

How Does Jellycat Achieve Business Model Innovation Amid the Emotional Economy Wave?

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Abstract: Currently, the consumer market is undergoing a profound transformation from functional satisfaction to emotional fulfillment, and the emotional economy has become a key growth engine. Against this backdrop, the rise of the British plush toy brand Jellycat holds typical research value. This study aims to adopt an exploratory case study approach to analyze how Jellycat achieves business model innovation through the application of "emotional alchemy"—a process of transforming commodities into carriers of high emotional premium through systematic operations. The research finds that Jellycat's business model has undergone three stages of evolution: from product-driven to emotional value mining-oriented, and ultimately to an emotional economy ecosystem-oriented model. Its core lies in converting intangible emotional needs into sustainable commercial value, constructing a strong brand moat through emotional projection in product design, meaning transformation in marketing narratives, and community strengthening through user co-creation.

Keywords: Emotional Economy; Emotional Alchemy; Business Model Innovation; User Co-creation.

1. Introduction

With the in-depth development of the social economy from product economy and service economy to experience economy and emotional economy, emotional value has become a key factor influencing consumption decisions. The emotional economy has thus emerged and developed rapidly, bringing new opportunities for boosting consumption [1]. Focusing on the interaction between emotions and economic processes, the emotional economy generally regards emotions as a circular and productive social infrastructure [2], featuring virtualized consumption, digital products, psychological compensation, and symbolic behavior [3]. Data shows that the scale of China's emotional economy market had reached approximately 2.3 trillion yuan by 2024 and is expected to expand continuously. In this context, how to transform intangible emotional demands into sustainable commercial value has become a core proposition for enterprises in various industries, especially small and medium-sized manufacturing enterprises, to achieve business model innovation and gain competitive advantages.

The rise of Jellycat, a British plush toy brand, provides a typical practical sample for answering this proposition. Its real commercial breakthrough stemmed from a critical strategic shift in 2014: repositioning itself from infant toys to emotional gifts for all age groups, and successfully anchoring its core customer group as adults seeking emotional consolation. This transformation is not a simple market expansion, but a systematic practice of emotional alchemy—a process of converting ordinary commodities into carriers of high emotional premium through a series of operations. Correspondingly, its business model has evolved from product-driven to emotional value mining, and finally to an emotional economic ecosystem model, constructing a value closed loop with emotions as the link and in-depth user participation. As a small and medium-sized manufacturing enterprise, Jellycat's practice of business model innovation in the emotional economy not only has unique research value but also provides an important reference for similar

enterprises. However, the academic community has not yet carried out systematic exploratory research on the internal correlation and evolution mechanism between its emotional alchemy and business model innovation, nor has it conducted an in-depth analysis of the brand's business model innovation path.

2. Literature Review and Theoretical Foundation

2.1. Business Model Innovation

It has become a consensus in both academia and industry that innovation drives high-quality economic development [4]. As a core path for the reconstruction of enterprises' value creation systems, business model innovation is a key grasp for enterprises to break through development bottlenecks and build sustainable competitive advantages. How to achieve high-quality enterprise growth through effective business model innovation remains an important proposition to be solved urgently. The core of business model design is to take corporate strategy as the guide, and through systematic planning of value creation, delivery and realization links, create differentiated competitive advantages and explore sustainable profit opportunities in a competitive industry environment [5]. Business model innovation is not an adjustment of a single link, but a dynamic process in which managers materialize, implement and optimize the cognitive structure of the business model at the enterprise organizational level [6]. That is, managers first anchor the logic and direction of business model innovation at the cognitive level, guide the enterprise's practical actions in product, operation, marketing and other links accordingly, and ultimately promote the transformation of the business model from cognitive conception to an objective structure of enterprise management practice [7].

Value proposition, value creation and value capture are the three core and highly correlated elements of business model composition. The combination and implementation forms of the three determine the core characteristics of the business

model. Enterprises achieve innovative upgrading of business models through systematic reconstruction, iteration and optimization of the three elements, so as to adapt to changes in market demand and explore new value growth space. Existing research mostly focuses on the exploration of business model innovation in science and technology enterprises, while research on manufacturing enterprises, especially small and medium-sized ones, is relatively scarce. As an important part of the real economy, small and medium-sized manufacturing enterprises have unique paths and mechanisms for business model innovation. Taking Jellycat, a British plush toy manufacturing brand, as a single case study object, this research focuses on the core issue of how small and medium-sized manufacturing enterprises achieve competitive advantage and sustainable growth through emotion-oriented business model innovation arrangement against the background of the emotional economy, filling the research gap in the field of emotion-driven business model innovation for small and medium-sized manufacturing enterprises in existing studies.

