

Strategic Performance Analysis of POP MART Based on a Balanced Scorecard Model

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Abstract. As a new category that integrates art and creativity, tide play has become a hot consumption phenomenon. Compared with other countries, China's tide play industry has significant advantages in market size, industrial chain development and cultural deposits. As a representative local fashion enterprise, POP MART has its own unique genes in IP creation and supply chain advantages, so it has found a suitable development direction and made ahead on the road to build a comprehensive operation platform covering the whole fashion toy industry chain. This paper will use the four dimensions of the balanced scorecard, namely, financial, customer, internal operations, learning and growth, the bubble mart company strategic performance analysis, and according to the analysis results to predict the company in the process of expanding the business landscape, and give the corresponding Suggestions, for the company to improve profitability, optimize the internal management, enhance the value of the company can provide theoretical support, but also for the same type of other companies performance evaluation to provide reference.

Keywords: Balance scorecard; Performance evaluation; Supply chain; Tide play.

1. Introduction

Different from traditional toys, tide play refers to the toys that take trend culture as the core, are carefully designed and produced by designers and artists, and inject rich cultural connotation and fashion creativity. Tide play is an emerging industry spawned by the current emotional needs and spiritual needs, and it has a broad space for future growth. At present, the information content received by Gen Z group is complicated, and emerging consumer brands are constantly emerging. However, Generation Z pays more attention to its self-preference and hopes to meet its self-aesthetic recognition through circle social interaction. The younger generation is more exposed to multicultural, modern lifestyle and massive information, has a strong desire for self-expression and personality expression, and is willing to guide their consumption ability to emotional satisfaction.

At present, the global fashion play industry is still in a period of rapid growth. The market size will reach \$31.2 billion in 2022, accounting for about 29% of the global toy market. It is expected to be close to \$40 billion in 2023 and \$44.8 billion in 2024. Focusing on China, China's fashion market is in the ascendant, the fashion industry is entering the 100 billion level industry. China's average GDP per person has exceeded \$12,000, entering the stage of an explosion in the cultural and entertainment market. In 2020, the scale of the pan-entertainment market will exceed 1 trillion yuan, and it is expected to exceed 2 trillion yuan in 2025, with a compound growth rate of 14.6%, which has led to the rapid growth of the scale of China's popular game market.

Under the new consumption background, based on the consumption characteristics and emotional needs of the new generation of consumer groups, POP MART closely connects users and products through the IP role. POP MART is not a simple toy, but also an independent world with rich emotional value.

This paper mainly combined with the current situation of the industry, focusing on the development of foreign bubble mart, analyzes the basic situation of the company, and combined with the balance scorecard model, from the bubble mart financial, customer, internal process and learning and growth four dimensions, fusion of critical success factors (CSF) and key performance indicators (KPI) to measure its performance, to find the factors affecting enterprise performance level and provide advice for its future development, help bubble mart continue to play in the tide market.

2. Literature Review

In recent years, some scholars have studied the development status of the performance evaluation system of enterprises, and found that most of the current evaluation systems pay too much attention to the financial indicators of enterprises, and lack of investigation and analysis of non-financial indicators, leading to the one-sided results of the performance evaluation of enterprises. The scholars at home and abroad introduced the balance scorecard model into the enterprise performance evaluation system. Through the evaluation of finance, customer, internal process and learning and growth, the financial and non-financial fields were comprehensively examined. Liu Yunguo et al. (2023) affirmed the important role of balanced scorecard in global enterprise management; [1] Li Jingdan (2020) studied Group A to build the evaluation system based on balanced scorecard and determined the index; [2] Wang Chunhui et al. (2022) studied the construction of financial governance performance evaluation system from the perspective of balanced scorecard; [3] Wen Subin et al. (2023) analyzed the application of balanced scorecard in non-profit organizations. [4] Based on these studies are relatively limited in terms of industry cases and research population objects, this paper takes the fashion industry as a specific research case to expand and supplement the comprehensive strategic performance evaluation for companies in the new consumer field.

3. Basic Information of the Company

3.1. Company profile

POP MART, as a fashion culture and entertainment brand founded in 2010, after ten years of development, it has built a comprehensive operation platform covering the entire fashion toy industry chain, focusing on five fields: global artist mining, intellectual property incubation, operation and consumer touch, fashion culture promotion, innovative business incubation and investment. In 2016, POP MART and Kenny Wong launched the MOLLY first generation constellation series blind box, pushing the fashion market in mainland China into the rapid development stage. IP advantages, supply chain advantages and consumption potential advantages build the cornerstone of the rapid rise of China's fashion market. In a short period of time, from the small crowd to the public, from small manual workshops to large-scale commercialization and industrialization. On December 11, 2020, Bubble Mart (09992-HK) was officially listed on the Hong Kong Stock Exchange.

3.2. Consumer portrait

The mainstream consumer portrait of POP MART is a young white-collar worker, generation Z, and senior middle class women. In recent years, the user portrait continues to expand, according to the huge amount of calculation:

(1) The proportion of young users increased: the proportion of people aged 18-23 years old increased the fastest, from 31% of 21H1 to 33% of 23H1;

(2) The proportion of male users increased: the proportion of male users of POP MART increased from 32% of 21H1 to 35% of 23H1.

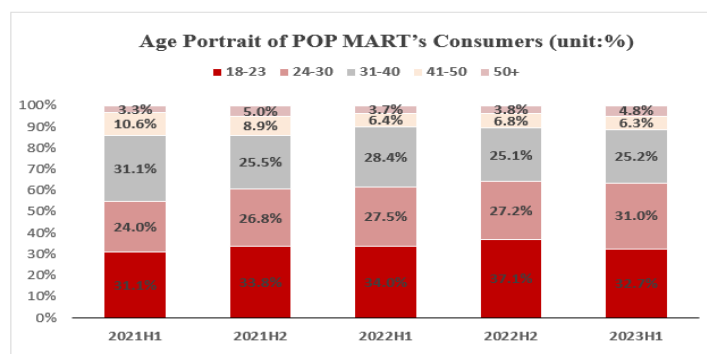


Fig 1. Age portrait of consumers [5].

