

Pop Mart part of the strategic analysis

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Abstract

Originated in foreign countries, and swept the world with a super-fast speed of the industry - "art toy" has with the development of time, in China has also formed a scale, increasingly mature. China's tide play market share is increasingly saturated, of which enterprises, especially Pop Mart as the leader, occupy half of the tide play market. Founded in 2010, Pop Mart rose rapidly in just a few years and successfully listed on the Hong Kong Stock Exchange in 2020. The success of Pop Mart is inseparable from the dividend of the era, but its strategy choice and implementation are also indispensable conditions for success. This paper analyzes Pop Mart from the perspective of business unit strategy and finds its success factors.

Keywords

Art toy, Stratagem, Pop Mart.

1. The External Environment Strategy of The Enterprise

Porter's five forces analysis model was proposed by Michael Porter in the early 80s, and has a global and far-reaching impact on the formulation of corporate strategy, mainly used for the analysis of competitive strategy, which can effectively analyze the competitive environment of customers, and the five forces are: the bargaining power of suppliers, the bargaining power of buyers, the ability of potential competitors to enter, the substitution ability of substitutes, and the current competitiveness of competitors in the industry. The different combinations of the five forces of change ultimately affect the change in the profit potential of the industry. Porter's Five Forces Analysis is a micro-environment analysis in the analysis of the external environment, which is mainly used to analyze the competitive pattern of enterprises in the industry, the relationship between the industry and other industries, and the advantages and disadvantages in it, emphasizing a kind of strategic awareness, or the application of strategic thinking [1]. This study uses Porter's Five Forces analysis method to analyze the problems existing in Pop Mart, a leading company in China's trendy toy industry, and conducts in-depth research and analysis from five aspects: the threat of potential entrants, the violet of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and peer competition. In fact, in an industry, these five basic forces determine the intensity of industrial competition and profit margin, and the strongest forces play a key role in the formation of strategy.

As an important branch in the field of strategic management, after years of development, the theory of enterprise core competitiveness has gradually formed four relatively mature theoretical systems: basic resource view, innovation platform view, knowledge carrier view and technical capability view. These theoretical systems reveal the connotation and construction path of the core competitiveness of enterprises from different perspectives, and provide strong theoretical support for enterprises to achieve sustainable development.

The concept of basic resources emphasizes the importance of internal resources of enterprises. The resource-based view believes that the unique resources owned by enterprises are the source of their competitive advantage, and these resources are scarce, valuable, difficult to imitate, and irreplaceable (Barney, 1991).

The concept of innovation platform focuses on building the core competitiveness of enterprises through innovation activities. Innovation is the inexhaustible driving force for the development of enterprises, and it is also the key way to form core competitiveness. Christensen (2010) argues in *The Innovator's Dilemma* that disruptive innovation can bring new competitive advantages to companies and achieve leapfrog development by breaking the rules of the existing market. The concept of innovation platform emphasizes that enterprises should establish a sound innovation system, including R&D investment, technological innovation, product innovation and other aspects, in order to continuously improve their innovation capabilities.

The knowledge carrier concept believes that knowledge is the core element of the core competitiveness of an enterprise. Drucker (2019) proposed in the book *"Knowledge Management"* that knowledge has become the most important resource of enterprises, and effective knowledge management can enhance the core competitiveness of enterprises. The concept of knowledge carrier emphasizes that enterprises should pay attention to the accumulation, dissemination and application of knowledge, and continuously improve the knowledge level and innovation ability of enterprises by building a learning organization and implementing knowledge sharing.

The concept of technical capability focuses on the core competitiveness of enterprises in the field of technology. Technical capability is the key to achieving product innovation, improving product quality and reducing costs. Teess (2018) pointed out in the book *"Technology Strategy and Innovation"* that enterprises should protect their technological achievements through technology research and development, patent applications, etc., and form technical barriers to obtain market competitive advantages.

