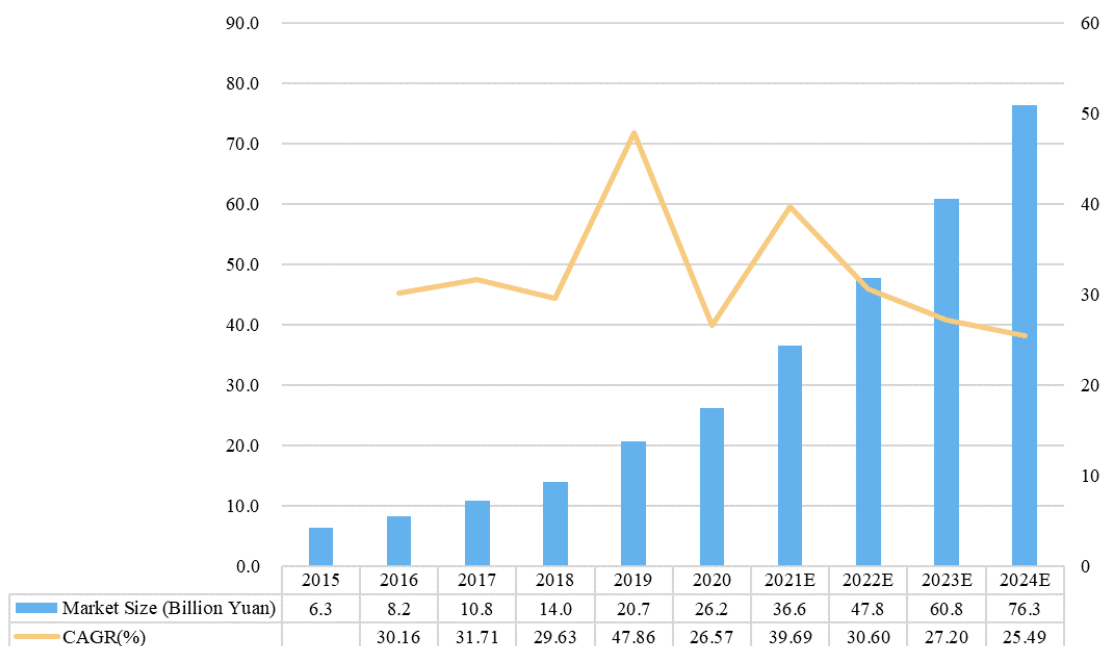
As of June 30, 2020, POP MART operates 93 IPs in total, including 12 Propriety IPs, 25 exclusive licensed IPs and 56 non-exclusive licensed IPs. In terms of financial data, POP MART's top seven IPs (Molly, Dimoo, BOBO & COCO, SKULLPANDA, PUCKY, The Monsters, and SATYR RORY) account for more than 50% of revenue in 2020. The company also cooperates with top-tier global IPs, launching series such as Harry Potter, Disney Princess, and Naruto. (POP MART, 2020)

4. Marketing Analysis

4.1 Overview of Pop Toy Market in China

4.1.1 Market Size

Figure 2: China Pop Toy Market Size, 2015 to 2024 (Billion Yuan)



Source: POP MART Company Prospectus(2020)

Despite the late start of China's pop toy market, the market growth is increasing at an impressive rate. According to POP MART's Prospectus(POPMART, 2020), the retail market size of pop toy increased from 6.3 billion yuan in 2015 to 26.2 billion yuan in 2020, at a CAGR of 35%, leading the rest of the world. The prospectus also estimates that China's pop toy retail market size will reach 76.3 billion yuan by 2024, growing at a CAGR of 29.8% from 2020 to 2024, maintaining high growth rates. Currently, the Chinese market accounts for 1/7 of the global pop toy market, it is expected to gradually develop into one of the core markets of global pop toy consumption. As the Pop Toy Industry Development Trend White Paper(TMIC, 2019) released by Tmall Innovation Center & POP MART stated, as one of the pop toy categories, the growth rate of blind box sales (+58%) is higher than the overall scale growth rate of pop toys (+35%), and information from Tmall appears that more than 200,000 customers have went through 1/6 of their annual disposable income on pop toy blind boxes in 2019. In other words, China's pop toy market is more active than the global one, and the market is in the growth period with strong potential and deepening opportunities in the future. Specifically, the pop toy blind box is the key focus track of the whole market.

4.1.2 Market Structure






At present, China's pop toy market structure type is perfect competitive market. There are many enterprises in this industry and the product homogeneity tends to be high, while the barriers to entry is relatively low.

- (1) Pop toy blind box market concentration is low. Currently, POP MART is only company which has developed the whole pop toy blind box industry chain, but even as a leading company, its share of Chinese pop toy market is only 8.5%.
- (2) Product homogeneity tends to be high. Many brands select doll as the main character, the product development lacks obvious recognition, "follow the trend" phenomenon is also obvious within the industry.
- (3) Low industry barriers to entry. For pop toy brand owners, the threshold of the pop toy market is relatively low, as toys are not a technology-intensive or high technology barrier industry. Due to the special attributes of the industry, high-quality IP is currently the core competitive advantage of pop toy companies and the core entry barrier of the industry.

4.2 POP MART Company in Chinese Pop Toy Market

4.2.1 Market Share

Table 2: Competitive Landscape of Pop Toys Companies in China 2019 (by Sales Revenue)

| Companies | Market Share | Sales Revenue in 2019 (Billion Yuan) | 2017-2019 CAGR |
|--|--------------|--------------------------------------|----------------|
| POP MART  | 8.5% | 17.57 | 226.3% |
| IP Station  | 7.7% | 16.02 | 47.6% |
| Top Toy  | 3.3% | 6.75 | 33.1% |
| Kule Pop Toys  | 1.7% | 3.59 | 13.4% |
| 52 Toys  | 1.6% | 3.38 | -12.6% |