2.2. Emotional Alchemy

In the tide of the emotional economy, emotional value has become the core influencing factor of consumption decisions, and emotional consumption has gradually become the mainstream consumption form. With Generation Z as the core consumer group, it takes instant gratification as the external manifestation, spiritual self-pleasure as the internal driving force, and emotional value acquisition as the core demand, forming a consumption concept and practice with both personalization and socialization [8]. The academic community has carried out multi-dimensional discussions on the connotation, characteristics and value realization path of the emotional economy [3, 9], but there is still a lack of specific practical paths and theoretical deconstruction frameworks for how enterprises transform consumers' intangible emotional demands into sustainable commercial value. The business practice of Jellycat, a British plush toy brand, provides a typical sample for answering this question. Through systematic operation strategies, it has transformed ordinary plush products into consumption carriers with high emotional premium, realizing the leap from a small and medium-sized manufacturing enterprise to a global benchmark brand for emotional consumption, and perfectly interpreting the integration and realization path of corporate emotional value and commercial value in the emotional economy. Digital technology and the theory of value co-creation have promoted the development of full-scenario intelligent services. Relevant research, based on customer-intelligent product interaction, summarizes user value co-creation behaviors into five dimensions: data sharing, supply and demand matching, intelligent interconnection, behavioral authorization and emotional interaction, and verifies their positive effects on customer experience value, providing theoretical support for the construction of user co-creation systems in business models.

This study defines emotional alchemy as: against the background of the emotional economy, enterprises transform ordinary commodities from physical functional carriers into emotional and social symbols that bear consumers' emotional demands and have high emotional premium through systematic design and operation in product, marketing, operation and other links—a dynamic process. This process can be deconstructed from three core dimensions: product

design, marketing narrative and user co-creation. The three mutually empower and coordinate efforts to jointly realize the emotional value empowerment and commercial value enhancement of commodities. The theoretical construction of emotional alchemy stems from in-depth insight into the transformation of consumption demand under the tide of the emotional economy, and has been fully empirically supported by Jellycat's practical cases. This theory breaks the boundary of traditional product value creation, takes consumers' emotional demands as the core of the enterprise's value creation system, reveals the internal logic of enterprises reshaping commodity value and realizing premium through emotional empowerment in modern consumer society, provides a key theoretical perspective and implementable practical framework for understanding emotion-driven business model innovation of manufacturing enterprises against the background of the emotional economy, and also offers new ideas for small and medium-sized manufacturing enterprises to break through homogeneous competition and achieve high-quality growth.

2.3. Internal Correlation: Emotional Alchemy & Business Model Innovation

Against the background of the emotional economy, the core logic of enterprise business model innovation has shifted from the traditional supply of functional value to the excavation and realization of emotional value. As a systematic methodology for enterprises to transform intangible emotional demands into tangible commercial value, emotional alchemy forms a deep internal correlation of two-way integration and dynamic matching with business model innovation, becoming the core support for small and medium-sized manufacturing enterprises to realize emotion-driven business model innovation.

The correlation between the two is not a simple one-way empowerment, but symbiosis and integration based on the underlying logic of value creation: emotional alchemy provides a value realization path for business model innovation, and its three-dimensional practices of product design, marketing narrative and user co-creation accurately correspond to the reconstruction directions of the three core elements of business model (value proposition, value creation and value capture), providing specific implementation approaches for the emotional innovation of business models; business model innovation, in turn, provides a systematic carrier for the practice of emotional alchemy. Through systematic adjustment of the enterprise's value creation system, the multi-dimensional practices of emotional alchemy can coordinate efforts to realize the transformation from emotional empowerment in a single link to full-link value conversion, and ultimately drive enterprises to shift from product functional competition to emotional value competition.

Compared with science and technology enterprises that rely on technological innovation to realize business model reconstruction, the resource endowments and capability boundaries of small and medium-sized manufacturing enterprises determine that their business model innovation is difficult to take a technology-driven path. With the characteristics of low technical threshold and strong user connection, emotional alchemy has become their optimal choice for business model innovation. By integrating emotional value into the whole process of product research and development, brand operation and user management, it

promotes the emotional reconstruction of the three core elements of the business model: in terms of value proposition, shifting from providing physical functional products to supplying emotional companionship value; in terms of value creation, shifting from standardized production to personalized and scenario-based value creation based on users' emotional demands; in terms of value capture, shifting from a single product sales premium to diversified and sustainable value realization driven by emotional value, ultimately realizing the fundamental innovation and upgrading of the business model.

The formation of this internal correlation also conforms to the transformation trend of consumption demand in the emotional economy. Consumers' purchase decisions no longer only focus on the functional attributes of the product itself, but pay more attention to the emotional experience and identity behind consumption behavior. The integration of emotional alchemy and business model innovation is exactly the systematic response of enterprises to this transformation of consumption demand. Through their coordinated evolution, enterprises can accurately capture consumers' emotional demands, build a brand moat with emotions as the core, and achieve sustainable acquisition of competitive advantages.

3. Research Design

3.1. Research Method and Question

This study adopts an exploratory single case study method. Since the academic community has not yet formed a systematic research on the correlation between Jellycat's emotional alchemy and business model innovation, it belongs to the research category of "unknown - exploration - induction". Exploratory case study is suitable for in-depth analysis of insufficiently studied phenomena; at the same time, Jellycat's business model has experienced a clear three-stage leap, and emotional alchemy runs through its entire development process. Single case study can focus on the research object, realize in-depth and detailed excavation of core issues, and is more likely to extract targeted research conclusions. This study combines the business model innovation theory with the NICE evaluation model, and carries out research from both qualitative analysis and quantitative evaluation dimensions.

