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Consumption Upgrading and Industrial Integration Driven by Trendy Toy Culture: A Case Study of Pop Mart's Development Trends in the Southeast Asian Market

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Abstract. In recent years, with the rise of global trendy toy culture and the accelerated internationalization of China's cultural and creative industries, the 'Guzi' economy, represented by trendy toys, is becoming a significant force driving consumption upgrading and industrial integration. This paper takes Pop Mart's development in the Southeast Asian market as a case study to explore how trendy toy culture influences consumer behavior transformation and the restructuring of industrial value chains in the region. Through the ways of 'emotional consumption' and 'symbolic consumption', Pop Mart stimulated the collection and social needs of Generation Z users in Southeast Asia and achieved great success in the market of trendy toys. There are still some problems to be solved. This paper discovers the problems of big cultural differences, difficulty in local sales, and increasing market competition. Then, the paper also explores the reasons for these problems. Finally, the paper puts forward the strategies for overseas sales of trendy toy brands. They should pay attention to the balance between 'global brand unification' and 'local market differentiation' to ensure the continuous source of vitality. This not only expands the application of the research on trendy toy economy and international business in overseas emerging market, but also provides solutions and suggestions for the Chinese cultural and creative enterprises to go global, which promotes the upgrading of consumption and industrial integration based on the culture of trendy toy.

Keywords: Pop Mart, Southeast Asian market economy, industrial integration, consumption upgrading

1. Introduction

With the emergence and widespread popularity of 'trendy toy' culture, 'trendy toys' have progressed from a small subculture to a worldwide youth culture and consumption symbol. At the same time, the development of social media and trendy toy conventions promote the worldwide dissemination of trendy toy culture and form fan bases.

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In recent years, as consumption upgraded and new consumer brands emerged in China, the main consumers of China's trendy toy market were Generation Z, who were willing to pay more for design and feelings, which is the whole concept of 'consumption upgrading'. As the No.1 player in China's trendy toy industry, Pop Mart, based on its unique business model 'IP incubation + blind box model + omni-channel operation', successfully seized this opportunity and exploded growth, becoming the new representative of Chinese culture going global.

Trendy toy industry is itself the result of the deep integration of cultural industry, toy industry, retail industry and art industry. The business model of Pop Mart also promotes the cross-over collaboration between IP and film industry, game industry, theme park, etc, which is the 'culture and consumption' industrial integration trend.

In addition, the consumer population in Southeast Asia is enormous and the masses are young. The rapid economic development of Southeast Asia leads to the continuous enlargement of middle class. The consumption characteristics of these people are similar to those of China's Gen Z, which is a broad base for the dissemination of trendy toy culture. What's more, the region is one of the key links of 'Belt and Road' Initiative and one of the top choices for Chinese companies going global.

By conducting an in-depth exploration of the issues in Pop Mart's development within the Southeast Asian market, this paper aims to understand the current state of its expansion there. This contributes to adding relevant case study experience and enriching theoretical research knowledge. Furthermore, through a deep understanding and application of different theories, while integrating theory with practice, it provides various opinions and suggestions for addressing the challenges in Pop Mart's Southeast Asian market development.

It also offers practical references in marketing, channel construction, IP operation, and community management for other Chinese new consumer brands and cultural and creative enterprises intending to expand overseas, serving as a model. Finally, it also helps investors gain a deeper understanding of the global growth potential and risks associated with the trendy toy industry and similar new consumer sectors.

By searching databases such as CNKI and other authoritative domestic and international official databases, a substantial amount of literature on characteristic agricultural development was located. Through summarizing, synthesizing, and analyzing various viewpoints within the literature, relevant theoretical foundations and knowledge pertaining to trendy toy culture and Southeast Asian market research are applied to this paper

By selecting several representative typical Southeast Asian countries, such as Singapore and Thailand, Pop Mart's expansion in the Southeast Asian market will be studied as an in-depth case. Through the analysis and collection of secondary data including Pop Mart's annual reports, official news and so on, its market entry modes, product strategies and supply chain management will be systematically reviewed, providing important reference for subsequent research and proposal of countermeasures.