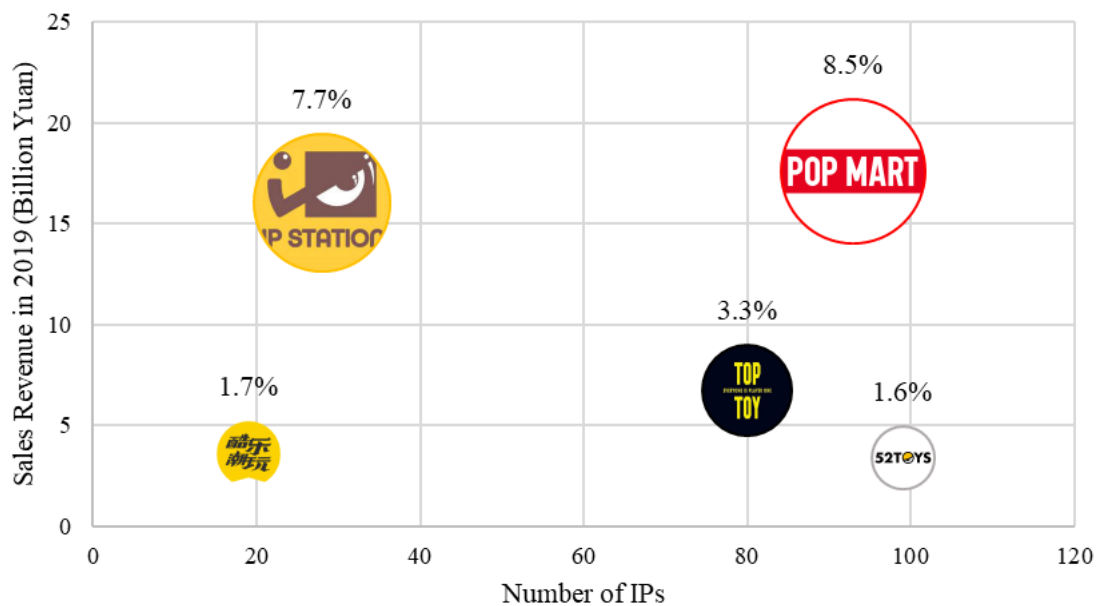
Source: POP MART Company Prospectus(2020)

The competitive landscape of China's pop toy market is relatively fragmented, and POP MART has leaped to the leading position in the industry. By the year end of 2019, the market share of the top five players in China's pop toy market were 8.5%, 7.7%, 3.3%, 1.7% and 1.6%, all of which are overseas companies except POP MART. The company's market share in 2019 is 8.5%, and its market size (1.757 billion yuan) is not much different from the second place. In comparison, the company's compound growth rate of 226.3% from 2017-2019 is much higher than other competitors(POPMART, 2020).

4.2.2 Market Competitors

POP MART is the leader in the Chinese market to develop the brand-new combination of "Pop Toy IP + Blind Box" (it launched the first set of Molly series blind boxes in 2016). IP is the core of pop toy production and commercialization, which brings unique selling point for different companies and gives pop toy blind box collection nature.

Figure 3: Competitor Segmentation based on Market Share



Source: POP MART Company Prospectus(2020)

There are many competitive players in pop toy market. Incumbents in China have started to expand the blind box business line since 2019, such as:

- (1) IP Station, a pop toy social platform which put more focus on e-commerce.
- (2) Top Toy, the first pop toy brand launched after the listing of the lifestyle brand MINISO (NYSE: MNSO).

At the same time, the market has also emerged a few upstart companies that focus on pop toy blind box, include:

- (3) Kule Pop Toys, which is committed to becoming "the first brand of creative life groceries in China".
- (4) 52 Toys, which is mainly engaged in animation and game derivatives.

Recently, even historical museums around the country have gotten involved in pop toy blind box. For example, Henan Museum has launched a series of ritualistic blind box full of cultural relics, giving China's cultural and creative industry a way to attract young people(XinhuaNews, 2020).

Based on above representative companies' profiles and their market shares, it is perspicuous that China's pop toy industry is rapidly maturing, in the future market pattern, it would be less likely for brands to occupying the market like POP MART with a single popular IP, the market competition will also become increasingly fierce.

4.3 Segmentation, Targeting, Positioning & Company Image

STP analysis provides guidance for POP MART to determine its target market based on certain market segmentation and finally position its products or services in a definite position in the target market. It includes three elements: market segmentation, target market selection, and market positioning(Kotler, 2017).

4.3.1 Market Segmenting

Table 3: Consumer-centric Market Segmentation

| Consumer Perimeters | Features |
|---------------------|---|
| Geographic | <ul style="list-style-type: none"> • First- and second-tier cities in Mainland China. • The number of urban permanent residents exceeds 5 million. • The size of density exceeds 1,000 people/km². • The urbanization rate exceeds 50%. • The working-age population accounts for over 60%. |
| Demographic | <ul style="list-style-type: none"> • Age: 58% of consumers are between the ages of 18 and 29. • Gender: 75% are female consumers. • Education: 63% hold a bachelor's degree or higher. • Income: Over 90% of consumers earn 8,000-20,000 yuan a month, per capita disposable income exceeds 4,000 yuan. • Social class: White-collar workers. • Marital status: Single/married. |
| Psychographic | <ul style="list-style-type: none"> • Activities: Extremely active on social media platforms, enjoy participating in large offline community gathering. |

| | |
|------------|--|
| | <ul style="list-style-type: none"> • Interests: Gaming, ACGN, Chinese national style, pop toys, hardcore technology. • Attitudes: Yearn for a sense of belonging and identity, like-minded circle culture and self-contained language system, have a strong passion for collecting, sharing and showcasing, have a strong curiosity. • Lifestyles: Independent, explorative, savvy, creative. |
| Behavioral | <ul style="list-style-type: none"> • Benefit sought from products: Self-pleasure, sense of joy, spirituality, stress reduction, healing, companionship, and personality expression. • Purchasing rate: About 75% of consumers will buy a pop toy blind box more than three times for a specific toy design. Over half of its consumers 460 yuan per year, with 20% of them conducted multiple repurchasing behaviors. • Consumer status: More half of the company's loyal clients are members of brand fan community. |

Source: 2020 China's New Tier 1 Cities Comparison Report (Qianzhan, 2020)

The consumer-centric segmentation analysis result for POP MART can be concluded as follows:

The main consumer group of POP MART is sticky and have high purchasing power, while the future development space is promising. According to a research of POP MART consumers(GuYuData, 2019), young women living in first- and second-tier cities in Mainland China are the main consumers of the pop toy blind box market. The percentage of female blind box consumers is as high as 75%, in particular, young people aged from 18 to 29 years old(58%) are the main consumer group. Nearly all the staunch consumers are nonmanual office employees earning higher monthly disposable income than national average income level. Apart from that, middle school and university students who are raised in middle-income families also show high purchasing power. More than half of the consumers will join the POP MART fan community. E-commerce platforms, offline stores and vending machines are the three major purchase channels for customers. About 70% of consumers will buy a pop toy blind box more than three times for a specific IP design.

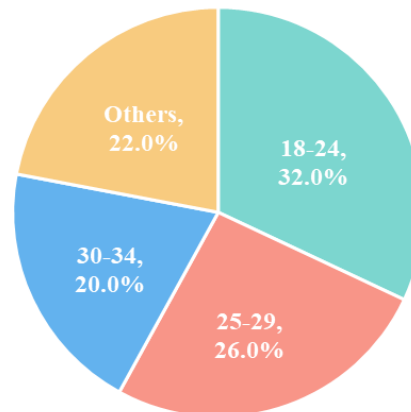
4.3.2 Market Targeting

(1) Consumer Market Selection

According to Mr. Wen Deyi, vice president and president of overseas business of POP MART, through their consumer profiles and analysis based on some e-commerce platforms and SNS platforms, urban white-collar workers, sophisticated mothers and Generation Z constitute the main target segment to focus POP MART's marketing efforts on. Among them, female account for more than 75%, and these core groups

also show stronger purchasing power and loyalty due to multi-level user needs such as self-pleasure, stress reduction, healing, companionship, and personality expression(36Kr, 2021).

