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Analysis of the Profit Model of the Designer Toy Industry under the Harvard Analytical Framework: A Case Study of Pop Mart

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Abstract

Based on the Harvard Analytical Framework, this paper takes Pop Mart, a leading enterprise in the designer toy industry, as the research sample. Combined with the latest financial data from 2023 to 2025 and relevant industry literature, this study systematically analyzes the company's profit model from four dimensions: strategy, accounting, finance, and prospects. The study concludes that Pop Mart has achieved explosive growth in revenue and profit through its "IP + blind box" business model and globalization strategy, while its profitability efficiency and cash flow quality both exceed the industry average. However, this paper does not avoid several structural contradictions underlying its profit model. Specifically, the company's IP operations rely excessively on the head-effect strategy while lacking underlying narrative content; its highly concentrated supply chain weakens its risk resistance capability; and the blind box mechanism has also led to problems such as innovation inertia and insufficient market regulation. Therefore, this paper proposes a five-dimensional optimization path, including building a sustainable IP ecosystem, promoting product and business-model innovation, optimizing the global supply chain layout, and improving industry regulatory standards. These measures not only directly respond to the existing problems, but also provide significant theoretical value and practical implications for addressing the sustainability dilemma of profitability in the designer toy industry and promoting the transformation of China's designer toy industry from scale expansion to high-quality development.

Keywords

Harvard Analytical Framework, Pop Mart, profit model, financial analysis, designer toy industry

1. Introduction

In recent years, the trendy toy industry has experienced explosive growth. IPs such as LABUBU have emerged as standout stars, propelling the burgeoning cultural industry to new heights. The deep penetration of social media and the business model innovation of e-commerce platforms. This has helped to popularize trendy toy culture from a niche market to the mainstream. The resurgence of collecting culture has further enabled it—by virtue of its artistic merit, scarcity, and capacity for emotional connection—to emerge as a new category of collectibles. Consequently, the ecosystem of the trendy toys industry is undergoing a steady transition from the mere sale of individual products to diversified ecosystem operations. Consumers, represented by Generation Z and young middle class, highly value self-expression and individuality. Viewing collectible toys as a vehicle for identity recognition and social interaction. Their consumption behavior places greater emphasis on the experiential aspect, novelty, and personalization. As a leading company in the industry, Pop Mart has systematically built a closed-loop industrial chain covering IP incubation, product development, channel operation, and fan management. It provides an ideal real-world case study for examining the profit models of trendy toy enterprises.

Existing studies have developed a multidimensional discussion on the business model and financial performance of Pop Mart. Focusing on its commercial core, Liu Yiming, Zhang Zixiang, and Pan Yongning pointed out that IP incubation and blind box sales constitute the fundamental logic of its profitability [1-3]. Chen Zehui, Ying Xinhang, and others, as well as Zhong Guoli, analyzed from the perspective of the entire industrial chain how the company achieves value capture through value chain integration [4-6]. Regarding the unique appeal of the "blind box economy," Wang Fangxi, Liu Xin, and Sun Ge conducted an in-depth analysis of the consumer psychological drivers and repurchase effects generated by the random mechanism [7, 8], while Wu Yixin, Wan Yu, and Liu Haifei further explored the relationship between cross-cultural IP adaptation and financial performance [9-10]. In addition, Lan Lidan, Chen Zehui, Ying Xinhang, and others emphasized the crucial role of IP operations [4, 5, 11], whereas Wang Fangxi, Zhang Zixiang, and Pan Yongning also pointed out the sustainability challenges faced by this model, making related improvement strategies an important direction for further research [2, 3, 7]. Collectively, these studies have established a systematic cognitive foundation for understanding the profit model of Pop Mart.

Although there has been considerable research on this topic in academia. However, existing literature still presents limitations: Existing research often focuses on a single dimension, lacking a systematic framework that integrates strategic positioning, accounting policy choices, and financial performance. Consequently, it is difficult to clarify the underlying logic of the profit model. The data utilized lacks sufficient timeliness; existing studies rely primarily on data from 2023 and earlier, failing to adequately account for the dynamic reshaping of profit models driven by new strategies implemented since the beginning of 2024—specifically, the explosive emergence of new plush product categories and the deepening of globalized distribution channels. Discussions regarding the sustainability of profit models remain insufficient; they fail to naturally and appropriately bridge the changes in the industry's competitive landscape and the evolution of consumer trends with the long-term impact pathways on corporate earnings quality.

Based on this, this paper introduces the Harvard analytical framework to systematically analyze the adaptability and risks of Pop Mart's profit model. To address the limitations of existing research, and based on this, to offer practical recommendations for the sustainable development of trendy toy enterprises.

This study adopts a combination of the case study method and the literature research method. Taking Pop Mart as the core case, the study collects first-hand information such as corporate annual reports and public disclosures, while also incorporating authoritative industry data and existing findings from academic journals. The Harvard Analytical Framework is employed throughout the study to systematically analyze the company's profit model. In the literature research section, a systematic review was conducted using keywords such as "Harvard Analytical Framework," "profit model," "designer toy industry," and "Pop Mart." The major viewpoints and limitations of existing studies were summarized to ensure a clear research entry point and accurate problem identification, thereby exploring practical value on the basis of theoretical deepening.