Firstly, identifying the core factors in the Southeast Asian market, such as social needs, emotional companionship, collecting habits, and trend identity that drive consumers towards upgraded consumption for trendy toys, thereby revealing the underlying driving mechanisms. Secondly, analyzing the characteristics of industrial integration systematically embodied by Pop Mart's business model in the Southeast Asian market, particularly in IP operation, online and offline channels, and cross-over collaborations with other industries. Finally, based on the research findings, providing actionable strategic recommendations for the global development of Chinese trendy toy enterprises and other cultural and creative enterprises.

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2. Conceptual definition and theoretical foundation

2.1. Conceptual definition

2.1.1. Trendy toy culture

Li Yongjian and Liu Zonghao in their article 'The Trendy Toy Industry: A New Engine for Cultural Consumption and Economic Growth in the New Era,' elaborated on the concept of trendy toy culture: 'Trendy toys are toy products themed around trendy culture, designed and created by designers or artists, integrating various elements such as painting, sculpture, and art, possessing a unique artistic style [1]. Trendy toys are different from traditional toys in that the focus of toys is to carry trendy culture and artistic creation. Designers or artists create carefully according to unique aesthetic ideas and cultural symbols, bestowing trendy toys with more complicated cultural symbols and fashionable elements. The biggest difference from traditional toys is that the value of emotion and art go beyond simple utility. Their unique value makes trendy toys become a kind of composite carrier that combines popular culture and collecting culture. Trendy toy products will definitely be bound to IPs. By creating a strong sense of identity and emotion through marketing strategies like limited edition and blind box.

2.1.2. Consumption upgrading

Consumption upgrading means that consumers' focus is no longer on the utilitarian value of products, but on the emotional value, feeling of beauty and even social identity. In other words, consumption upgrading in Southeast Asian market means that when facing an increasingly large middle class and more disposable income, young consumers are no longer satisfied with material life but seek personalized consumption experience. Therefore, there is vast market for those products like trendy toys, which can give consumers' emotional values and social attributes.

2.1.3. Industrial integration

Industrial integration refers to the process in which different types of industries or sectors in the same industry interpenetrate, intersect and later integrate gradually forming a new industry. The trendy toy industry is a typical industry integrating cultural industry and traditional manufacturing and retail industry. It covers IP creation, design and manufacturing, online and offline retail, exhibition experience forming new value chain and industrial model.

2.2. Theoretical foundation

2.2.1. Consumer behavior theory

Jean Baudrillard, a French sociologist, believed that consumption is not only the process of meeting consumers' physical needs, but also the process of appropriating and using symbols. Consumer behavior theory is a cross-disciplinary science that studies the psychological process and behavior of consumers in the process of obtaining, using and disposing of products and services. It focuses on investigating consumers' motivation in the decision-making process, influencing factors and the final goal of the decision-making process. It intends to understand and predict consumers' behavior and provides an theoretical basis and basis for decision-making for corporate marketing strategies, including product strategy, price strategy, place strategy and promotion strategy.In this paper, using

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consumer behavior theory to analyze trendy toy consumption can deeply explain purchasers' phenomena, including purchase motivation, purchase psychology and purchase decision-making. This theory provides a systematic analytical basis for this paper. By using this theory, this paper can go beyond phenomena and deeply understand the complex inner world and decision-making logic of trendy toy consumers and explain why this business model is so popular.

2.2.2. Industrial integration theory

Industrial integration theory describes and explains the dynamic process whereby initially distinct industries with clear boundaries and division of labor, driven by factors such as technology, market forces, and corporate strategy, see their boundaries gradually blur, shrink, or even disappear, eventually merging into a new industrial system or creating entirely new formats. Its core connotations include the breakdown of traditional industrial classifications, such as the boundaries between primary, secondary, and tertiary industries. For example, the integration of manufacturing and service industries forms 'producer services,' while the integration of culture and technology forms the 'digital creative industry.' It also involves the deconstruction and reorganization of value chains from different industries, forming new value creation links and value networks. For instance, smartphones integrate the value chains of multiple industries such as communication, photography, music, and payment. The ultimate outcome of industrial integration is the creation of new markets for products or services.

