

Analysis of Pop Mart's Profit Model

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Abstract. Pop Mart has attracted significant market attention due to its exceptionally high profitability. As a leader in China's trendy toy industry, its fundamental profit model comprises IP incubation, toy manufacturing, and sales of trendy toys, making it representative within the sector. Analyzing the constituent elements of Pop Mart's profit model reveals insights into its overall profit structure and capability level. The study also highlights existing challenges faced by Pop Mart, including a deficiency in IP content strength, flaws in cost control and expense management, severe product homogenization among competing brands, lack of cultural value heritage, and inadequate quality control and after-sales service. To address these issues, this paper proposes several improvement measures. Pop Mart should continue to develop flagship IPs, persistently explore hit IPs while enhancing product quality control, and reasonably reduce product costs by improving operational efficiency. Its profit model also offers valuable insights for other companies in the designer toy industry.

Keywords: Pop Mart, profit model, trendy toys.

1. Introduction

The Chinese trendy toy industry is currently in its growth stage, having undergone rapid expansion in recent years. Blind box products just meet the current demand for trendy toys. To regulate the trendy toy industry, the government has recently rolled out a series of supportive policies. In this regard, Pop Mart has gradually become an industry leader. Blind box products precisely meet the current demand for trendy toys, and in this regard, Pop Mart has gradually become the industry leader. With the rise of the blind box craze, its market size and influence have shown a clear growth trend. According to data from market research institutions, the blind box market is evolving into a vast and dynamic industry. As per the Markets and Markets report, blind boxes represent a rapidly growing sector, with the current market size of over 100 billion US dollars. It is projected that in the coming years, the blind box market will continue to grow at a rate of 20% per annual. And by 2025, projections indicate the market size will hit hundreds of billions of US dollars. This data demonstrates the immense potential and strong growth momentum of the blind box market [1]. Pop Mart, the leading trendy toy brand in Hong Kong stocks, sits firmly on the throne of a market value of HK\$366.1 billion with a closing price of HK\$272.6 (June 13, 2025), and its after-tax profit of RMB 3.308 billion in 2024 is impressive. It takes blind boxes as its core and builds a closed-loop system covering IP incubation, supply chain optimization, and omnichannel marketing. Its gross profit margin consistently maintains at 64%, far exceeding the industry average. However, there are hidden concerns such as the aging of top IP and the expansion of overseas markets, and its unique profit model has certain representativeness.

2. Industry Background and Overview of Pop Mart

2.1. Background of the Trendy Toy Industry

Trendy toys are divided into figures in blind boxes, building blocks, design puzzles, card games, model cars, and others. Compared to traditional toys, they offer more artistic expression and multiple cultural values. Their prices are not solely determined by production costs; auctions and second-hand platforms allow for product markups. Profit is primarily achieved through offline sales and online promotion. The global market of trendy toy has been continuously growing, as illustrated in Fig. 1.

Looking at the upstream of the trendy toy industry chain, IP operators collaborate with artists, well-known IP suppliers, and renowned designers to commercialize and monetize the animated works they create. IP resources have become one of the core competitive standards for trendy toy brands.