2. Theories Related to the Harvard Analytical Framework

2.1 Strategic Analysis

Strategic analysis serves as the logical starting point of the Harvard Analytical Framework and aims to examine the internal and external environment of an enterprise from a macro perspective. This paper applies Michael Porter's Five Forces Model to analyze the competitive landscape of the industry. By evaluating the bargaining power of suppliers and buyers, the threats posed by potential entrants and substitute products, as well as the intensity of competition among existing rivals, this study clarifies the key strategic factors that determine the operating performance and financial outcomes of Pop Mart.

2.2 Accounting Analysis

Accounting analysis follows strategic analysis and aims to evaluate the rationality of key accounting policies in order to reflect the company's actual operating conditions. In view of the IP-driven characteristics of Pop Mart, this paper focuses on three core areas. First, it examines whether the company's revenue recognition policies are consistent with the substance of its business operations. Second, it analyzes the accounting logic of period expenses, particularly selling expenses, and their alignment with business expansion. Third, it evaluates the objectivity of the recognition, amortization, and impairment testing of IP-related intangible assets, thereby providing a solid data foundation for the subsequent financial analysis.

2.3 Financial Analysis

Financial analysis is conducted on the basis of adjusted financial statement data and quantitatively evaluates profitability in combination with corporate strategy. This paper selects the following core indicators: operating profit margin, which reflects the profitability of core business operations and the level of cost control; net profit, which measures the actual scale of earnings ultimately attributable to shareholders; gross profit margin, which indicates the core profit space and pricing power of products; and earnings per share, which serves as an important basis for evaluating the investment value of each share. Through these indicators, the study systematically analyzes the company's earnings quality and development potential.

3. Analysis of the Profit Model of Pop Mart under the Harvard Analytical Framework

3.1 Company Overview of Pop Mart

Pop Mart was founded in 2010 and listed on the Hong Kong Stock Exchange in 2020. Originating as a trendy lifestyle retailer, and following the launch of its first proprietary blind box series in 2016, the brand has evolved into a globally renowned designer toy brand, encompassing IP incubation, product design, omnichannel sales, and overseas markets.

Selecting Pop Mart as a case study is justified by its distinct typicality, data availability, industry representativeness, and research extensibility. As a landmark enterprise witnessing the domestic designer toy industry's evolution from its nascent stages to explosive growth, its "IP + Community + Channels" profit model serves as a rare case study for analyzing business models within the designer toy sector.

As a Hong Kong-listed company, Pop Mart regularly discloses annual reports and other public information. Drawing upon industry reports and media coverage, it provides reliable data support for multi-dimensional analysis. Its status as the "first listed company in the trendy toy industry" has reshaped the competitive landscape and sparked widespread discussions about the "blind box economy." It also provides a vivid case study for exploring innovations in profit models amidst trends such as the digital transformation and international expansion of the designer toy industry.

3.2 Strategic Analysis Based on Porter's Five Forces Model

Pop Mart holds a highly advantageous position in terms of suppliers' bargaining power. With regard to IP creation, the company has established a mature and forward-looking artist discovery mechanism and possesses a broad and distinctive IP portfolio, thereby significantly reducing its dependence on individual designers. At the same time, the proportion of revenue generated from artist IPs has continued to increase steadily. In dealing with global licensors such as The Walt Disney Company, the company is also able to leverage the influence of its self-owned IPs to secure an equal bargaining position. In terms of raw materials and manufacturing, the market supply of basic materials such as plastics and paints is relatively sufficient, while the company's massive procurement scale naturally gives it an advantage in price negotiations. However, it cannot be ignored that the profits of Pop Mart remain highly concentrated in several core IPs. Any changes within the relevant creative teams or the exhaustion of creative output could directly undermine the company's revenue foundation. More importantly, some key raw materials, such as environmentally friendly coatings and specialty plastics, are subject to fluctuations in international prices. In addition, contract manufacturing capacity is excessively concentrated in the Yangtze River Delta region. As a result, any regional production disruption could inevitably affect the stability of its global supply chain.

Pop Mart has established a mature and logical framework regarding the bargaining power of its buyers: Targeting Generation Z as its core customer base, the company systematically and naturally reduces consumers' price sensitivity through emotional connections, membership systems, and blind box mechanisms. The member repurchase rate has remained consistently high over the long term, while growth in online channels has been particularly pronounced. However, its consumer-facing side already presents several risks that warrant caution: The blind box model is becoming increasingly popular, but user fatigue is already evident. The revenue share of the action figure category continues to decline. Recent market regulations have become increasingly stringent, requiring the clarification of the probability of obtaining hidden items and setting purchase limits. Consequently, the speculative nature of these blind boxes has been substantially diminished. Echoing this trend, TOP TOY—a subsidiary of MINISO—is actively expanding through an affordable pricing strategy, thereby attracting and diverting price-sensitive customers.

