

Analysis of LABUBU Brand's IP Shaping and Marketing Strategy

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Abstract. With the continuous development of economies in today's world, an increasing number of people are willing to pursue psychological satisfaction, such as entertainment, instead of merely considering the adequacy of food and clothing. This trend triggers the prosperity of entertainment industry such as designer toy industry. Recently, LABUBU under Pop Mart, which is a popular Chinese designer toy company, has become a global sensation. Based on SWOT model and marketing theory of 4P, this paper concludes the main reasons why LABUBU has gone viral. Challenges and suggestions are also proposed. The key reason is the uniqueness of its design, blind box selling strategy and celebrity effect. The main challenges it may face are severe secondary market premiums and limited sales. Hence, a couple of suggestions are proposed, such as preparing enough stocks, monitoring prices on the secondary market, improving the design and co-brands with other prestigious brands or collaborating with international influencers.

Keywords: LABUBU, SWOT model, Marketing Theory of 4P.

1. Introduction

Pop Mart, founded in 2010, initiated the release of the first fashion toy blind box in 2016 [1]. Pop Mart signs contracts with original artists, creating unique IPs. Before officially selling a particular series of IPs, Pop Mart uses a small batch of the products to assess the response of consumer market in order to select IPs with great potential. Pop Mart only promotes the productivity of these selected IPs and has owned a series of appealing and diversified IP portfolios, such as Molly and Dimoo. According to the 2024 financial report, Pop Mart achieved total revenue of 13.04 billion yuan. Moreover, all of the four major IPs achieved revenues exceeding 1 billion yuan and another 13 IPs achieved revenues over 100 million RMB [2]. LABUBU, as one of the representative IPs under Pop Mart, has gained a considerable amount of popularity worldwide. Its popularity allows Hermès bags to serve as accessories of the toy and prompts a recent sale of a unique 1.2-meter-tall mint-green PVC LABUBU at an art auction for 1.08 million RMB [3]. The explosive phenomenon is worth an in-depth study, with its insights applicable to the development of similar brands.

Based on SWOT model, this paper will conduct an in-depth analysis on the explosive phenomenon of LABUBU, aiming to provide plausible suggestions for marketing strategies for other enterprises.

2. Analysis Based on SWOT model

2.1. SWOT model

SWOT refers to strength, weakness, opportunity, and threat, and it is widely applied as a strategic planning tool in both business and public policy contexts [4]. For instance, SWOT model is increasingly used in healthcare. SWOT model identify internal strengths and weaknesses, potential opportunity and threat of the healthcare sector. Thus, healthcare organizations make adjustments to maintain optimal functionality [5].

2.2. Strength

2.2.1 Uniqueness of design

LABUBU's appearance is highly distinctive. The subject's large head, short body, pointed ears and fangs collectively constitute a distinctive contrasting design style. This visual contrast serves to provoke curiosity and evoke emotional resonance in the customer. This design feature aligns with the innate human tendency towards the 'baby schema', which has been defined as a set of characteristics that are commonly perceived as being indicative of infantile traits. These characteristics, which include a disproportionately large head, a round face and large eyes, have been demonstrated to elicit care-giving behaviors in others [6].

2.2.2 Cultural integration

LABUBU introduces special styles for Western festivals such as Christmas and Halloween, as well as Eastern festivals such as Chinese New Year and Mid-Autumn Festival. This strategy fosters a sense of emotional connection among consumers from diverse cultural backgrounds. Furthermore, cross-border cooperation with international IPs such as Disney and Marvel as well as local IPs has rendered LABUBU's image more inclusive and global. Hence, audience coverage is expanded. Novelty and topicality of the product are enhanced, thereby further stimulating consumers' purchase intention.