Based on the practical demand for business model innovation of small and medium-sized manufacturing enterprises against the background of the emotional economy, and combined with the research gap in the correlation between Jellycat's emotional alchemy and business model innovation in existing studies, this study takes the single case exploratory research as the carrier, and decomposes the core question layer by layer to form a research system of core question and sub-questions:

Core Question: How does Jellycat realize the innovation and evolution of its business model through the phased practice of emotional alchemy? What are its internal mechanism and innovation path?

Sub-question 1: What are the core constituent dimensions of Jellycat's emotional alchemy? What are the phased differences in its practical characteristics and strategies at different development stages of the business model?

Sub-question 2: What is the internal correlation between emotional alchemy and business model innovation? How does it drive the iterative upgrading of the three core elements of business model: value proposition, value creation and

value capture?

Sub-question 3: What is the evolution mechanism of Jellycat's business model based on emotional alchemy? How do internal and external driving factors coordinate with emotional alchemy to promote the leap of the business model?

Sub-question 4: What is the general path of business model innovation for small and medium-sized manufacturing enterprises based on emotional alchemy? What are its replicability and applicable boundaries?

3.2. Research Objectives

Systematically deconstruct the core connotation, constituent dimensions and phased practical characteristics of Jellycat's emotional alchemy, filling the gap in existing research on the concrete analysis of the brand's emotional alchemy; Reveal the internal correlation and mechanism of emotional alchemy driving business model innovation, clarifying their dynamic matching relationship; Refine the evolution mechanism and innovation path of Jellycat's business model based on emotional alchemy, providing a referable practical paradigm for the business model innovation of small and medium-sized manufacturing enterprises in the emotional economy; Enrich the case research results in the field of emotional economy and business model innovation, providing theoretical support for the application of emotional alchemy in business practice.

3.3. Case Selection

Following the three principles of case study: "Typicality, Continuity, Data Availability", Jellycat, a British plush toy brand, is selected as the research object, with the specific basis as follows:

Typicality: Jellycat is a typical representative of small and medium-sized manufacturing enterprises in the emotional economy. Its transformation from an infant comfort toy manufacturer to a benchmark for emotional consumption of all age groups is a complete practice of emotional alchemy landing and driving business model innovation, and its case can effectively reflect the core research questions.

Continuity: Its business model has gone through three clear stages: product-driven - emotional value mining - emotional economic ecosystem, with corresponding "emotional alchemy" practical strategies at each stage, which is convenient for tracking the dynamic correlation and evolution track between the two.

Data Availability: Jellycat has open brand development history, operation data, product design strategies, offline activity materials, and is also supported by secondary data such as industry reports, media reports and user UGC content, which can meet the data analysis and verification needs of case study.

3.4. Case Introduction

Founded in the UK in 1999, Jellycat is a small and medium-sized manufacturing enterprise focusing on the plush toy field. Its core characteristic is taking emotions as the core, breaking the age boundary of categories, and realizing the business model leap from product to ecosystem. With bean eyes and a smiling face, and ugly-cute design as its core symbols, the brand has expanded its product line from traditional animal shapes to diverse categories such as fruits and flowers. Through the systematic practice of emotional alchemy, it has transformed ordinary plush materials into social symbols and emotional carriers with high emotional premium. Its revenue

reached 200 million pounds in 2023, with the Chinese market becoming the core of its global growth, and finally upgraded from a single product brand to an emotional economic ecosystem brand integrating products, content, experience and communities.

Combined with key events, the evolution of Jellycat's business model is divided into three stages. Foundation Stage of Infant Soothing Toys (1999-2013). Jellycat's business model was a traditional and focused product-driven model. Founded in the UK in 1999, the brand positioned itself as producing safe and soft infant soothing toys, with its core value proposition being to provide high-quality physical companionship. It established a reputation in the maternal and infant market with its iconic product, the Bashful Bunny, and entered the Chinese market in 2013, laying the foundation for subsequent development.

Strategic Transformation to Emotional Consumer Goods for All Age Groups (2014-2019). In response to market changes, Jellycat made a crucial strategic shift in 2014, repositioning itself from infant toys to toys for all age groups. The core of the business model shifted from product functions to emotional mining and scenario expansion, and the value proposition was upgraded to an intergenerational emotional resonance. Through anthropomorphic design and social media communication, the brand successfully expanded its core customer base to adults seeking emotional comfort and penetrated into new consumption scenarios such as gifts and self-rewards.

Construction and Deepening of the Emotional Economy Ecosystem (2020-Present). Jellycat's business model has evolved into a systematic emotional economy platform-based model. Through multi-dimensional operations such as product IPization, experiential marketing, and user co-creation, the brand has deeply monetized emotional value and constructed a strong brand moat. Its business has extended from core plush toys to categories such as accessories and pet toys, and strengthened its trendy attributes through celebrity collaborations, ultimately evolving into an emotional economy ecosystem integrating products, content, experiences, and communities.