After years of strategic expansion, Pop Mart has established three major barriers in IP resources, distribution channels, and supply chain systems, making it extremely difficult for new brands to replicate its ecosystem in the short term. However, new trends in cross-industry competition have already emerged. Tencent has launched a series of collectible figurines based on the digital IP of Honor of Kings, whose IP influence and user base far exceed those of traditional designer toy companies. Meanwhile, local brands in Japan and Southeast Asia have introduced region-specific products centered on culturally distinctive IPs and have already developed strong customer loyalty in their domestic markets. Both developments can therefore be regarded as effective obstacles to the overseas expansion of Pop Mart.

Compared with competitors in the same industry, Pop Mart possesses a mature advantage in deep IP operations. However, the industry has become increasingly diversified in recent years. The Lego Group has entered the designer toy peripheral market by leveraging its global brand influence, while TOP TOY, a subsidiary of MINISO, has rapidly captured market share through a low-price strategy combined with the fast expansion of its retail store network. As a result, industry competition has become increasingly intense. Pop Mart effectively integrates artistic design, emotional value, and social attributes into a unified consumer experience. At the same time, the blind box mechanism creates a strong sense of surprise and anticipation, thereby generating a highly engaging consumption experience. Consequently, its products are clearly differentiated from the functional assembly-oriented positioning of The Lego Group and the content-consumption logic of Disney merchandise. Nevertheless, new substitution risks are rapidly emerging from developing sectors. Digital entertainment forms such as virtual idols and NFT digital collectibles are expanding rapidly, featuring higher update frequency and stronger interactivity. Therefore, they represent both opportunities and new competitive pressures for the physical designer toy industry.

Table 1: Revenue Contribution of Pop Mart IPs (RMB 100 Million)

IP Name	2023	2024	2025
THE MONSTERS	3.68	30.41	141.61
MOLLY	10.20	20.93	28.97
SKULLPANDA	10.25	13.08	35.40
CRYBABY	-	11.65	29.29
DIMOO	7.38	9.10	27.77
Twinkle Twinkle	-	1.21	20.56
HIRONO	3.51	-	17.35
Other Artist IPs	13.20	24.83	33.11
Licensed IPs	10.36	16.01	33.82
Total Revenue from Proprietary Products	58.58	127.22	367.88
Proportion of Revenue from Proprietary Products	93.0%	97.6%	99.1%

Source: Annual Reports of Pop Mart (2023–2025), Beijing Business Today, and China National Radio.
Note: If no revenue is indicated, the IP had not yet been launched in that year.

3.3 Accounting Analysis Based on Financial Statements

Pop Mart employs a dual-engine revenue model driven by both product sales and IP licensing; its revenue recognition methodology is highly aligned with the characteristics of its business operations. Product sales revenue is recognized upon transfer of control of the goods, while IP licensing revenue is amortized using the straight-line method over the contract period. It can naturally and appropriately reflect the logic of the long-term release of IP value. Consequently, the company's revenue growth aligns closely with the substance of its business operations. However, amortizing licensing revenue using the straight-line method may not adequately account for the actual pattern of IP value depletion—particularly when the popularity of the IP declines rapidly—in which case this amortization approach may prove inappropriate. More importantly, revenue is currently still concentrated in the fourth quarter; consequently, seasonal operating risks have not yet been fully disclosed.

Sales expenses, as the largest expense item in Pop Mart's operating period, are the core cost component of its retail-oriented trendy toy profit model. It mainly consists of transportation and logistics costs, e-commerce platform commissions, offline store operating expenses, employee benefits expenses, and marketing expenses. It is a key variable influencing profitability levels. The relatively high proportion of selling expenses indicates that the company’s profit model is highly dependent on channel expansion and market operations. The development of online e-commerce platforms and overseas markets has driven both high gross margins and platform commission costs, while the expansion of offline retail stores and IP marketing activities also require substantial investment in sales operations. Changes in selling expenses directly affect the period expense ratio and net profit level. Given the industry’s characteristic of rapid product iteration, the efficiency of such investments and the company’s cost-control capability largely determine the stability and sustainability of the overall profitability of Pop Mart.

Table 2: Selling Expense Ratio of Pop Mart

	2023	2024	2025
Selling Expenses (RMB 100 Million)	20.05	36.51	31.80
Operating Revenue (RMB 100 Million)	63.01	130.68	371.20
Selling Expense Ratio (%)	31.8	28.0	21.8

IP assets are the most core and substantial component of Pop Mart's value. Therefore, its accounting treatment has a direct and significant impact on earnings quality. Owned IP is recognized at cost, while licensing fees for exclusively licensed IP are capitalized. So the book value of intangible assets has grown steadily, and the trend of IP accumulation is clearly evident. The amortization policy is very well designed. High-value IPs are amortized in installments to avoid excessive squeezing of short-term profits. It also naturally aligns with the characteristics of long-term value creation inherent in IP; consequently, profits are more stable and serve as a more reliable indicator of the company's long-term profitability. But the accounting treatment of IP assets also presents highly evident limitations that warrant serious attention: The cost-based valuation method fails to reflect the true market value of intellectual property (IP). Therefore, the value of assets listed on the balance sheet is systematically underestimated. The market value of some core IPs that are several years old has already far exceeded their initial cost. However, these were not recognized in the financial statements. Corroborating this point, the impairment testing of intellectual property assets inherently requires significant management judgment and, therefore, inevitably carries a risk of subjectivity.

