

# Research on the Blind Box Boom in China Under Behavioral Economics

Daixi Wang\*

Bachelor of Liberal Arts and Science, The University of Sydney, Sydney, 2112, Australia

\*Corresponding author. Email: 3502573307@qq.com

## ABSTRACT

In recent years, with the development of Internet technology, the Pop toy has gradually emerged, and blind boxes, like adult toys in the Pop toy, have gained wide attention from young people. This study will take the Pop toy brand Pop Mart as an example, focus on the blind box economy from the perspective of behavioral economics, and elaborate on the origin and development status of the blind box. From the perspective of consumer behavior, it is found that consumers' herd mentality leads to irrational consumption; not only that, in the experience economy and anchoring effect also stimulate customers' desire to buy. And, this study explores merchants' marketing strategies targeting specific consumer groups, such as building various offline marketing scenarios and cross-border co-branding with beauty and beverage brands.

**Keywords:** Behavioral economics, Blind Box economics, Irrational consumption, Experience Economy, Anchoring effect

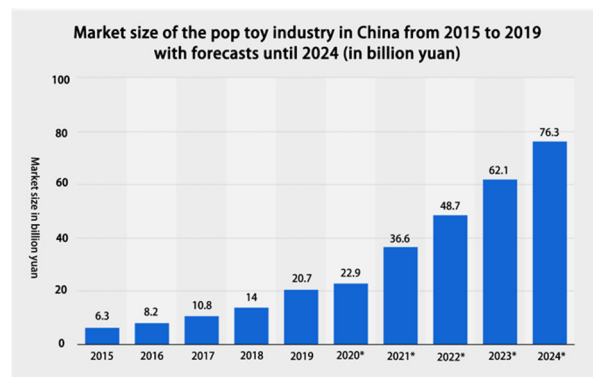
## 1. INTRODUCTION

With the rapid development of China's economy, the way people entertain and socialize is also quietly changing. In recent years, an entertainment product called "blind box" has emerged on the market, bringing hand puppets from the niche market to the view of the general consumer group and growing rapidly in the commodity market. From the perspective of economics, the rational economic man assumption of traditional economics can no longer reasonably explain some of the consumption conditions of consumers in the market, while behavioral economics can interpret consumer purchasing behavior from the perspective of psychology and subjective decision-making, which is of great significance for analyzing the blind box economy. This study will investigate the reasons why consumers buy blind boxes in large quantities, and the marketing strategies of merchants.

## 2. THE BLIND BOX ECONOMY LED BY POP MART

In recent years, a popular pop toy called the "blind box" has emerged in the Chinese market, which is a kind of doll without any physical reminders on the packaging, generally sold in the same series, only after the consumer

opened, to know the contents. The price of each box varies from 39 to 99 yuan, and the merchants will also put a hidden version of the doll in each series, the price remains the same, but the probability of drawing is only 1/144. According to Frost & Sullivan in Figure 1 [1], the commercial market for pop toys in China has grown steadily over the past few years, with the market size increasing from 6.3 billion yuan in 2015 to 20.7 billion yuan in 2019 and is expected to reach a value of 76.3 billion yuan in 2024. However, Pop Mart dominates the market of pop toys in China with its comprehensive platform covering the whole industry chain.



**Figure1:** Market size of the pop toy industry in China from 2015 to 2019 with forecasts until 2024 (in billion yuan)

According to the law of diminishing marginal utility in economics, as the number of items purchased by consumers increases, the marginal utility of the item to consumers is decreasing, so as the number of items increases the number of consumers' demand for the item should gradually decrease. However, in the marketing of the blind box economy, as consumers' demand for blind boxes increases, the number of purchases also increases significantly. Since the operation of the blind box economy does not conform to traditional economic theory, the author will explore the economic operation of the blind box market from the perspective of the behavioral economics of consumers and the behavioral economics of businessmen, respectively.

### **3. THE BLIND BOX ECONOMY UNDER CONSUMER BEHAVIORAL ECONOMICS**

Through the study, the author found that consumers often have irrational consumer behavior behind the mass purchase of blind boxes. This irrational psychology comes from the herd mentality of consumers. Furthermore, under the framework of experience economy and anchoring effect, customers' consumption behavior can produce irrational consumption impulses.