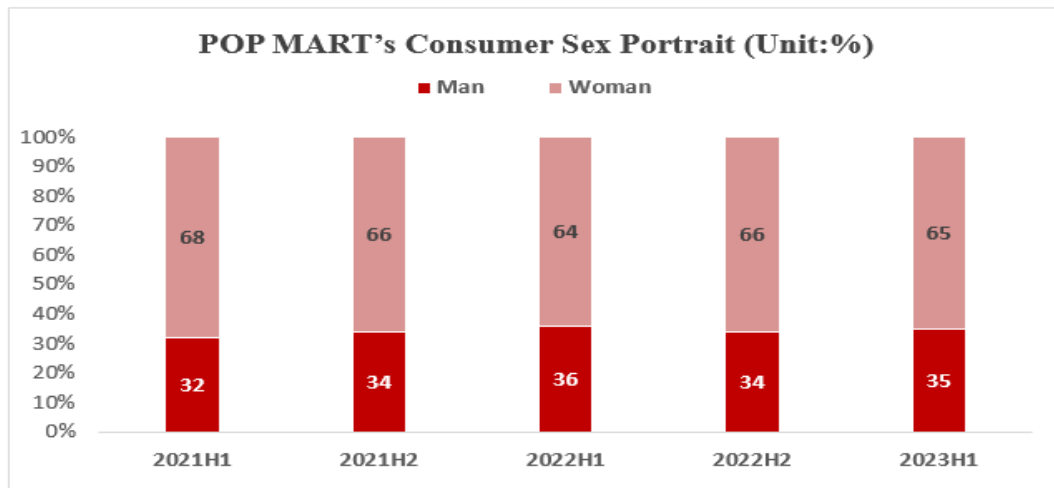


Fig 2. POP MART's Consumer Sex Portrait [5].

3.3. Industrial Distribution

POP MART is committed to delivering the brand concept of "creating the trend, delivering the beauty". Founder Wang Ning once said that POP MART has become more than a company selling goods, but a whole industry chain enterprise selling happiness and creativity like Disney.

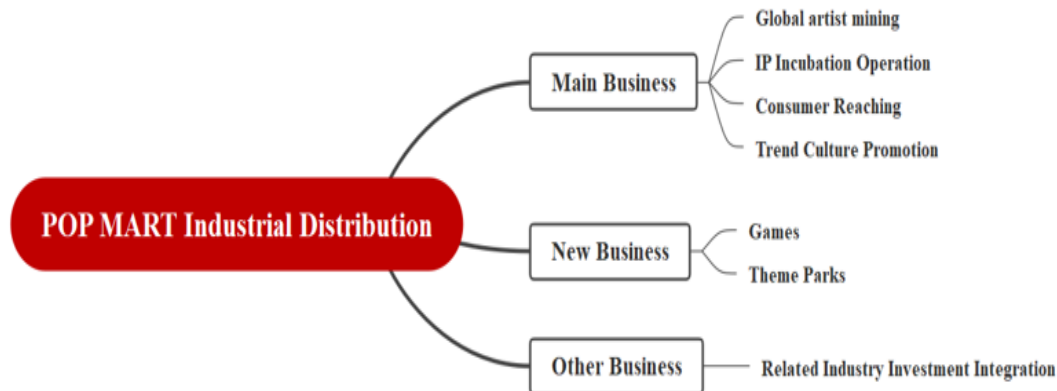


Fig 3. POP MART's Industrial Distribution.

4. Balance Scorecard Performance Analysis

According to Sullivan, the concentration of China's five leading fashion players in 2021 was 26.7%, up 3.8% compared with 2019. The TOP1 POP MART gradually opened a gap with other players, and the market share increased from 8.5% to 13.6%. This paper will evaluate the performance of POP MART by using the balanced scorecard model.

4.1. Financial Dimension

4.1.1. Revenue

Longitudinal observation of the revenue of POP MART, with the expansion of the business territory of POP MART, its operating income rising trend is obvious. Although in 2019-2022 due to the influence of the external environment, the offline stores income situation less than in the past, lead to slowing income growth, but with the positive development of the environment, offline consumption recovery and online channel layout strong drive, to bubble of the most advantage IP innovation, bubble of mart income into the stage of rapid growth, constantly looking for new opportunities in advance.

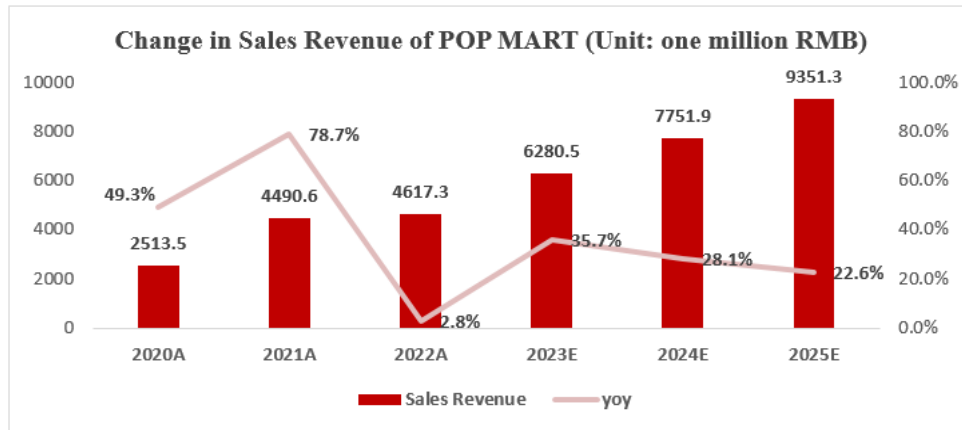


Fig 4. Change in Sales Revenue of POP MART [6].