4. Case Description

Case description is the empirical core of a case paper. Taking the three-dimensional composition of emotional alchemy as the core main line and the three-stage analysis framework of research design as the context, the case is reconstructed. Each stage is carried out from three dimensions: "Phased Practice of Emotional Alchemy - Iteration of Core Elements of Business Model - Phased Operation Characteristics and NICE Evaluation", clearly deconstructing how emotional alchemy drives business model innovation, achieving a high degree of alignment between case description and research design, and accurately answering the internal correlation and evolution mechanism in the research questions.

4.1. Three-Stage Evolution: Jellycat's Business Model

As a typical representative of small and medium-sized manufacturing enterprises in the emotional economy, Jellycat's growth history is a history of the deepening practice of emotional alchemy. Since its founding in 1999, the brand has experienced three critical leaps: from product-driven to

emotional value mining, and ultimately to an emotional economic ecosystem. The division of these three stages is not based on simple time division, but on the practical maturity of emotional alchemy and its degree of reshaping the business model. This section will restore this evolution process in detail, revealing how intangible emotions are transformed into sustainable commercial value through systematic alchemy.

Stage 1: Product-Driven Business Model (1999-2013)

In 1999, the demand for infant comfort toys in the UK market was stable, but the industry had pain points such as homogeneous design and stiff materials, and Jellycat came into being, with its core positioning as a manufacturer of infant comfort toys with extreme safety and softness. At that time, the brand had no systematic emotional operation thinking, and emotional alchemy was in the germination period, with practice only focusing on the single dimension of emotional projection in product design. The emotional value at the marketing and user ends had not been developed, and the business model had the typical characteristics of traditional manufacturing enterprises.

In this stage, product design was the brand's only value anchor. Taking safety and softness as the highest design principles, Jellycat selected high-quality non-irritating plush materials, and polished a cloud-like touch through dozens of processes, focusing on simple animal shapes. The Bashful Bunny launched in 1999 became a classic, whose shape accurately met infants' physical dependence on soft objects. The design at this stage belonged to basic physical companionship emotional projection, only meeting infants' comfort needs through tactile comfort, with no anthropomorphic design and personality traits injected into the products, serving entirely for functionality. The marketing side only focused on the professional narrative of safety certification and material technology, with no emotional stories and ritual design, and consumption behavior only stayed at the level of simple commodity purchase; the user side was a one-way transaction relationship, with no active user operation and fan community construction, resulting in extremely low user stickiness.

With the germination of emotional alchemy, the core elements of the brand's business model showed the characteristics of single focus. In terms of value proposition, it only provided high-quality physical companionship for infants aged 0-3, with the value boundary strictly limited to functional demands and no touch on adult emotional scenarios; in terms of value creation, enterprise resources were highly concentrated on the supply chain and production process polishing, all products complied with the stringent global infant safety standards, only creating the Animal series with basic animal images without category expansion, and value creation relied entirely on the physical attributes of products; in terms of value capture, it relied on traditional offline vertical channels such as high-end maternal and infant stores and department stores in Europe, America and Japan, obtained basic brand premium by virtue of product quality, and revenue growth relied on capacity expansion and channel layout, focusing on single transactions, with online channels not included in the strategic planning.

Stage 2: Emotional Value Mining Business Model (2014-2019)

Around 2014, global demographic structure changed, the dividend of the infant market faded, and the self-pleasure consumption and emotional demands of Generation Z rose

rapidly. Breaking through the growth bottleneck, Jellycat upgraded its brand positioning from infant comfort toys to high-end emotional gifts for all age groups, marking the entry of emotional alchemy into the development period. The three-dimensional system of product design, marketing narrative and user co-creation was initially implemented, driving the business model to shift from function-oriented to emotional value-oriented.

In the practice of emotional alchemy, the three dimensions coordinated efforts. Product design broke the infant boundary, creating two visual symbols of bean eyes with a smiling face and ugly-cute style, endowing dolls with healing and anthropomorphic traits, and making them carriers for adults to fight loneliness and place emotions; at the same time, it expanded categories to daily objects such as fruits and vegetables, enriching emotional application scenarios. Marketing narrative realized the transformation from selling products to selling emotions. Represented by "Please look after me" on the product tag, it transformed commodities into objects that need to be cared for, and elevated consumption to an emotional adoption ritual. Relying on the rise of social platforms such as Xiaohongshu, user co-creation saw consumers spontaneously produce UGC content such as doll dressing and emojis, and the brand actively interacted and disseminated, initially forming a fan community and a two-way communication mechanism.

Emotional alchemy promoted the comprehensive upgrading of the core elements of the business model. In terms of value proposition, it upgraded from a single companionship function to an intergenerational emotional resonance symbol and high-end gift, with the core customer group expanded to young women aged 18-35, covering diverse scenarios such as self-consolation and holiday gifting. In terms of value creation, the enterprise streamlined non-core sub-brands, focused on the emotional development of core IPs, promoted digitalization and the integration of online and offline channels, and shifted its core competitiveness from production and manufacturing to the construction of emotional connections. In terms of value capture, the high-end positioning brought obvious brand premium and an increase in customer unit price, with the proportion of online channels continuously rising. The brand's average annual revenue growth rate exceeded 70% in this stage, achieving leapfrog development.

