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The Shift of the Main Target of Child-Focused Companies to Adult-Focused in Recent Years

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Abstract

This study explores the LEGO Group, Pop Mart, and Pokémon pivoting business strategies to target adult consumers. We analyze this shift through the lenses of cohort-based nostalgia theory, third-degree price discrimination, and dual-utility theory as applied to collectibles. We argue the shift represents an adult-centered market pivot and a rational price discrimination response to declining birth rates, digital substitution of physical play, and the greater margins available in adult-focused market segments. We demonstrate through three case studies how brand capital functions as a structural moat sustaining price premiums, how the adult pivot represents a price discrimination strategy, and how secondary market appreciation creates self-reinforcing demand flywheels.

Keywords: kidult; nostalgia marketing; price discrimination; collectibles; LEGO; Pop Mart; Pokémon

1. Introduction

Since 2020, the LEGO Group's advertisements have targeted adult consumers, moving away from marketing to children. This shift has been credited with growing LEGO Group's revenue to $9.7 billion in 2023, despite a 7% drop in the global toy market (LEGO Group, 2023; Circana, 2024). This shift in the marketing of toys from children to adults has been profitable for companies including Pop Mart, which built a natively adult product model, and demonstrates that the shift extends beyond legacy brands. In 2024, Pop Mart's revenue climbed 106.9%, with a gross margin of 66.8% (Pop Mart International Group, 2025a). The adult spending on trading cards, merchandise, and mobile platforms has also contributed to the Pokémon franchise becoming the highest-grossing media franchise in history, a far cry from its child-targeted beginnings in 1996 as a Game Boy title (License Global, 2024).

Existing literature offers explanations for this behaviour in a piecemeal fashion. Nostalgia marketing research notes emotional attachment adults develop towards brands they encountered during childhood and early adolescence (Holbrook and Schindler, 2003; Shields and Johnson, 2016) and parallel research on the "kidult" consumer describes this demographic, which is growing and economically significant (Reisenwitz, 2025). Despite this, no research has provided an integrated economic justification for why the adult pivot represents a far greater value creation opportunity for child-oriented companies operating in demographically declining markets. How firms convert nostalgic brand loyalty into significantly greater profit margins is still largely unexplained.

Our analysis addresses that gap. We look at the adult pivot as a reasoned corporate response to the confluence of demographic pressure and accumulated brand capital, and we examine the economic mechanisms through which it achieves superior financial outcomes. More specifically, we have three research questions. What structural conditions make the adult pivot economically rational for companies initially oriented toward child consumers? Through what pricing mechanisms do firms extract greater value from nostalgic adult consumers than from the child consumers they supplant? What are the distributional and regulatory consequences of this shift for consumers, in particular children, who are increasingly and unreasonably priced out of markets made for their brand familiarity?

In order to construct our answer, we rely on three complementary analytical approaches: cohort-based nostalgia theory, which accounts for the inelastic demand of adults for brands from their childhood; third-degree price discrimination, which explains the mechanisms through which firms capture the resulting consumer surplus; and the dual-utility model of collectible assets, which accounts for the willingness to pay for nostalgia. These approaches are clearest in Section 2 and applied to three case studies (LEGO, Pop Mart, and Pokémon) in Section 4. Section 3 analyzes the macroeconomic context.

Section 5 integrates the results, while Section 6 and 7 focus on implications and the conclusion.

2. Theoretical Framework

We rely on three theoretical frameworks, which together allow for the most thorough analysis. Each describes a different aspect of the adult pivot: the first describes the reasons for inelastic adult demand for childhood brands, the second describes the ways in which businesses convert that inelasticity to profit, and the third describes the reasons for adult willingness to pay surpassing the nostalgia factor, if we were to consider that alone. These frameworks come together to provide a broad explanatory framework for the kidult economy.

2.1 Cohort-Based Nostalgia

The foundation of the mechanism is psychological. In the study of consumer behavior, it is well-established that brand loyalty formed during a certain critical developmental stage (the teenage years and early adulthood) will be extremely strong and long-lasting. Schindler and Holbrook (1993) observed this type of phenomenon for the first time in the study of music preference. Taste formation in this area peaks during the late teen and early twenty years. Holbrook and Schindler (2003) extended this mechanism across different types of products, defining nostalgia as a preference for people, places, and objects associated with earlier life stages. This definition has become the standard reference point in the nostalgia marketing literature. Building on this foundation, Wildschut et al. (2006) demonstrated that the reliving of nostalgia is a psychological mechanism that generates positive emotions and a sense of continuity, thus reinforcing brand loyalty.

When it comes to brand loyalty, the implications are direct. Shields and Johnson (2016) show that nostalgia towards a brand experienced during childhood is a powerful indicator of loyalty towards that brand in adulthood. The age twenty window is a critical period for establishing brand loyalty as it is the period where there are strong emotional connections to brand loyalty. The most recent research is highlighting the fact that the effect is getting stronger, not weaker. Reisenwitz (2025) found significantly higher levels of nostalgic engagement among millennials and Generation Z consumers than in older cohorts. This phenomenon is explained as a result of fast-paced cultural cycling as a result of digital consumption.