The regional structure of revenue serves as the most direct and clearest reflection of Pop Mart's profitability and growth potential. The company's overall revenue growth has continued to increase over the past three years, and its global expansion has entered a harvest period. Overseas markets have emerged as a core growth engine, naturally and effectively reducing the company's reliance on a single region. Southeast Asia is currently the region with the highest revenue share and the fastest business growth. The North American market, in particular, is in a phase of explosive growth. Regional development remains uneven, and the growth rate of the Chinese mainland market has relatively slowed; the domestic market has now entered a phase of competition over existing market share. The high growth observed overseas serves as an excellent hedge against the more moderate pace of domestic expansion, thereby presenting an optimal opportunity to validate the sustainability of profit models and optimize the allocation of regional resources.

Table 3: Revenue of Pop Mart by Global Regional Markets (RMB 100 Million)

Regional Market	2023	2024	2025
Mainland China	52.35	79.70	208.51

Overseas Markets and Hong Kong, Macau, and Taiwan	10.66	50.68	162.69
Asia-Pacific (Excluding China)	-	-	80.11
Southeast Asia	-	24.00	-
East Asia and Hong Kong, Macau, and Taiwan		13.90	-
North America	-	7.20	68.06
Europe and Other Regions	-	5.50	14.51

Source: Annual Reports of Pop Mart, research reports of China Merchants Securities, and 36Kr.

3.4 Financial Analysis in Comparison with Industry Peers

From the perspective of profitability scale, Pop Mart has established a significant leading advantage through continuously expanding revenue and stable profit performance. Over the past three years, both operating revenue and net profit attributable to shareholders have maintained sustained growth. Its substantial revenue scale has generated significant economies of scale and strong risk-resistance capability. In contrast, 52TOYS and Bloks Group are still in the catch-up stage in terms of revenue scale and continue to face long-term profitability challenges.

Figure 1: Comparison of Operating Revenue among the Three Companies

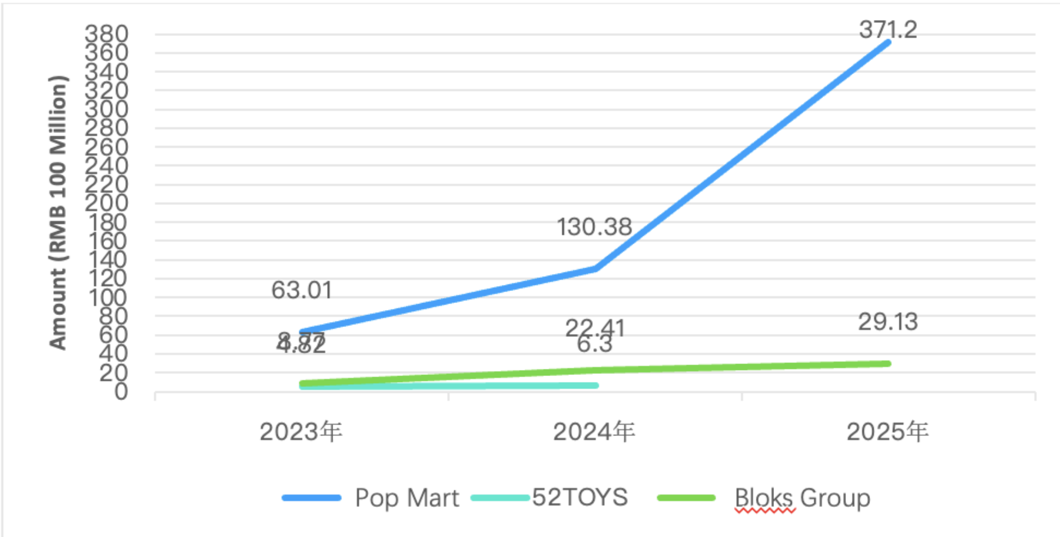
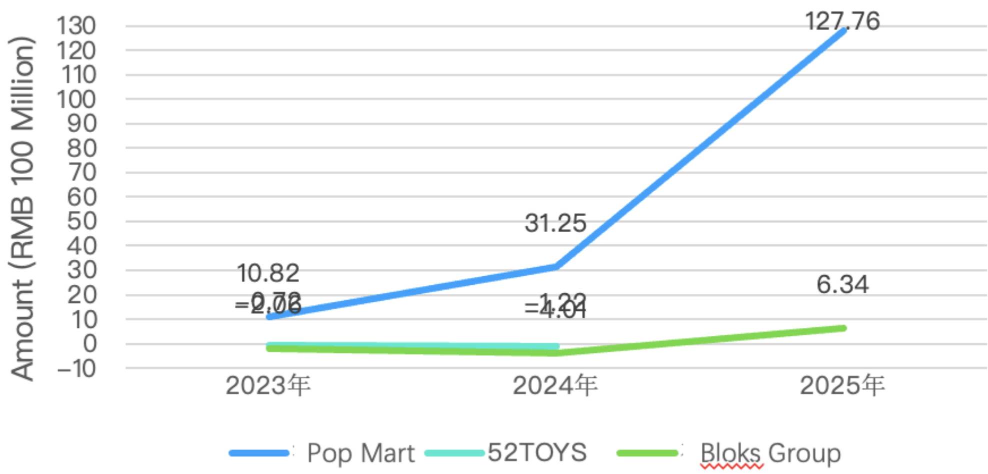