The concept of technical capability emphasizes that enterprises should increase investment in technology research and development, cultivate high-quality technical talents, and continuously improve their technological innovation capabilities^[2].

1.1. Porter's Five Forces Model

1.1.1. Threat From Potential Entrants

When investors realize that a certain industry is profitable, they will look at the corresponding market and try to enter it. Potential entrants will threaten the profits of existing enterprises in two aspects: one is that after entering the market, they will carve up the original market share of other enterprises, and the balance of the market will be broken; The second is that the entrant's expansion will stimulate competition among incumbents, and a cost war may break out, eating away at the market share of other competitors through lower prices. And the lower the barrier to entry for an industry, the greater the threat to its potential entrants. Since the development of Pop Mart, they have a huge share in the market, and they are the first companies to enter the Chinese trendy toy market. It seems that the threshold of the trendy toy industry is low, just make a few toys, and ensure the quality and quantity, but consumers are not only concerned about the quality of the product, they also value the design elements and style of trendy toys. In other words, distinctive products are the sharp edge of trendy toy companies to open up the market. Obviously, Pop Mart, which has its own IP and continues to create high-quality new IPs, has not only grasped the key to opening up the market, but also continuously raised the entry threshold of the trendy toy industry. Nowadays, without huge financial support, it is difficult for enterprises to create high-quality IP, and it is difficult to enhance national recognition and attract the attention of trendy toy consumers. In addition, the trendy toy market has gradually matured, and it is irrational for companies to want to enter a relatively mature industry market. Therefore, for Pop Mart, the threat of entry for potential entrants is small.

1.1.2. The Threat of Substitution for Alternatives

There are two types of substitutions for a product: direct product substitution and indirect product substitution. A typical example of a direct product substitution is the replacement of a Microsoft computer by an Apple computer. Indirect substitution, on the other hand, refers to the indirect substitution of products that can serve the same role for other products, such as synthetic fibers instead of natural fabrics. The concept of these two is not necessarily very clear, and it mainly depends on the definition of the team's industrial boundary. Therefore, for Pop Mart, the product that is worried that it will be replaced is not an indirect substitute for toys, but a direct substitute for other companies to launch popular IP trendy toys that can attract fans from Pop Mart. In 2023, Pop Mart's annual revenue will be 6.3 billion yuan, and the adjusted net profit will be 1.19 billion yuan. If you want to defeat Pop Mart and snatch market share from its hands, you must have a lot of money to invest in creating more innovative and distinctive new IP, otherwise you can only be in a corner of the trendy toy market. In addition, Pop Mart's trendy toys are different from ordinary trendy toys, and almost all of its products implement the blind box model. The so-called blind box, that is, when designers of different IPs design a series, they will create about 12 different styles including "hidden models", and consumers will never know which one of the series they are buying before opening the box. This consumption pattern greatly stimulates the curiosity of consumers, and the way similar to the lottery makes consumers willing to pay for their curiosity. Although you may not be able to draw your favorite one, at least you will get something, and it will not be like other lottery models, such as game lottery, etc., many times you spend money to draw only a bunch of unwanted things. Therefore, for Pop Mart, the threat of substitution is also small.

1.1.3. The Bargaining Power of The Purchaser

Consumers generally want to buy high-quality and low-cost products. In today's competitive market, brands often use price reductions to get more sales^[3]. There are many types of Pop Mart products, in the most classic blind box mode, there are not only IP figures, but also data cables, keychains, refrigerator magnets, etc. around IP. The price of the same type of product is the same, and there will be no different pricing due to different IPs. Therefore, there is no bargaining for consumers. The overall price increase of bulk commodities and the soaring consumer demand of consumers, Pop Mart began to adjust the price of its products in 2021, only from 59 yuan / piece to 69 / piece, compared with other trendy toy companies, Pop Mart has a certain price advantage, and the price of its blind box figure is even lower than the price of other companies in the same industry. For example, Pinyun Cultural Creativity's IP "MIMIA" is priced at 85/piece. The price increase of Pop Mart has not changed the fact that it occupies most of the market in China's trendy toy industry, thanks to its exquisite design and the ability to maintain customer attraction over the years, the number of fans of Pop Mart has not shown signs of decreasing after the price increase.

