

## Exploring the IP Playbook: From Japan to China

### IN A NUTSHELL



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- **Emotional appeal as a driver of IP popularity:** Intellectual properties (IPs) like Labubu and Hello Kitty often gain traction through emotional connections, which may help boost merchandise and licensing. Initial hype from collectibles like blind boxes may help fuel popularity but may fade without deeper engagement.
- **Narrative as a Key to IP Longevity:** There may be a consistent formula to crafting generational IPs. While phenomenal IPs like Pokémon may rely on compelling stories in games and animations for longevity, IP values typically are supported by well-crafted storylines. Enduring IPs that have lasted for generations such as Super Mario benefitted from nostalgic value and strategies that engage a broad age group and foster community-building
- **Chinese IPs in motion:** A common factor in the success of Chinese IPs may mirror those seen in Japanese counterparts. The current popularity of Chinese IPs including Labubu may need a storyline to last, where an animation seems to be in progress. Distributors may seek exclusive agreements with IP creators as they monitor emerging trends.

Riding on the wave of a popular IP is nothing new to the stock market, as investors seek to benefit from rallies in the distributor's stock price. History has shown that while some IPs appealed to multiple generations and created vast economic value, others struggled to gain public recognition over time. Japan, as one of the hubs for popular culture in the 20<sup>th</sup> century, has produced a handful of globally influential IPs. For example, Pokemon, one of the most profitable IPs in the world, began with trading cards and expanded into diverse revenue streams such as retail, video games and films<sup>1</sup>. China, a rising force in the intellectual property market, has produced successful IPs like Ne Zha and Labubu, driving significant growth in the sector more recently. In fact, the size of China's goods economy grew from RMB 120.1 billion to RMB 168.9 billion in 2023-2024 and is expected to reach 308.9 billion RMB by 2029<sup>2</sup>. As the distributor of Labubu has seen its market capitalization nearly tripled since the beginning of the year<sup>3</sup>, the question remains: will Labubu and other Chinese IPs be a successful story?

### Emotional Engagement and the Rise of Popular IPs

The sudden rise in popularity of blind boxes in China, which is not a product innovation nor a new market in China, may seem puzzling. The trend can be partially explained by China's weakening economy according to the lipstick theory, where the consumers would turn to affordable emotional treats such as lipstick and blind box for emotional comfort. Since the property crisis which has led to deflationary pressure in China, private consumption and economic growth in China have weakened, arguably driving the hype of blind boxes. The expanding size of the market and the rally in Chinese IP distributors prompt the question: Can Chinese IPs sustain their popularity over time?

There appear to be common features among successful IPs, of which emotional connection seems to be one for the initial success of an IP. For instance, Hello Kitty was designed without a mouth so people could project their feelings on her. Hello Kitty thus capitalized on the "kawaii" culture in Japan which later expanded globally and became Japan's top IP in late 1970s<sup>4</sup>. Similarly, the collectability of

<sup>1</sup> The Pokemon Company for data up to 2019. Bloomberg for post-2019 data, July 2025

<sup>2</sup> Iimedia, 2024

<sup>3</sup> Bloomberg, July 2025

<sup>4</sup> VICE, 2017

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Source: DWS Investments Hong Kong Limited, 6 August 2025

Labubu toys and Pokemon cards also helped transform the two IPs into fashionable trends. IPs that resonate emotionally with consumers seem to enjoy strong initial reception, which may contribute to increased merchandise sales and licensing activity.

### The Role of Storytelling in Sustaining IP Appeal

Nonetheless, the market share of a popular IP could easily be taken by another newer IP that is deemed trendier. A compelling narrative is often a key factor in IPs which achieve long-term popularity. IP originators often utilize graphics including video gaming and animation to enrich character development and create a sophisticated storyline, which may help build consumer affinity. Pokémon’s video games and animations are solid examples of a well-crafted narrative that may contribute to the appeal of its playing cards. Similarly, Super Mario’s simple yet engaging storyline of rescuing Princess Peach from Bowser has endured for decades, with Mario’s character as a loveable hero enhancing the emotional connection of players<sup>5</sup>. Gundam is also another example of complex narrative and groundbreaking animation which entails war, political intrigue and moral dilemmas that has a cross-era cultural influence<sup>6</sup>. These IP originators usually generate multilateral revenue streams from the original activities of video gaming and animation production, then monetize the popularity of the IPs to earnings from royalties, merchandise retailing and theme parks. These additional business activities are efforts to expand the lifecycles of the IPs by maintaining publicity and to diversify revenue streams.

IPs originating in graphic formats, like video games or animation, may be more conducive to developing rich storylines. In contrast, IPs that begin as merchandise, like Hello Kitty, seem to face greater challenges in achieving narrative depth. Hello Kitty experienced a 13-year gap between its 1974 launch and its first animation in 1987, during which its popularity waned. The animation’s debut reversed this decline, and its popularity peaked in the 1990s with several movies. Today, Hello Kitty’s revenue streams include retailing, royalties, and theme parks<sup>7</sup>.

IPs that achieve long-term popularity often share certain characteristics. First, nostalgia. Once the IP has built an emotional connection with consumers that is rooted in childhood memories, the IP may expand its target audience to grown-ups as fans continue to engage with the IP well into adulthood. For instance, Hello Kitty targeted teenagers and young adults who could not afford Hello Kitty merchandise as children with adult merchandise such as laptop bags. Indeed, many successful IPs appeal to a broader age group. Second, fandom and community for IP loyalty and brand education<sup>8</sup>. Gundam is an notable example where fans engage in a variety of activities from collecting merchandise to creating fan art, and even building their own Gundam models, known as Gunpla. Similarly for Lego, its extensive community – self-identified AFOLs (Adult Fan of LEGO) with over 30 years history – has formed a network for Lego’s long-standing popularity.