#### ***3.1 Irrational consumption under the herd mentality***

Consumers are easily driven by the herd mentality to blindly purchase blind boxes. Herd mentality refers to the fact that when people are faced with decisions, they follow the thoughts and behaviors of other decision-makers to make decisions, ignoring the true meaning of the decision for the individual. In Australia, where COVID-19 was spreading widely, there was a large number of consumers panicked buying daily necessities such as paper towels and disinfectants [2]; this is because COVID-19 threatened consumers' sense of security, and consumers, irrationally, followed other consumers in a hurry to make specific purchases without considering whether they needed them, thus causing a short supply of goods and in the economic This results in a lack of supply of goods and a misallocation of resources in the economy [3]. Similarly, in China's blind box economy, merchants will cooperate with entertainment stars with high attention spans and use online media to promote pictures and videos of the stars unpacking blind boxes, using the purchasing power of the fans behind the stars to promote the public's pursuit of the blind boxes. In real life, businesses will place automatic blind box vending machines in high-traffic shopping malls and use the online and offline joint promotion to vigorously market blind box products, so that consumers can experience the hot blind box, using the herd mentality of consumers to subconsciously guide consumers to buy. Moreover, since the target group of blind boxes are young consumers, these consumer groups like to try new things and have

greater curiosity; in the intuition effect of behavioral economics, intuition often comes to mind along with subjective ease, and subjective ease leads to people's confidence in their intuition [4]. So, consumers will take the socially common consumer goods as their optimal choice before confirming the quality and price of goods, and their perceptions of the way to establish a good image and the criteria for setting consumption are not accurate enough, and they are easily disturbed by the information disseminated by the media and have a greater probability of herd mentality, which also disguisedly stimulates the growth of irrational consumption.

#### ***3.2 Experience economy stimulates purchase desire***

With the development of the experience economy era, consumers begin to pursue higher-level needs after satisfying lower-level needs, for example, companies need to design and develop products that can provide customers with new types of experiences [5]. In this new consumer structure, the emotional aspect of consumer behavior increases, and consumers pay more attention to the satisfaction of emotional needs and personalized experiences than to the production value of goods. The feeling of buying a product is also one of the most important factors influencing whether consumers buy the product or not. The experience economy is based on an irrational business perspective, where the process of trading goods is not completely rational, but rather irrational and full of emotional changes, where consumers do not aim at maximizing marginal benefits but at maximizing pleasure.

Nir Eyal and Ryan Hoover point out that Buffett and his partner Charlie Munger have found that once users form a habit of using a product, they become more dependent on it and less price sensitive. Once users form a habit of using a product, they become more dependent on it and less sensitive to price [6]. In the blind box economy of the Chinese market, every purchase is a psychological game between consumers and the company, and the purchase of an unknown product is a surprise gain, which makes the consumer have a better experience psychologically, and makes the consumer happy through "self-actualization", reshaping of the main body of value creation, and through memory utility. Under the influence of this emotional psychology, the consumer's desire to buy will be continuously stimulated, prompting the consumer to repeatedly buy the product and experience the thrill of unboxing.

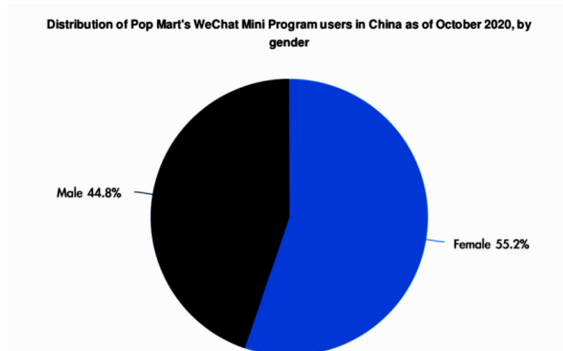
#### ***3.3 Anchoring effect in blind box economy***

As described by Kahneman Daniel in his article, the anchoring effect refers to the fact that when people make judgments about someone or something, they are easily governed by their first impressions or first information,

like an anchor that sinks to the bottom of the sea and fixes people's thoughts in a certain place [7]. Consumers buying blind boxes belong to hedonic behavior, so consumers' first impressions of blind boxes cannot reach a rational state. They will think that the money of a cup of Starbucks can purchase a lovely blind box with good cost performance. Consumers' anchoring on price makes them think that the pricing of the blind box is reasonable and within the acceptable range, and if they win the hidden model, they can resell it to get extra multiples of income, psychologically reducing the purchase cost to a certain level. However, the main consumers in the blind box economy are young people, whose income mostly comes from their parents and a small portion from their work. These young groups lack money management plans, and in such cases, the estimation of psychological accounts is not reasonable enough, which leads to irrational spending behavior and stimulates the development of the blind box economy.

