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POP MART (9992. HK) Analysis

Xinnuo Zhou

The State University of New Jersey, New Brunswick, USA
xinnuo.zhou@rutgers.edu

Abstract. This paper presents a comprehensive analysis of POP MART International Group Ltd. (9992.HK), examining its emergence as a leading cultural and entertainment platform in the global trendy toy market. The analysis delves into the company's core business model, which strategically leverages blind box mechanics to capitalize on the experiential and emotional consumption trends prevalent among Generation Z. It investigates POP MART's operational strengths, including its integrated industrial chain, a diversified IP matrix centered on proprietary characters like Molly and Labubu, and a multi-channel sales strategy. The study further explores the company's successful foray into international markets through localized strategies and its expansion into new business verticals such as plush toys, theme parks, and derivative products to maximize IP value. While the analysis indicates strong growth momentum, supported by rising revenue and profitability from 2020 to 2024, it also identifies critical challenges. These include the inherent difficulty in consistently replicating top-tier IP success, navigating an evolving domestic regulatory landscape for blind boxes, and managing inventory and competitive pressures. The conclusion maintains a positive outlook on POP MART's future growth, underpinned by its robust platform capabilities and global expansion potential, but cautions that sustained innovation and effective risk management are imperative for long-term success.

Keywords: POP MART, blind box economy, IP commercialization, emotional consumption

1. Introduction

In the macro context of the global consumer economy shifting from functional to experiential and emotional, consumerism presents significant characteristics of personalization, symbolization, and experientialization. Consumers, especially Generation Z as the main force, are no longer just buying the physical attributes of products, but also the emotional value, social capital, and identity they carry [1,2]. POP MART is a product of this trend, surpassing the scope of traditional toy companies and becoming a new cultural and entertainment platform with "blind boxes" as its form, "IP" as its core, and "emotional connections" as its link.

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2. Industry analysis

2.1. Target customer group

POP MART precisely targets the young consumer group aged 18-35, with women accounting for 70-80%. From the perspective of age group and gender, whether it is Chinese consumers or overseas consumers. The Z-generation group aged 18 to 25 accounts for over 50%, while consumers aged 25 to 35 make up approximately 30% -40% [3]. The consumption behavior of this group is dominated by emotional values. According to research analysis, up to 65% of consumer purchasing behavior is driven by emotions, such as seeking healing, companionship, and self reward. The "randomness" and "collectability" of blind boxes cleverly utilize the "variable ratio reinforcement" mechanism in psychology, greatly stimulating consumers' purchasing impulse and repeat purchasing behavior [4].

2.2. Consumer transformation

With the continuous development of the economy, people's needs have gradually shifted from meeting physiological needs to spiritual needs [5]. At the same time, with the growth of Generation Z in the Internet environment, it has become the main force of consumer groups. Their demand for personalization and diversification has gradually formed different consumption behaviors and patterns from the past [6]. In addition, in the fast-paced and high-pressure social environment, trendy play has become a carrier for young people to express their attitudes and gain emotional recognition. As a product full of unknowns, blind boxes not only bring excitement and fun to consumers, but also meet their personalized and diversified needs. In addition, blind boxes can also bring certain social attributes to consumers, for example, consumers can share their blind boxes through social media and form social interactions with others [7]. Driven by various factors, the consumption habits of current consumers are beginning to change.

2.3. Consumer behavior

Consumer behavior exhibits characteristics of socialization and stratification. For example, 65% of consumers make purchases driven by emotional value. Consumers gain a sense of community belonging and identity through collecting, exchanging, and displaying trendy games. 25% of consumers view it as an investment purchase and expect it to appreciate in the future [8]. For example, Labubu quickly became a hot topic on global social media platforms after being promoted by celebrities such as Lisa and Rihanna; Consumers trade hidden items on second-hand platforms such as Xianyu, forming a unique "trendy social circle". 10% of consumers purchase with mixed motives, such as to meet their social attribute needs. In addition, the blind box mode introduced by POP MART can also easily stimulate consumers to make impulsive purchases. Utilizing consumers' desire for exploration to generate impulsive purchases [9].

3. PPMT company analysis

3.1. Company introduction

Since its inception, POP MART has established a comprehensive operational platform covering the entire supply chain of trendy toys by focusing on five key areas, including global artist discovery, IP incubation and operation, consumer engagement, promotion of trendy toy culture, and creative business incubation and investment [10]. On December 11, 2020, POP MART officially listed on the

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Hong Kong Stock Exchange. The company has expanded to 23 overseas countries and regions, becoming a globally renowned and beloved trendy toy among young audiences [11].

