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Premium Mechanism and Consumer Behavior in the Figurine Collectibles Market

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Abstract:

Premiums are intricately tied to the fair value, transactions, and consumption of goods. The impact of premiums on goods is complex and far-reaching, influencing not only the goods themselves but also consumer perceptions, the competitive landscape, and the brand. Pop Mart, a globally leading trend culture entertainment company, has seen its limited edition IP - Labubu, gain immense popularity worldwide. Celebrities and influencers have showcased Labubu limited edition products in the media, leading to a frenzy of consumer purchases and resulting in supply shortages and premium pricing. The price of Labubu limited edition products has surged in the secondary market. This article analyzes and concludes the current factors contributing to the premium situation of Labubu limited edition products, including global economic depression, shifts in consumer psychology, and art creation collaborations. Finally, it delves into the psychological state of consumers behind the purchase of Labubu limited edition products based on these influencing factors.

Keywords: Pop Mart; consumer behavior; blind boxes; Labubu.

1. Introduction

Recently, a global trend in the figurine and toy industry has been paid much attention by the market. With the market heat, a premium is inevitable [1]. The concept of "premium" has long being a subject of instense study that involved in the academic sector in both financial markets and consumer behavior research. Traditionally evauated through the lens of value premium in asset pricing models or premium pricing strategies in luxury goods, the phenonmenon has taken on new dimensions in the modern market place with the rise of intellectual property (IP) driven consumer culture. This research investigates the premium phenonmenon through the case of Pop Mart, a new-introduced figurine and toy industry from China, a Chinese cultural and entertainment enterprise that has revolutionized toy industry through its innovative IP development and premiumization strategies.

Pop Mart remarkablely getting to the sucessful hot point in the industry was from its founding in 2010 to becoming a listed company through the Hong Kong Stock Exchange in December 2020, shows it's fully powerful economic potential of well-developed IP operation in commanding premium prices and cultivating devoted fan bases. With the operations spanning over different continents, over 25 countries and regions, even joined with couples of famous premium brand like Louis Vuitton and Gucci, Pop Mart represents an intriguing case study of how modern IPs can acheive an untouchable stage, have enough strenght to be comparable and competitiveness with an experienced and historical luxury good brands [2].

This study mainly investigates how the premiumization formalized through limited editions and experiential branding. The global market is tending and willing to shift an acceleration towards the premiumization, it was obviously driven by the consumer demand increasing by the unexpectation of the world economy, superior products quality but also the launch of the new novel products. This phenonmenon will be affected by the market pricing power, consumer perception, the value of brand and the marketing intensity of a brand. Pop Mart. It is a latest financial products, and the most popular one in the market is an IP called “The Monster”, It products including Labubu, Zimomo, Cowawa and Mokoko or more. In Pop Mart’s prospectus, this product has certain collectible value, which is also a main reason why the premium phenonmenon occurs.

2. The Influences of the Brand of Pop Mart

Social factor influences like buying this product can be a display of wealth and taste, which owning high-end figurines acts as a Veblen good-higher prices can incease desirability as personal wealth status symbol. The extensive exposure through social media, global cultural export, capital operation are also involved an essential characters in this performance.

Global economy recently is in the poor state, the transferation of people’s mental satisfication from expensive to cheap forced by the trend. The property is during a process of depreciation. However the figurine products are in a stage of value-added. Which from this phenonmenon it can figured out that the economic situation is not optimistic, a global economic depreciation generate the decrease of the average salary which lead to a tendency of small-scale consumption [3].

In this situation, the development of network brings the convenient of product’s advertisement and marketing. It brings us the convenience from the diverification and improved quality of such products resulting from the competition of large-scale homogeneous products have led to an increase in market size. This action also influencing the brand value premium, making capital choose to invest in this aspect, which it can easily find it in today’s market, capital operation and high market popularity.