Stage 3: Emotional Economic Ecosystem Business Model (2020-Present)

Since 2020, the emotional economy has developed in depth, and consumers' emotional demands have shifted from ownership to experience and recognition. Jellycat took the opportunity to upgrade its brand positioning to a tangible emotional lifestyle brand. At this time, emotional alchemy entered the maturity period, realizing the institutionalized operation of the three-dimensional composition of product design, marketing narrative and user co-creation, driving the business model to upgrade to an integrated emotional economic ecosystem of "product-content-experience-community", and becoming a global benchmark for emotional consumption.

Emotional alchemy in the maturity period is characterized by systematization and institutionalization. On the product design side, the brand carried out super IP operation on classic

styles such as Bashful Bunny and Eggplant Boss, endowing them with cultural connotation and emotional value through series development and high-end cross-border co-branding; at the same time, it expanded to fields such as accessories and pet toys around IPs, making emotional companionship penetrate all scenes of life. In terms of marketing narrative, focusing on experiential marketing, it built immersive pop-up stores worldwide, transforming shopping into an emotional experience through interesting interactions; it set up a retirement memorial hall on the official website, pushing the emotional adoption contract to the extreme, making dolls a hard currency for social communication among young people in circles. On the user co-creation side, the brand established a sound mechanism, guiding users to create through topic initiation and UGC incentives on social platforms, forming a huge amount of secondary content, making consumers become brand co-creators and disseminators, and building a highly sticky global emotional community.

In this stage, the core elements of the business model have completed ecological reconstruction. The value proposition has been upgraded from an emotional resonance symbol to a global, full-scenario entrance to emotional lifestyle, with both emotional companionship, self-expression and circle social value. In terms of value creation, it built an emotional value network co-constructed by brands, users and partners, integrating emotions into all links of products, content, experience and communities; at the same time, it optimized the global supply chain and digital operation, realizing the integration of online and offline experiences. In terms of value capture, it achieved in-depth and diversified monetization of emotional value, with users shifting from single purchase to long-term collection and repurchase, and brand stickiness reaching a new height.

4.2. Evaluation of Business Models at Each Stage

The three stages of the business model are evaluated according to the NICE model, with four core dimensions: Novelty (the uniqueness of products or services in terms of technology, functions, experiences, etc.); Lock-in (mechanisms that enable users to form continuous dependence or stickiness); Complementarities (the synergistic value-added capability between different business elements); and Efficiency (the cost-effectiveness between resource input and output).

The star rating in this paper is mainly divided based on business feasibility. ★ indicates that only basic needs are met, with low innovation, stickiness, complementarity, and efficiency; ★★ represents having basic product value with slight improvements in some dimensions; ★★★ indicates obvious breakthroughs in innovation or stickiness, forming a certain degree of business complementarity, but efficiency still needs to be optimized; ★★★★ indicates good performance in all four NICE dimensions, forming a complete ecosystem with sustainable and efficient operations; ★★★★★ indicates that all dimensions have reached the industry-leading level, with significant disruptiveness and global competitive advantages. The evaluation models of the three stages are shown in Table 1.

Table 1. Three-Stage Evaluation Model

Type	Product-driven Business Model	Emotional Value Mining-oriented Business Model	Emotional Economy Ecosystem-oriented Business Model
Novelty	Only conventional improvements reflected in materials and processes. ★★	Anthropomorphic and emotional design goes beyond traditional safety toys' function, featuring conceptual innovation. ★★★	Physical companion products upgraded to an innovative emotional economy platform. ★★★★★
Lock-in	Only one-time physical toy purchases, lacking continuous use, community stickiness and weak lock-in. ★	Emotional resonance drives repeated collection and gifting, building brand stickiness. ★★	Emotional communities, social currency and memberships build strong user stickiness. ★★★★★
Complementarities	Single business, lacking synergy with other products or services except for materials and processes. ★	Synergy of products and emotional marketing via gift and intergenerational scenarios. ★★	Multi-dimensional synergy builds a closed-loop ecosystem with strong complementarity. ★★★★★
Efficiency	Mature cost control via standardized production and maternal-infant channels, with medium efficiency. ★★	High investment in adult gift market, lower short-term cost-effectiveness. ★★	Large-scale management improves efficiency; high initial investment but better long-term returns. ★★★★★

According to the star rating standards, the comprehensive star rating of the product-driven model is ★★, which is suitable as the underlying foundation for entering the market; the comprehensive star rating of the emotional value mining-oriented model is ★★★, marking the transformation from function to emotion; the comprehensive star rating of the emotional economy ecosystem-oriented model is ★★★★★, which has constructed a multi-dimensional value network centered on emotions, with high profit potential and sustainable growth.

4.3. Optimization Strategies

The optimization of Jellycat's business model follows a systematic four-step path, with the NICE model as the core support. It first conducts a comprehensive diagnosis of the existing emotional economic ecosystem to accurately identify operational bottlenecks and development shortcomings, then promotes optimization in an orderly manner through four targeted measures, and ultimately realizes the brand's upgrade from a successful emotional brand to a more dynamic, intelligent and long-term emotional platform, achieving the

goal of healthy and sustainable development.