POP MART's revenue is mainly composed of retail stores, robot stores, online, wholesale and several other parts. Focusing on China, mainland revenue accounted for 87% of total revenue in 2023. From 2019 to 2022, offline operation was greatly impacted by external factors, and the company focused on online drainage. At the same time, the new channel application of robot stores was large. During this period, the compound annual revenue growth of online and offline was 50% and 28% respectively. In 2023, offline recovery is still under pressure due to channel diversion and high base of concentrated investment. The year-on-year growth rate of online and online revenue is-16.4% and 32.4% respectively, and the proportion of offline revenue rises to 48.2%. Considering that the blind box consumption scene is concentrated offline, this is a more stable channel structure.

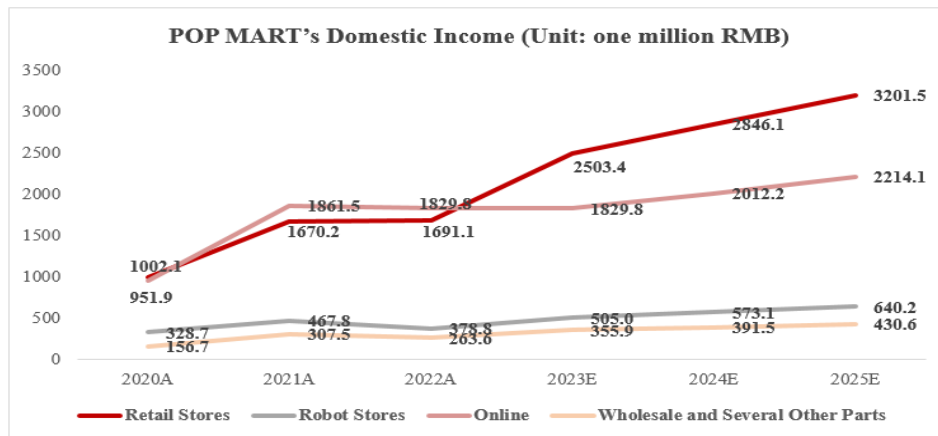


Fig 5. POP MART's Domestic Income [6].

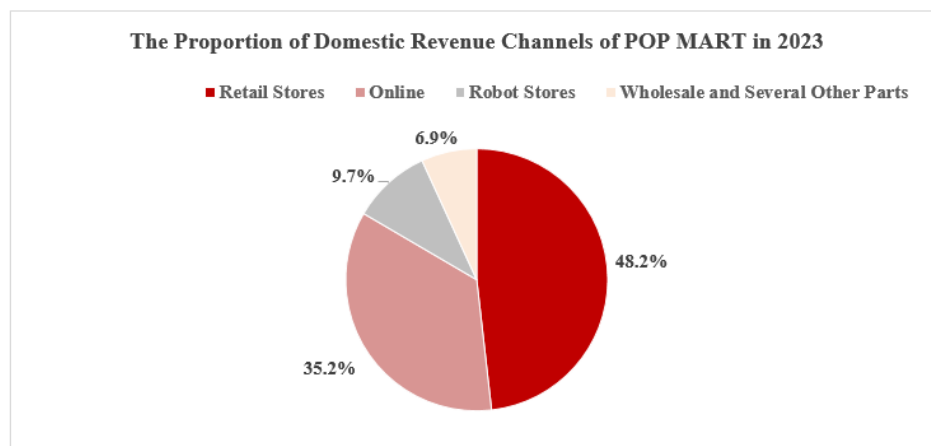


Fig 6. The Proportion of Domestic Revenue Channels of POP MART in 2023 [6].

Focusing on overseas, since 2020, POP MART layout in the global market, based on Asia, extended to Europe and the United States. By June 2023, POP MART has 55 overseas stores (including joint venture), 143 robot stores (including joint venture and franchise), and 28 cross-border e-commerce platform sites. In the early stage, because the products entered the new market, the acceptance degree was not high, and the authorized wholesale occupied the main position of sales revenue. In the later period, with the continuous deepening of the ideas of cultural export and cultural identity, the products are gradually favored by overseas consumers. Different from the domestic market, online sales in overseas markets are weak and the rise is slow. On the contrary, offline sales image a good trend. It is expected that in 2023, the sales revenue of offline retail stores will exceed that of authorized wholesale, accounting for 51.9% of the total overseas revenue, with a compound growth rate of 182.4%, and booming with an extremely rapid growth.

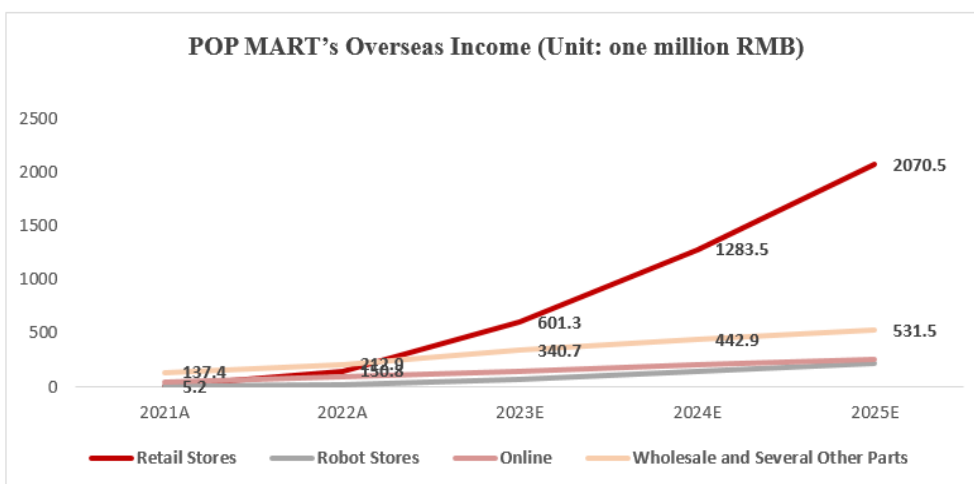


Fig 7. POP MART's Overseas Income [6].