3. Financial Data Analysis of Pop Mart

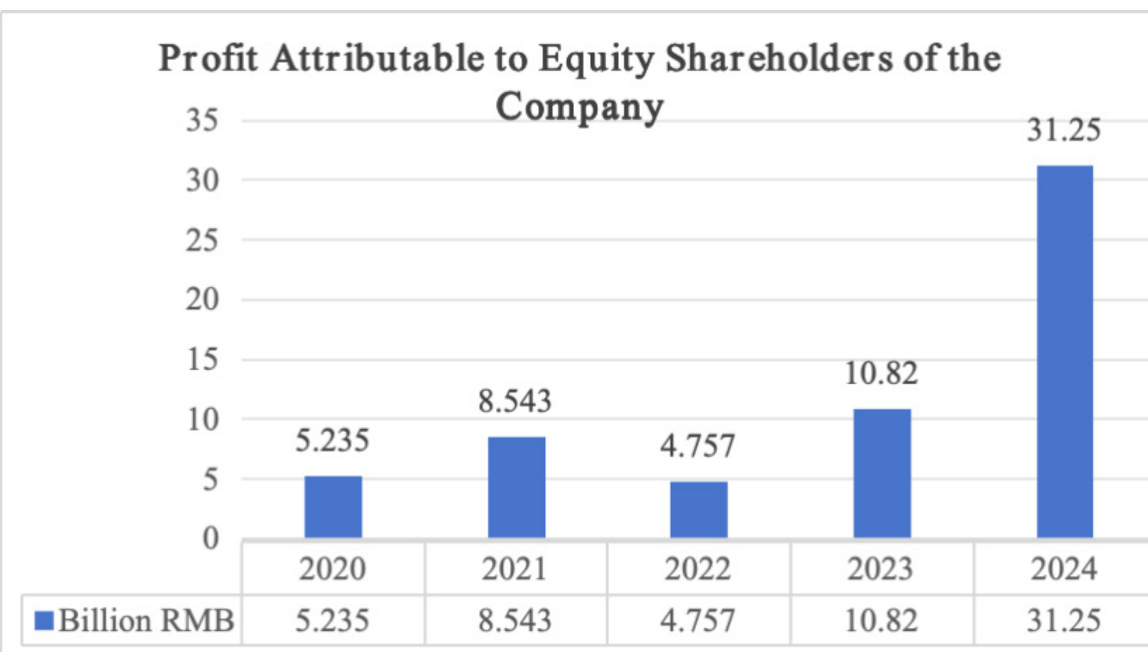

Fig. 1 Profit Attributable to Equity Shareholders of the Company (Picture credit : Original)

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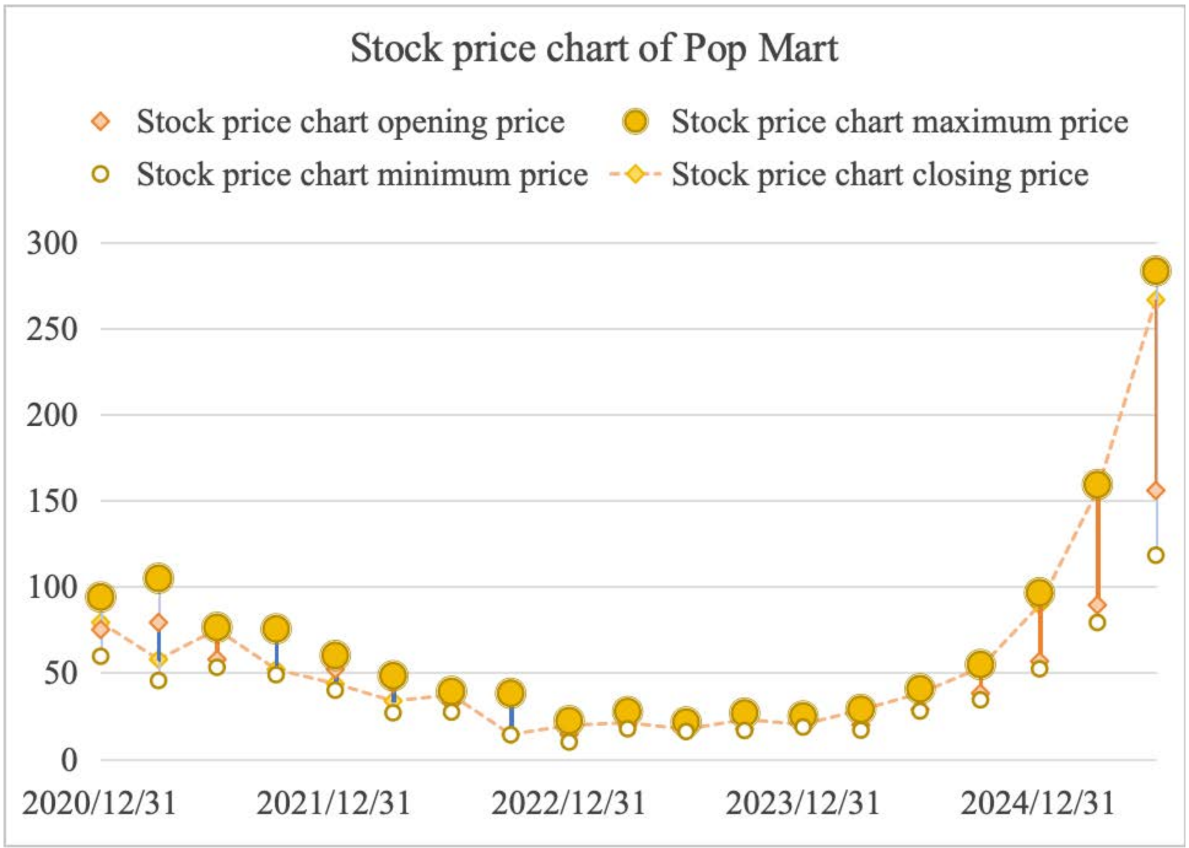