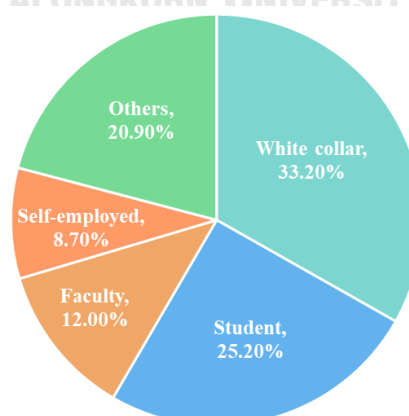
Figure 4: POP MART's Consumer Age Distribution



Source: Gu Yu Data (2019)

The White Paper on the Consumption Power of Generation Z (PenguinIntelligence, 2019) indicates that the monthly disposable income of Generation Z is much higher than the national per capita disposable income, and by 2020, Generation Z will attribute to nearly half of the national consumption spending. For most of the post-95s, blind box consumption is an act to increase their sense of well-being, to meet the needs of use while also increasing their sense of joy. In addition, Generation Z's personalized choice makes them look for products with ornamental function and can attribute to self-identity establishment and self-branding.

Figure 5: Types of Occupation of POP MART Consumers



Source: Gu Yu Data (2019)

(2) Production Market Selection

Within POP MART, considering the production quality, production capacity and credibility of the factory, the company will distinguish them and match the head IP production with the well-functioned factories (POP MART, 2020). The general process of pop toy production is that designers provide the toy design sketch to POP MART, then the in-house professional design teams will make 3D modeling of the sketch, after that the model casting is done by the outsourcing factories. However, the risk of outsourcing is that the pirated version of the pop toy may be leaked to the market to damage the company's interests. When it comes to outsourcing, the product production process is divided into multiple sections and outsourced to different enterprises, and a single factory cannot get the complete sketch of the product. Thus, during the factory production process, POP MART does not have strong bargaining power due to the large number of foundries and low technical threshold. For present, POP MART's head IP production foundry is mainly based in Guangdong Province. It is a relatively mature region for the development of China's toy manufacturing industry, dominated by manufacturers of electric and plastic toys. Most factories are located at Pearl River Delta Metropolitan Area, where has a strong production capacity support and close to the logistics base, effectively shortening the product leading time.

(3) Sales Market Selection

More than half of POP MART's directly operated retail stores are in first- and new first-tier cities nationwide, such as Beijing, Shanghai and Chengdu, where the consumer purchasing power is much stronger.

Table 4: POP MART Offline Sales Channel Distribution

| Sales Channel | City Tier | Number | Share of Revenue |
|---------------|---|--------|------------------|
| Retail Store | First-tier cities ¹ | 81 | 49.8% |
| | New first-tier cities ² | 56 | 28.9% |
| | Second-tier and other cities ³ | 50 | 21.3% |
| Roboshop | First-tier cities | 447 | 36.4% |
| | New first-tier cities | 453 | 32.6% |
| | Second-tier and other cities | 451 | 31.0% |

Source: POP MART 2020 Annual Report

At present, POP MART's sales channels include offline channels (directly operated retail stores, vending machines), and online channels (Tmall flagship stores, WeChat mini programs). Such a solid scale effect of the multi-channel retail system provides a

¹ Refer to first-tier cities in Mainland China, including Beijing, Shanghai, Guangzhou and Shenzhen.

² Refer to new first-tier cities in Mainland China, including Chengdu, Chongqing, Hangzhou, Wuhan, Xian, Zhengzhou, Qingdao, Changsha, Tianjin, Suzhou, Nanjing, Dongguan, Shenyang, Hefei and Foshan.

³ Refer to cities other than first-tier cities and new first-tier cities in Mainland China.

strong moat for the company. According to the company's annual report, by the end of 2020, POP MART has laid 187 retail stores in Mainland China, with more than 1,300 roboshops covering 52 cities nationwide. As the retail store layout scale in low-tier cities is still relatively small, the online channel has become an important incremental market for pop toy blind box sales. (POPMART, 2021)

4.3.3 Positioning & Company Image

Combining with the company growth path, it can be judged that POP MART is in the early stage of mature transformation. At this stage, the core consumer group has been basically stabled, the growth of new consumers has been slow, the product iteration speed has delayed, and the market competition environment has begun to deteriorate.

Table 5: Company Growth Path

| Stages | Features |
|-------------|--|
| Exploration | <ul style="list-style-type: none"> • Business model transformation. • Trendy sundries channeler. • Low threshold retail market. • Fierce competition and low customer traffic. |
| Growth | <ul style="list-style-type: none"> • Comprehensive transformation of retail system. • Pop toy retailer. • IP brand operator. • Rapid rise of youth market. |
| Maturity | <ul style="list-style-type: none"> • Positioned as a leading company in Chinese pop toy market. • Vertical cultivation of product IP. • Market explosion period. • Overseas exploration. |

Source: POP MART official website

POP MART was a traditional creative product channel in the early days and started its transformation into an IP incubation operator in 2015. The company's official website positions itself as "a comprehensive operation platform covering the whole industry chain of pop toys". The company's business covers four areas: artist mining, IP incubation and operation, consumer acquisition, and the promotion and cultivation of pop toy culture.

4.4 Marketing Mix Analysis

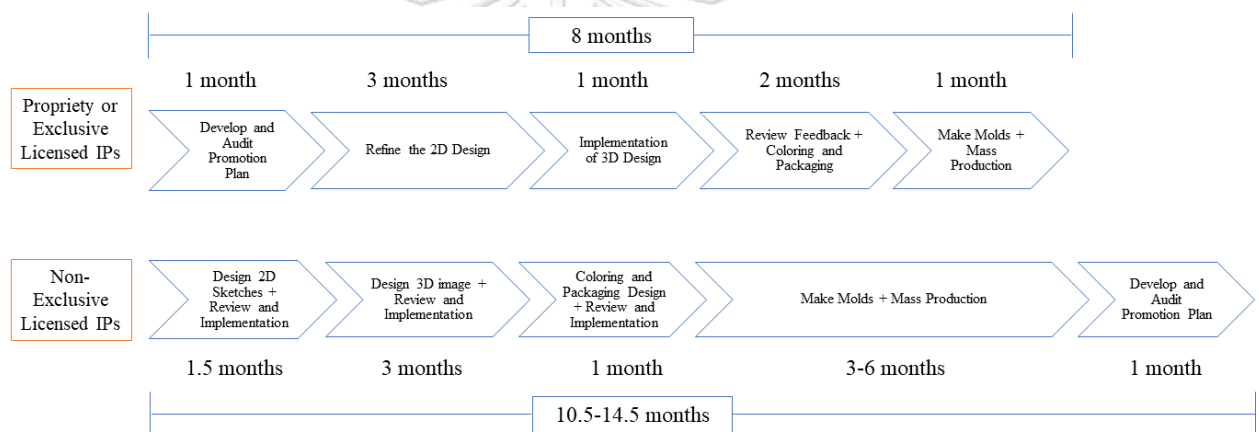
The marketing could be a classic device to analysis what to offer and how to offer to the consumers of POP MART. Basically, there are four P's: Product, Price, Place, and Promotion(Kotler, 2017).