2.2.3 Blind box selling strategy

LABUBU's sales strategy employs a blind box mechanism. It is evident that consumers are unaware of the contents of the product when purchasing. The success of the selling strategy can be attributed to gambling effect and scarcity marketing. Players will feel a sense of exhilaration when opening a blind box, which is similar to gambling. This sense of uncertainty may make players addicted, triggering the behavior of making repeat purchases. This effect, namely, gambling effect, is one of the reasons why people become loyal customers of blind box. Another reason is scarcity marketing. Scarcity marketing is a selling strategy that producers limit the number of products to create a phenomenon that quantity demanded exceeds quantity supplied. Scarcity will increase the price of the products. Generally, each series of blind box contains one hidden model, which people are willing to pay more for. LABUBU contains six general models and one hidden model, which utilizes scarcity marketing [7]. This strategy guides people to pursue the hidden model, increasing sales and brand awareness.

2.2.4 Star effect

LABUBU attracts consumers with the star effect, and the favor of Thai female star Lisa is a powerful instance. Lisa showed her LABUBU on social media in April 2024, which detonated the overseas sales of LABUBU. LABUBU then quickly spread among fans of Lisa. Under the influence of Lisa, Pop Mart brand net profit increased by 188% and sales doubled [8]. Gradually, more and more super stars such as Rihanna and Beckham showed up with LABUBU, exacerbating the star effect. Thus, there was a rush to buy in many overseas places and LABUBU became a remarkable global toy IP.

2.3. Weakness

2.3.1 Secondary market premiums

LABUBU's secondary market premium is severe. For instance, the original unit price of LABUBU's "high energy ahead" series is 99 RMB, but the unit price of general models in the secondary market increases to 300-1000 RMB, while that of the hidden model soars to 3000-6000 RMB [9]. The soaring price may prevent some purchases of LABUBU. It depends on the price elasticity of demand (PED) for LABUBU. For customers with inelastic PED for LABUBU, they may not continue to buy it with the surging price. However, for those who love LABUBU extremely, the price change may not affect them.

2.3.2 Limited sales

The production process of LABUBU is complex and it takes a relatively long period to produce LABUBU, so orders are easily accumulated. However, global demand soared, causing a deficit of productive capacity. Besides, since shopkeepers cannot announce the specific restocking time, customers need to depend on random online notifications. In this case, customers need to wait for a very long time. For instance, a customer has waited for two years but still not gotten his favourite model. Such a long waiting time may make customers less willing to buy LABUBU.

3. Analysis Based on the Marketing Theory of 4P

3.1. Marketing Theory of 4P

4P refers to product, price, place, and promotion, which was proposed by E. Jerome McCarthy in his book 'Basic Marketing' [10]. It is a producer-oriented model and popular among marketers worldwide in various fields. For example, previous research analyzes the strength and weakness of Isfahan governmental university libraries based on 4P model and proposing feasible suggestions. The results of this research paper are of great significance in guiding library managers to formulate marketing strategies, optimize resource allocation and improve service quality [11].

3.2. Product

LABUBU's unique IP and blind box mechanism provide an emotional experience, such as anticipation and surprise, that extends beyond the physical product itself. The distinctive and unique design is the actual product, attracting a large number of young generations. However, the blind box mechanism serves as the augmented product, enriching the consumer experience by adding suspense and a sense of discovery. This mechanism brings uncertainty and excitement for consumers, transforming LABUBU from a single physical product into an immersive entertainment.