Fig. 2 Stock price chart of Pop Mart (Picture credit: Original)

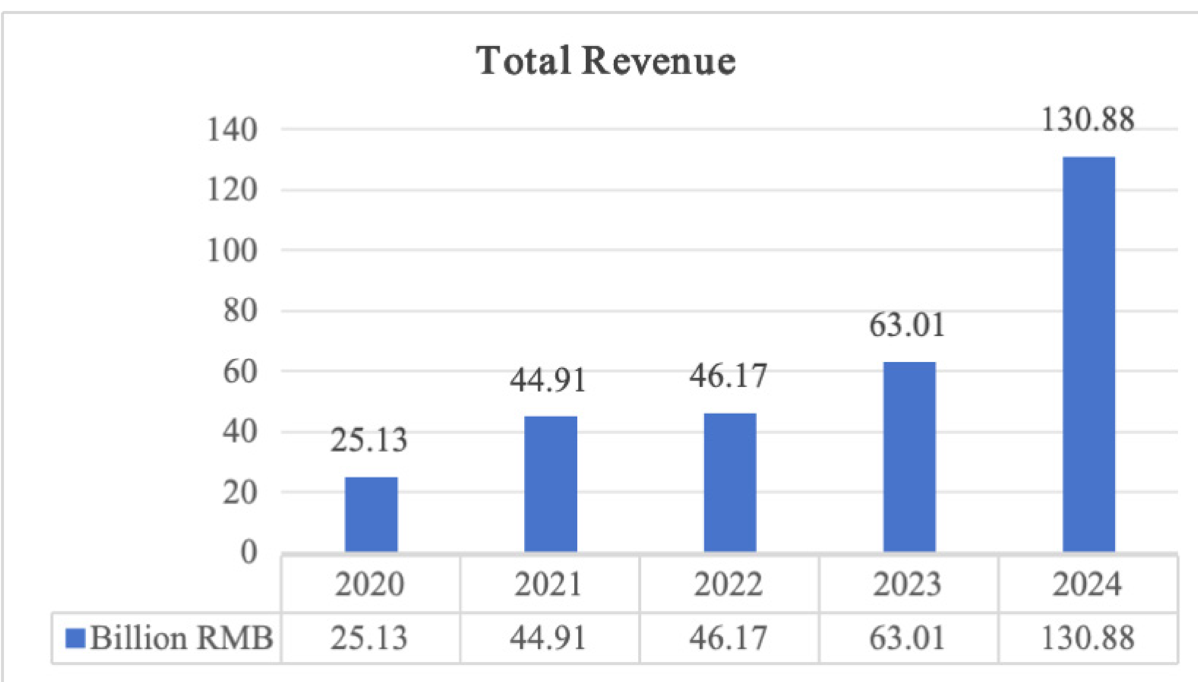

Fig. 3 Total revenue (Picture credit: Original)

In the figure 1, it shows the profit attributable to equity shareholders of the company .In 2024, the net profit attributable to the parent company saw a remarkable surge, soaring from 10.82 billion RMB in 2023 to 31.25 billion

RMB in 2024. This substantial increase in net profit has bolstered investor confidence and subsequently influenced changes in the company's stock price, demonstrating the company's continuous strengthening of profitability in key business areas such as expanding the blind box sales channel and developing character IP. Pop Mart has identified promising trend artists and designers on a global scale, integrating unique operational ideas and designers to successfully create multiple popular cultural IP characters in the trend field. In the character IP series, the company continues to increase investment in product design innovation to enhance product diversity and meet consumer needs.