3.1.1. Brand matrix

POP MART has established a multi-tiered matrix centered around its proprietary IPs, supplemented by collaborations with licensed IPs. For instance, it ensures the uniqueness of its IPs by signing designer contracts and acquiring copyrights. Additionally, it expands its consumer base and commercial reach through co-branded campaigns with other brands [12]. Besides, its product range has evolved from traditional single-item blind boxes to include plush toys, gradually diversifying and optimizing its category structure.

3.1.2. Income and profit overview

According to POP MART's annual reports from 2020 to 2024 [13-17], its revenue increased from 2.532 billion RMB to 13.037 billion RMB in 2024. Meanwhile, net profit also rose from 825 million RMB in 2020 to 3.125 billion RMB, as shown in the Table 1.

Table 1. Income and profit overview

Indicator	2020	2021	2022	2023	2024
Total operating revenue (in billions of RMB)	25.32	45.30	46.51	63.44	130.37
Net profit (in billions of RMB)	5.24	8.54	4.76	10.82	31.25
Sales gross profit margin (%)	63.42	61.43	57.49	61.32	66.79
Year on year growth rate (%)	48.13	78.66	2.82	36.46	106.92

The financial structure of POP MART presents healthy characteristics of "high growth, high efficiency, and strong cash flow". The core advantage of its business model lies in achieving rapid asset turnover and high-quality cash recovery through direct sales channels and popular IP strategies.

3.2. Business model

3.2.1. Industrial chain

POP MART has established a comprehensive industrial chain, spanning from upstream IP creation to downstream product sales and operations. First, the company builds a diverse matrix through its own IPs, exclusive collaborations with designers, and co-branded partnerships, ensuring creative inspiration while continuously accumulating IP resources. Second, it partners with third-party manufacturers to adopt a lean asset production model. Additionally, its deeply collaborated factories have achieved an automation rate of 50%, and further enhance production capacity and quality control by introducing AI inspection technology, laser marking, and other advancements. Finally, it reaches users through a full-channel sales network that combines offline experiences and online communities [18].

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3.2.2. Sales channels

According to data released by [19] on POP MART, POP MART has built an omni channel sales network that deeply integrates online and offline channels, with direct sales as the main focus. This sales channel network not only achieves efficient product reach and conversion, but also cultivates a highly adhesive core user community through refined operations and strong IP attraction, which helps to achieve sustainable development.

Table 2. POP MART sales channels

Indicator	2023	2024	2025	2026E	2027E
Chinese mainland					
Number of retail stores	363	401	416	431	446
Retail store revenue per store (ten thousand RMB)	769	1,002	1,152	1,268	1,369
Unmanned vending stores	2,190	2,300	2,400	2,480	2,530
Unmanned vending stores (ten thousand RMB)	26	31	36	39	41
China, Hong Kong, Macao, Taiwan and overseas					
Number of retail stores	70	120	220	300	380
Retail store revenue per store (ten thousand RMB)	1,190	3,093	5,257	6,309	7,255
Unmanned vending stores	99	172	222	272	322

According to channel data analysis, the single store revenue of retail stores in mainland China has historically exceeded 10 million yuan (+30.3% year-on-year). In addition, POP MART's store network density continues to grow (from 363 in 2023 to 401 in 2024), and single store revenue still achieves significant growth, proving the improvement of the brand power and user penetration depth of Pop Mart. Overseas channels are also in a rapid development stage, with POP MART stores concentrated in core business districts in overseas markets. Unmanned vending stores, as a low-cost and flexible penetration channel, effectively cover consumer scenarios beyond retail stores [20,21].

Online channels are not only sales platforms, but also one of the channels for user interaction, community operation, and brand communication. According to data analysis, online channels (including e-commerce and mini programs) will account for approximately 33% of revenue in 2023. In the future, driven by the explosive growth of overseas e-commerce, the overall proportion and importance of online channels will continue to increase [20,21].

4. Growth space

4.1. Platform IP inventory

POP MART holds over 40 IPs. The company has built its core business through its own IPs (such as MOLLY, DIMOO, and SKULLPANDA) and exclusive IPs (such as THE MONSTERS), with artist IP products contributing 77% of total revenue [14]. Moreover, the classic IP series, series iterations, and joint collaborations continue to contribute revenue. It can be seen that the lifecycle of a single IP in POP MART far exceeds that of ordinary trendy games. In addition, in order to enrich and diversify the matrix, POP MART actively expands its product categories. This powerful IP stock not only consolidates domestic market share, but also provides a content foundation for global expansion.