Figure 1: Pathway Illustration from IP origination to generational IP



Source: DWS Investment GmbH, 14 July 2025. For illustrative purposes only.

<sup>5</sup> Nintendo, June 2025

<sup>6</sup> Toxigon, June 2025

<sup>7</sup> Bloomberg, June 2025

<sup>8</sup> TIME, 2008

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### Chinese IPs and IP distributors

One of the most pressing questions in the Chinese IP landscape is whether Labubu will emerge as the next generational IP. The market has a history of IPs skyrocketing to fame through savvy marketing by distributors. Take Beanie Babies in the 1990s and Be@rbrick in the early 2000s—both rode waves of celebrity endorsements to rapid popularity. However, without a robust narrative to anchor them, these IPs faded into obscurity as one-hit wonders. Similarly, Labubu, which went viral globally after Lisa from Blackpink showed it as a fashion statement, may currently lack a fully developed narrative to support long-term brand engagement.

Encouragingly, there are hints of narrative development. For instance, a copyright for a possible animated series was registered in early June<sup>9</sup>, suggesting efforts to flesh out Labubu's world. If the storyline is well-crafted, followed by further endeavor in enriching the IP story, it may help strengthen emotional engagement, which could support longer-term brand relevance. Still, expanding into areas like digital content creation or theme parks poses significant operational hurdles. Ultimately, Labubu's lifespan as an IP may hinge on the strength of the narrative its creators can build.

Overall, Chinese IP distributing business mainly relies on licensing IPs and converting the popular ones. From the distributors' perspective, as long as the distributors keeps searching for the next attractive IP, there may never be a sunset hopefully. While the initial cost to create the narrative for the new IPs may be much lower, that may also mean a less stable revenue stream.

Meanwhile, there is an accelerated trend seen in initial public offerings (IPOs) for some Chinese IP distributors which fall under lifestyle and entertainment retail. One of the largest lifestyle retailers in China has submitted a prospectus for main board listing in Hong Kong<sup>10</sup>, where another listed company has expressed interest in separately listing its blind box brand<sup>11</sup>. IP-related economic activity may contribute to increased IPO activity, potentially raising the sector's visibility among investors.

### Patterns Behind Enduring IPs

Despite decades of evolution, certain patterns appear to recur among successful IPs. For both IP originators and distributors, cultivating exclusive or in-house IPs is key. Labubu's current hype is impressive, but it's not unprecedented. Similar phenomena have come and gone.

Still, Labubu's success provides important lessons for all players in the IP industry. For IP originators, Labubu's success shows how creative distribution can capitalize on consumer demand, even in uncertain times when discretionary spending typically declines. For IP distributors, securing exclusive contracts with a diverse pool of independent artists may be one approach to identifying scalable IPs. It may help increase the odds of discovering the next breakout IP that can be scaled into a flagship brand. However, an IP's lifecycle seems fundamentally tied to its narrative, making expansions into graphics production or theme parks may be logical steps for these distributors to help extend the legacy of the IPs they distribute.

At its core, the IP industry—whether in China or beyond—seems to follow a familiar pattern. Every few years, a standout IP captures the spotlight, but it seems that those with a carefully crafted narrative endured. Labubu has the buzz at the moment, but its future as a generational IP may depend on whether its creators can transform fleeting fame into a lasting legacy.

<sup>9</sup> J.P. Morgan, June 2025

<sup>10</sup> HKEX, July 2025

<sup>11</sup> Bloomberg, June 2025

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## Glossary

**Distributor** refers to a company or entity that supplies goods to retailers or consumers on behalf of a manufacturer.

**Labubu** is a collectible plush toy monster elf created by Kasing Lung, sold by Pop Mart in blind boxes.

**Intellectual property** means the creations of the mind, like designs or characters, legally protected by copyrights or trademarks.

**Blind Box** is a sealed package containing a random collectible toy, revealed only upon opening.

**Lipstick Theory** refers to the idea that during economic downturns, people buy small luxuries like lipstick for comfort.

**China property crisis** is an economic downturn in China's real estate market due to debt and oversupply.

**Kawaii** refers to the Japanese aesthetic of "cute" or "adorable," often seen in playful, colorful designs.

**Gunpla** are plastic model kits of mecha from the Gundam anime series, popular among hobbyists.

**Fandom** means community of fans who share enthusiasm for a specific cultural phenomenon or franchise.

**Beanie Babies** are collectible stuffed toys popular in the 1990s, known for sparking a speculative craze.

**Be@rbrick** is a collectible bear-shaped vinyl toy by Medicom Toy, often featuring artistic collaborations.

**Initial public offering (IPO)** is when a private company offers its shares to the public for the first time to raise capital, becoming a publicly traded company.

**Hello Kitty:** A minimalist cartoon cat created by Sanrio in 1974, fostering emotional connection through her universally relatable, cute design and vast merchandise that evokes nostalgia and comfort.

**Ne Zha:** A defiant child deity from Chinese mythology, inspiring emotional connection through his rebellious spirit and heroic journey, resonating with themes of courage and individuality in stories like the 2019 animated film.

**Emotional Connection:** The psychological bond formed through shared feelings, empathy, or experiences, often cultivated by relatable characters, stories, or interactions that evoke warmth, trust, or inspiration.

**Gundam:** A Japanese sci-fi franchise launched in 1979, centered on giant piloted mechs, forging emotional connection through epic stories of war, sacrifice, and human resilience that captivate fans with hope and heroism.

**IP Originator:** The creator or initial developer of an intellectual property (IP), responsible for conceiving its core concept, characters, and world, while overseeing its creative direction and strategic expansion to ensure brand consistency and market impact.

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