4.4.1 Product

POP MART's products are based on IP resources, and the core unique selling point is the development and operation of pop toys. Through the mechanism of internal and external cooperation, a diversified product matrix and an efficient supply chain system, the continuous launch of new products is guaranteed.

(1) Mechanism of Internal and External Cooperation:

Figure 6: IP Product Development Process



Source: POP MART Company Prospectus(2020)

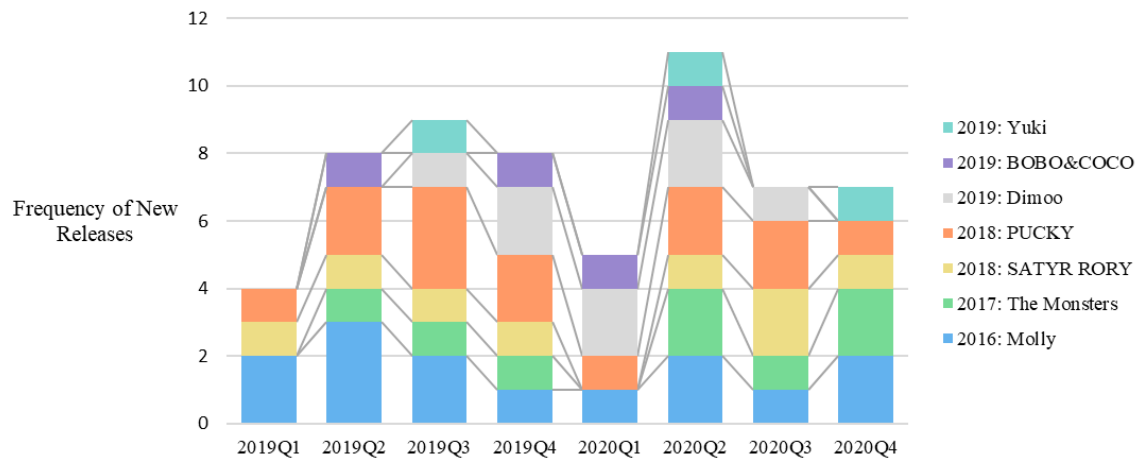
The IP-based image design is done by artists/IP providers and the internal design team. The design includes doll theme, color scheme, and accessory elements. Artists are responsible for designing 2D prototypes, and the in-house design team works on the coloring, 3D design and molds for the final commercialization. The in-house team already has mature design experience in the blind box field, while the IP owners are better able to control the story content of the IP.

(2) Supply Chain Production Efficiency:

This individual study counts the number of new series launched by the company from 2019Q1-2020Q4 (statistics from POP MART WeChat official account labeled new products, and there may be slight differences from the actual situation). For the top IPs such as Molly, The Monster and Pucky, which were launched earlier in the year, the company will ensure the frequency of 1-3 new series release in a single quarter. In addition to the top IPs, the number of new product launches based on other IPs continues to increase, and the supply chain of

2020Q1 has not been affected by the COVID-19 outbreak.

Figure 7: The Frequency of New IP Releases by Quarter



Source: POP MART WeChat official account

For pop toy blind box with strong consumer stimulation properties, the frequency of launching new products is the key to driving consumer repurchase rate increase. POP MART launched 5.8 blind boxes on average per month in 2020, with 4 launches per month, ranging from 1-3 new products per launch. The high frequency of new products releases further stimulates the desire of blind box loyal users to collect the whole toy series, and the repurchasing rate of POP MART registered members is as high as 58%.

(3) IP Licensing and Co-branding to Extend the Product Life Cycle:

In terms of product life cycle, the peak of POP MART's top IP - Molly's popularity lasted for about 3 years (2017-2019), during which consumers' interest in buying and collecting reached a white-hot stage and the number of online second-hand trading posts also reached a peak. Subsequently, despite the decline in IP fervor, the decline was relatively slow as IP awareness has significantly increased and formed a brand effect. The transformation of blind box IP into a brand is one of the keys for POP MART to establish a competitive barrier, lengthen the product life cycle and realize long-term real estate value.

To maintain the brand-specific freshness, POP MART adopts the IP empowerment model (IP Licensing and Co-branding) to create surprise and satisfaction, keeping consumers' curiosity about the brand unabated. The company carries out IP licensing activities based on its propriety and exclusive IPs. Most of the co-branding partners are leading brands with similar tone and audience as the IP. Currently, POP MART are cooperating with food and beverage (Coca-Cola), beauty (YSL), and watches (Casio). etc. The presentation format is mainly in the form of co-branded gift box and blind box products. From the co-branding effect, Molly and Coca-Cola launched a co-branded blind box and it sold out in 3

minutes after releasing, while the beauty set of Bunny co-branded with YSL also got a satisfied sales performance in Tmall online store with more than 1,000 sets sold in one day. (POPMART, 2021).

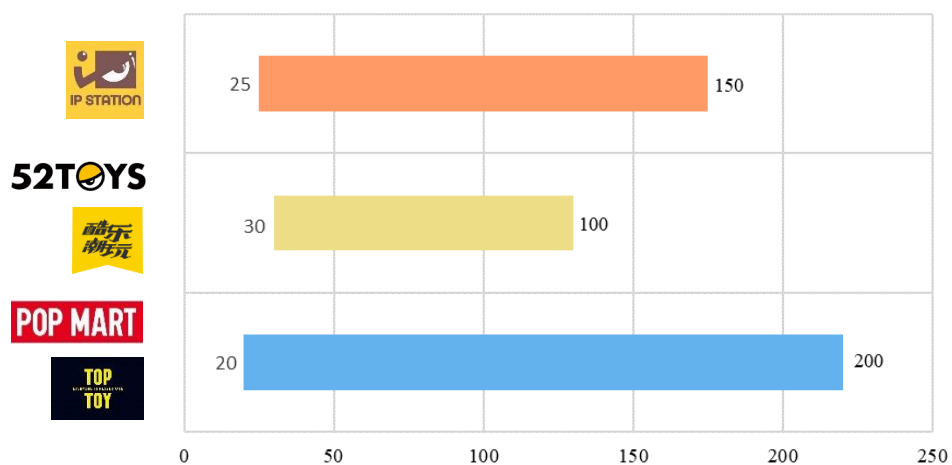
(4) Consumer Curiosity caused by Product Packaging