In this paper, industrial integration theory is used to analyze how Pop Mart's market entry strategy has generated significant integration and ripple effects on related local industries in Southeast Asia. It provides a perfect theoretical foundation for analyzing the development path of integration between the trendy toy industry, the cultural and tourism industries, and the retail industry driven by Pop Mart in the Southeast Asian market.

2.2.3. Consumption upgrading theory

Consumption upgrading theory is an economic and sociological concept that describes the systematic and hierarchical evolution of consumers' demand structures, consumption concepts, and behavioral patterns as household income levels rise and society progresses. Its core is the transition from lower-level needs to higher-level needs, specifically manifested as shifts: from 'quantity' to 'quality'; from 'function' to 'experience'; from 'material' to 'spiritual'; from 'conformity' to 'individuality'; and from 'necessities' to 'non-necessities/taste-based goods'.

In this paper, consumption upgrading theory is used to analyze the internal logic of how trendy toy culture drives consumption upgrading in Southeast Asia. Furthermore, it provides an explanatory framework encompassing both the macro background and micro motivations for analyzing Pop Mart's success in the Southeast Asian market.

3. Analysis of Southeast Asia's economic and socio-cultural environment

3.1. Economic environment: growth potential and digital wave

With 1.68 billion people, South Asia is a region with a large population in the world [2]. With a GDP of $3.2 trillion and a growth rate of 5.2%, it holds the fourth position worldwide [2-4]. The middle class in this region is expanding rapidly, and the adoption of digital lifestyles is increasing among local people. As a result, a vast market of trendy toys is created.

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Besides, Southeast Asia's e-commerce market is expanding rapidly. In 2021, its scale reached $120 billion, a 62% year-on-year increase, and it is expected to reach $234 billion by 2025 [4,5]. The region's internet economy is also developing swiftly, expected to reach $50 billion by 2025. This digital wave provides a solid foundation for online sales of trendy toy brands.

Economic Analysis of Southeast Asian Countries Creates Various-tier Market Opportunities for Trendy Toy Brands: As a mature market with $57,800 per capita GDP and 84% internet penetration, Singapore is a perfect choice for high-end trendy toys; Thailand ($7,274 per capita GDP) and Malaysia ($11,239 per capita GDP) are middle-income countries with purchasing power for mid-price trendy toys; Indonesia, the Philippines and Vietnam are low-income countries with per capita GDP ranging from $3,000 to $4,100, all of which have a huge demand for cheap trendy toys. Companies can earn more profits by selling different price level products in different countries.

3.2. Demographic structure: youthful population and urbanization

The Southeast Asian population is generally considered to be young. According to the proportion of the population aged 20-49 in Southeast Asia, it is 45.3%. In general, the proportion of Generation Z born between 1995 and 2009 is over 20% in each country. Indonesia's median age is only 30.9. The proportion of the Generation Z population is 24% and the proportion of the Alpha generation is 23%. A youthful population structure offers a natural audience base for the diffusion of trendy toy culture.

In addition, the urbanization rate in Southeast Asia is still on the rise. The urbanization rate of Singapore and Malaysia is 100% and 79%, respectively. The urbanization rate of Indonesia, Thailand and the Philippines fluctuates between 54% and 70%. Urbanization leads to a change in the consumption concept and the rapid development of shopping malls as a physical space for the emergence of offline stores for trendy toys.

3.3. Sociocultural characteristics: multiculturalism and high social media engagement

In recent years, Southeast Asia has been influenced by Chinese, Western, Indian and Islamic cultures. This gives rise to an atmosphere of cultural collision and convergence. Various cultural forces give Southeast Asian consumers receptivity to foreign cultural products. On the other hand, it highlights Southeast Asian cultural identity.

From the size of the total social media user base in Southeast Asia, there are a total of 440 million users, and the total population using social media accounts for 81% of the total population. Southeast Asian users spend an average of 3.6 hours on their mobile internet, which is about one hour more than any other region in the world. Thais spend about 4.2 hours on the internet per day, and Indonesians spend about 3.9 hours on the internet per day. This shows that there are extremely high penetrations of TikTok, Instagram and Facebook among Southeast Asian people, laying a solid foundation for trendy toy brands to engage in social media marketing.