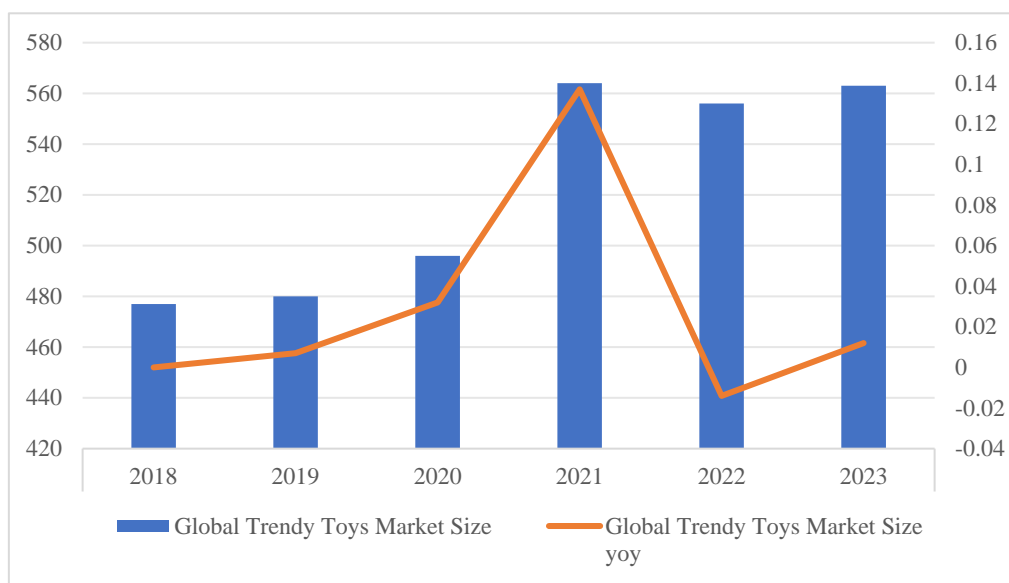


Figure 1. Global Trend of Trendy Toy Market Size (Data source: Euromonitor Database, China Merchants Securities)

Fig. 1 presents the global trend of trendy toy market. It is evident that the growth rate peaked in 2021, experienced a slight decline in 2022, and then began to rise slowly again. Looking at the overall picture, the market size reached its peak in 2021, experienced a brief decline in 2022, and then rose again in 2023, nearly matched the levels of 2021. Based on this trend, the market size is expected to continue to expand.

2.2. Introduction to POP MART Company

Originating in 2010, Pop Mart operates as a Chinese popular culture and entertainment brand. Pop Mart's business structure is divided into 4 parts: IP operations, consumer reach, fan and pop toy culture promotion, and global artist discovery. Specifically, IP operations is subdivided into IP creation and commercialization; consumer reach is subdivided into omni-channel consumer engagement, with membership programs enabling high-frequency, efficient, and instant fan interaction; fan and pop toy culture promotion is subdivided into building pop toy fan communities and promoting pop toy culture; global artist discovery is subdivided into top-tier artist management, and licensing and operation of first-class IPs. The parent company is Pop Mart International Group Limited, founded by Wang Ning.

3. Analysis of the Components of Pop Mart's Profit Model

3.1. Profit Margin Analysis

Pop Mart's profit points lie in the sales of self-operated blind boxes and IP derivatives. The IP is sourced from the development of an IP matrix, an internal design team, and collaborations with well-known IPs. The sales channels are divided into online and offline. Offline includes retail stores, robot shops, and trendy play exhibitions; online includes e-commerce platforms such as Tmall and JD, media operations, and APP communities. As a profit driver for POP MART: self-operated blind boxes possess unique attributes including social engagement, emotional fulfillment, collectability, artistic value, and play functionality. The emotional value brought by the Blind Box, most consumers believe that the experience of opening Blind Box is the excitement and thrill of the moment of opening, rooted in outcome uncertainty. It creates immediate consumer dependency. Consequently, stronger

perceived emotional value from this process directly elevates purchase intention. No matter whether the consumers draw the desired style or not, both outcomes fuel anticipation for replicating luck, leading consumers to unconsciously purchase more [2]. Pop Mart has experienced explosive growth in the global market thanks to its trendy play IP Labubu, with overseas revenue increasing by 375% year-on-year in 2024. Through celebrity marketing and social media strategies (TikTok/Instagram), it has positioned itself as a "social currency" in the European and American trendy markets, resulting in an eightfold surge in overseas revenue. With nearly 20 years of history, Molly has achieved a robust revenue growth of 105.2% through its high-end series (such as Space Molly and Royal Molly) and innovative content across different circles. As the trendy toy industry's first immersive IP theme park, Pop Mart Urban Park resides in Chaoyang Park, Chaoyang District, Beijing, and was built by Pop Mart International Group. It opened on September 26, 2023, with ticket prices ranging from 130 to 299 yuan. The structure of Pop Mart Urban Park incorporates four main areas: Pop Street, which combines interaction, games, and shopping; the Forest Area, which recreates the living scenes of the Monsters family; the Lakeside Area, where visitors can board the Dimoo Delicious Exploration Ship to enjoy desserts and drinks; and the park's main building—Molly's Castle. On March 26, 2025, Hu Jian, President of Pop Mart City Park, stated that two-thirds of the area will be redesigned, with the second-phase project also under concurrent design.