The product package - the blind box itself is full of unknown surprises. The regular blind box is sold as a single series of 12 dolls with the same theme and different designs, so consumers can buy a single box to draw any one of the 12 designs, while there is also the possibility of drawing a "hidden toy" with a probability of 1/144. Once the blind box is opened and the toy is revealed, it is accompanied by the emotion of satisfaction, surprise or loss, which is somewhat similar to the psychology of gambling and makes people look forward to collect the limited edition of blind boxes. The reason why blind boxes are so popular is because the "hidden toys" bring surprises beyond expectations. Once someone finds a "hidden toy" in a blind box, the surprise effect is herd-based. The desire to show off the "hidden toy" will drive them to share it and attract more blind box enthusiasts to join it with the mindset of "gambling" in order to seek super premium income.

4.4.2 Price

According to Tmall e-commerce data, as of December 2020, 65% of pop toys are priced at no more than 150 yuan. In order to promote players' continuous purchase, the pricing of blind box-type pop toy products should not be too high, and the average price of products from the top 5 pop toy brands is not more than 200 yuan.

Figure 8: Pop Toy Blind Box Price Range by Brands(Unit: Yuan)

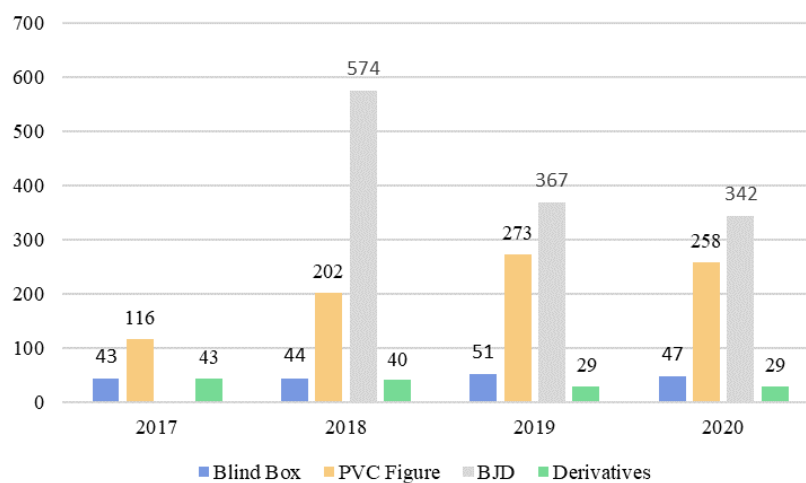


Source: POP MART Company Prospectus(2020)

POP MART captures consumers' fetish of collecting for product marketing, while using a low-price strategy to attract more buyers' attention to the pit. When consumers become addicted to buying blind boxes, the consumer stickiness of the product is reinforced by making people get satisfaction from the process full of surprise and novelty. This is the "addictive marketing mechanism" adopted by POP MART.

Among POP MART's series of toys, the toy with a unit price between 59~99 yuan, labeled as entry-level toy, has accumulated a strong fan base due to its cute and cool appearance and market-friendly price. This kind of toys is targeted at POP MART's key consumer segment – Generation Z, who emphasize on self-expression and individuality, but couldn't afford expensive toys due to financial constraints. Buying entry-level blind boxes has become one of the ways for them to treat themselves. Based on the basis of self-pleasant, many young people prefer to buy a single blind box priced below 100 yuan. However, the addictive mechanism drives them to collect a full set of a specific IP, thus turning the single consumption behavior into more frequent ones. The entry-level priced pop toy blind box not only brings a higher product sale, but also establishes an emotional connection between the business and the consumer, achieving high consumption frequency and high retention afterwards.

Figure 9: Average Price of Product by Types (Unit: Yuan)



Source: Tmall

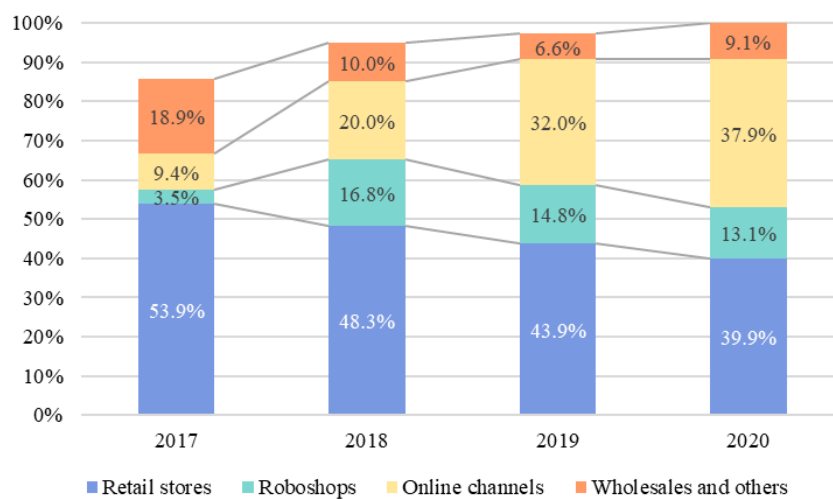
In addition, for top IP such as Molly, Dimoo, Skullpanda, etc., the company has introduced higher priced product formats such as BJD dolls and limited-edition garage kits to meet the consumer demand of the high-end market. In terms of the average price of the products, the average price of BJD and garage kits was 342 yuan and 258 yuan respectively, much higher than that of the blind box (47 yuan).

Through above pricing strategies, POP MART effectively attracts consumer groups with different purchasing power, and expands its product coverage through a diversified product matrix.

4.4.3 Place

POP MART has now established a comprehensive and extensive distribution network with a nationwide footprint by using omnichannel sales to reach target consumers. It also has set up several roboshops to reduce operating costs and improve profitability. Extensive channel network is the key to ensure that the company's brand and IP reach target consumers. At present, the company has built a dual-wheeled online + offline, direct sales-based omni-channel system, with the main revenue contributed by retail stores.

Figure 10: POP MART Sales Revenue Composition by Channels



Source: POP MART 2020 Annual Report

(1) Offline Marketing

① Retail stores are the company's main sales channel:

Figure 11: POP MART Retail Store



Source: POP MART official website

POP MART's retail stores are basically located in mega shopping malls in first- and second-tier cities, where there is a larger flow of customers, and these places

can be used for a more upscale brand positioning purpose. By shopping in retail stores, consumers can feel the strong brand atmosphere. One of the advantages of POP MART compared to competitors is that in the product display, POP MART carries out the scene type of display, increasing the interest of the product, which can better convey the product story to consumers.