3.3. Price

The pricing strategy of LABUBU takes advantage of scarcity and mental accounting, as consumers tend to assign higher value to products perceived as rare. Mental accounting states that individuals engage in mental allocation of financial resources to different accounts, including daily expenses, savings and entertainment. People psychologically set different budgets for corresponding accounts and spend money within the budget, which affects their decision-making processes and spending behaviors [12]. Mental accounting provides an explanation for the phenomenon that people have different spending and saving behaviors when facing the same amount of money. A typical example is that people tend to spend bonuses instead of saving. This phenomenon can be explained by mental account. People classify bonuses as windfall account instead of daily expenses or saving account. The pricing strategy of LABUBU also utilizes mental accounting. Consumers may classify LABUBU as entertainment account so they may feel it is worthy. Furthermore, the pricing strategy of LABUBU also utilizes scarcity of hidden model of LABUBU. The original price of LABUBU is 99 RMB per unit, which is affordable to most of people. However, each series contains one hidden model, which is scarce relative to common models. Since people cherish products that are scarce and are willing to pay more for them, the scarcity leads to severe secondary market premiums, where the single price of the hidden model soars to around one thousand RMB [13]. This phenomenon in turn becomes the subject of discussion and publicity, generating heightened brand visibility. In this case, some consumers purchase LABUBU not for enjoyment but for earning profits through reselling it on the secondary market at a higher price. Such behavior further leads to premiums.

3.4. Place

LABUBU has places offline and online. People can make purchases through Pop Mart physical retail shops, which spread over the country. Offline stores create immersive experiences, such as

themed displays and interactive activities, and provide instant satisfaction. Moreover, official Pop Mart online stores is another way for purchasing, which is not subject to spatial constraints. Various online shopping platforms such as Tianmao and Jingdong contain Pop Mart online stores. It is worth mentioning that Pop Mart Carton Drawer, a WeChat applet, provides a digital simulation of blind box drawing, replicating the fun of offline experiences. Furthermore, LABUBU is live-streaming on Chinese popular entertainment platforms such as Tiktok and Little Red Book, expanding brand awareness. The combination of online and offline places maximizes convenience for consumers and makes purchases easier.

3.5. Promotion

LABUBU focuses on content marketing instead of traditional marketing, emphasizing storytelling and cultural narratives to engage consumers. LABUBU continuously puts emphasis on hidden story and background of LABUBU, injecting culture into the product. This strategy positions LABUBU not merely as toys but as collectible artwork. Moreover, LABUBU adopts Key Opinion Leader (KOL) Marketing. It is a marketing strategy taking advantage of social media that promotes a product through a KOL who has a large number of followers and is influential in a particular area. According to previous research, KOL can significantly increase brand awareness, promote social media interaction and generate more sales [14]. LABUBU gives the products to KOL as a present and encourages them to post unboxing videos on their social media in order to attract more consumers. Additionally, as mentioned in analysis based on SWOT model, scarcity marketing and co-branding with prestigious brands in other fields, further stimulating purchasing behaviors of customers.

4. Suggestion

To make LABUBU even more popular, Pop Mart can take following suggestions into consideration. Firstly, Pop Mart can improve the design of LABUBU, for instance by integrating sustainable materials or digital design features, thereby enhancing its appeal to environmentally conscious and tech-savvy consumers. Secondly, Pop Mart needs to keep up with current affairs and co-brands with famous brands in various fields, expanding the customer coverage and making LABUBU more inclusive and global. Thirdly, Pop Mart needs to establish a more flexible price control system, such as dynamic pricing strategies or official resale platforms, to balance LABUBU premiums with long-term market stability. Big data can be used to monitor secondary market transactions, enabling the company to detect abnormal premiums and intervene to stabilize market prices. If an abnormal premium is detected, platforms can set a price ceiling or price floor to stabilize price fluctuations. In this case, more customers can afford their favourite LABUBU and sales revenue may increase. Moreover, Pop Mart needs to restock LABUBU in time. Thus, more people will buy LABUBU since they do not need to wait for a long time. Furthermore, Pop Mart can collaborate with international influencers as advocates of LABUBU, thereby enhancing its global cultural relevance and sustaining long-term brand equity.

5. Conclusion

In conclusion, the key factor that drives LABUBU into global phenomenal IP is its effort to widen the audience coverage and take advantage of psychological factors. However, if the secondary market premiums is too severe or the products are in extremely short supply continuously, LABUBU may face reduced popularity. Therefore, LABUBU can focus on exploiting the aforementioned advantages and avoiding the disadvantages. This paper provides some guidance for infant companies, especially in the designer toy industry.

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