3.2. Profit Source Analysis

Table 1. Pop Mart's major IPs (Data source: Pop Mart's 2024 annual report)

	2024		2023	
	Revenue (in millions of yuan)	Revenue Share	Revenue (in millions of yuan)	Revenue Share
Own products	3977.8	88.60%	4189.97	90.80%
Own IPs	2586.83	57.60%	3000.75	65.00%
Skullpanda	595.26	13.30%	851.61	18.40%
Molly	705.1	15.70%	802.16	17.40%
Dimoo	566.74	12.60%	577.95	12.50%
Small sweet beans	161.53	3.60%	147.94	3.20%
Ono	52.25	1.20%	140.77	3.10%
Other own IPs	505.96	11.30%	480.33	10.40%
Exclusive IP	770.51	17.20%	638.96	13.90%
Monsters	304.43	6.80%	263	5.70%
Pucky	182.25	4.10%	119.13	2.60%
Other exclusive IPs	283.83	6.30%	256.82	5.60%
Non-exclusive IP	620.46	13.80%	550.27	11.90%
Outsourcing and consignment sales			402.69	0.087
Other	69.97	1.50%	24.67	0.50%
Total	4490.66	100.00%	4617.33	100.00%

Pop Mart's main profit sources come from its own product operations and blind box sales. In 2024, the performance of its IPs was outstanding, with the Monsters, Molly, Skullpanda, and Crybaby each generating over 1 billion yuan in revenue and 13 major IPs exceeding 100 million yuan in revenue. Labubu has taken the world by storm, driving the Monsters' revenue to surpass 3 billion yuan. The Skullpanda "Temperature" series has become the most successful trendy play product in history, while Crybaby has become the fastest new IP to enter the 1-billion-yuan club. Different styles of IP have developed differentiated paths under the company's operational system, continuously extending their value. IP possesses the power to transcend language and span across time periods [3]. As of June

30, 2022, steady growth was displayed in Pop Mart’s self-owned IP sales, whereas steady decline trends were shown in exclusive and non-exclusive IP sales. This results from continuous IP category innovation and increasing IP numbers. In IP numbers. Continuous release of products attracts customer attention to well-known IPs, reducing Pop Mart’s operational risks and assisting in better coping with dynamic market pressures [4]. Table 1 presents the revenue contributed by Pop Mart’s major IPs.

3.3. Profit Object Analysis

The user demographic of Pop Mart is primarily concentrated between the ages of 18 and 35, with an increasing proportion of younger users. The percentage of the 18-23 age group has risen from 31% in the first half of 2021 to 33% in the first half of 2023. The proportion of female users exceeds 70%, while the proportion of male users is also gradually increasing, rising from 32% in the first half of 2021 to 35% in the first half of 2023. The main consumer groups consist of urban white-collar workers, sophisticated mothers, and the Gen-Z demographic. Users are primarily concentrated in first- and second-tier cities, with most belonging to the middle-income class. Urban white-collar workers find it healing and companionable, while the Gen-Z demographic uniquely favors its distinctiveness. Mothers prioritize self-pleasure and stress relief, and they have a relatively high purchasing frequency, demonstrating strong user loyalty. Gen Z, who have lived immersed in the internet since childhood, have needs such as fashion aesthetics and virtual companionship. During the current period of material prosperity, family discretionary income has grown, and domestic households are spending more on cultivating Gen Z, making them potential customers [5]. As shown in Fig. 2, the number of registered members continue to grow, and there is a sharp increase in the number of newly added members in 2024.



Figure 2. Growth of new users for Pop Mart (Data source: Pop Mart’s annual reports, Zheshang Securities Research Institute)

3.4. Profit Leverage Analysis

The profit leverage is the enhancement of a company's profitability through the optimization of costs and revenues. It creates a sense of scarcity to boost product sales and leverages its brand premium to increase revenue. Pop Mart, as a well-known brand, has shaped its brand image through marketing and brand positioning, and by setting prices at a relatively high level, has achieved high profit margins for its products to a certain extent. In terms of product manufacturing, introducing advanced equipment and automated production lines has minimized labor costs to the greatest extent and enhanced profitability.

3.5. Profit Leverage Analysis

Profit barriers are factors that hinder new competitors from entering the market or existing companies from expanding, thereby protecting the profitability of established firms. The core competitiveness of Pop Mart is rooted in the exclusivity of its IP and cultural connection, which allows it to establish connections with overseas customers and culturally resonate with them. Moreover, Pop Mart has invested heavily in developing hit IPs, with the popularity of Molly and Labubu resulting in significant profits for the company. In terms of product sales, increasing exposure through multiple channels and combining online and offline methods enhances customer attraction and encourages consumption.