Figure 2: Comparison of Net Profit among the Three Companies



Source: Annual Reports of Pop Mart, the IPO prospectus of 52TOYS, annual reports of Bloks Group, and China Economic Net.
Note: 52TOYS is a non-listed company and is therefore not subject to mandatory annual report disclosure requirements. Its financial data for 2025 have not been publicly disclosed. The data for 2023–2024 presented in the figures are derived from its Hong Kong stock market IPO prospectus.

From the perspective of profitability efficiency, Pop Mart's exceptionally high profit conversion efficiency is clearly evident: The company's gross profit margin and net profit margin have continued to improve, primarily due to the increased proportion of high-margin plush products. This was further compounded by the rapid growth of higher-priced overseas operations. Ultimately, a superior profit margin must be reflected in the ability to create value for shareholders. Therefore, the sustained growth in earnings per share serves as the most compelling and direct proof of Pop Mart's industry-leading position in terms of profitability efficiency. In stark contrast stand the corresponding metrics for 52TOYS and Bloks Group.

Table 4: Profitability Efficiency Indicators of the Three Companies

Company Name	Indicator	2023	2024	2025
Pop Mart	Gross Profit Margin (%)	61.32	66.78	72.10
	Net Profit Margin (%)	17.27	25.37	35.05
52TOY	Gross Profit Margin (%)	40.00	40.00	-
	Net Profit Margin (%)	-14.9	-19.3	-
Bloks Group	Gross Profit Margin (%)	47.33	52.60	46.80
	Net Profit Margin (%)	-23.50	-17.90	21.80

Source: Annual Reports of Pop Mart, the IPO prospectus of 52TOYS, annual reports of Bloks Group, and ET Net.

From the perspective of profitability quality, profitability quality can be discussed as the “quality” of profits. It can also be verified by examining cash flow from operating activities and the degree of its alignment with profit. Pop Mart has an extremely strong cash-generating ability, and its operating cash flow is highly correlated with its net profit attributable to shareholders. The quality of its profit model has been excellently validated. In stark contrast to this, Blue maintains a persistent operating loss; consequently, the quality of its earnings leaves significant room for improvement.

Table 5: Cash Flow from Operating Activities of the Three Companies (RMB 100 Million)

Company Name	2023	2024	2025
Pop Mart	19.91	49.54	-
52TOYS	0.46	-0.08	
Bloks Group	2.85	7.62	-

4. Common Problems in China’s Designer Toy Industry: Insights from Pop Mart

4.1 Three Underlying Risks to Profit Sustainability: Comprehensive Doubts from Foundation to Market

Pop Mart relies excessively on a limited number of core IPs, while its capability to cultivate successor IPs remains insufficient, resulting in an unstable profit foundation. This structural weakness, characterized by “overreliance on a few leading IPs,” reflects the broader crisis of profit sustainability across the entire industry. The industry as a whole has fallen into the misconception of “emphasizing image over content” in IP operations. Many IPs lack well-developed worldviews and narrative depth, leading to extremely short life cycles. Small and medium-sized brands generally lack the ability to incubate proprietary IPs and instead depend heavily on licensed IPs. As a result, they not only bear high copyright costs but also face the risk of license expiration. Consequently, the industry’s IP ecosystem exhibits an imbalanced structure in which “leading IPs dominate while mid-tier IPs lack sustainable follow-up support.”

Driven by the herd effect induced by the blind box mechanism, scarcity marketing has become the mainstream growth logic of the industry. This phenomenon has encouraged “trend-following consumption,” causing consumer decision-making to deviate from the intrinsic value of the IP itself. As a result, the industry has fallen into a vicious cycle of “prioritizing marketing over value.” Companies continuously launch new products to maintain market attention, yet the risks of consumer aesthetic fatigue and declining speculative enthusiasm persist. The traffic-driven growth dividend is rapidly diminishing, and industry expansion increasingly lacks support from genuine consumer demand.