- ② Roboshops expands customer reach to reduce costs and improve profitability: POP MART pioneered the large-scale use of vending machines to sell pop toy blind boxes, and most of these roboshops are mainly located in shopping centers and high-traffic locations, automatically covering areas that are not covered by retail stores to expand customer reach.

Figure 12: POP MART Roboshop



Source: POP MART official website

These roboshops are decorated with POP MART's brand color – yellow, which is very recognizable and attention-getting in public places. The large glass cabinet next to the vending machine shows the recent pop toy series, and the same scene display as the retail store can also tell the brand story in a more stereoscopic way. Compared with retail stores, roboshops have great advantages in terms of rental, labor and maintenance costs, which can reduce costs and expenses and improve profitability.

- ③ Offline activities attract brand fans and strengthen social attributes: The offline activities held by POP MART usually combine the characteristics of the city where they are held, with the theme of the popular IP image, a theme exhibition in the mall, and take the opportunity to launch a limited number of pop toys.

Figure 13: POP MART City-themed Exhibition in Shanghai



Source: POP MART official website

The most well-known offline event held by POP MART is the city-themed toy exhibitions, which has successful cooperation with local government cultural development departments and mega shopping malls in Beijing, Shanghai and Hangzhou, and launched a city-limited version of the Molly IP at the same time. The offline event not only promoted sales growth in the region, but also attracted more fans for the brand. In addition to achieving brand regional fan infusion, it can also use the market influence of well-known IP to expand product awareness and achieve the purpose of enhancing product sales, while making full use of the advantages of the limited edition of IPs to create a brand-specific product social attributes. Social attributes of the product comes with the ability to spread, which can help the POP MART to achieve marketing fission, break the consumer circle, improve the brand awareness and exposure, and nourish the formation of a new round of propagation effect.

(2) Online channels provide a convenient shopping experience:

POP MART is a new brand that has emerged in recent years, representing the development of the new industry chain of pop toy, but at the same time, what makes the brand shine is its personalized marketing approach combined with various online platforms. Because the product is mainly targeted at the audience of 18-30-year-old female white-collar workers, therefore, POP MART built a convenient online shopping platform which is tailored for the purchase habits of target consumers.

① Tmall Flagship Store:

Tmall is an e-commerce platforms in China managed by Alibaba Group. POP MART's flagship store on Tmall sells a complete range of toys that are combined with the live streaming sale format. Consumers can learn about the history of each IP and thus cultivate consumer loyalty to specific IP. In addition, the display of former buyers' toy shows also stimulated consumers in a wait-and-see

attitude to turn to purchase behaviors. According to the annual report data, the company's Tmall flagship store revenue was 406 million yuan in 2020, ranking first among all toy brand flagship stores in Tmall in terms of retail sales and contributes 43% for POP MART's total online sales revenue.

Figure 14: POP MART Tmall Flagship Store Display



Source: Tmall

② Pop Draw mini program on WeChat:

Figure 15: POP MART Pop Draw Mini Program Display



Source: WeChat

WeChat is the most popular instant-message APP among young people in China. The revenue generated by Pop Draw increases at 72% growth rate from 271 million yuan in 2019 to 466 million yuan in 2020. The Pop Draw mini program not only has the function of selling toys, but also has the functions of simulating the experience of drawing boxes in retail stores, community interaction and activity rewards. Thus, it provides both interaction and socialization experience for users. So far it is the company's top online revenue source.

4.4.4 Promotion

POP MART has utilized several promotional tools for each life cycle stage of the product.

(1) Product Introduction Stage:

At the introduction stage, the online flagship stores are especially conducive to advance momentum for new product promotion. It attracts consumers with live unboxing show, while designing lucky-draw mini-games on the main store page, so that consumers will continue to pay attention to new toys, brand awareness has been expanded as a result.

(2) Product Growth Stage:

The company also put promotion efforts on social media platforms(such as Xiaohongshu, Bilibili, Weibo, Douyin, etc.), encouraging the recreation of blind boxes and video sharing. In 2020, the company's advertising and promotion expenditure accounts for 5% of revenue. Promotion forms include placing KOL cooperation ads, reaching users through graphics, live streaming and short videos. In June 2020, the volume of POP MART's Xiaohongshu notes reached 3,555, while the number of notes placed on 52TOYS was only 88. From the perspective of promotion content presentation, the company encourages players to publish product-related videos, including unboxing, toy recreation, new product introduction, toy collection sharing, etc. Social media promotion not only increases the marketing value and accelerates IP creation, but also allows consumers to gain satisfaction through display and sharing, increasing stickiness and repeat purchases.

(3) Product Maturity Stage:

While setting the industry standard for pop toy blind boxes, POP MART is also developing new categories and continuously enriching its product line around different IPs to boost the sales volume during the product maturity stage. In order to motivate consumers to contribute more consumption, POP MART has carefully set up a membership center to create a complete consumer growth system, including Pop Value, Pop Points and Medallion Pavilion. Pop Value is based on

the member's consumption amount in the last six months, and according to the points level, the system will automatically allocate gift card or coupons to members, which invariably increases the purchase incentive. When registered on the membership center, consumers can make points every time they consume. The number of points varies according to the membership level and consumption channels. These points can be redeemed for cash, coupons for Pop Draw mini program, or for more limited-edition toys and peripherals.

4.4.5 Marketing Mix Comparison with Competitors

As mentioned earlier, IP + channel development is a key combination marketing mix strategy in the growth POP MART, this part will compare POP MART' marketing mix with other top 4 companies in the pop toy blind box industry.

(1) IP:

Both POP MART and Top Toy have their own propriety IP and exclusive licensed IP library, with product differentiation advantage. Other retailers, such as Kule pop toys, 52Toys and IP Station, mostly launch products based on non-exclusive IP. In terms of IP recognition, those IPs owned by POP MART gain significantly higher attention than that of other brands. According to the "Pop Toy" APP, 8 out of the top 16 IPs are POP MART's propriety and exclusive licensed IPs, making the company the absolute leader in the pop toy IP field.

(2) Sales categories:

The products of POP MART and 52Toys are mainly blind boxes and dolls, with new designs in IP image, which are mostly developed by artists in cooperation with in-house teams, and "doll image design" is the core selling point. Other pop toy retailers' product matrix mostly covers bags and apparel, daily necessities and other cultural and creative miscellaneous goods with mature IP derivatives layout. "Trendy department store" is the core selling point for Top Toy and Kule Pop Toys, their SKU (Stock Keeping Unit) is high but the artistry and pop toy brand value is relatively weak.