Step 1: Promote the iterative upgrading of product IPs, transforming static IP images into dynamic content IPs with complete storylines and interactivity, enriching emotional expression scenarios, effectively enhancing user freshness and emotional stickiness, and strengthening the core competitiveness of IPs;

Step 2: Expand business boundaries, break the single product sales model, extend to diverse fields such as subscription services, offline immersive experiences and corporate customization, build richer consumption scenarios, and broaden the channels for emotional value transmission;

Step 3: Deepen user co-creation and digital operation, actively guide users to participate in brand creation and decision-making, and at the same time empower the full-link operation by virtue of data technology to improve operational accuracy and efficiency;

Step 4: Consolidate the foundation for sustainable development, in the process of rapid development, pay attention to balancing product supply, convey positive brand energy, continuously focus on user emotional feedback, avoid development imbalance problems, and ensure the long-term healthy development of the brand.

Table 2. Comparison Table of Optimization Elements

Elements	Pre-optimization: Emotional Economy Ecosystem	Post-Optimization: Platformized, Digital & Sustainable Emotional Ecosystem
Value Proposition	Tangible emotional lifestyle and social currency.	Tangible, interactive & shareable digital emotional lifestyle and social currency.
Value Creation	Build a multi-dimensional network via product IPization, experiential marketing, user co-creation and cross-border collaborations.	Build an activated value network through product-content-service integration and systematic user co-creation.
Value Capture	Achieve high profits and sustainable growth via ecological operations.	Achieve stable and sustainable profitability via diversified income and lifelong user value mining.
Core Evolution	Emotional ecosystem has been constructed.	Platformize and digitalize the system to turn users into co-builders, optimizing the emotional value closed loop.

5. Case Analysis

5.1. Driving Factors of the Business Model

The phased evolution of Jellycat's business model is not the result of a single driving factor, but the interaction and hierarchical transmission of three layers of driving factors: external environment layer, industrial competition layer and enterprise core capability layer. Among them, emotional

alchemy is the core component of the enterprise core capability layer and the key link connecting the external environment and business model innovation. The three layers of driving factors form a progressive action logic: changes in the external environment layer trigger the reconstruction of the industrial competition layer, which in turn forces the upgrading of the enterprise core capability layer, and ultimately promotes the iterative innovation of the business model. The specific connotation and mechanism of each layer

of driving factors are as follows:

The external environment layer is the basic driving force for the evolution of the business model, mainly including three dimensions: social consumption trends, demographic structure changes and digital technology development. The current transformation from functional consumption to emotional consumption and the rise of the emotional economy have provided a broad market for Jellycat to explore emotional value; the decline in fertility rate has made the dividend of the infant toy market fade, while the expansion of the single youth and young female groups has provided support for the brand's customer group transformation to adults; digital technology has broken traditional channels and improved the efficiency of emotional value communication and monetization.

The industrial competition layer is the direct pulling force for the evolution of the business model, mainly including category competition pattern and channel format transformation. The traditional plush toy industry is facing severe homogeneous competition, and emotional value has become a new competition dimension, driving Jellycat to create differentiated advantages through emotional alchemy; channels are transforming to the integration of online and offline, with functions upgraded from product sales to value transmission and experience creation, forcing brands to optimize channel layout and transform to experiential channels.

The enterprise core capability layer is the core driving force for the evolution of the business model, with the core being emotional alchemy capability, supplemented by three capabilities: brand positioning, product innovation and operation management. Emotional alchemy realizes the transformation of emotional demands into commercial value, serving as the core engine for model upgrading; accurate brand positioning leapfrog points out the direction, product innovation provides the carrier, and operation management offers systematic support. The four together constitute the capability system for business model innovation.

The three layers of driving factors interact synergistically, forming a transmission logic of "external environment shapes industrial competition, industrial competition forces core capabilities, and core capabilities drive model innovation". As the core link, "emotional alchemy" realizes the transformation of market opportunities into commercial value.

5.2. Evolution Mechanism of the Business Model

Jellycat's business model innovation is not a scattered strategic adjustment, but follows a systematic evolution mechanism of "Positioning Leadership - Alchemy Driving - Element Synergy - Ecological Closed Loop". The four dimensions are interlocking and iterating synergistically, forming a self-reinforcing positive cycle, which jointly drives the fundamental innovation of the business model from product-driven to emotional value mining, and ultimately to an emotional economic ecosystem. The core of this evolution mechanism is to take the subversive leap of brand positioning as the logical starting point, emotional alchemy as the core driving engine, promote the synergistic upgrading of the three core elements of the business model (value proposition, value creation and value capture), and ultimately build a commercial ecological closed loop with emotions as the link.