The implications on the supply side are straightforward. The existing literature on nostalgia has mainly examined the demand side. It records the adult nostalgia for childhood brands. Relatively few studies have examined how nostalgia creates inelastic demand and, more critically, how responsive firms structure supply strategies in response to demand. The launch of LEGO's 2020 'Adults Welcome' campaign is a good example of this. It demonstrates the example of a pivot that is more demographic than imaginative. LEGO's target market were 38-44 years old in 2020, Western market income peak years for those who played with LEGO's in the early 1990's.

2.2 Third-Degree Price Discrimination

The second framework focuses on pricing mechanisms based on nostalgic brand attachment. Third-degree price discrimination is when a firm with market power sets different prices for different consumer groups based on the price elasticity of demand for those groups. This is only possible when three conditions are met: 1) the firm has market power, 2) the firm has the ability to identify and separate buyer groups, and 3) there is effective arbitrage prevention among buyer groups (Varian, 2014).

The markets analyzed here fulfill all three conditions. Child consumers have elastic demand due to their lack of independent income, the need for parental approval, and the availability of substitute products. In contrast, adult consumers with a nostalgic bond to a particular brand have inelastic demand: they possess independent income, and their emotional attachment to a particular brand inhibits them from making substitution purchases. Furthermore, no competitor can replicate the brand associations the consumer had during their childhood. For example, a thirty-five-year-old adult who grew up with LEGO can't shift that emotional attachment to a competing brick brand that was launched in 2020.

In practice, the segmentation mechanism differs from firm to firm. The Creator Expert line was rebranded as LEGO Icons in 2020, with the introduction of black packaging and explicit 18+ designation. This rebranding, including the black packaging and age designation, functions as a price segmentation device rather than a purely aesthetic choice. By making adult product lines distinct from others, the firm stops adults from buying cheaper children sets, thereby keeping the price difference across segments. This design choice has financial implications. From

Hasbro's Q4 financial reporting, Wizards of the Coast, which markets to adults through Magic: The Gathering and Dungeons & Dragons, has been the most profitable with operational margins of 36 to 48 percent. On the other hand, the Consumer Products division, which caters to children's toys, recorded operational margins of 4 to 6 percent (Hasbro, Q4 2023). Both divisions had the same corporate parent, which means the same overhead and supply chain for both. The reason for the difference in margins is price sensitivity of the end consumer.

2.3 Dual-Utility Collectibles

Our third framework aims to capture a structural feature of adult collectible markets that nostalgia theory alone cannot address. Standard consumer theory suggests that the price someone is willing to pay for a good or service is a direct reflection of the utility that consumer expects to gain from the good or service. In the case of adult collectibles, however, the willingness to pay for an item consistently exceeds the consumption value of the item because the purchaser benefits from a second stream of utility: the anticipated monetary return from the item once they sell it on a secondary market.

The consumption value and investment option value have been separated in other studies. In research published in Research in International Business and Finance, Dobrynskaya and Kishilova (2022) examine the secondary market of 2,322 LEGO sets between 1987 and 2015. They found mean nominal returns of 11% per year, a Sharpe ratio of 0.4, and a 0.13 correlation with the S&P 500, classifying retired LEGO sets as an alternative investment class with fine wines, stamps, and art. Shanaev et al. (2020) examine over 10,588 sets in a longer timeframe (1966–2018) and also recognize the defensive portfolio characteristics of LEGO, showing positive returns during the market downturns of 2002 and 2008.

The implications for pricing are direct. When an adult buys a LEGO set, the decision goes beyond ownership utility. There is an appreciation for the set at retirement and a perceived value increase for the set based on the ownership experience. The price is a combination of the buyers' willingness to pay for the experience and the price appreciation potential the set has based on secondary market value. This pricing psychology increases the willingness to pay beyond simple nostalgic values and is structurally needed to value pricing decisions from companies. This explains why some companies capture consumer surplus better than their competitors, especially for LEGO.

2.4 Integration

The frameworks used here are all interrelated. Nostalgic cohort creates an inelastic adult demand, which allows for price discrimination; without inelastic demand, segmentation offers no margin premium. The dual utility feature will drive willingness to pay more than nostalgia predicts, and will expand consumer surplus even more. Together, these mechanisms create a system: nostalgic attachment demand, price discrimination captures it as producer surplus, secondary market appreciation increases it. The next sections show this system in three different examples.

3. Structural Context

The adult pivot is not a discretionary marketing choice. It is a rational response to two simultaneous structural pressures: a contracting child market and an expanding adult one. This section documents both.