1.1.4. The Bargaining Power of The Supplier

For IP designers, as a leader in the industry, Pop Mart is also willing to cooperate with Pop Mart. For Pop Mart, the bargaining power of the upstream and downstream is not high, which is extremely advantageous for their cost control. The combination of a high market share and controllable costs has led to the creation of today's Pop Mart.

1.1.5. Competition Among Incumbents in The Industry

In today's trendy toy market, in addition to Pop Mart, there are also TNT, Heyone, Pinyun Cultural and Creative and other enterprises. Although these companies also have a certain fan base, there is still a certain gap compared with Pop Mart. In the trendy toy market, the core competitiveness of each enterprise is obviously IP design. Compared with Pop Mart, the design quality of these brands is much inferior. Therefore, in the trendy toy industry, the core competitiveness of Pop Mart's competitors is not as strong as that of Pop Mart. From the

perspective of core competitiveness, products, marketing, etc. Pop Mart is a very advantageous enterprise in the trendy toy industry, and its success is not accidental.

2. The Core Competitiveness of The Enterprise

Core competitiveness refers to the resources that can bring a comparative competitive advantage to the enterprise, as well as the allocation and integration of resources. With the change of enterprise resources and the improvement of allocation and integration efficiency, the core competitiveness of enterprises will also change. With the power generated by the core competitiveness, an enterprise is likely to stand out in the fierce market competition, so that the value of products and services can be improved in a certain period of time.

2.1. IP Operation and Mysterious Box Mode

Pop Mart's original two high-quality IPs "Molly" and "Pucky" have quickly emerged from the circle in the past few years, receiving the love of many young people and condensing a strong and high-quality fan base. Pop Mart has signed many outstanding independent designers to continuously create IP, and on the basis of the original IP, create a new high-quality self-owned IP image, so that the brand can continue to inject fresh blood into the trendy toy market. Pop Mart's blind box gameplay is a lottery mechanism. It is available in regular, hidden, limited editions, etc. Through the sense of unknown and excitement of drawing blind boxes, it promotes consumers' purchases and increases the repurchase rate.

2.2. Dedicated Sales Channels

In China, Pop Mart already has four main sales points: offline stores, T-mall flagship stores, unmanned vending machines, and WeChat mini programs. In addition, it has also established a complete sales system in overseas markets and realized its global operation. When Pop Mart releases new products, it will release priority purchase quotas in We-Chat mini programs, and consumers who grab the quota can purchase new products in advance to meet the special needs of consumers; At the same time, the consumption pattern of offline stores is that after someone consumes a series of products, the store staff will replenish the products of that series. This restocking is fraught with uncertainty, and the clerk can't guarantee that the restocking product is the one the consumer wants. In this offline store consumption model, some consumers think that it is difficult to obtain their favorite products in offline stores, so they will choose to buy them through channels such as unmanned vending machines or WeChat mini programs. Pop Mart's multi-channel sales path with different channel models meets the consumption needs of different consumers. However, with the popularity of short videos, the proportion of revenue on the Tik Tok platform in online channels has increased significantly, increasing by 431.2% compared with the end of 2022. Hong Kong, Macao, Taiwan and overseas online distribution channels are mainly Shopee and official websites, and the proportion of revenue from the two channels is basically the same, and both are increasing. Although the promotion and deepening of Hong Kong, Macao, Taiwan and overseas business started late compared with Chinese mainland, the revenue at the end of 2023 increased by about 134.9%, achieving considerable results^[4].