Although leading companies continue to report impressive financial performance, the decline in market valuation reflects a collective reassessment by capital markets of the industry's underlying profit logic. Investors have recognized the fundamental problems of "weak IP foundations combined with bubble-like growth momentum" and therefore hold a skeptical view toward the long-term value of the current profit model. Profitability differentiation within the industry has become increasingly severe. Leading enterprises achieve high profitability by relying on established barriers, while small and medium-sized brands generally remain unprofitable. Furthermore, the entire industry is highly dependent on blind box products and leading IPs. The singularity and uncertainty of this profit structure have intensified market concerns regarding the industry's long-term profitability potential.

4.2 Insufficient Innovation Capability: A Core Constraint on Profit Sustainability

Pop Mart has long relied on blind box figurines as its core product category, while the expansion into new categories still depends heavily on the horizontal extension of existing IP images. Innovation in product forms and consumption scenarios remains relatively limited. This "path dependence"–driven innovation inertia is common throughout the industry and has become a major bottleneck in addressing the underlying risks to profit sustainability. Most companies regard blind boxes as the sole core sales model while neglecting diversified innovation in product forms and consumption scenarios. IP innovation largely remains at the superficial level of visual design, without substantial exploration of storytelling or interactivity, making it difficult to satisfy consumers' increasingly sophisticated emotional demands.

Innovation in business formats also lags behind market trends. Emerging developments such as the digital economy and offline experiential consumption have not been effectively integrated. Consequently, the industry lacks differentiated advantages when competing with digital entertainment forms such as virtual idols and NFT digital collectibles. The homogenization of product forms has further pushed the industry into low-level homogeneous competition, making it difficult for companies to establish core competitive barriers.

Weak innovation capability prevents the industry from responding effectively to changes in market demand, particularly consumers' growing expectations for novelty and immersive experiences. This directly constrains the expansion of profit margins and the sustainability of profit models. In the long run, the lack of innovation not only limits companies' ability to build diversified revenue streams, but also reduces the industry's flexibility in adapting to evolving consumption trends. Once the popularity of the blind box model declines, the industry may face systemic risks of growth stagnation.

4.3 A Single Supply Chain Structure and Insufficient Risk Resistance

The contract manufacturing capacity of Pop Mart is highly concentrated in the Yangtze River Delta region, while the company also relies heavily on external suppliers for key raw materials such as environmentally friendly coatings and specialty plastics. Any regional production disruption or fluctuation in raw material prices may directly affect supply stability. This centralized arrangement represents a typical example of supply chain vulnerability within the designer toy industry. Core contract manufacturing capacity across the industry is concentrated in a limited number of industrial clusters, and the supporting upstream and downstream systems are closely dependent on regional development. Although such concentration can generate short-term industrial coordination and cost advantages, any regional production interruption or logistics disruption may directly undermine the stability of industry-wide supply and trigger production shortages.

The industry is also highly dependent on key raw materials such as environmentally friendly coatings and specialty plastics, whose prices are significantly influenced by fluctuations in international markets. Rising raw material costs directly increase manufacturing expenses across the industry and compress profit margins. In addition, the industry generally adopts large-scale procurement and contract manufacturing models. Small and medium-sized brands often lack bargaining power and supply chain management capability, resulting not only in persistently high costs, but also in problems such as unstable product quality and long delivery cycles, which further constrain the overall development of the industry.

4.4 Imbalanced Market Layout and the Urgent Need to Revitalize Core Markets

In recent years, Pop Mart has devoted substantial resources to overseas expansion, leading to a continuous increase in the proportion of overseas revenue. However, the growth rate of the domestic market has slowed significantly, gradually exposing the problem of insufficient cultivation of the local market. Driven by leading enterprises, the designer toy industry has experienced a wave of overseas expansion. Nevertheless, the slowdown and declining proportion of domestic market growth have created an imbalance between domestic and international markets, weakening the stable domestic foundation required for sustainable profitability. The growth dividends generated by overseas expansion are insufficient to fully offset the slowdown in domestic growth.

The industry generally regards overseas markets as the primary breakthrough point for revenue growth. However, many overseas expansion strategies simply replicate existing products and operational models without sufficient localized innovation. Consequently, companies face multiple challenges, including competition from local cultural IPs, high channel construction costs, and differences in consumer habits, all of which cast doubt on the long-term sustainability of overseas expansion. Meanwhile, as the foundation of industry development, the domestic market has gradually lost growth momentum due to intensified homogeneous competition and the mismatch between product offerings and evolving consumer demands.

The industry's insufficient focus on the domestic market has prevented it from promptly identifying segmented consumer needs and diversifying product and experiential forms, thereby limiting the release of domestic consumption potential. This imbalanced strategy of "prioritizing overseas expansion while neglecting domestic market cultivation" has placed the industry in a difficult position characterized by "an unstable domestic foundation and high uncertainty in overseas markets," further intensifying the risks to long-term profit sustainability.