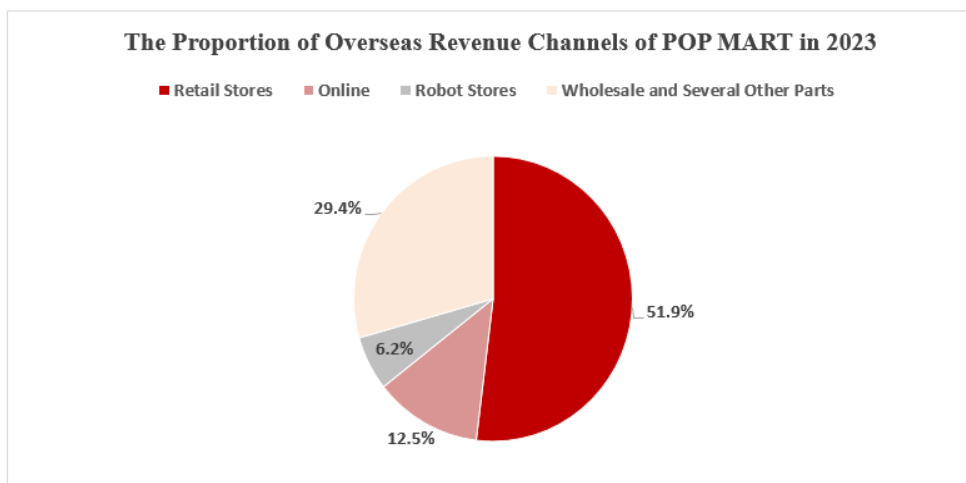


Fig 8. The Proportion of Overseas Revenue Channels of POP MART in 2023 [6].

4.1.2. Profit Margin

In the first half of 2023, the company's gross profit margin is 60.36%, up 2.3% year on year, and the mainland gross profit margin is 60%. The year-on-year increase is mainly affected by the decrease in procurement costs, mainly due to supply chain optimization, concentrated suppliers, increased bargaining, reduced loss, accelerated turnover, followed by product design optimization, mold sharing, to achieve cost control. At the same time, the increase in the proportion of overseas business with higher gross profit margin will also increase the gross profit margin, and the increase in net interest rate is mainly driven by the optimization of gross profit margin.

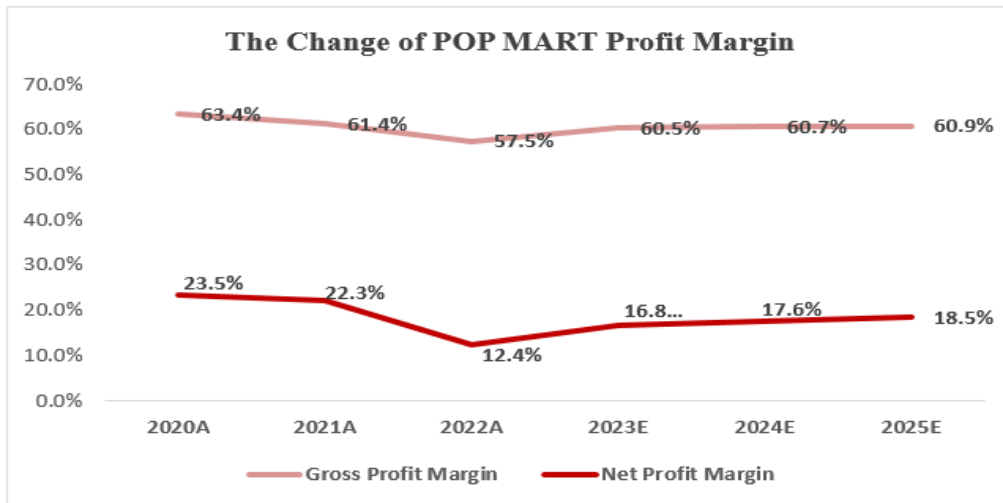


Fig 9. The Change of POP MART Profit Margin [6].

4.1.3. Valuation

Continuous IP creation and stable operation capability, the mainland business benefits from the flexible growth of offline scene recovery in the short term, sufficient online and offline development space in the medium and long term, and the park and game content operations increase the growth potential; the overseas business model runs through and enters the stage of accelerated expansion. The company's earnings per share has continued to rise since 2022, while it has maintained a stable and excellent growth rate, indicating that the profitability and asset appreciation ability of POP MART Company are constantly increasing. At the same time, the P / E value of POP MART has been on a downward trend since 2022. This phenomenon does not rule out the reasons for the decline of the stock market, but it also shows that the company has a great appreciation potential under the good profitability of POP MART.

