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The Drivers Behind the Popularity of Pop Mart's Labubu Series: A Three-Factor Synergy Model with Financial Analysis

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ABSTRACT
The current article looks at the variables that have contributed to Pop Mart's Labubu series' explosive popularity in China's designer toy market, as well as the implications for the company's profitability. Unlike most intellectual properties (IPs) that are based on film or animation narratives, Labubu is a "storyless IP" that has gained extensive consumer resonance through product aesthetics, marketing strategies, and emotional appeal. This study proposes a Three-Factor Synergy Model—design power, marketing power, and emotional power—to explain Labubu's success using secondary data analysis, comparative case studies, text mining of consumer-generated material, and financial analysis (ROA, ROE, and DCF estimations). The findings show that, while Labubu significantly improved Pop Mart's operational efficiency and shareholder value, the company's current market price reflects an unusually high level of optimism beyond fundamentals. Thus, the study adds to both cultural intellectual property theory and financial analysis by emphasizing the dual role of consumer-driven emotional value in driving firm performance and shareholder sentiment.

KEYWORDS
Pop mart; Labubu; Storyless IP; Consumer culture; Financial analysis

1 Introduction

Pop Mart International Group has emerged as the leading player in China's rapidly expanding designer toy market. Since its inception, the company has grown from a niche toy shop to a cultural behemoth with global aspirations. The release of the Labubu series in 2019 represented a watershed moment for Pop Mart. Within a few years, Labubu had become both a cultural symbol and a commercial generator, accounting for more than 30% of Pop Mart's overseas revenue by 2024 [1]. Such rapid growth is remarkable for any IP, especially one without a backstory in cinema, comics, or gaming.

The growth of Labubu correlates with larger structural changes in consumer markets. Over the last decade, China's middle class and Generation Z have amassed enormous spending power. Designer toys, formerly considered a specialist sector, have become mainstream lifestyle staples. These objects exist at the crossroads of art, fashion, and entertainment, representing both cultural and speculative financial value [2-3].

Labubu's theoretical approach calls into question traditional notions of intellectual property monetization. Historically, intellectual creations attain commercial life by becoming embedded in narrative ecosystems—Disney characters thrive in films, Marvel heroes in comics and cinematic worlds, and Japanese anime characters in cross-media franchises [4]. Despite the lack of an organized narrative or cinematic universe, Labubu has managed to captivate a large amount of user attention. This "storyless IP" phenomena underlines a paradigm shift: emotional and aesthetic resonance can be just as effective as narrative in producing cultural capital [5-6].

The goal of this research is to bring together two perspectives: cultural analysis, which emphasizes community, aesthetics, and identity, and financial analysis, which focuses on profitability, growth, and valuation. This research introduces the Three-Factor Synergy Model—design power, marketing power, and emotional power—to provide a comprehensive explanation of Labubu's success and its implications for Pop Mart's performance [7-9].

2 Literature review

2.1 Blind box mechanisms and behavioral economics

Blind box consumption has become a defining characteristic of the designer toy business. Wang [5] shows that randomized distribution, particularly the low probability of hidden editions (as few as 1/144), mimics gambling-like reinforcement mechanisms. This method fosters recurrent purchases, which breeds consumer addiction. Behavioral economics research on gaming loot boxes offers similar insights: uncertainty increases emotional arousal, resulting in higher spending and reduced price sensitivity [5].

2.2 Emotional consumption and identity formation

According to Li [3], 72% of China's Generation Z buyers see designer toys as emotional companions rather than

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treasures. This approach is consistent with broader trends in identity consumption: objects are increasingly viewed as extensions of oneself, conveying personal beliefs and social affiliation. Bourdieu's cultural capital theory provides an interesting perspective: Labubu's possession serves as a symbol of taste and subcultural membership, distinguishing customers within peer groups [3].

2.3 Personified design and the "ugly-cute" aesthetic

Zhang [6] examines the embodiment of IP characters such as Labubu, who are contradictory—melancholic yet cute, hideous yet reassuring. This duality appeals to young consumers experiencing psychological stress, providing both laughter and healing. Smith [7] refers to this as the "ugly-cute" aesthetic, which challenges traditional notions of beauty and gives consumers with new avenues for self-expression.