4. Analysis of Pop Mart's Profitability

Although one cannot evaluate an organization's operational and financial efficiency purely based on its profits, it is always an important performance aspect [6]. Table 2 presents the statistics on Pop Mart's profitability. Both its revenue and net profit have set new records. Its revenue reached 13.04 billion yuan, a year-on-year increase of 106.9%. And its adjusted net profit reached 3.4 billion yuan, a year-on-year increase of 185.9%. As shown in Table 2, Pop Mart's gross profit has shown consistent growth from 2020 to 2024, with an explosive increase in the second half of 2024. After a slight decline in gross profit margin in 2022 and 2023, it rose by 5.3% in 2024. The higher the gross profit margin, the stronger the profitability of Pop Mart, indicating a strong ability to control costs. From the development of Pop Mart, the high profit margins are primarily attributed to a decrease in procurement costs, optimisation of the supply chain, improvements in product design, and increased customer loyalty. The return on equity increased from 4.68% in 2022 to 29.26% in 2024, which fully demonstrates the rise in Pop Mart's profitability. Overall, Pop Mart demonstrated a good level of profitability in 2020 and earlier, with indicators such as net profit margin, gross profit margin, and return on assets showing that Pop Mart was able to achieve high profits after selling its products. This also proved that the company could effectively utilise its assets to generate profits. After 2021, profitability declined relatively, but by 2023, Pop Mart's profits began to gradually increase.

Table 2. Pop Mart's financial data from 2020 to 2024 in 100 million yuan (Data source: Tonghuashun Finance Network)

	Revenue	Gross profit	Net profit attributable to the parent company	Operating margin	Equity ratio	Debt-to-asset ratio
2020	25.13	15.94	5.24	27.99%	8.54%	12.05%
2021	44.91	27.59	8.54	25.77%	12.53%	18.06%
2022	46.17	26.55	4.76	13.26%	6.83%	19.41%
2023	63.01	38.64	10.82	21.94%	13.93%	21.95%
2024	130.37	87.08	31.25	33.12%	29.26%	26.80%

5. Problems with the Profit Model of Pop Mart

5.1. Lack of IP Content Strength

In 2024, the performance of the IPs under Pop Mart has been outstanding. The four major IPs, the Monsters, Molly, Skullpanda, and Crybaby, have each generated over 1 billion yuan in revenue for the first time, while 13 major IPs have surpassed 100 million yuan in revenue. Among them, Labubu has driven the Monsters' revenue to over 3 billion yuan, while the Skullpanda "Temperature" series has become the best in the history of trendy toys. Crybaby has also quickly joined the 1 billion yuan club as a new IP [2]. Different styles of IP are continuously extending their value through differentiated operations. Among them, Molly has celebrated its 20th anniversary, while Labubu has reached its 10th anniversary. Excluding the blockbuster IPs, the remaining innovative businesses are still in development, such as the Pop Mart theme park, bricks, and emerging IPs that are still evolving.

5.2. Flaws in Cost Control Expenses

Through cost control, companies motivate managers to accomplish their targets through enforced accountability and performance-based rewards [7]. Managers typically prioritize aspects which determine their compensation. Hence, driving managerial motivation constitutes a vital function of cost control [8].

Commercial costs account for approximately 80%-90% of total sales costs, with production costs paid to third-party manufacturers being primarily driven by sales growth. Sales costs in 2023 amounted to 2,436.9 million yuan, representing a 24.2% increase compared to 1,962.8 million yuan in 2022. Sales costs grew from 2,436.9 million yuan in 2023 to 4,330.0 million yuan in 2024, reflecting a year-on-year increase of 77.7%, indicating a significant upward trend. Raw material costs account for about 20% of the product costs, with the overall product cost being approximately 30%.

5.3. Product Homogenisation

In the rapidly evolving trend toy industry, brands are being established at a swift pace, leading to the emergence of many brands with profit models similar to that of Pop Mart, such as 52TOYS and TOPTOY. This has resulted in significant product homogenisation and a lack of cultural value and depth. Despite the rapid development of the trendy toy industry, it still faces challenges such as marketing homogeneity, high price barriers, lack of industry standards and insufficient consumer education. In the future, brands need to respond to challenges and seize opportunities through strategies such as continuous innovation, strengthening the delivery of brand stories [9].