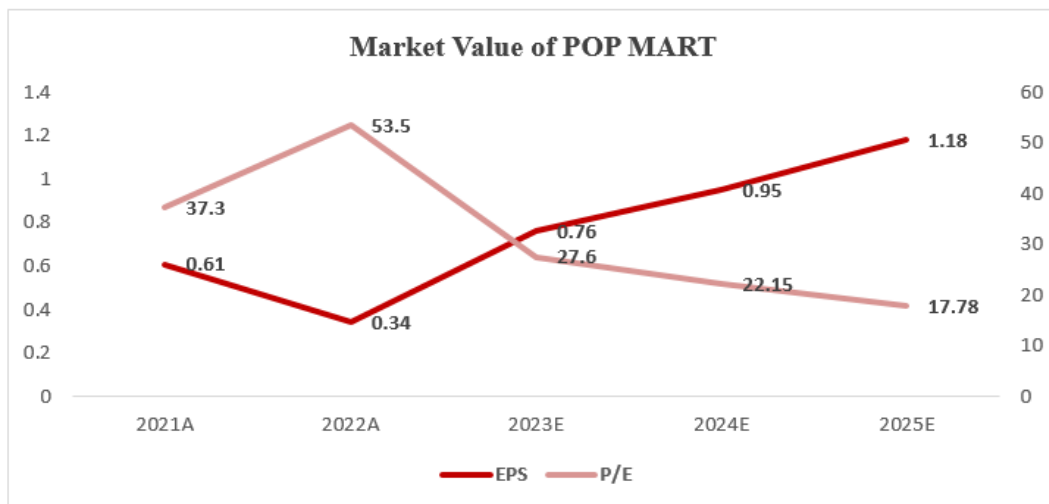


Fig 10. Market Value of POP MART [6].

4.2. Customer Dimension

4.2.1. The Number of Users Increased

In the first half of 2023, the number of members of POP MART exceeded 30.38 million, compared with 300,000 in 2017, and the performance of the number of users was remarkable. It is worth noting that although the total number of users has increased significantly, the annual growth of new users shows a downward trend after a rapid rise before 2021. Although the company still maintains a high annual growth rate of about 33% per year, the company still needs to continue to innovate on the road to reach new users.

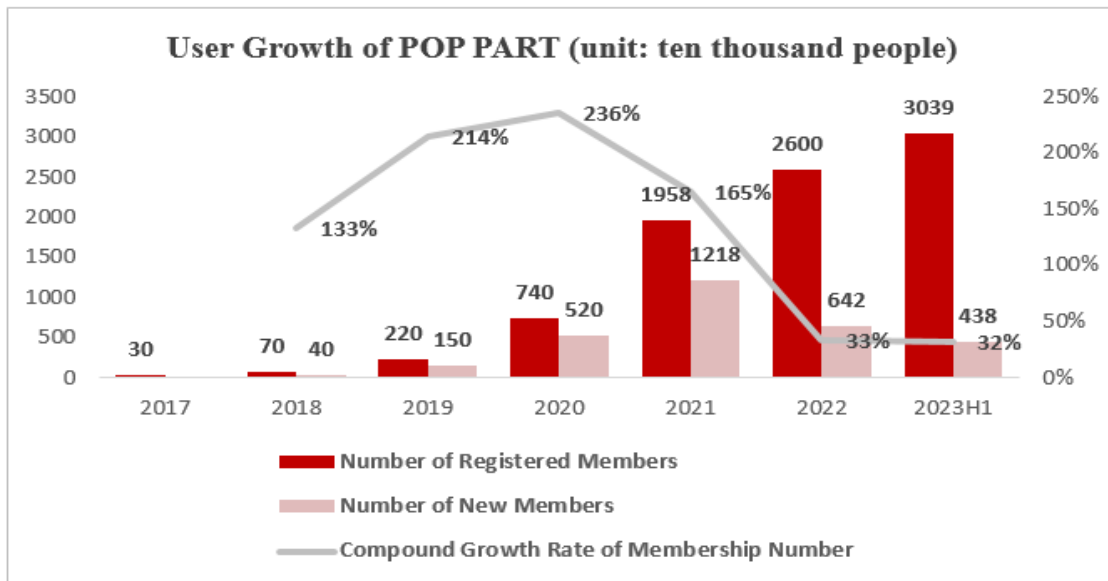


Fig 11. User Growth of POP PART [6].

4.2.2. User Repurchase Rate

In the first half of 2023, the repurchase rate of POP MART maintained a high level of 44.5%, indicating that its brand culture and products are accepted and recognized by consumers, and consumers are willing to pay for its innovative ideas and maintain a high stickiness with old customers.

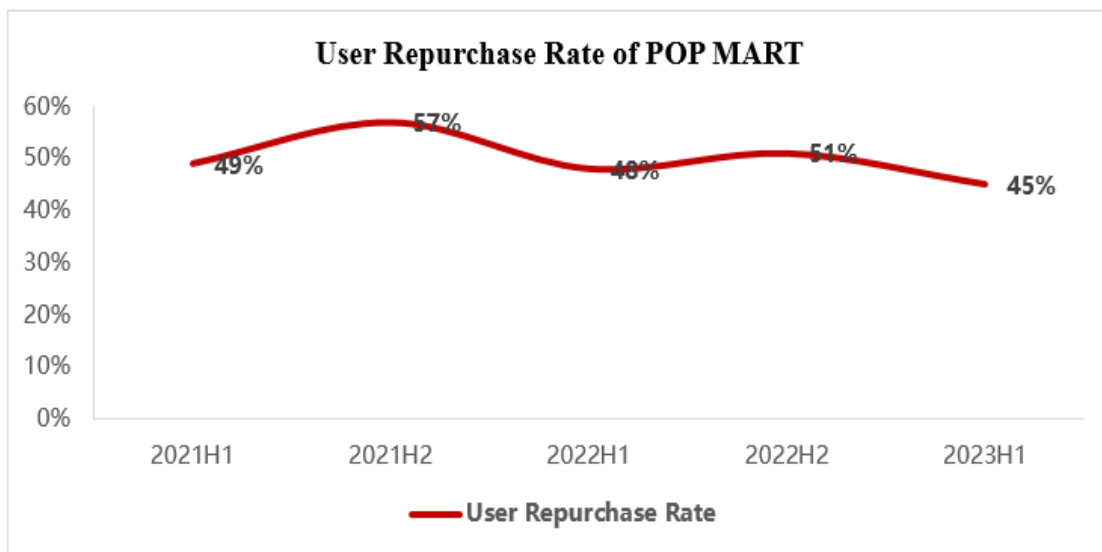


Fig 12. User Repurchase Rate of POP MART [6].