The main reason for the decline in the child market is a declining demographic market. The total fertility rate in the EU is 1.34 in 2024. This is the lowest rate since 2001, a drop from 1.46 in 2022 (Eurostat, DDN-20260306-1, 2026). All 27 EU states have fallen below 2.1 with Poland at approx. 1.2, Italy 1.21, Spain 1.10, and Malta 1.01. The US has a comparably falling trajectory with the birth rate at 2.12 in 2007 and falling to 1.64 by 2020 (Centers for Disease Control and Prevention, 2021). Live births in the EU in 2024 stood at 3.55 million, which is less than half the 1964 peak of 6.8 million. In the words of Frédérique Tutt, global industry analyst at Circana, "With birth rates at their lowest in many countries, the global toy industry faced new challenges in 2023," In simple terms, the potential child consumers have dwindled in number, positing greater problems to traditional toy manufacturers.

Digital substitution builds upon this demographic contraction. A systematic scoping review synthesizing 35 peer-reviewed studies between 2020-2025 shows a decline in unstructured physical play among eight-to-ten year old children, and an increase in screen time, across all studies (Cimino et al., 2025). In 2020 survey data, 87% of children in this age range were reported to be exceeding daily recommended screen time (Common Sense Media, 2020). The market response is evident across category-level sales data: Circana's 2024 global tracking shows Infant, Toddler, and Preschool supercategory experiences the highest year-on-year sales declines, and is the segment most reliant on the younger child consumer base that both demographic decline and digital substitution are eroding.

In regard to the uncertainty surrounding the toy industry and the behavior of the consumers, the response of the biggest companies in the industry confirms the scope of the issue. An example of this is Mattel. From 2009 to 2018, Mattel attempted to establish independent entertainment systems three times. All three attempts ended with the failure of the 2016 live action Max Steel movie, which was the final movie that Mattel Playground Productions worked on. After Mattel's 2017 fiscal year loss, which was about $342 million, Mattel's new CEO, Ynon Kreiz, attempted, for the first time, the use of a low capital model. With this model, instead of Mattel paying to develop and create an end product, they use an IP with the intention of selling it to other companies. From this, companies like Warner Bros, Universal, and Amazon MGM develop the end product and Mattel retains the intellectual property. With this, the Barbie movie, that was directed by Greta Gerwig, and was distributed by Warner Bros, earned Mattel over $125 million, with no production out off of Mattel (Hollywood Reporter, 2023). Hasbro, Mattel's competitor, is the opposite of this and in 2019 purchased Entertainment One for $3.8 billion to be able to create content and be a production company. By 2023, Hasbro had to sell the acquisition and take loss write-offs. As a result of their differing approaches to the market, both companies reached the same revealed preference: a market-structurally contracting child market will not tolerate sustained margins for physical toy manufacturers. As Zoe Chance, a former brand manager for Barbie at Mattel, states, "You can only sell so many toys to each kid each year" (CUNY Journalism, 2023). The subsequent sections of this paper on Mattel's shift to IP licensing alongside the adult consumer shift captures the essence of distinct strategies, but both of them break away from the child consumer model. Thus, both strategies confirm the notion that the physical toy manufacturing business focused on child consumers is no longer a viable margin strategy.

At the same time that the child market is contracting, the adult market is expanding, both in breadth and in depth. Millennials, defined as those born between 1981 and 1996, are currently 29-45 years old, and are entering and currently in their peak earning years. The latest NielsenIQ and World Data Lab Spend Z report (2024) states that the millennials, spending 22.5% of their global consumer spending, are almost at par with the 22.9% of the global population. This shows that their income is almost equal to that of Generation X. The impact is already quantifiable on the toy and collectibles market.

In 2023, 28% of worldwide toy sales were made to adults, with US adult toy sales reaching $6.7 billion, up 8% year-on-year (Circana, 2024). By the first half of 2024, adults surpassed preschoolers for the first time as the largest consumer group in the US toy market. ESA

Essential Facts (2024) states that the average US video gamer was 29 in 2004, while the average age of a gamer in 2024 is 36. Additionally, the percentage of video gamers under 18 decreased from 34% to 24% from 2004 to 2024.

Companies that will be analyzed below respond to the structural pressures by not defending the shrinking market for children, but by reaping the adult market that they had unknowingly built over the previous decades.

4. Case Studies

4.1 LEGO: The Conscious Strategic Pivot

LEGO is the most compelling case in this article. It is the only example for which both the strategic intent behind the adult pivot and its financial outcomes are described in primary sources: executive commentary on the record, and annual financial statements published by the firm. This is not an argument based on market data; the firm's leadership documented this firsthand.

LEGO's adult dimension's clientele was developed without any company promotional efforts. Community hubs formed around the Adult Fans of LEGO (AFOL) phenomenon as far back as the early 2000's. These hubs spread without any company marketing and consisted of forums, conventions, and collaborative building activities. In 2008, LEGO acknowledged this demand and launched the LEGO Ideas platform. Through this platform, adult fans of LEGO can submit designs to be voted on by the community. If the design garners enough support, it is produced and sold. This turned adult consumers into co-creators by integrating adult contributions into the product development process. This was over a decade before LEGO's adult demographics were targeted in a marketing campaign. To the point, the cohort based brand loyalty in section 2.1, developed LEGO's brand loyalty without any commercial incentive for almost 20 years prior to the company deciding to commercialise this loyalty.