The socio-cultural environment lays the foundation for the diffusion of trendy toy culture. The highly participative social media environment, youthful population structure, and multicultural and inclusive social culture make Southeast Asia an ideal destination for the global diffusion of trendy toy brands. However, differences in culture and economy in the region require that trendy toy brands adopt different strategies to enter and expand in various markets.

4. Pop Mart's market expansion strategy in Southeast Asia

4.1. Analysis of entry and expansion strategy

Pop Mart adopted a 'phased market entry with adaptive operational models' strategy for its Southeast Asian expansion.

Given its sequential entry into Southeast Asia, Pop Mart entered the market with Singapore as it is a relatively mature market with high consumer spending power [6]. Only after its marketing model was proven successful in Singapore did Pop Mart entered other high-potential markets such as Thailand and Malaysia [6,7]. Finally, Pop Mart entered emerging markets such as Indonesia and the Philippines [6].

Finally, Pop Mart gained an incrementally phased entry into Southeast Asia.In terms of entry models, Pop Mart is not inclined towards a 'one-size-fits-all' approach. Instead, it flexibly integrates company-owned stores, joint-ventures and distribution collaborations based on the market context. For example, it formed a joint-venture with Minor International in Thailand to utilize local resources for rapid channel penetration; it adopts direct-operation in developed markets such as Singapore to maintain control of the brand; and it relied on distributors to enter markets for their initial exploration elsewhere. Distributors have greater understanding of the local situation, so they can help companies navigate the initial entry into the market and establish a foundation for future entry.

4.2. Manifestations and mechanisms driving consumption upgrading

Through astute product and marketing strategies, Pop Mart successfully stirred the emotional consumption demands of Southeast Asia's Z generations.

In its product strategy, it adopts the strategy of 'localising international IPs'. Although it was introducing international IPs such as Molly and Labubu, Pop Mart was also open to collaborating with local artists (e.g. Crybaby series for Thailand) and even producing designs with local culture in mind (e.g. the limited-edition Dimoo marking the 50th anniversary of China-Thailand diplomatic relations). This would help the products to be more accepted by local consumers. In addition, although only to a certain extent, it would make the consumers generate a sense of cultural identity.

In its marketing strategy, it harnesses Southeast Asia's high social media usage extensively by adopting KOL marketing and topic marketing strategies on platforms such as TikTok and Instagram (topic #LabubuThailand gained over 800 million views). At the same time, it combined the addictive design of blind boxes and the offline community events such as designer signing sessions to enhance consumers' repurchase rate and loyalty effectively. This turned the trendy toys, represented by blind boxes, into a kind of 'social currency' and emotion.

5. Pop Mart's success factors, challenges, and implications in Southeast Asia

5.1. Success factors and key challenges

Pop Mart's success in Southeast Asia can be attributed to three aspects: first, accurate positioning of Southeast Asian Gen Z consumers; second, strong capability of IP operation to give full play to the advantages of intellectual property; third, an integrated online and offline omnichannel strategy. For example, Pop Mart enhances the competitiveness of products internationally IP localization [8,9]. Meanwhile, Pop Mart develops its business by social commerce and blind box mechanism to stimulate consumers' enthusiasm [10].

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5.2. The underlying logic of consumption upgrading

This paper explores three aspects through which trendy toy culture drives consumption upgrading of Southeast Asia: emotional value, social attributes and cultural identity.

First, collectible toys meet the emotional value of Gen Z consumers. In a state of mostly satisfied material consumption, modern young people are keen on meeting emotional experience and spiritual needs from products. The uncertainty of blind boxes, sense of achievement from collection and emotional connection with IP content, etc. construct the attractiveness of collectible toys. This makes collectible toys, which are no longer toys, emotional attachment points, and attracts Southeast Asian Gen Z consumers to purchase them to meet their needs.