Note: The repurchase rate refers to the proportion of registered members who have purchased twice or more during this period.

4.3. Internal Operational Dimension

4.3.1. Life Cycle of IP

MOLLY The longest life cycle: MOLLY It has been 7 years since the launch of the first blind box [Constellation] series in 2016. In 2022, the sales of MOLLY reached 802 million yuan, up 13.8% year on year. Behind by the blind box series and MEGA continue to push new support, in 2020 [MOLLY Day] sales exceeded 100 million yuan, ranked the TOP1; in 2021, [The Child] hot sales, launched MEGA revenue 180 million; 2022 [MOLLY Empty Day] sales; 2023 launched [Warner 100 Anniversary] hot sales, the sales of Tmall flagship store in that month TOP5 single items.



Fig 13. MOLLY Part-Series blind box.

SKULLPANDA The ceiling broke and takes the shortest time: SKULLPANDA Since 2020, it only took 2 years to exceed 852 million yuan in annual sales, exceeding MOLLY to reach the top of IP. In 2022, SKULLPANDA sales reached 852 million yuan, up 43.1% year on year, which is supported by the continuous new support of product series. The first series in 2021 [The Dense Forest Castle] exploded; in 2022 [Night City] sales 228 million yuan, ranking the TOP1 of that year; as of June 2023 [THE WARMTH] sales 255 million yuan, ranking the TOP1.



Fig 14. SKULLPANDA Part-series blind box.

The life cycle of single series is also higher than the industry average: the average life cycle of single series of blind box products is 9 months-2 years, which is higher than the industry average level of 9-12 months.

4.3.2. Product Supply Chain

The production of tide play products is mainly divided into three core links: development and design, production and sales, which correspond to 6-12 months, 6 months and 2 months respectively. POP MART has set up a flexible supply chain mechanism in the three links, which is still continuously optimized in recent years to ensure the balance between supply and demand and the continuous realization of cost reduction and efficiency increase.

(1) Design

IP reserve in advance to reduce the development time consuming. It takes about half a year to launch IP series products from 2D design to color packaging. The company will reserve multiple series of graphic design, gallery resources and modeling at the same time. Once an IP hits, the team can select those suitable for the current market direction from the existing design reserve, and maintain the new rhythm and design quality steadily. Generally, after the new IP reserves 2-3 complete series, the first generation will be officially listed, while a head IP new series is about 3-4, behind is multiple series reserves.

Design the production linkage, control the cost, and implement the details. In recent years, the company's gross profit margin shock down, and to continue to attract consumers, product process tends to be complex. In the development and design process, provide suggestions based on process feasibility and cost consideration, control the cost from the root, including increasing the mold sharing;

In addition, the company established the Engineering and Process Development Department in 2021, communicate the process realization details and progress at any time, and help the factory improve the process, control and evaluation level.

(2) Production

The fashion industry has high requirements for supply chain response speed and quality control, which determines the characteristics of centralized suppliers. In 2020, there will be more than 30 cooperative OEM factories, and the top five suppliers will purchase only 44.2%. In contrast, Hasbro, whose sales are more than 10 times that of POP MART.? There are only 4-5 main factories in the world, which can contribute nearly 80% of the purchase amount. However, the fashion play industry has higher requirements than ordinary toys. In recent years, the company has paid attention to improving the concentration of top suppliers. In 2022, the proportion of the top five suppliers and the largest suppliers of POP MART was 45.8% and 19% respectively, up 8.0% and 4, 9% year on year. The company's improvement of upstream bargaining power brings about efficiency improvement and cost reduction space:

(a) Stable quality, reduced loss

The advantages of head suppliers are in process, quality control and capacity response. For example, only when the temperature gradient, flocking, luminous and other new material technologies, including highlights, high penetration, glue, UV and so on, can the head supplier have the relevant experience and ability; in addition, the oil color effect in the coating of fashionable play products needs dust-free workshop, so the head supplier has the corresponding input resources.

(b) Increase the bargaining price, scale and cost reduction

The company can reduce the cost through the centralized negotiation of orders of single suppliers. In 23H1, the overall gross profit margin of the company increased by 2.3% year on year. At the same time, the concentration of suppliers can also reduce the number of molds required to prepare.

(c) Small order quick return, replenishment acceleration.

The company adopts the mode of small single quick return. First, the first batch of output is determined according to the sales forecast (it takes 6 months to open the mold to production), and then replenishment according to the actual sales. In 2021, the company's replenishment cycle is 150 days on average. With the concentration of suppliers, the year 2023 has been shortened to an average of 60 days, and the hot selling money has been shortened to 45 days or even weekly replenishment.