With the "Adults Welcome" campaign, 2020 signified the start of the commercial pivot. LEGO discontinued the Creator Expert branding and launched the LEGO Icons line, featuring black packaging and clear 18+ labels. This type of marketing is associated with price discrimination, as discussed in Section 2.2. These product lines meant for adults are visually differentiated so they are not interchangeable with sets meant for children. This allows LEGO to keep a large price difference between the lines without the possibility of self-arbitrage. The 2024 Wall Street

Journal interview with LEGO Chief Marketing Officer Julia Goldin states this strategy specifically, "We decided to focus on adults because we realized we had a much bigger opportunity than we were tapping into." Along with Goldin's interview, LEGO's financial records from the pivot further support this claim.

The LEGO Group generated revenues of DKK 65.9 billion ($9.7 billion) for 2023 which is a 2% increase compared to a global toy market that contracted 7% (LEGO Group, 2023; Circana, 2024) which is a 9% differential. Revenue growth carried into 2024 with the first half reporting DKK 31.0 billion, a 13% increase year on year with 14% growth in consumer sales (LEGO Group, August 2024). Niels Christiansen, CEO LEGO Group noted in 2023 during an interview with CNBC, that out of the last four of five years, the LEGO Group has outgrown the market by 10 percentage points. LEGO Group's sustained outperformance is evident in a market with a structurally negative outlook (declining birth rates and digital substitution). This outperformance explains the commercial extraction of a brand loyalty stock that has been accumulating since the childhoods of today's thirty five to fifty year olds.

The same investment dynamics as seen in section 2.3 are present here as well. Dobrynskaya and Kishilova (2022) show average nominal returns of 11% per annum on the LEGO secondary market from 1987 to 2015, with a Sharpe ratio of 0.4 and a zero correlation with equity market indices, marking them as an alternative asset class. LEGO sets are purchased by adults not only for enjoyment but also as an investment, and therefore, they embed an option on future secondary market appreciation in their value of the set. Such a phenomenon is observed at the product level as well: Circana's 2024 tracking report identified the LEGO Botanicals line (the botanical sets explicitly targeted to adult collectors) to be one of the most appreciating toy lines in the year.

The LEGO example most clearly illustrates the entire causal chain that this article seeks to identify: the accumulation of brand capital, through the childhoods of the now wealthy demographic, transformed into inelastic adult demand, through price discrimination, further supplemented with secondary market investment dynamics. Section 5 elaborates on these findings further.

4.2 Pop Mart: Natively Adult Design and Maximum Margin

LEGO illustrates a company that has shifted its focus from targeting children to engaging adults; however, Pop Mart is different still: it is a company that has never focused on children at all. As a collectibles company, Pop Mart employs a 'child's toy' (rounded shapes, bright colors, big eyes, etc.) aesthetic to entice adult consumers. If the adult pivot were solely a rebranding opportunity available to any toy manufacturer, the framework proposed here would be incomplete. Pop Mart illustrates that the "child aesthetic" is a design language, not a age limitation, and that the application of such an aesthetic to a product that is wholly adult-natured has the potential to create margins far in excess of those available in the conventional child-consumer model.

An example of unambiguous company positioning by company leadership has been given by Emily Brough, Pop Mart's Head of Licensing, regarding the Wall Street Journal in 2024: "Our product is aimed at the adult collector. We are specifically hitting that Gen Z kidult customer. They are more collectible items than anything else, and they are definitely not marketed for children." This is the clearest example, in our dataset, of primary source targeting adults through the toy and collectible industry.

The company's product architecture strengthens its economic value. The blind box format offers no discrimination amongst purchases, thus creating a variability-reward purchasing cycle for repeat buying. In order to complete a given collection, a consumer must buy several figurines, and the anticipated cost for each collectible figurine substantially exceeds the unit sticker price of approximately $27 to $80 per box. This format seems to only work for consumers with adult discretionary income, as the purchasing rationale demands both repeated economic transactions and the psychological ability to make the purchasing decision without parental consent. The adult-targeted design of Pop Mart retail spaces, including Roboshop vending machines, is located in the adult commerce area, with a gallery-style store layout and a single-item display of merchandise.

This can be substantiated with financial figures. Pop Mart's Annual Report 2024 reveals total revenues of 13.04 billion yuan (CNY) with year-on-year growth of 106.9% and a gross margin of 66.8%, the highest gross margin ever reported among the publicly listed peers in the collectibles and toy-adjacent category (Pop Mart International Group, 2025a). For comparison, Mattel recorded a gross margin of 47.5% for FY 2023 (Mattel, Q4 2023). A 19 percentage-point difference between a natively adult collectibles brand and a mixed child-and-adult portfolio aligns with the price discrimination argument made in Section 2.2. Adult consumers with an inelastic, nostalgic, or identity-driven demand will generate significantly higher margins than the child product lines. A similar scenario with Pop Mart's asset-light IP model was the Hasbro 2023 segment data Wizards of the Coast at 36 to 48 percent operating margin and Consumer Products at 4 to 6 percent, which eliminates the need to consider varying business models and confirms that the age of the consumers, as opposed to the structure of the corporation, is what matters.