5.2.1. Brand Positioning: Logical Starting Point & Value Creation Anchor

Brand positioning is the logical starting point and value anchor of business model evolution. Its subversive leap redefines the brand's core value proposition, pointing out the direction for the practice of emotional alchemy and the upgrading of business model elements. Jellycat's brand positioning has experienced three subversive leaps, each of which adapts to changes in the external environment and industrial competition, and directly determines the practice scope and depth of emotional alchemy. In the infant comfort toy positioning stage, the brand anchored the creation direction of physical functional value, and emotional alchemy only focused on the basic emotional projection of product design to meet infants' physical companionship needs; in the emotional gift positioning stage for all age groups, the brand anchored the creation direction of emotional value, and emotional alchemy had realized the initial implementation of the three-dimensional composition, creating intergenerational emotional resonance symbols around adults' emotional demands; in the emotional lifestyle brand positioning stage, the brand anchored the creation direction of emotional ecological value, and emotional alchemy realized systematic and institutionalized operation, building an emotional ecosystem integrating products, content, experience and communities around consumers' lifestyle and social demands. Each leap of brand positioning has promoted the upgrading of value proposition, which in turn has further driven the synergistic upgrading of value creation and value capture, becoming the core logical starting point of business model evolution.

5.2.2. Emotional Alchemy: Core Engine for Value System Reconstruction

Emotional alchemy is the core driving engine of business model evolution. Its practical upgrading from the germination of a single dimension to the initial implementation of the three dimensions, and then to the systematic operation of the three dimensions, has directly driven the fundamental reconstruction of the brand's value system, realizing the continuous upgrading from product functional value to emotional symbol value, and then to emotional ecological value, serving as the core link connecting brand positioning and the upgrading of business model elements. In the product-driven stage, emotional alchemy was in the germination state of a single dimension, only focusing on the basic emotional projection of product design, realizing physical companionship through safe and soft product design, with the value system centered on product functional value; in the emotional value mining stage, emotional alchemy realized the initial implementation of the three-dimensional composition, building emotional connections with consumers through emotional projection in product design, meaning transformation in marketing narratives and community consolidation through user co-creation, with the value system upgraded from product functional value to emotional symbol value; in the emotional economic ecosystem stage, emotional alchemy realized the systematic and institutionalized operation of the three-dimensional composition, integrating emotional value into all links of products, content, experience and communities through in-depth emotional projection of product IPization, immersive meaning transformation of experiential marketing and in-depth community consolidation of institutionalized user co-creation, with the value system upgraded from emotional symbol value to emotional

ecological value.

5.2.3. Element Synergy: Key to Comprehensive Model Upgrading

Element synergy is the key support for business model evolution, mainly including the synergistic iteration of three operational elements: emotional design, multi-channel sales and user co-creation. Guided by emotional alchemy, the three elements resonate with brand positioning in the same frequency, realizing the upgrading from single operation to synergistic operation and promoting the comprehensive iteration of the business model. Emotional design has upgraded from basic functional design to systematic IP operation, which is highly consistent with the emotional projection dimension of emotional alchemy. From simple shapes meeting physical needs to anthropomorphic design with injected personalities, and then to IP operation bearing collective emotions, it has become the core link of value creation; multi-channel sales have upgraded from traditional offline vertical channels to an experiential field integrating online and offline, which is highly consistent with the value transmission demand of emotional alchemy. From a simple product sales channel to an initially integrated online and offline sales and communication channel, and then to an experiential field integrating experience, communication, sales and communities, it has become the core carrier of emotional value transmission; user co-creation has upgraded from one-way transactions without interaction to an institutionalized UGC ecosystem, which is highly consistent with the community consolidation dimension of emotional alchemy. From consumers being only product buyers to initial interaction with spontaneous co-creation, and then to in-depth co-creation with institutionalized guidance, it has become the core source of vitality for emotional ecosystem construction.

5.2.4. Ecological Closed Loop: Key to Sustained Value Appreciation

The ecological closed loop is the final result of business model evolution. Through the synergistic iteration of brand positioning, emotional alchemy and operational elements, an integrated emotional economic ecological closed loop of "product-content-experience-community" is ultimately constructed. This closed loop has the characteristics of self-reinforcement and sustained value appreciation, being the ultimate form of business model evolution. In this ecological closed loop, products are emotional carriers, content is emotional links, experience is emotional memory, and communities are emotional precipitation. The four integrate and empower each other: products endow emotional connotation through content, create emotional memory through experience, and realize emotional precipitation through communities; content provides materials for product communication, creates themes for experience, and builds topics for communities; experience creates scenarios for product sales, provides inspiration for content creation, and condenses stickiness for communities; communities provide user demand feedback for products, create subjects for content, and provide participants for experience.

At the same time, emotional alchemy runs through all links of the ecological closed loop, continuously promoting the creation, transmission, precipitation and realization of emotional value, making the ecological closed loop form a self-reinforcing positive cycle: the creation of emotional value attracts more users, user participation promotes the enrichment of content and experience, the enrichment of content and experience further strengthens community

stickiness, and the improvement of community stickiness in turn promotes the continuous precipitation and realization of emotional value, ultimately achieving the sustained appreciation of commercial value.