#### 4. THE BLIND BOX ECONOMY UNDER THE BEHAVIORAL ECONOMICS OF BUSINESSMEN

The core and foundation of the enterprise marketing strategy is the precise positioning of the product's consumer groups. After the accurate positioning of the product's consumer groups, different marketing strategies are used for different consumer groups to bring more benefits to the enterprise. Pop Mart has a clear market positioning that is "adult toys". According to data from QuestMobile in Figure 2 [8], as of October 2020, more than 55% of Pop Mart WeChat applet users in China are female. These people are between 18 and 35 years old, mainly college students and young employees who have just entered society. These people have a different consumer outlook from their parents, the previous generation, who put the pursuit of sensory stimulation in the first place and prefer trendy and curious products. Most of these consumers have decent jobs and good incomes and are able and willing to pay for their hobbies.



**Figure 2:** Distribution of Pop Mart's WeChat Mini Program users in China as of October 2020, by gender

Philip Kotler believes that in an age of exploding and fragmented information, where people's attention can

barely be focused on a few brands, brands need to be consumer-centric and constantly create memorable moments [9]. Since the consumers who buy Pop Mart are mainly popular toy lovers, the consumer group is limited. So, to stabilize the company's position in the market, Pop Mart also experimented with cross-over collaborative marketing. Cross-border marketing allows originally unrelated elements to interpenetrate each other, shaping a more three-dimensional and longitudinal consumer experience for consumers. The core of cross-border is not the pursuit of complementary products, but a clear consumer-centric concept. In qualified cross-border marketing, looking for strategic partners often need to have high visibility, joint effect outstanding, to achieve synergistic effects [10].

In 2020, Pop Mart cooperated with Yves Saint Laurent, a famous international beauty brand, to launch a gift box for Space Molly [11]. YSL and Pop Mart are targeting the beauty field and the pop toy field respectively, with different consumer bases. The win-win marketing strategy of cooperation between the two brands makes the customer groups cross over, bringing their consumer groups to each other and attracting a new group of consumers for both sides. Such cross-border cooperation combines quality consumer groups and external brands, increasing the stickiness of users. For Pop Mart, co-branding with beauty brands can make its products not only limited to the field of "toys" but also extend to the field of beauty. This will not only continue to deepen its IP image, but also capture the minds of more young consumers. In addition to beauty products, Pop Mart is launching a co-branded gift box with beverage brand Fanta in 2020 [12]. When Pop Mart's fan-favorite IP Molly took up residence in a Fanta can, the co-branded gift box immediately sold out. The co-branding of two youthful brands not only attracts more consumers, but also helps keep the brand young and vibrant. Pop Mart's multiple-brand co-branding makes its IP role deep in consumers' minds, and the marketing strategy of cross-border cooperation has gained it great attention, making the brand itself not limited to the toy field and guaranteeing a wide range of clientele.

#### 5. CONCLUSION

The value of the blind box as a commodity itself has limitations; the highly sought-after blind box is not only driven by the marketing strategy, but also by the ever-changing and updated products in the carrier of the blind box. The information age has promoted the upgrading of consumption, and young consumers purchase products to pursue more spiritual satisfaction and stimulation, eager to get the release and happiness of the soul through consumption. From the perspective of corporate marketing, to avoid the loss of consumers, it is necessary to continuously innovate and more keenly capture the emotional and cultural trends behind consumer behavior.

Not only that, enterprises also need to operate with integrity, impress consumers with high-quality products, and give enterprises more vitality. From the consumers' point of view, they need to be sensible when buying goods, have the ability to screen the marketing methods of products, and not lose themselves in the non-realistic world. Also, consumers need to have the ability to defend their legitimate consumer rights in the face of low-quality products and illegal operations of businesses.