Pop Mart's most rapid expansion can be seen with the flagship IP The Monsters series with the Labubu model. Revenue for this line IP grew from ¥0.37 billion in 2023 to ¥3.04 billion in 2024, increasing 726.6%, and reached ¥4.81 billion in just the first half of 2025 (Pop Mart International Group, 2025a, 2025b). One of the most important drivers of this growth was an April 2024 Instagram post from Lisa, a member of the South Korean musical group BLACKPINK, who featured a Labubu figure as a bag charm on an Hermès handbag. The post went viral and represented the product as a luxury identity accessory rather than a toy. The adult consumers who buy Labubu figures engage in an act of collecting rather than playing, acquiring a cultural object for its signaling value, as well as, through the resale market, its potential financial value. This combination of functions is described by the tripartite utility structure and maps directly to the dual-utility framework of Section 2.3, extended to include an identity dimension that is specific to adult collectibles.

These implications are developed in the analysis below.

4.3 Pokémon: Resilience of Brand Capital and Inelastic Demand to Quality

Unlike LEGO and Pop Mart, The Pokémon franchise enables the articulation of three distinct analytical points. Firstly, it shows the adult pivot mechanism in operation across a trading card game rather than a physical toy, allowing the argument to extend beyond the toy industry. Secondly, it provides the clearest evidence of investment utility as a standalone consumer motivation, via a liquid, graded, and institutionally recognised secondary market for collectible cards. Finally, and most importantly, The Pokémon franchise demonstrates that, for cohort-based brand capital, consumer demand may become inelastic not only in relation to price but also with regard to the product's quality. This is extremely relevant to the enduring nature of brand equity.

Understanding the scale of the franchise gives context. Pokémon is the highest-grossing media franchise in history with retail sales estimated to be around $146 billion (License Global, 2024), more than the Star Wars and Marvel franchises combined. The revenue comes from video games, an animated series, a Trading Card Game, mobile games, merch, and themed attractions. The Pokémon Company (a partnership of Nintendo, Game Freak, and Creatures Inc.) manages

IP across all segments. Adult engagement can be seen in all of them: the animated series finished its 25-year story about Ash Ketchum in 2023, and the new protagonist is anticipated to keep the older audience; Pokémon GO had the largest number of players on launch from the 18 to 29 age group with a median household income of $90,000 (SurveyMonkey Intelligence, reported in Forbes, October 2016); and luxury fashion collaborations with Uniqlo, Supreme, Levi's, and New Balance have positioned the Pokémon franchise in the adult consumer identity market.

Pokémon became the top global toy property in the first half of 2025, most notably because of the adult TCG and merchandise demand, and according to Circana, it was number 1 in 9 out of 12 markets (Circana, 2025).

The first datable adult pivot was in 2021, the 25th anniversary of the franchise, with the Post Malone concert movie, Katy Perry's Electric music video, and various high-end designer collaborations with little to no child audience focus. The aim was at 22-28 year olds in 2021, who were 8-14 during the original Pokémon boom of 1997-2003 — an ideal target in terms of brand formation, as highlighted by Schindler and Holbrook (1993). The harvest window opened approximately 20 years after the childhood accumulation phase, consistent with the theoretical framework outlined in Section 2.1 and with LEGO's pivot the year before.

The Pokémon Trading Card Game secondary market exhibits the clearest example of investment utility. Between 2019 and 2021, the PSA grading volume for Pokémon cards increased over 1000% due to the influx of some adult investors. Cards are graded, and then sealed and traded on private exchanges or used as collateral in loans, similar to the market for fine art or classical numismatics. A remarkable example is the documented purchase of the PSA 10 first-edition Charizard card for $5.275 million by Logan Paul in January 2022. This sale set a public record for individual Pokémon card values and demonstrated the upper limit of investment potential within the market. These cards are not bought to play the game, but instead as a financial asset, reflecting the dual-utility framework introduced in Section 2.3.

The Pokémon case's primary focus economically is understanding how brand equity links to the quality of the product. Pokémon Scarlet and Violet were released in November 2022 and are among the highest-selling Nintendo Switch titles, with 24.9 million copies sold in the first year. They received a Metacritic score of 72, which is the lowest score ever of any main series Pokémon game. They had significant documented technical issues with severe frame-rate drops, inconsistent graphics, and missing features that were available in previous games. The community and critic ratings were harshly negative but the game sold exceptionally well.

Standard demand theory can't formulate a reasonable explanation about this event. With the assumption that demand is a function of quality, the deterioration of quality should turn away customers while important improvements should bring them in. The Pokémon scenario creates a reverse theory because of the strong nostalgic connection to the Pokémon franchise that the consumers have due to the brand equity, buyers are willing to purchase products without evaluating the items. The strength of the brand equity created in the 90's is powerful enough to last 20 years regardless of the quality.