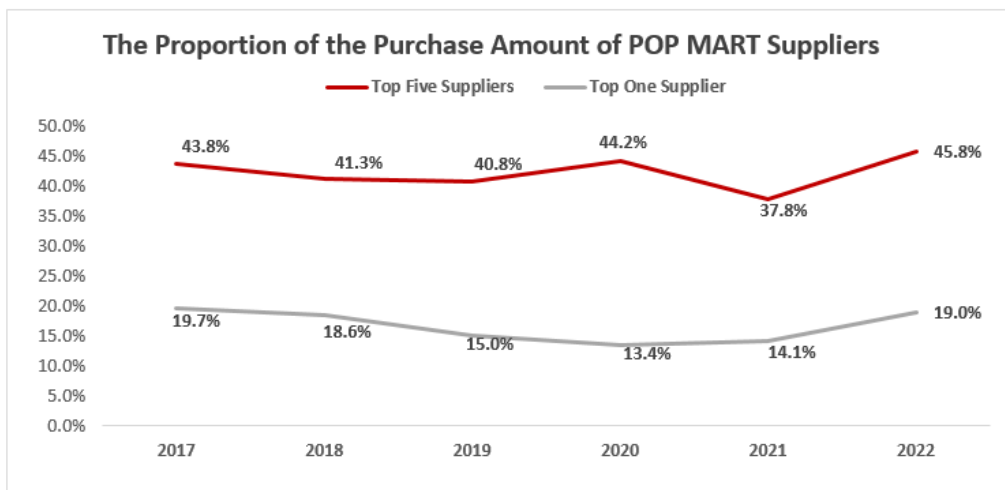


Fig 15. The Proportion of the Purchase Amount of POP MART Suppliers [6] [7].

(3) Sales

(a) SOP meetings are held across departments, with real-time information sharing, sales forecast and total decision-making

The company holds a monthly SOP (Sales Operation Planning) meeting, or sales operation meeting. The company's management, market, production and different retail channels all need to participate in the alignment of supply and demand status and sales forecast decisions.

(b)The whole chain of the supply chain is visualized, and the sales accuracy is improved.

Opening up the "production-channel-consumer" information chain is the key to improve the accuracy of sales forecast. In recent years, the company has gradually built the visualization of the whole supply chain, with the purpose to enable the owners to grasp the production progress of a single product, logistics in transit, and inventory and store sales in real time.

4.4. Learning and Growth Dimensions

4.4.1. IP Innovation

High-frequency series push new is an important way to maintain IP heat. On a weekly basis, the company maintains 3-5 new products, and the monthly pace of new products is stable. From 2020 to 2023, the average number of new series of blind boxes, hand boxes, BJD and MEGA is 8.5, 2.4, 1.5 and 2.7 respectively. Quarterly, the total number of new push is Q1 <Q2 <Q3 <Q4 characteristics, the second half of the year is the concentrated peak season. Blind box is the core category, and the new rhythm of IP viewing and push is related to its echelon positioning. The four classic IP (SKULLPANDA, MOLLY, DIMOO, and THE MONSTERS) each maintain an average of 1-2 series per quarter, and other IP are promoted according to 1-2 series per year. By establishing IP matrix, sufficient IP pool can be fully trial and error, which can increase the chance of hot style, and smooth a single IP life cycle change.

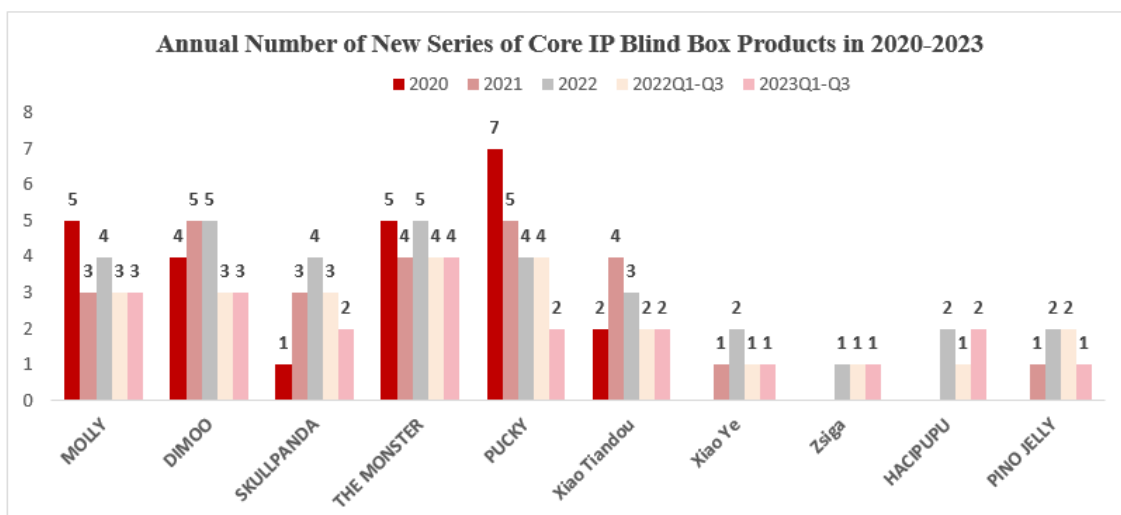


Fig 16. Annual Number of New Series of Core IP Blind Box Products in 2020-2023[6].

4.4.2. Designer Innovation

According to the prospectus, the company has formed close ties with more than 350 outstanding artists, and the head classic IP has cooperated for 3-7 years. The company has formed a complete and systematic mechanism for multiple processes, far surpassing the number of artists and IP reserves and the depth of cooperation.

(1) Artists Mining: Has Become a System

Under the large commodity department of the company, we set up an artist mining team composed of more than 20 people. Most of the team members are buyers. During the period of the fashion collection store, they are sensitive to the trend. At the same time, there are senior bloggers and editors from the trend community, forums and market magazines.

The mining methods of artists include: 1) fashion toy exhibition: the company hosts the international trend toy exhibition every year, the team can lock the potential artists through the artist's booth visit and product sales. At the same time, the company has actively participated in the overseas fashion play exhibition in recent years to break the national boundary of artist cooperation; 2) Top art college cooperation: the company has cooperated with the Central Academy of Fine Arts and other top art colleges, by providing fashion play related lectures and courses, select potential students; 3) organize the design competition.