(3) Channels:

Top Toy, which is similar to POP MART in terms of IP and product positioning, has rapidly expanded the number of retail stores in first and second-tier cities with the advantage of MINISO's offline retail network. While IP Station only operates online channels. In comparison, POP MART reaches consumers through a combination of online + offline to improve the consumer shopping experience.

Table 6: Marketing Mix Comparison

| Companies | Sales Channel Network | | Major Sales Categories | Core Competence |
|---------------|--|--------------------|---|--|
| | Offline | Online | | |
| POP MART | 187 retail stores, 1,351 roboshops, covering 63 cities nationwide | Tmall, WeChat, APP | Blind boxes, BJD, PVC figure, Derivative peripherals | IP operation and incubation, Full industry chain coverage |
| IP Station | 900 roboshops nationwide | WeChat, APP | Blind box, Handicraft, Anime peripherals | Leading retail scale, Digital technology |
| Top Toy | Directly operated + franchised stores reached 334 nationwide | Tmall, WeChat, APP | Blind boxes, BJD, PVC figure, Derivative peripherals | Self-supply channel (MINISO), Efficient product supply chain, High SKU |
| Kule Pop Toys | More than 100 retail stores nationwide | Tmall, WeChat, APP | Digital products, Plush toys, Clothing accessories, Gifts | Efficient product supply chain, High SKU |
| 52 Toys | The number of online and offline cooperation terminal channels exceeds 5,000, mainly covering first- and second-tier cities. | Tmall, WeChat, APP | Anime peripherals, Film and television peripherals, Blind boxes, Capsule toys | Full industry chain coverage |

Source: Company announcement, official website of each company(as of the year ended 2020)

4.5 SWOT Analysis

4.5.1 Strength

Full industry chain coverage, huge potential for female consumers' market, and preemptive track are the main strength for POP MART to achieve long-term positive growth.

(1) Market Advantage

POP MART has formed a mature industrial model for pop toy blind box

production and IP incubation, accompanied with strong channels and high brand exposure to attract excellent designers and IP resources for monetization. The company also increases the profitability of blind box by cooperating with high-quality IP resources. Currently, POP MART has created a closed loop with strong channels to promote. The control of high-quality propriety IP resources improves the company's ability to constantly create new toys and increase brand awareness, thus triggering spontaneous dissemination of consumers, with high efficiency of target consumer reach and conversion.

(2) Audience Advantage

POP MART positions its core customer base as the young female market with great consumption potential and accounting for the largest proportion, it occupies the first-mover advantage of the track in the pop toy industry. At the same time, POP MART has built an independent membership system by forming the pop toy community with multi-platform mini-programs to connect the user data of multiple channels. The company also provides fans with a consistent membership rights experience, which helps to further enhance consumer stickiness and repeat purchasing rate. In addition, POP MART also provides unique propriety IPs to give young consumers the cultural value of pop toys, creating an unprecedented fan community with high stickiness. That is the core competitiveness of POP MART and an unbreakable moat in the pop toy industry in the short term.

(3) Product Advantages

The frequent emergence of popular propriety IPs has helped POP MART set a benchmark in the industry, and the dispersion of IPs is also conducive to optimizing the company's internal profit structure. It is worth noting that those IP series that have gained successful feedback in the market have significant commercial value far beyond their original versions, and can be reversed to attract more high-quality new IPs to sign up and stay with the company, forming a positive effect. This makes it easier for POP MART to obtain high-performance IP resources and has greater growth prospects in spin-off industries, such as the IP licensing and adaptation.

4.5.2 Weakness

Lack of internal support for IP, risk of losing low loyalty consumers and increased market competition from dividend split are the three main weakness POP MART has.

(1) Market Disadvantage

Low industry concentration means that all brands in the pop toy field are still in the market expansion period, far from reaching the zero-sum game stage. The function of the blind box is more to pull people into the "pit", and to facilitate the

conversion of repeat purchases. Although POP MART has seized the first-mover advantage by virtue of blind box, the blind box has already become an important marketing mode for various industries to attract young consumers and is gradually becoming undistinguished. In addition, the share of net profit from POP MART's advertising and marketing expenses increased from 16.6% in 2019 to 38% by the end of 2020. This shows that advertising and marketing expenses are one of the main influencing factors for the decline in net profit margin. On some level, like toy brand owners in other fields, in the pop toy sector, POP MART relies more on advertising than on the products themselves to enhance its IP exposure and brand awareness. So, once the market demand for pop toys is faded, the continuous increase in advertising spending will become a stumbling block in its business activities. How to rationalize advertising spending may be a problem that POP MART's management needs to face in the future.

(2) Audience Disadvantage

The pop toy market is fragmented, and its main customer segment-Generation Z, lacks brand loyalty, who will spontaneously form multiple small market segments and generating more new brands and new opportunities. Once the market dividend fades, the company will lose its previous consumers. At the same time, the more consumers buy, the higher the probability of drawing duplicate toys, which means that the consumer experience is getting worse throughout the process of collection, which will lead to a shortened life cycle for the vast majority of consumers.

(3) Product Disadvantage

POP MART cannot guarantee the popularity of the products it designs and develops because consumers' preference for IPs is somewhat accidental and random, and POP MART's popular IPs lack stories and cultural power and are only image trafficking. The life cycles of pop toys are all relatively short. In the background of pan-entertainment in Chinese market, there is no time to precipitate the content, and the difficulty of IP development increases. When the design aesthetics of product IP deviates from consumer tastes, it may bring aesthetic fatigue. And when new IPs are launched too soon, the value of the hidden models in the hands of old players will be diluted, leading to a drop in the price of hidden models in the second-hand market and a decrease in consumers' desire to buy them.

4.5.3 Opportunities

(1) China's pop toy retail market is still in its early stages and has a large growth potential in the future:

Driven by the rising popularity of pop toys in China, the pop toy retail market has grown at a CAGR of 29.8% since 2019, and the market size is expected to exceed

76.3 billion yuan in 2024, with huge market potential.

- (2) Key consumer segments in China's pop toys market are sticky and have high purchasing power:

As disposable income and living standards have continued to rise over the decades, the overall consumption patterns of Chinese consumers have undergone a sea change. Chinese consumers are pursuing a more sophisticated lifestyle and are increasingly focused on product quality and the emotional satisfaction it brings, increasing the demand for pop toys.

- (3) The IP market continues to grow, with a variety of opportunities to cash in on pop toy IPs:

Currently, pop toy retailing is the main way to cash in on IP, and successful IPs have significant commercial value far beyond their original versions. Leading IPs are hugely popular among consumers, and IP licensing and adaptations will provide additional growth opportunities, thus expanding the value of IPs to a wider range of areas, such as licensed merchandise (except toys), advertising, video games, movies, comic books, etc. As China's pan-entertainment market grows, the number of released and promoted blockbuster IPs continues to increase, leading to higher demand for pop toys based on such kind of IPs. High-quality content and IPs also provide opportunities for cross-border collaborations that can attract more consumers and extend the life cycle of IPs.