2.3. Complete Community Operation

Pop Mart launched the Fun APP and member group, not for profit, but to improve the stickiness of fans. In addition, on this platform, Pop Mart can learn about the popular IP images in the current market and the types and materials of toys through the sharing of fans. Pop Mart makes good use of the platform's product promotion role, coupled with the rapid development of the Internet, the manager of the fan group only needs to post photos or promotional information of

new products in the group, and soon blind box lovers across the country will know. Pop Mart held an offline toy exhibition and invited well-known designers to participate in it, creating a trendy toy circle for trendy toy lovers, driving the high growth of membership and accumulating important users for the company.

3. Marketing Mix

Marketing mix refers to the process of combining various elements that can be controlled by the enterprise in order to achieve the desired marketing goals, and making the best combination of them. Under the guidance of marketing strategy, enterprises need to design a marketing mix composed of four factors under the control of the enterprise: product, price, distribution and promotion, referred to as the 4P portfolio.

3.1. Product Strategy

The mobile game produced by Pop Mart will be launched on June 27, 2024, which is a product field that Pop Mart has never been involved in. It's not so much about how much revenue Pop Mart hopes to achieve in this mobile game, but rather that this mobile game is also increasing the length of Pop Mart's core product. This mobile game is still based on the many popular IPs of Bubble Mart, and if the praise rate of the mobile game is high, it can attract some mobile game players to buy Bubble Mart products and expand their fan base. At the same time, this mobile game has also expanded the width and length of the product portfolio, and the trendy toys that are moving to meet the different needs and hobbies of consumers and attract more customers. At the same time, under the IP operation model, Pop Mart uses a different brand name for each product. Different IPs attract different consumers to pay for it, and Pop Mart is more like a huge magnetic field, bringing together the crystallization of IP designers' wisdom to attract consumers who come to visit, and Pop Mart's performance has also grown year after year.

3.2. Product Strategy

The most difficult price strategy to choose in the whole marketing process will directly affect the relationship between enterprises and consumers, too high will cause consumer disgust, for the pricing of imported products, too low will make consumers interested in the product. The quality of the product and whether it is genuine raises doubts. Prices below costs can lead to losses and insurrections. When setting prices, it is necessary to safeguard the interests of both enterprises and consumers, and respond flexibly to market changes within the range of consumer acceptance^[5]. In 2010, Pop Mart priced its main product, blind box figures, at 59 per piece, and with the rapid development of Pop Mart, Pop Mart used a satisfactory pricing strategy to increase its price to 69 per piece in April 2021. At that time, Bubble Mart's share in the trendy toy market was already very high, and although it caused dissatisfaction among some consumers, there were still many consumers who felt that a 10 yuan increase was harmless. For Pop Mart, the price of this product can not only be accepted by consumers, but also achieve the purpose of corporate profit.

3.3. Product Strategy

As of the first quarter of 2024, Pop Mart has 363 offline stores, including Tmall flagship stores, self-service sales robots, etc. A variety of sales channels not only meet the needs of consumers, but also make a non-negligible contribution to the expansion of Pop Mart. In addition, self-service sales robots and online stores can also effectively control costs.

4. Conclusion

Although Pop Mart has the advantage of being the first to enter the market, and its team has developed it to a leading position in the blind box industry, its momentum has slowed down.

First of all, the inner essence is gradually exposed in the field of vision of consumers, the blind box product actually stimulates the gambling psychology of the masses, it seems to be a small and big, with 69 yuan to fight their favorite one or even a hidden model, but most consumers are gone. Over time, more and more are thrown in, and consumers have suddenly woken up. Secondly, the second-hand market is emerging, and most consumers choose to buy blind boxes directly from other buyers, which will also impact the sales of Pop Mart to a certain extent. Finally, consumer enthusiasm has also declined. With the change of time, it seems that more IP designers have also reached the point of poor donkey skills, and Bubble Mart, which has few popular models, has been "eating the old book". Unable to stimulate consumers' desire to consume for them. If Pop Mart wants to continue to maintain the fierce development momentum, it should always adhere to the development of its core competitiveness and advantage strategy.

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