Fig 17. 2023 Shanghai International Fashion Toys Show field.

(2) PDC team self-creation: a burst of frequency, hardcore self-creation

In addition to seeking cooperation with external designers, the company has built an internal designer team (PDC) to practice internal skills. At present, the IP launched by the PDC team has a more sensitive capture of young people's emotions and social expression, and compared with external contracted artists, it has obvious advantages in reducing costs and improving the efficiency of promoting new operations. At present, it has successfully incubated two hot IP of HIRONO and sweet bean, which pioneered "sentiment IP", 23H1, the sales contribution increased to 3.89%, the revenue increased by 191.3% year on year, and the sales contribution of sweet bean 23H1 accounted for 2.7%. In 2022, the new IP ZSIGA was launched to continue the emotional IP feature, and the new product in June 23 [We, So Lovely] ranked the top of the Tmall sales in that month. PINO JELLY 23 June new product [taste personality test], insight into the personality test has gradually become a social symbol of contemporary young people.

4.4.3. Product Innovation

(1) Material Innovation and Process Innovation

Company is committed to material and technological innovation, such as skin paint, metal paint, ceramic texture, temperature paint, the use of special paint, and water stickers, dazzle vacuum plating, CNC water transfer, electrostatic flocking, 3D stereo hair, the use of innovative technology, such as SKULLPANDA [THE WARMTH] using imitation ceramic process, intends to create handmade plastic ceramic simple feeling, give fans with warm touch and affinity, hidden with cold color paint, temperature reduction overall into black, temperature rise back to the original color.

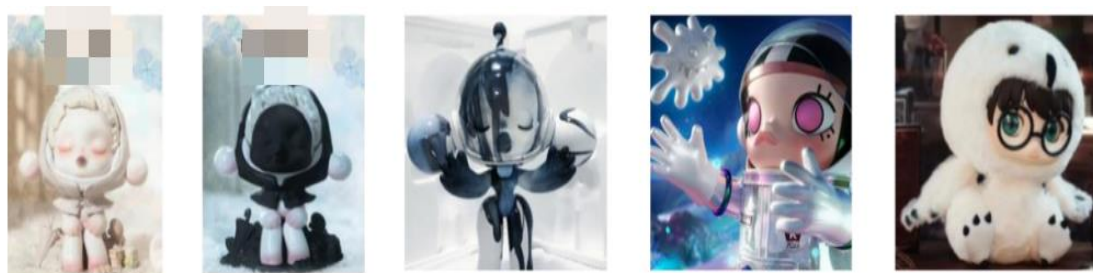


Fig 18. POP MART Technology Innovation Example.

(2) Details Design Innovation

The detail design is more innovative, such as magnetic suction, spring, etc., to increase the interest of blind box goods, such as September 23 launched Xiao Tiandou [Growth Guide] series, to create a new spring play, rotating stripe can make it beat or walk forward



Fig 19. POP MART Product Design Innovation Example.

5. Risk Profile

(1) New product promotion is not as good as expected

If the product price increases occur, it may affect the sales quantity of the products, and the inventory pressure generated may affect the promotion of new products.

(2) Shop is not as good as expected

At present, the economic situation at home and abroad is unstable, especially since China is currently facing economic downward pressure, consumption power fluctuations, and the pressure of inventory and supply chain management may lead to the failure of the expected store opening, affecting the process of business territory expansion.

(3) Overseas promotion is not as expected

The overseas fashion market pattern is relatively mature, and many competitors have completed the advance layout with local advantages. As a new brand, POP MART may enter a new market with great competitive pressure and may face greater pressure, resulting in the company's overseas promotion is less than expected.

(4) Prices of raw materials fluctuate

POP MART raw materials include PVC soft glue and ceramics, raw material price fluctuations may bring cost pressure to enterprises.

6. Development Proposal

6.1. Enrich the product categories, and fully penetrate the market through the price differences

The market space of the tide play is related to the local consumption level and the population. Bubble Mart should enrich the product design and expand the pricing range of products, not only the low price of ordinary models, easy for fashion fans to collect; there are special models of medium price, to meet the curiosity of fashion enthusiasts; and the price of higher collection, worthy of fashion fans to collect. This makes the fashionable fans with different consumption power can find their favorite items and are willing to pay the right consideration in POP MART, increasing the possibility of reaching consumers in the price field.

At the same time, it is necessary to combine the local development degree, population density and consumption capacity, and launch the offline retail stores and robot stores with the corresponding number and scale, and actively explore new channels of online sales.

6.2. Use the advantages of supply chain to help the development of globalization

Supported by China's "world toy factory" with advantageous direct supply chain to the world, matching the global city warehouse layout began to shorten the arrival cycle. Adhering to the DTC direct marketing strategy can realize rapid response to the changes of end consumer demand, shorten the supply and demand feedback chain, improve the efficiency of supply chain, and match the DTC model in the trend of overseas.

6.3. Attach importance to scientific and technological innovation, looking for new materials

Deepen cooperation with the current high-tech materials industry, looking for recycling, good processing, easy processing of environmental protection materials such as PVC, not only can give the user is not the same tactile experience, also in response to the "double carbon" policy, contribute to energy conservation and emissions reduction at the same time, reduce the international crude oil prices lead to the risk of rising costs

7. Summary

Based on the development status of the fashion market, this paper analyzes and evaluates the performance of finance, customer, internal process, innovation and learning by using the balanced integral card model, reflects some of the risks faced by POP MART in the development and puts forward corresponding development suggestions. The result is of certain theoretical significance for helping POP MART to build a comprehensive operation platform covering the whole fashion toy industry chain. Based on the framework established in this paper, deeper work still needs to be carried out in innovation and development, channel development, supply chain improvement, globalization and other aspects, and explore its feasibility combined with practical cases.

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