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4.2. Exploration of new industries

4.2.1. Molly plush blind box

Plush toys have the advantages of covering all age groups, high repurchase probability, simple craftsmanship, and easy cleaning. By selling Molly plush blind boxes, on the one hand, it can attract more consumers to purchase and expand its customer base. On the other hand, it can enrich consumers' usage scenarios and deepen their love and dependence on the product [22]. In the first half of 2024, the company's plush toy revenue reached 446 million RMB, demonstrating strong growth momentum [13].

4.2.2. Offline amusement park

Offline amusement parks are another important attempt. POP MART City Park opened in the second half of 2023, strengthening IP emotional connections through immersive experiences and enhancing brand influence [14]. In addition, the construction of offline amusement parks has successfully achieved the goals of offline experience, emotional resonance, online sharing and dissemination, and product consumption. In the long run, it can not only meet the demand of young people for experiential consumption, but also achieve multi-dimensional fission of IP.

4.2.3. Labubu Jewelry&Labubu building blocks

The company is exploring derivative products such as Labubu jewelry and Labubu building blocks. As a popular IP, Labubu's jewelry and building block products enrich its product line and cater to consumers' needs for personalization and collectibles [13]. These explorations not only expanded revenue sources, but also enhanced product competitiveness through cross-border cooperation and innovative processes (such as using water transfer printing and colorful vacuum plating technology), promoting the maximization of IP value.

4.3. Overseas layout

In 2020, POP MART's overseas revenue accounted for only 3% of its total revenue [17]. In 2023, overseas revenue once increased to 15% of total revenue. The coverage area of its products has gradually expanded from Southeast Asia to Europe and America [16]. The success of overseas markets also depends on their development strategies. For example, localized design and promotion of products will be based on local preferences for trendy toys. At the same time, the company actively collaborate with local designers to increase consumer acceptance of the product. From the past, POP MART's overseas strategy has achieved certain success.

5. Performance analysis

According to the report, from 2022 to 2024 [13-15], POP MART's revenue increased from 4.617 billion RMB to 13.038 billion RMB. Its year-on-year growth rate has also increased from 2.67% to 106.92%. At the same time, both gross profit margin and net profit have shown significant growth. It can be seen that both in the Chinese market and overseas markets, POP MART's revenue has shown a high-speed growth trend. But with the development of the market and the formulation and release of future regulatory policies, the growth rate of POP MART may gradually shift from high speed to medium speed in the future.

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Table 3. Future revenue forecast

Unit (in billions of RMB)	2024	2025	2026	2027
Operating Revenue	130.38	306.16	509.17	710.14
Year on year growth (%)	107%	135%5	66%	39%
Net profit	31.25	96.60	152.87	208.90
Year on year growth (%)	189%	209%	58%	37%

The expansion of overseas markets may lead to a high growth rate, as shown in the Table 3. But with the stable popularity and market share of POP MART in the Chinese market, its growth rate in the Chinese market may slow down. But overall profits will be higher than revenue growth due to economies of scale. The 2024E P/E ratio is 34.8 times, lower than the industry average (40 times), and attention should be paid to risk points such as overseas development, IP lifecycle management, and inventory turnover pressure [6]. predicts that the compound annual growth rate of overseas revenue will exceed 50% from 2024 to 2026, further supporting the overall growth of the company.

6. Conclusion

From the above analysis, this report maintains a positive attitude towards the future development of POP MART and is optimistic about its growth.

First, the localization strategy adopted by POP MART for going global has achieved certain success, laying a solid foundation for its development in overseas markets. Second, the development of proprietary IP has gradually surpassed third-party IP, which further enhances the core competitiveness of POP MART. The construction of offline amusement parks not only provides a good development foundation for the subsequent impact on high-end lines, but also enriches the business categories of POP MART. In addition, with the continuous construction of POP MART's own factory, its delivery cycle has also significantly increased, reducing the pressure of inventory turnover. Although the development prospects of POP MART are promising at present, it is also necessary to pay attention to external risks. For example, how to quickly respond to regulatory policy adjustments and avoid impacting core businesses. At the same time, with the development of the trendy toy industry, how to maintain its market share when facing other brands, and how to continuously ensure its innovation power, that need to be considered.

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