## ACKNOWLEDGMENTS

On the completion of this dissertation, I would like to express my gratitude to my supervisor for giving me patient guidance and assistance, suggesting feasible ideas and solutions, and helping me to correct linguistic and logical errors during the months from the opening of the dissertation to its finalization. I have learned from my supervisor a rigorous and serious academic attitude and discovered my shortcomings.

I would also like to thank my parents for always supporting and encouraging me unconditionally in my studies and helping me to get out of my study difficulties. I thank them for respecting my ideas and giving me enough free space. Finally, I would like to express my deep gratitude to myself. As a university student studying abroad alone, the heavy workload of my studies and the trivial things of life would make me feel anxious and tired sometimes. For the sake of my physical and mental health, I often went into the nature of Australia to relieve my worries by hiking and reading books, and experienced *Sidere mens eadem mutato*. In the future, I will continue to study hard with a grateful heart.

## REFERENCES

- [1] HKExnews. "Market size of the pop toy industry in China from 2015 to 2019 with forecasts until 2024 (in billion yuan)." Chart. December 1, 2020. Statista. Accessed March 30, 2022. <https://www-statista-com.ezproxy.library.sydney.edu.au/statistics/1193383/china-market-size-of-pop-toy-industry-by-retail-value/>
- [2] Yuen, Kum Fai, Xueqin Wang, Fei Ma, and Kevin X. Li. "The Psychological Causes of Panic Buying Following a Health Crisis." *International journal of environmental research and public health* 17, no. 10 (2020): 3513-.
- [3] Dang, Ha v., and Mi Lin. 2016. "Herd Mentality in the Stock Market: On the Role of Idiosyncratic Participants with Heterogeneous Information." *International Review of Financial Analysis* 48 (December): 247–60. <https://doi.org/10.1016/j.irfa.2016.10.005>.
- [4] Simmons, Joseph P., and Leif D. Nelson. 2006. "Intuitive Confidence: Choosing between Intuitive and Nonintuitive Alternatives." *Journal of Experimental Psychology: General* 135 (3): 409–28. <https://doi.org/10.1037/0096-3445.135.3.409>.
- [5] Berry, Leonard L, Lewis P Carbone, and Stephan H Haeckel. 2002. "Managing the Total Customer Experience MITSloan Management Review." Vol. 43.
- [6] "Hooked How to Build Habit-Forming Products Nir Eyal with Ryan Hoover." n.d.
- [7] Jacowitz, Karen E, and Daniel Kahneman. 1995. "Measure of Anchoring in Estimation Tasks." *Personality & Social Psychology Bulletin* 21 (11): 1161–66. [https://sydney.primo.exlibrisgroup.com/permalink/61USYD\\_INST/2rsddf/cdi\\_proquest\\_journals\\_1307166483](https://sydney.primo.exlibrisgroup.com/permalink/61USYD_INST/2rsddf/cdi_proquest_journals_1307166483).
- [8] QuestMobile. "Distribution of Pop Mart's WeChat Mini Program users in China as of October 2020, by gender." Chart. January 12, 2021. Statista. Accessed March 30, 2022. <https://www-statista-com.ezproxy.library.sydney.edu.au/statistics/1199390/china-gender-breakdown-of-popmart-s-wechat-mini-program-users/>
- [9] Kartajaya, Kotler, P., & Setiawan, I. (2016). *Marketing 4. 0: Moving from Traditional to Digital*. In *Marketing 4. 0*. John Wiley & Sons, Incorporated.
- [10] Bashir, Makhmoor, and Rayees Farooq. "The Synergetic Effect of Knowledge Management and Business Model Innovation on Firm Competence: A Systematic Review." *International journal of innovation science* 11, no. 3 (2019): 362–387.
- [11] THE TOY CHRONICLE: Andy, August 13,2020. Space Molly Yves Saint Laurent by Kenny Wong × Pop MART at Holiday Plaza. <https://www.thetoychronicle.com/news/space-molly-yves-saint-laurent-by-kenny-wong-x-pop-mart-at-holiday-plaza/>
- [12] Upstream news: January 19, 2020. Molly joins hands with Fanta to send a New Year's gift box, and Bubble Mart has reached a new level of cross-border cooperation. <https://baijiahao.baidu.com/s?id=1656148458648284303&wfr=spider&for=pc>

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