Call of Duty presents a good case study. Call of Duty: Vanguard was released in 2021. Activision stated Vanguard had the company's worst franchise launch in 14 years, attributing the shortfall to "our own execution" and insufficient creative innovation (Activision, Q1 2022 earnings; GameSpot, 2022). Call of Duty: Modern Warfare 3 (2023) had a 39% decline in UK annual sales compared to the previous game and was considered to be a bad value (GSD, 2024). Call of Duty: Black Ops 6 (2024) received a positive critic reception with an Opencritic score of 83, but the game dropped 79% of its Steam players within two months post-launch (TheGamer, January 2025). These examples show that the Call of Duty franchise has quality execution failure. Genre consumers are less likely to stay if the game is poorly executed. Consumers who are nostalgic for the brand are less likely to leave if they formed a brand attachment at a young age.

To score a Metacritic of 72 and sell 24.9 million units is a great achievement for Pokémon Scarlet and Violet. For a close rival franchise to drop approximately 50% of its active player base with a score of 83 is quite a spectacle. Clearly, this shows that with player engagement, brand- and player-base-loyalty can insulate demand from variations in quality in ways that genre loyalty cannot. For accurate comparisons, Call of Duty retention statistics represent a subset of the player base. This is because Steam is biased towards the PC side of the player base. The sales numbers for the game provide the same conclusion. Vanguard's underperformance was attributed to "our own execution" by Activision, which means that they see their games losing out in the market. Unlike the Pokémon franchise, Activision cannot bank on the brand's player base longevity.

5. Analysis

The three case studies discussed in Section 4 do not solely stand on their own. They represent multiple instances of a single mechanism that works in various market environments, product types, and business model types. This section brings the evidence together around three findings, with each one corresponding to a theoretical framework described in Section 2.

5.1 Finding 1: Cohort-Based Brand Capital Functions as a Structural Moat, Inelastic to Both Price and Quality

Our first and foundational finding is that the adult pivot is not a strategy that any firm can pursue. It is only available to firms that cultivated genuine cohort-based brand relationships during the critical formation period of a now-rich consumer generation. LEGO and Pokémon built such relationships from about 1980 to 2005, during the childhood years of today's 25 to 50-year-olds. Pop Mart is the exception: it avoided the cohort accumulation requirement entirely by designing a product that taps into adult emotional consumption directly, and not through any childhood associations.

The depth of brand capital can be seen most clearly in LEGO's case. The Adult Fans of LEGO communities, which emerged in the early 2000s, were not the result of any corporate stimulus. They were the spontaneous manifestation of brand loyalty formed during the childhoods of consumers, who, at the time, were being completely ignored by the company in terms of marketing. For two decades, a portion of the adult population actively engaged with a brand that was not making any efforts to retain their loyalty. This is the moat in its purest form. It is demand that exists without supply-side investment, waiting to be captured.

Pokémon pushes this finding to the extreme. If cohort-based brand capital were a mere marketing tool (something that drives up demand for a good product), it could be understood within standard demand theory. The Scarlet and Violet games showcase the exact opposite; the nostalgic connection established in childhood seems to eliminate the willingness to pay from the price and quality equation. A consumer who has nostalgic feelings towards Pokémon is unlikely to critique the new game release on some technical criteria as a genre consumer would regarding a competitive shooter. The brand capital built from 1997 to 2003 developed demand that was independent of the game's quality. The contrast with Call of Duty (three successive titles with plunging engagement scores, including one that dropped 79% of its Steam players within 2 months of release despite good reviews) confirms that this insulation is exclusive to cohort-based nostalgia, and is not a characteristic of franchise size. Call of Duty commands a large audience, but its audience's attachment is situational. The attachment by Pokémon's consumers is even deeper than mere genre loyalty.

In business, this is important: the adult pivot is defensible. No amount of marketing spend can replicate twenty-five years of childhood nostalgia. Only firms whose brands were present in the formative years of today's 35 to 50 years olds are able to successfully implement this strategy.

5.2 Finding 2: The Adult Pivot Is a Margin Expansion Strategy, Not a Revenue Diversification Strategy

Our second finding shifts the adult pivot focus from volume to margin: the adult pivot is about extracting a significantly higher producer surplus from a given consumer class whose demand is inelastic. The basis for this reframing is quantitative, most clearly in the Hasbro case. The Wizards of the Coast division, responsible for adult-targeted Magic: The Gathering and Dungeons and Dragons games, claimed operating margins of 36 to 48 percent. Meanwhile, the Consumer Products division, whose clients are the kids-focused Nerf, Play-Doh, and My Little Pony, operated at margins of 4 to 6 percent. Both divisions had the same parent company, with the same overhead allocation and shared supply chains. The 30-42 percentage point difference in margins could therefore be explained by a single factor: the end consumer's price elasticity. Adult consumers whose demand is anchored by nostalgic attachment and resistant to substitution generate margins significantly higher than child consumers who buy in a highly competitive and price-sensitive market.