6. Conclusion

6.1. Conclusions

Through an exploratory case study of Jellycat, this study systematically analyzes how small and medium-sized manufacturing enterprises achieve business model innovation through emotional alchemy in the emotional economy, reveals the internal connection between emotional alchemy and business model innovation, as well as the evolution mechanism and innovation path of the business model, and draws the following core conclusions:

Jellycat's commercial success is not accidental. Its core lies in the systematic practice of a set of emotional alchemy. Through emotional projection in product design, meaning transformation in marketing narratives and community consolidation through user co-creation, it has transformed ordinary plush materials into social symbols bearing high emotional premium, realized the value reconstruction from product functional value to emotional symbol value, and then to emotional ecological value, and driven the business model to undergo iterative evolution through three stages: product-driven, emotional value mining and emotional economic ecosystem.

The evolution of Jellycat's business model is the result of the interaction and hierarchical transmission of three layers of driving factors: external environment layer, industrial competition layer and enterprise core capability layer. Among them, the external environment layer is the basic driving force, the industrial competition layer is the direct pulling force, and the enterprise core capability layer is the core driving force. As the core of the enterprise core capability layer, emotional alchemy capability is the key link connecting the external environment and business model innovation. The three layers of driving factors form a hierarchical transmission logic: the external environment layer shapes the industrial competition layer, the industrial competition layer forces the enterprise core capability layer, and the enterprise core capability layer drives business model innovation.

Jellycat's business model innovation follows a systematic evolution mechanism of "Positioning Leadership - Alchemy Driving - Element Synergy - Ecological Closed Loop". The four dimensions are interlocking and iterating synergistically, forming a self-reinforcing positive cycle: the subversive leap of brand positioning is the logical starting point, the practical upgrading of emotional alchemy is the core engine, the synergistic iteration of three operational elements (emotional design, multi-channel sales and user co-creation) is the key support, and the ultimate construction of an integrated emotional economic ecological closed loop of "product-content-experience-community" is the final result.

There is an internal correlation of two-way integration and dynamic matching between emotional alchemy and business model innovation, which is specifically reflected in three aspects: dimensional integration, phased integration and value integration: the three dimensions of emotional alchemy are accurately matched with the three elements of the business model, the practical stages of emotional alchemy and the evolution stages of the business model iterate synchronously, and the value creation of emotional alchemy and the value

realization of the business model are deeply integrated. The two empower each other and evolve synergistically, jointly promoting the continuous upgrading of the brand's commercial value.

Based on Jellycat's case, this study refines a three-stage business model innovation path of "Product Foundation - Emotional Empowerment - Ecological Construction" for small and medium-sized manufacturing enterprises. Each stage has clear core tasks, practical strategies and key capabilities. At the same time, it summarizes four key success factors: accurate insight into emotional demands, differentiated emotional value creation, flexible brand positioning adjustment and continuous deepening of user relationships, providing a referable practical paradigm for the business model innovation of small and medium-sized manufacturing enterprises in the emotional economy.

6.2. Implications

Jellycat's case provides specific and implementable practical implications for the business model innovation of small and medium-sized manufacturing enterprises in the emotional economy. The core is that enterprises should abandon the traditional product function-oriented thinking, establish an emotional value-oriented thinking, take emotional alchemy as the core engine, and transform intangible emotional demands into sustainable commercial value. The specific implications are as follows:

First, product innovation needs to go beyond physical functions and commit to creating emotional projection space. When designing products, small and medium-sized manufacturing enterprises should not only focus on the physical functional attributes such as materials and processes of products, but also accurately grasp the deep emotional demands of consumers, create emotional projection space for consumers through unique design elements, and make products become emotional companions of consumers. Just like Jellycat's ugly-cute design and extremely soft touch, which hit consumers' companionship needs and endowed products with strong emotional appeal.

Second, marketing should complete the ritual construction of meaning transformation from transaction. Enterprise marketing should not be limited to product promotion and sales conversion, but should build a unique emotional experience for consumers through detailed and scenario-based emotional ritual design, completing the meaning transformation from commodity transaction to emotional connection. Through details such as warm prompts on product tags and retirement memorial halls for discontinued dolls, Jellycat has strengthened the emotional contract with consumers, making consumption behavior an emotional investment.

Third, enterprises must regard users as co-creators rather than passive consumers. In the emotional economy, users' sense of participation and belonging have become the core of brand stickiness. Enterprises should actively encourage user co-creation, let consumers participate in the brand's value creation process, and form a two-way interactive relationship between "brand and users". Spontaneous content creation by consumers can not only provide free communication materials for the brand, but also make consumers deepen their emotional recognition of the brand in participation and

become loyal fans and disseminators of the brand.

Finally, the optimization direction of the business model should point to ecologicalization and digitalization. Enterprises should not be satisfied with a single product sales, but should build an integrated emotional economic ecosystem of "product-content-experience-community" around the core emotional value, and at the same time realize the efficient transmission and monetization of emotional value with the help of digital technology. In the future, enterprises can upgrade static IPs to dynamic digital IPs with stories and interactivity, expand from selling products to providing diverse scenarios such as subscription services and offline experiences, and use big data to analyze user demands and improve operational efficiency, making the closed loop of production, circulation and realization of emotional value more intelligent and efficient.

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