4.5 Absence of Industry Regulation: External Challenges to Profit Sustainability

The blind box sales model of Pop Mart has long been questioned in terms of regulatory compliance. In particular, the lack of transparency regarding the probability of obtaining hidden editions has triggered consumer complaints and attracted the attention of regulatory authorities. At present, the entire industry still operates within a relatively weak regulatory framework. Policy gaps and inadequate quality standards have become major external factors constraining the sustainability of profitability. These issues have not only undermined consumer trust, but have also placed the industry in a high-risk period of potential regulatory restructuring. The "high premium plus low-probability hidden edition" characteristic of blind boxes remains ambiguously defined, while some companies engage in irregular practices such as non-transparent probability disclosure and the inducement of excessive consumption.

As regulatory policies continue to tighten, requirements such as mandatory probability disclosure and purchase limits are expected to compress the space for extensive operational practices. Companies that rely on non-compliant business methods for profitability may therefore face severe survival challenges. Product quality problems are also widespread throughout the industry. In order to reduce costs, many small and medium-sized brands produce low-quality products characterized by inferior materials and rough manufacturing processes. In some cases, excessive levels of heavy metals and harmful chemical substances have even been detected, leading to persistently high numbers of related consumer complaints.

Such deficiencies in quality standards not only damage consumer rights and interests, but also create an industry-wide crisis of trust. From the demand side, this directly weakens the profitability foundation of the industry and further exacerbates the fragility of its already vulnerable profit model.

5. Optimization Pathways for the High-Quality Development of China's Trendy Toy Industry

5.1 Building a Sustainable Profitability Ecosystem: Consolidating IP Foundations and Growth Drivers

To systematically address the triple threats to earnings sustainability, the industry should tackle the issue from three key angles: IP, growth models, and capital perception. At the IP level, we are driving a shift from focusing on "image" to focusing on "content". Encourage companies to develop their worldviews and create compelling narratives. Establish an emotional connection between the IP and consumers—utilizing formats such as comics, animation, and live-action productions—to extend its lifecycle. Establish a tiered IP incubation system. Support small and medium-sized brands in cultivating distinctive IPs and reducing their reliance on top-tier IPs. Foster a healthy ecosystem characterized by "head-tier leadership, mid-tier support, and diverse niche segments."

In terms of growth momentum, companies should proactively reduce their dependence on the herd effect generated by the blind box mechanism and instead return to the intrinsic value of IPs themselves. By developing limited-edition art collections, scenario-based peripheral products, and experiential consumption formats, enterprises can further explore IP value and establish a growth system centered on genuine user demand. Through refined operational strategies, companies can strengthen user loyalty and avoid growth risks associated with the exhaustion of traffic-driven market dividends. From the perspective of capital market feedback, leading enterprises should take the initiative to disclose their long-term value creation strategies, promote sustainable development concepts, and optimize their profit structures by reducing dependence on single products and business models. In doing so, they can effectively restore market confidence.

5.2 Strengthening Innovation Capabilities: Breaking Through Profit Ceilings and the Stalemate of Homogenization

The industry should systematically construct a comprehensive innovation system, achieving breakthroughs across three key dimensions: product form, IP substance, and the integration of business models. On the product side, we are breaking away from "blind box dependence" and promoting the diversification of product forms and consumption scenarios. While retaining the core blind box product line, we will develop new categories such as interactive trendy toys, scenario-based sets, artist-limited editions, and functional trendy toys. Satisfy Gen Z's multifaceted demands for personalization, emotional resonance, and functionality, thereby establishing a diversified revenue ecosystem.

Innovate storytelling and interactivity on the IP side. Elevating IP from a visual symbol to a cultural symbol involves proactively constructing a worldview and enriching the storyline. Narratives are unfolded through mediums such as comics, animation, and short-form videos, while an immersive experience is crafted by integrating virtual avatar live streaming, interactive online storylines, and AR interactive experiences. At the business-format level, the industry should seize the trend of integrating the digital economy with offline experiential consumption by promoting cross-sector collaboration between designer toys and fields such as cultural tourism, art, gaming, and film and television. Through formats including theme parks, pop-up stores, and IP co-branding activities, companies can build a "designer toy +" ecosystem and establish differentiated competitive advantages. Such efforts would enable the industry to move beyond low-level homogeneous competition and genuinely create new profit opportunities.

5.3 Optimizing Supply Chain Layout: Enhancing Risk Resistance and Stability

The industry should proactively promote a diversified supply chain layout by implementing measures in three aspects: production capacity distribution, raw material security, and support for small and medium-sized brands. In terms of production capacity allocation, core contract manufacturers should be encouraged to expand across multiple regions and industrial clusters. A multi-regional layout covering areas such as the Yangtze River Delta, the Pearl River Delta, and the Chengdu–Chongqing economic zone would help reduce supply risks caused by regional production disruptions or logistics obstacles, thereby ensuring supply stability.