5.4. Inadequate Quality Control Management and After-sales Service

As shown in Fig. 3, the number of complaints about Pop Mart is rising over recent years. On the Black Cat Complaints platform, the search volume for the keyword "Pop Mart" is 19,814, while the search volume for "52TOYS" on the same platform is 203, and for "TOPTOY" it is 717. Therefore, Pop Mart needs to focus more on quality control and after-sales service in its future development.

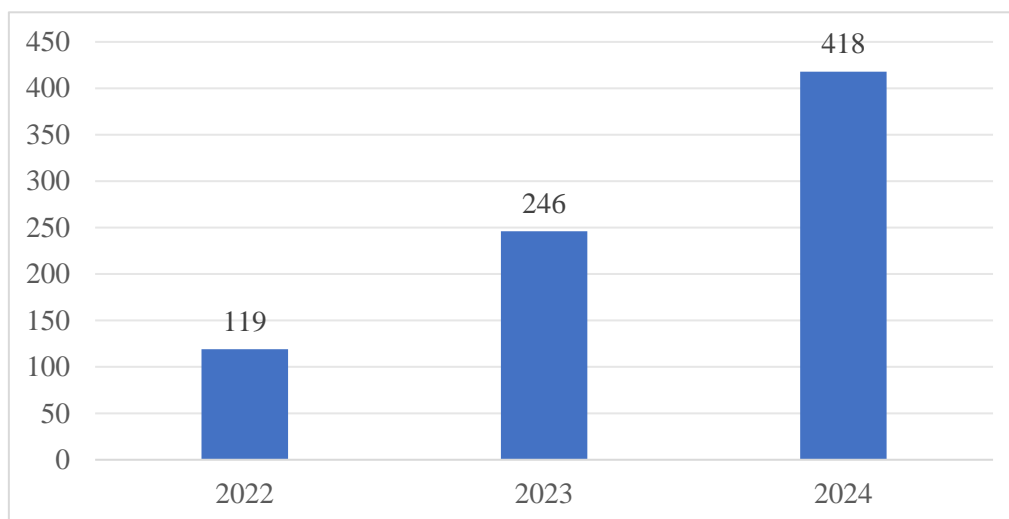


Figure 3. Trend of complaints about Pop Mart (Data source: NetEase)

6. Conclusion

This article takes the representative company in the trendy toy industry, Pop Mart, as an example to study its profit model. Firstly, it introduces the industry background and the business structure of Pop Mart. Next, through an analysis of the components of the profit model, it concludes that Pop Mart's main profit drivers come from self-operated blind box sales and the sales of IP derivatives. In 2024, the revenue from its four major IPs exceeded one billion yuan, and Pop Mart continues to develop new IPs consistently. By analysing the financial data related to Pop Mart, it can be observed

that its profitability has experienced fluctuations in recent years but is now stabilising. Furthermore, there was a significant surge in revenue in 2024. At this stage, Pop Mart's financial data indicates that its current profit model is well-suited to the enterprise.

The more IPs there are in the trendy toy industry, the more beneficial it is for development. Moreover, toys are not just about their appearance; the IP itself must also carry significant meaning. For example, the reason why the IP of Crayon Shin-chan is famous is that it is imbued with meaning and a story. While continuing to explore and develop IPs, it is essential to expand the content behind them as much as possible. For example, Pop Mart must improve the problems of weak IP image and no cultural support, make full use of designer resources to create character stories and cultural content for IP, and build a grand and exclusive IP universe of Pop Mart. Through movies, animation, music and other ways, Pop Mart can convey different values, world views and outlook on life to consumers, resonate with consumers in emotion, and bring emotional impact to consumers [10]. Furthermore, while maintaining stable growth in blind box sales revenue, Pop Mart should reference competitor Top Toy's approach to establish a full-category coverage strategy for the trendy toy industry, diversify single-category risks, and broaden its audience in the report [11].

From the financial statements of Pop Mart, it can be seen that in order to enhance competitiveness, it is necessary to reduce production costs on one hand, appropriately introduce new production lines, and decrease labour costs. At the same time, reducing costs does not mean compromising on product quality control.

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