Figure 2 shows the net profit of Pop Mart in different months are showing an upward trend [4]. In 2024, the outstanding IP operation capabilities, and the excellent performance in product category expansion and innovation, Pop Mart successfully lauched new product series of several classic IPs, and also incubated multiple new IPs. These new products were highly favored by fans. Meanwhile, Pop Mart continuously provided consumers with high-quality products and services. These measures further enhanched the brand's global recognition and reputation of Pop Mart, significantly promoted the growth of sales performance, and demonstrated strong brand market competivity. Which it can see from 2024/10/3, there's a high pull-up in this period.

Figure 3 shows the total revenue of Pop Mart Company, it is clearing that total revenue increases progressively. It can infer from this chart diagram that the products in Pop Mart Company is more and more attractive for consumers. More and more consumers interest in buying blind box. There is a significantly increase in total revenue between 2023 and 2024,which shows that there was dryness-fire in Pop Mart's blind box.

4. The Psychological Factors Behind Consumers when They Buy Blind Boxes

The principle of scarcity is used by marketers to enhance the consumer desire for products. Marketers usually base on the principle of scarcity to drive promotions, in order to make products more appealing to consumers. The concept of "Loss Avertion" make consumers panic. For example, when marketers provide A limited edition of new product, consumers may feel the urgency to purchase, fearing that they will loss the chance to buy if they don't act immediately. As a result, the sense of emergency will force consumes to buy the product [5].

Consumers tend to overestimate the probability of rare events to happen and underestimate the probability of common events to happen. Also, influenced by the "hot-hand effect", consumers generally suppose that "several failures will lead to success [6]. For example, consumers usually overestimate the probability of winning a desire design in the blind box and underestimate the probability of drawing an underdesired design that they don't like in the blind box. Therefore, the expectation of having desired design drastically increases. Furthermore, consumers suggest that "several failures will lead to sucess", which encourages consumers to buy the same blind box series repeatedly until they have desired design.

In 2024, the rate of consumers to buy the same blind box series repeatedly was 49.4%. Many users in the social media gain attention and likes by releasing videos about blind box opening. The follow of fans give virtual companion ship to social media users, forming alternative social satisfaction [7].

An Increase in demand or a decrease in supply will enhance the value of goods. Investors buy the products at lower price, and then sell them at higher prices in order to make some profits during this process. For example, consumers will treate buying blind box as an investment according to the "Arbitrage Principle". After buying the series of "Labubu"IP products, because of the dramatic increase in heat rate of "Labubu"IP, consumers can resell them and make profit from the difference in prices.

The trade of second-hand blind box has been 20558 times in the past three months.When consumers buy a single product in a serie of products, they tend to continue buying other products in this serie, this can bring them a sense of safety [8]. The compulsive impulse of having all the sets origins from the need of getting the sense of control. Consumers classify the expenditure used for buying blind box as the entertainment expenses, so they prefer to spend the money in this mental account. In comparison to an emergency fund, the allocation of funds to the entertainment category in the mental account can reduce the sense of guilt associated with spending. For example, when consumers considers whether to buy an additional unit of blind box, the thought of "it only costs the same as a cup of coffee" will increase their willing ness to make the purchase again.

Sunk cost is uncollectable, so that consumers should ignore sunk cost and consider the cost and profit in the future [9]. In contrast, consumers usually take sunk cost as an important factor in the next investment in real life. Contributed capital makes consumers develop risk aversion, forcing them to invest constantly until getting satisfied results. For example, when consumers don't get the designs of blind box they like, they will have the thought

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of "I have already put into so much money, if I don't get the design I want, these money will make no sense to me". This kind of thoughts will force them to invest continually until they get the satisfied results [10].

5. Conclusion

In the conclusion, this research investigates the premium phenonmenon through the case of Pop Mart, demonstrating consumers' mental activity when they buying the blind boxes. It cleared that there are multiple psychological factors act together when the boundedness of this study is thst there is a small amount of data can be threated as evidence of consumers' mental activity it find it is hard to prove the correctiveness of the conclusion of consumers' mental decisions when they buying the blind boxes.

Character IP serves as the fundamental driving factor behind Pop Mart's business, with the aim of fully satisfying consumers' needs and desires through innovative products, top-notch service experiences, and various forms of entertainment. By developing high-quality and unique popular toys, delivering professional and top-quality and unique popular toys, delivering professional and top-quality services, and hosting a range of interactive entertainment activities, it endeavor to provide consumers with delightful enjoyment and artistic influence, continuously boost Pop Mart's brand value, enhance user loyalty and customer retention, cement our leading position in the industry, and maintain strong vitality and competitiveness.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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