4.5.4 Threats

- (1) Threat due to production cost increases:

As the increase in raw material prices and labor costs in the supply chain, price increase strategy was adopted to cope with the rising costs. In addition, pop toys are more elaborate in design and more complex in process also led to increased costs. Both may lead to the loss of POP MART consumers.

- (2) Threat due to inter-industry competition:

POP MART is in an industry that is highly competitive. As more and more "players" into the track, the later increasingly favor to low-price strategy to attract consumers, which may cause a great impact on the price rules built by POP MART as the "leader" in the early stage. If the company is unable to compete effectively with existing or new competitors, the company's sales, market share and profitability may decline.

- (3) Threat of blunted product demand:

In current Chinese market, "everything can be blind box", as long as there is a certain amount of capital, talent, marketing and other aspects of the ability to

support, anyone can start a blind box business: from to convenience store shopping, to museum cultural and creative goods, and even the form of some enterprises to issue year-end awards, etc. But on the other side of the coin, when the blind box began to flood every aspect of public life, the sense of excitement brought by "opening the blind box" will inevitably continue to decline. The blunting of this emotional sensitivity will eventually bring a result, that is, the blind box consumption demand will significantly decline.

4.6 Future Prospects

4.6.1 Overseas Market Expansion

While achieving great success in the domestic market, POP MART also taking firm steps in the global market. Its overseas business has spread to more than 20 countries and regions, including China, Hong Kong, Macao and Taiwan, Japan and Korea, Southeast Asia, Australia, North America and Europe. The business covers overseas online and offline channels, it has opened official online stores in Japan, South Korea, France and overseas, and offline department stores has successfully entered South Korea, Singapore and other countries, the global layout continues to expand. Japan and South Korea's pop toy market started earlier than China, with more categories and high maturity. Local consumers are very sensitive and discerning to the popular culture, if POP MART can be loved by Japanese and Korean consumers, it would be beneficial for the company to develop overseas markets. In addition to Japan and South Korea, Southeast Asia is another key region for POP MART to develop overseas markets due to the high cultural acceptance, consumption habits and preferences similarity, and the rising overall economic growth makes this region a blue sea for business expansion.

In addition, POP MART also faces the problem of product safety testing and certification in different countries when going abroad. Each country has different testing requirements for the materials, product quality, size and odor of toy products, etc. When entering overseas markets, POP MART must first comply with these safety testing and certification. At the same time, POP MART is also facing fierce competition in the market. While capturing the home market, both domestic and foreign pop toy brands is also eyeing the international market, POP MART will face more intense market competition in the future.

4.6.2 Sustainable IP Operation

POP MART is actively laying out a large entertainment platform based on IP. In addition to vertical plowing in the industry, the company is also exploring horizontally outside the industry, including theme parks, film and television content, art galleries, contemporary art and other potential areas.

Looking ahead, POP MART is committed to making consumers reap enjoyment,

trendy experience and artistic enlightenment through creative products, exquisite design and quality service, and at the same time, it also maintains a strong market position and competitiveness by enhancing brand value and increasing consumer brand loyalty.

As China's economy leads recovery after suffering from COVID-19, the company's offline business performance has experienced positive growth in 2021. POP MART plans to continue to expand its omni channel network, reach more consumers, continuously refine its operational capabilities and improve consumption experience. At the same time, the company is committed to enriching IP types, expanding IP library, launching more popular products series, as well as broadening the categories of pop toys other than blind boxes. POP MART will continue to strengthen membership expansion and membership marketing, promote innovative retail digital operations, reach and maintain users in more diverse ways, and provide better services to consumers.

5. CONCLUSION

With the increasing demand for pop toys in the Chinese market, the traditional single offline marketing mode has become less competitive in terms of its limitations in improving the profitability of enterprises, and most of the companies in the industry are still in the exploration stage of improving their marketing model. Meanwhile, POP MART is the leader in the field of pop toys applying "Omnichannel Integrated Marketing" to achieve a doubling of profits in a short period and become the first stock listed in the pop toy industry. In order to explore the integrated marketing strategy adopted by POP MART, this individual study compiles the relevant reports released by POP MART since its listing on the Hong Kong Stock Exchange in 2020. The marketing strategy analysis starts from STP analysis. This part identifies POP MART's target customer profile as young females living in first and second tier cities who has a certain amount of disposable income and a high desire to spend, and the company's market positioning as a leader in IP operation and pop toy blind box. For the second part, the omnichannel product marketing layout of POP MART around its IPs is analyzed from four perspectives of marketing mix. Through its 4Ps, the company has not only connected all the sales channels to reach the target consumers, but also conveyed the brand concept in the sales process. Finally, the SWOT analysis listed the strengths and weaknesses of POP MART from three latitudes: market, consumers, and products, as well as the potential opportunities and challenges faced by POP MART both internally and externally. The entire industry chain coverages help POP MART to build a high moat, while the female market has huge potential, and the first-mover advantage is accumulating growth. However, POP MART's IPs lack connotative support, posing a risk of losing consumers with low loyalty, and dividend segmentation may intensify market competition.

6. RECOMMENDATIONS

From the previous analysis of POP MART's marketing strategy, it can be noticed that the product attributes of the blind box determine its short life cycle. POP MART's marketing model has its innovation and valuable points, but the formation of a good IP still needs more time and artistic connotation support, the IP operation also shows some weakness. Thus, this independent study proposes the following three targeted recommendations for POP MART:

(1) IP Development: Emotional + Contextualization

Starting from the fan's empathy, it is suggested to use different IP character settings to satisfy the fan's psychological projection, so that fans can find empathy and thus be guided to consumption behaviors. After the successful product sales, the company's IPs can develop into the derivative business, with more characters and consumption scenes, and more product types.

(2) Fan Community Operation Improvement

According to the current product strategic positioning and consumer demand analysis results, it is recommended to take fan community operation as the primary task. Making full use of its existing community advantages to achieve precise consumer stratification, data selection and differentiated marketing. It can dig deep into the pain points of the core consumer group, deepen the sales service, and carry out product customization operations.

(3) Accelerate the Business Layout at Low-tier City Markets to Acquire Incremental Consumers and Markets

These low-tier markets have large population sizes, but only a few large malls in each city, with budget-friendly venue rents and concentrated customer traffic. Thus in these areas, setting up retail stores and roboshops can play the role of brand promotion and accelerate revenue growth through radiation penetration in various tier cities, acting as pilot pioneers. The new market consumer acquisition can also be achieved through carrying out refined territory-wide operations in lower-tier cities, improving the online membership system, increasing the exposure of new media channels, and organizing offline exhibitions or flash immersion experiences to drive the rapid growth of the membership scale in these cities.

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