2.4 Community and secondhand economies

Chen [2] emphasizes the importance of community in preserving designer toy cultures. Online and offline trading platforms, such as Xianyu, serve as secondary markets with resale premiums that can range from 10 to 30 times retail pricing. These markets increase the symbolic worth of toys and deepen consumer loyalty by turning ownership into a type of social currency [2].

2.5 Globalization and localization strategies

Huang and Miller [8] document Pop Mart's strategic growth throughout Southeast Asia, highlighting cultural localization. Pop Mart achieves resonance in new areas by adapting product lines to regional tastes and engaging with local influencers. This indicates the scalability of Labubu as a cultural product and emphasizes the significance of global cultural adaption [8].

2.6 Emotional release and the adult toy economy

Johnson [9] places designer toys within the larger category of adult emotional consumption products. Toys like Labubu can help urban professionals deal with work-related stress. This is consistent with broader market trends emphasizing self-care and psychological well-being [9]. Taken together, these studies indicate that Labubu's success stems from the convergence of behavioral economics, cultural identification, aesthetic design, community dynamics, and worldwide marketing techniques [2-9].

3 Research objectives

The purpose of this study is to: (1) identify the three primary drivers of Labubu's success (design, marketing, and emotional value); (2) assess Labubu's financial impact on Pop Mart's corporate performance; and (3) propose the Three-Factor Synergy Model as an explanatory framework.

4 Methodology

4.1 Data sources

The research uses both primary and secondary data. Corporate annual reports from 2020 to 2024 gave information about Pop Mart's financial performance [1]. Industry reports, investor presentations, and media coverage provided additional context [10-11]. To extract consumer-generated material, text mining algorithms were applied to three social media sites (Weibo, Douyin, and Xiaohongshu). Resale data from Xianyu was utilized to monitor price premiums and secondary market dynamics [2].

4.2 Comparative case studies

To contextualize Labubu's success, it was compared to DIMOO, another popular Pop Mart IP, as well as foreign benchmarks like Bandai Namco and Funko [10-11]. These comparisons highlight both cultural and economical differences.

4.3 Text mining of social media

A dataset of over 100,000 customer posts mentioning "Labubu" from 2019 to 2024 was gathered. Natural language processing (NLP) was used to do sentiment analysis and keyword frequency analysis. This allowed for the identification of common themes such as healing, camaraderie, and collector pride [3,6].

4.4 Financial analysis

Financial metrics included return on assets (ROA), return on equity (ROE), gross and net margins, and cash flow patterns. A Discounted Cash Flow (DCF) model was developed using WACC assumptions of 9%, revenue growth of 15%, and terminal growth of 2% [1,10-11]. Sensitivity analysis was used to determine the robustness of valuation results.

4.5 Limitations

The availability of data limits the scope of this investigation. Social media analysis focuses mostly on Chinese platforms, with little coverage of Western markets. Financial analysis is based on publicly available reports, which may not contain precise segment-level data. Nonetheless, combining qualitative and quantitative methodologies results in triangulated findings [4,7].

5 Findings

5.1 Consumer dimension

Design power: The distinctive 'ugly-cute' traits raised transaction values [7]. Marketing power: Blind box scarcity, limited editions, and celebrity endorsements boosted virality [5,7]. Emotional power: User-generated content focused on healing, camaraderie, and collector value [3].

Table 1 Comparative analysis of labubu and DIMOO performance indicators

Indicator	Labubu	DIMOO
Social media popularity (Weibo/Douyin views)	5.8 billion	3.2 billion
Resale market premium (hidden editions)	10–30× retail price	3–5× retail price

(Data compiled from Weibo, Douyin, and Xianyu secondhand platform [2024])

In addition to qualitative insights, comparative data between Labubu and DIMOO demonstrate Labubu's higher customer traction. As seen in Table 1, Labubu exceeds DIMOO in terms of social media popularity and resale market premiums.

5.2 Financial dimension

Figure 2 illustrates the trend in Return on Assets (ROA) for Pop Mart, Bandai Namco, and Funko between 2020 and 2024 [1,10-11].