A secondary confirmation is the cross firm gross margin differential % between Pop Mart and Mattel (66.8% versus 47.5% respectively). The difference is almost 19% and is due to differences in business model. Pop Mart uses an asset-light IP model with direct to consumer retail, simplifying the cost of goods sold in comparison to Mattel's licensed manufacturing model. The Hasbro intra-company comparison controls for this confound, making it the evidentiary anchor. Altogether, both differences demonstrate the same evidence: adult-targeted consumer marketing, whether for nostalgia or identity purposes, is more profitable than marketing to children.

For firms, practical implications of this operating in this space is that children's product lines act as brand-building infrastructure to create future adult demand, while adult lines are the harvest. Historically, the investment horizon for a children's toy brand has been evaluated as the childhood purchasing period alone. The findings here suggest it should extend to the twenty to thirty year window between childhood brand formation and peak adult earnings.

5.3 Finding 3: Dual Utility Creates a Self-Reinforcing Demand Flywheel

Our third finding focuses on the adult willingness to pay for nostalgic attachments. As outlined in Section 2.3, adult collectibles have dual utility: (i) consumption value from ownership and display, and (ii) the investment opportunity from anticipated appreciation in the secondary market. The secondary market has a unique role in the demand for adult collectibles, i.e., demand is not just reflected but also motivated, and it adds a new rational purchasing reason which is not present in the children's toy markets. Here's how the flywheel works. Increases in the secondary market are viewed as increases in the returns expected on a purchase. This increases the expected willingness to pay in the primary market. This also gives the ability to the firms to maintain higher primary prices. This increases the product's cultural cachet and desirability and increases the secondary market prices. This flywheel effect is observable in the LEGO secondary market, where Dobrynskaya and Kishilova (2022) document average returns of 11% per annum over 28 years, a Sharpe ratio of 0.4, and near-zero correlation to equity indices. In level of investment dimension, the market of Pokémon cards shows the greatest extremity with the internationally regarded first-edition, PSA graded cards, reaching multi-million dollar valuations. The secondary market in LEGO and Pokémon cards is not a product of consumer enthusiasm, but an independent source of demand integrated into the decision to purchase.

Regulatory signals from the "dark mirror" cases indicate the economic and legal significance of the line separating child and adult aesthetics. The Polish law coming into effect in January 2025 banning the sale of alcohol in packaging that looks like it is aimed at children's products, is a response to the trigger of the Voodoo Monkey alkotubki. The EU's tobacco rules for heated tobacco products are also examples of legislation that on a regulatory level recognize the economic potential of the aesthetic elements of child consumerism in a predatory manner. Regulatory response to attempts by product categories that are deemed harmful to shift the child-adult aesthetic categories downwards by introducing child-like aesthetics in adult products is not only expected, it is precise. Economic theory is based on the perception of value on a boundary that divides consumer segments with different demand profiles, and it is defensively valuable.

6. Implications and Limitations

The findings have implications for various stakeholders, including legacy children's brands, investors assessing consumer discretionary portfolios, regulators concerned with market access and consumer protection, and scholars in related fields.

For firms, the implications are that brand equity secured via relationships with child consumers is a significant and long-term asset, with a monetisation horizon stretching decades into the future. Historically, the rationale for investing in child consumers has been evaluated against the child purchasing period, the period in which parents buy on behalf of their children. The findings suggest that value underestimated in that frame is, in fact, value associated with the more emotional and lasting brand associations that develop in childhood and translate into loyalty to the brand 20 to 30 years later. Firms with legacy brands who captured strong consumer relationships with children between 1980 and 2005 are primed for that loyalty in the 2025 to 2040 period, which will be the peak earning years for the Millennials and early Gen Z. Firms that have not been able to foster similar relationships with the current generation of children will be disadvantaged in a way that is not able to be countered by marketing spend.

As recessions hit, standard consumer discretionary categories see declines in spending, but not so with the kidult consumer segment. According to the 2023 data Circana has provided, spending on adult toys shows 8% growth, while the total toy market shrunk by 7%. Dobrynskaya and Kishilova (2022) show that secondary LEGO market returns were positive during the economic contraction years of 2002 and 2008. There are fully or partially adult collectibles businesses based on sustained cohort based nostalgia that are not discretionary in the usual sense, offering demand profiles that are economically cycle independent. Pop Mart, LEGO, and Pokémon, are examples of these. In light of the findings, there are two main concerns for policymakers. To start, the blind box model, which is core to Pop Mart's business model and is used across the collectibles sector, incorporates a variable ratio reward scheme that has been the focus of concerns from regulators in a number of regions. Belgium and the Netherlands have categorized some loot box features as gambling, while the UK Gambling Commission has a watch on this space. In figurative terms, the described model has the potential to drive repeat purchases among adults with disposable income. Hence, regulators are right to question whether similar mechanisms are used in products that are aimed at or accessible to children. Secondly, the premiumisation of toy brands that have been around for a while creates a concerning paradox. As lines of adult collectibles fetch prices that children can not afford, the buying power of adults alters the product and pricing structure of brands that used to be targeted at children. Consequently, children find themselves more and more excluded from markets that are designed and culturally relevant to them.