With regard to raw material security, the industry should establish strategic reserve mechanisms for key raw materials. Enterprises should jointly develop strategic reserve systems for highly dependent materials such as environmentally friendly coatings and specialty plastics, while simultaneously expanding both domestic and international procurement channels. Such measures would help offset the impact of fluctuations in international markets on production costs and stabilize industry profitability. In terms of empowering small and medium-sized brands, efforts should be made to strengthen their bargaining power and supply chain management capability. The industry should encourage the joint construction and sharing of supply chain platforms so that costs can be reduced through large-scale procurement. At the same time, digital management systems should be adopted to improve product quality control and delivery efficiency, thereby narrowing the gap between smaller enterprises and leading companies and effectively enhancing the overall risk resistance capability of the industry.

5.4 Balancing Market Layout: Revitalizing the Domestic Market and Expanding Overseas Steadily

The industry should adopt a dual-driven strategy of “deep domestic market cultivation + refined overseas expansion,” allowing domestic and international markets to complement one another. With regard to the domestic market, enterprises should actively explore local market potential and reverse the current imbalance of “prioritizing overseas markets while neglecting the domestic market.” Differentiated products should be developed for various segmented consumer groups, while offline experiential business formats should be vigorously promoted. Through approaches such as themed pop-up stores and immersive experience centers, companies can stimulate offline consumption, release domestic consumption potential, and consolidate the domestic foundation for profit growth.

In overseas markets, the industry should move beyond the extensive expansion model based on simple replication and instead implement localized and innovative operational strategies. Products and marketing plans should be designed according to local cultural customs and consumption characteristics. Companies may introduce festival-limited editions tailored to local markets and cooperate with local artists to develop region-specific IPs. By combining localized operational teams, cross-border e-commerce, and physical retail stores, enterprises can reduce the risks associated with overseas expansion and achieve steady international growth, thereby enabling domestic and overseas markets to mutually reinforce one another.

5.5 Improving Industry Standards: Building a Healthy External Environment and Trust System

The industry should strengthen both policy regulation and industry self-discipline in order to create a favorable external environment for long-term profitability. At the regulatory level, specialized supervision standards for the designer toy industry should be systematically established. The compliance boundaries of the “high premium plus low-probability hidden edition” mechanism in blind box products should be clarified, while operational practices such as probability disclosure and purchase limits should be standardized to protect consumers’ right to information and legitimate interests. In addition, comprehensive product quality and safety standards, along with inspection systems for designer toys, should be established. Specific enforceable limits should be imposed on substances such as heavy metals and harmful chemicals, while strict penalties should be applied to practices involving inferior products or non-compliant materials. Such measures would improve the overall quality level of the industry, eliminate enterprises that rely on irregular profit-making practices, and purify the competitive environment.

At the level of industry self-discipline, the establishment of self-regulatory organizations for the designer toy industry should be promoted in order to guide enterprises toward compliant business practices. Industry-wide quality commitment mechanisms and information disclosure standards should be introduced, encouraging companies to proactively disclose information such as blind box probabilities and product materials. At the same time, consumer complaint and dispute mediation platforms should be established to resolve consumer concerns promptly and appropriately. Through the coordinated interaction between regulatory supervision and industry self-discipline, consumer trust can be rebuilt.

6. Conclusion

Taking Pop Mart as the research object and appropriately applying the Harvard Analytical Framework, this paper conducts a detailed analysis of the company's profit model from strategic, accounting, and financial perspectives.

Pop Mart has established strong and distinctive competitive barriers through mature IP incubation and operation, efficient supply chain management, and an omnichannel distribution layout. However, it must also be acknowledged that the company faces several problems, including excessive dependence on leading IPs, slowing growth of the blind box model, regional concentration of the supply chain, and decelerating growth in the domestic market. These issues essentially reflect the structural contradictions commonly shared by China's designer toy industry during its stage of rapid development. The fundamental problem lies in the questionable sustainability of the current profit model. On the one hand, existing IPs generally lack narrative depth, growth relies excessively on herd effects, and capital market recognition remains limited. On the other hand, the industry is constrained by insufficient innovation capability, fragile supply chain systems, imbalanced market layouts, and inadequate industry regulation.

Accordingly, this paper systematically proposes optimization strategies from five dimensions: IP ecosystem construction, enhancement of innovation capability, supply chain optimization, market layout restructuring, and the establishment of industry standards. The study clarifies that the designer toy industry must reduce its excessive dependence on the blind box model and leading IPs and return to the essential nature of "culture + creativity." Only through coordinated efforts across the entire industry can the sector successfully transition from extensive scale expansion to high-quality and sustainable development, thereby enabling original Chinese designer toy culture to truly reach the global market.

At the same time, this paper also identifies the limitations of existing research. First, due to data availability constraints, the financial data of the selected peer companies do not fully cover the entire three-year cycle. Second, conclusions derived from a single-company case study should be applied cautiously when extended to small and medium-sized enterprises. Future research may therefore expand the range of case samples and systematically examine the psychological mechanisms of designer toy consumption from the perspective of consumer behavior. More importantly, as digital technology becomes increasingly integrated with the cultural and creative industries, the profit model of the designer toy industry will inevitably continue to evolve. How to achieve diversified monetization while preserving the core value of IPs will naturally become a highly promising research direction.

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Conflicts of Interest

The authors declare no conflict of interest.

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