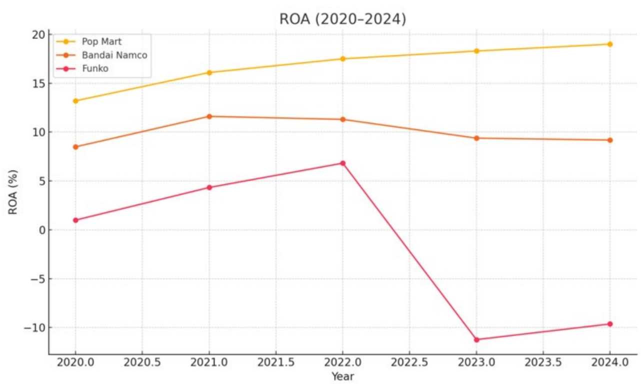

Figure 2 Return on Assets (ROA) of Pop Mart, Bandai Namco, and Funko, 2020–2024

Data compiled from Pop Mart (2024 Annual Report), Bandai Namco (2025 Consolidated Financial Report), and Funko (2024 Form 10-K) [1,10-11].

Similarly, Figure 3 presents the Return on Equity (ROE), showing Pop Mart's steady climb to 27.8% in contrast to Funko's severe post-2022 decline [1,10-11].

As observed in Figure 4, assuming WACC = 9%, growth = 15%, and terminal growth = 2%, the DCF model indicated a fair value of 60.24 HKD per share, compared to a market price of 246 HKD. Sensitivity analysis revealed valuations ranging

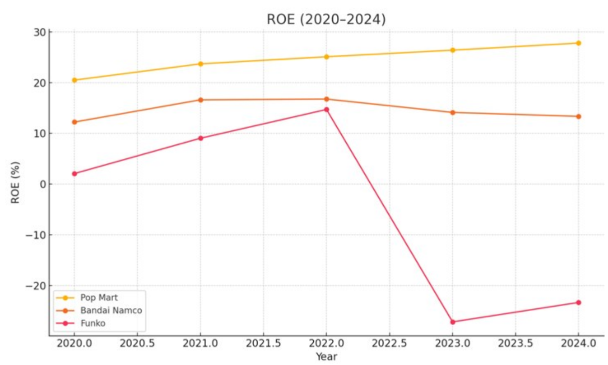

Figure 3 Return on Equity (ROE) of Pop Mart, Bandai Namco, and Funko, 2020–2024

Data compiled from Pop Mart (2024 Annual Report), Bandai Namco (2025 Consolidated Financial Report), and Funko (2024 Form 10-K) [1,10-11].

from 53 to 70 HKD, indicating a substantial reliance on growth-related assumptions [1].

6 Discussion

6.1 The paradox of “storyless IP”

Labubu proves that story depth is not the only determinant of IP success. Instead of storytelling, design and emotional resonance can establish cultural legitimacy through aesthetic uniqueness and consumer narratives [5, 6]. This contradicts current IP theories that prioritize narrative ecosystems [4].

6.2 Emotional value and investor sentiment

The emotional resonance that drives consumer demand also affects investment sentiment. Pop Mart's inflated market price reflects both business fundamentals and speculative optimism in Labubu's cultural longevity. The interaction of consumer psychology and capital markets demonstrates how emotional economies influence financial outcomes [7-9].

6.3 Managerial implications

To sustain expansion, Pop Mart must carefully manage the lifecycle of Labubu. Overreliance on a single IP increases the danger of consumer fatigue and valuation collapse. Diversification into new intellectual property, digital products, and overseas markets is necessary [8,10].

6.4 Theoretical contributions

The Three-Factor Synergy Model combines design, marketing, and emotional value as mutually reinforcing drives. This paradigm broadens cultural IP theory by acknowledging non-narrative paths to success, while also improving financial analysis by bringing cultural and emotional components into valuation dynamics [2-6].

7 Conclusion and implications

This study contributes to cultural studies and financial analysis by illustrating how design, marketing, and emotion work together to drive the success of Pop Mart's Labubu line. It emphasizes the contradiction of "storyless IP" success, the influence of emotional consumption on investor mood, and the dangers of overvaluation [1,4,7].

For practitioners, the findings highlight the importance of balanced IP management strategies that consider both cultural resonance and financial sustainability. For academics, the findings open up new opportunities for investigating the confluence of consumer culture and financial markets [3,5,9].

Future research should look into cross-cultural disparities in Labubu's reception, the ethical implications of blind box mechanics for young consumers, and the long-term viability of emotion-driven markets [8,10-11].

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