The analysis presented has several limitations that should be accepted. The analysis is limited to secondary data only. No primary consumer surveys, interviews with firms, or transaction data, proprietary or otherwise, were collected. The only example where some strategic intent towards adult consumers is present involves LEGOs, and it comes in the form of primary source executive statements. The evidence for Pop Mart and Pokémon comes from a blend of a company's financial reports, industry analysis, and journalism. The evidence base is concentrated in Western markets and East Asia. The mechanisms that operate in Western markets may operate differently in emerging markets where the consumer segment with deep Western brand exposure is smaller. The comparison of gross margins between Pop Mart and Mattel is subject to the business model confound acknowledged in Section 5.2, and because LEGO is privately owned, segment-level margin data is publicly unavailable. The limitations do not disprove the argument, but provide the areas in which the analysis could be deepened in the future if primary data is obtainable.

7. Conclusion

Our proposition regarding the adult pivot, the intentional shift of child-focused firms toward adult consumers, is not simply a marketing tactic, rather, it is a financially sound outmaneuvering of three converging structural gaps — a shrinking child demographic, a nostalgically attached adult demographic entering the peak of their earning years, and a pricing structure that is flush with the potential to convert the ensuing inelastic demand into producer surplus. The EU total fertility rate hit a post-2001 low of 1.34 in 2024 and, at the same time, adult consumers comprised 28% of the global toy market and, in the first half of 2024, surpassed preschoolers as the largest single spending cohort in the US market. Companies that established brand connections with today's 35 to 50-year-old demographic during their childhood are well-placed to reap those connections during this decade.

Our analytical contribution lies in moving Holbrook and Schindler's nostalgia framework from a demand-side consumer behaviour phenomenon to also encompass a supply-side strategic element. Literature shows a demand-side phenomenon, where adult consumers express preference for brands they were exposed to in childhood. What we add to this phenomenon is a structured understanding of how firms strategically identify a target cohort, align a commercial shift to when that cohort likely achieves peak spending power, market segregate via adult vs. child product design and packaging, and then exploit a heightened market price through means beyond competitive markets. When integrated with the collectibles-as-alternative-assets literature, particularly Dobrynskaya and Kishilova (2022), we have a third mechanism whereby adult propensity to purchase goes beyond what a nostalgic feeling would suggest, and this is due to the fact that toys aimed at children do not sell the investment worth that collectible items do. This combination of frameworks represents the first time such integrated explanation has been advanced for the toys and collectibles sector.

The quantitative basis for the argument rests on two directional margin comparisons. In Hasbro's 2023 segment reporting, the operating margins for the adult-focus Wizards of the Coast division are 36 to 48 percent, while the margins for the child-focus Consumer Products division are 4 to 6 percent, same company, same year, same infrastructure. Cross company comparisons, Pop Mart's gross margin of 66.8% as compared to Mattel's 47.5% supports this cross-sectional trend. Margin differentials between adult-targeted and child-targeted product lines are not incidental; they reflect the mechanism by which nostalgic brand capital is transformed into revenue.

Current frameworks face challenges in predicting the longevity of the cohort-based harvesting method past the millennial generation. With the Holbrook and Schindler model, the critical period hypothesis suggests the formation window is about 20 years, which is the gap between childhood exposure to brands and adult purchase power. This period may be shrinking with the rise of digital connective tissue in the form of social networks. For example, TikTok recorded a 452% increase in searches for content from 2016, despite the platform being less than a decade old (Fortune, 2026). A survey found that 79% of Gen Z TikTok users self-identified as nostalgic for content from the platform's early years (The Harris Poll, 2026). This leads to what is referred to in emerging consumer research as "vicarious nostalgia" — an emotional attachment to times and eras people did not actually experience, observed most commonly in algorithmically driven social media environments. The evidence base for this phenomenon is still developing and draws largely from journalistic and industry sources rather than peer-reviewed literature. The trajectory of the evidence suggests the existence of a trend in need of a systematic study. When the nostalgia cycle compresses from 20 years to 10 years, structural challenges are presented with the cohort-dependent harvesting model for brands. Companies would need to position themselves to nostalgic adult cohorts twice as rapid, and the childhood brand memory would break down and decline in value.

Pop Mart's model, being natively adult and requiring no childhood accumulation, may under these circumstances prove more durable than the legacy brand harvest strategies of LEGO or Pokémon. Whether this is the case, can be empirically tested, and this is the most fruitful avenue for future work in this field.

"Child-focused" was an identity, but it was always intended as a temporary face in a generational loyalty cycle. The adult shift is the payout of brand equity built up over decades.

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