Second, collectible toys have strong social attributes, and become an important medium for youth social interaction. Consumers share collection and experience with others in online and offline communities. In some social groups and subcultures, these toys have become 'social currency' that individuals need to be absorbed in circles and recognized by others. In addition, the social influence of these toys is also promoted by the wide spread of related posts on Instagram and TikTok in Southeast Asia.

Finally, collectible toys are used as a cultural expression tool. Southeast Asian Generation Z grew up in an environment where global and local culture coexisted, and were attracted to international culture on one hand, and their own culture on the other. Brands such as Pop Mart have developed products with local cultural elements, attracting cultural pride from local consumers and promoting them to consume higher quality products.

5.3. Models and limitations of industry integration

Industry models are widely used by many companies. For example, Pop Mart as a new type of toy industry created original development experience in Southeast Asia by multi-level and multi-direction integration [11,12]. There are some defects in their models.

Generally, there are three kinds of distinctive integration form in the following three dimension also convergence with retail, cultural industry and manufacturing. First, the integration with retail. Create new consumption scene creatively. Through aesthetically decorated physical store, Pop Mart enhances the image of brand and also can attract more people to go to traditional shopping center to promote the brand image. Second, the integration with cultural industry. Promote the development of local creative industry. Through IP licensing and artist cooperation, the industry connects the world design resource and local creative person and develops the local creative person in Southeast Asia. Third, the integration with manufacturing. Improve the regional industry chain. Pop Mart is more localized in developing its production. For example, they want to build manufacturing base in Vietnam and Thailand. The purpose is to reduce the tariff and improve the responsiveness [13].

However, there are also obvious defects in their integration model. Firstly, the local industry chain is weak. The production of high-end IP is still dependent on Chinese supply chain. Therefore, the local production is still weak in depth and flexibility [14]. Secondly, the integration in terms of culture and creativity is still needed to be improved [14]. At present, the innovation and influence of local IPs are still weak. When integrating with local culture, the trendy toy industry is still limited in the level of symbolic expression and there are not deeper cultural products. Furthermore, the development difference of regions will also limit the range and effect of integration. For example, the street toy consumption scene is still in initial stage in Vietnam and Indonesia. Compared with more developed economy such as Singapore and Thailand, there is still huge difference in the whole scale and maturity of these two regions. The effect of industrial integration is also totally different.

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6. Conclusion

Recently, there is a global trend of trendy toy culture and rapid internationalization of China's trendy toy industry. In conclusion, this paper takes Pop Mart's expansion in Southeast Asian market as an example to explore how trendy toy culture drives consumption upgrading and industrial integration in emerging markets. Through analysis of economic, demographic and sociocultural context of Southeast Asia, including its huge young population, increasing middle class, high social media participation and multi-tiered economic development, as well as Pop Mart's localized strategies, the following conclusion are drawn.

In terms of consumption upgrading, Pop Mart captures Southeast Asia's Generation Z consumers. They meet their demands for emotional value, social identity and cultural expression. Localized IP, social media and blind box mechanism make trendy toys become emotional. This changes local consumption from satisfying material to spiritual needs. The validity of consumer behavior and consumption upgrading theories in Southeast Asia are proved.

For industrial integration, Pop Mart's model achieves convergence with retail, culture and manufacturing model. Aesthetic offline stores increase traditional mall traffic. IP cooperation develops local creative environment. Localized production bases optimize supply chain. However, there are still some limitations. There is still dependence on Chinese supply chain for producing high-level IP, cultural narrative integration is still superficial and regional development is uneven, which affects the depth of integration.

Pop Mart's experience provides valuable reference for Chinese cultural and creative enterprises. First, it is necessary to balance "global brand consistency" and "local adaptation" through segmented market entry and flexible operation mode, including factors such as direct sales, joint venture, distribution, etc. For investors, there is still potential in Southeast Asia's trendy toy market, which is driven by youth and digital, but they should also pay attention to the risk factors, including market competition and maturity of local industry.

In conclusion, this paper extends theoretical application of trendy toy economy in emerging markets and provides reference for Chinese cultural and creative products' global spread, promoting cross-regional consumption upgrading and industrial integration. Future research could explore long-term impacts of local IP innovation on industrial integration.

Authors contribution

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

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