

Research on Opportunities and Challenges for Dongguan's Trend Toy Industry under the Dual Circulation Pattern

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Abstract: Building a new “dual circulation” development pattern is a major strategic shift in China’s economy. Based on the theories of industrial clusters and global value chains, this paper systematically sorts out the development status of Dongguan’s trendy toy industry. The research holds that “dual circulation” brings dual opportunities for the industry: empowering the internal circulation and reshaping the external circulation. However, opportunities are always accompanied by challenges, presenting a complex dynamic game relationship. The innovation of this paper lies in in-depth exploration of the dynamic mutual promotion mechanism between internal and external circulations, and proposing more operable and forward-looking countermeasures and suggestions from the three levels of government, industry and enterprises. It aims to promote Dongguan’s trendy toy industry to realize the core transformation from “manufacturing advantages” to “brand advantages”, and provide a regional practical model for the transformation of “Creation in China”.

Keywords: Dual circulation; Dongguan trendy toys; Industrial upgrading; IP economy; Cross-border e-commerce

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1. Introduction

Currently, the profound changes unseen in the world for a century are accelerating, unilateralism and protectionism are on the rise, and the global economic governance system is facing profound reforms. Against this background, the Chinese government has made a major strategic deployment of “accelerating the construction of a new development pattern with domestic circulation as the mainstay and domestic and international dual circulations promoting each other”^[1]. The core of this strategy is to fully tap China’s advantage of a super-large market, smooth the domestic economic circulation, and at the same time integrate into the global value chain with a higher level of opening up, so as to realize the positive interaction and coordinated development of domestic and foreign demand.

According to the “China Trendy Toy and Animation Industry Development Report (2024)”, the scale of

China's trendy toy retail market has grown rapidly from 6.3 billion Chinese Yuan in 2015 to 76.3 billion Chinese Yuan in 2024, and is expected to reach 110.1 billion Chinese Yuan in 2026, showing enormous market potential^[2]. Data from the National Bureau of Statistics shows that in 2024, the operating income of national cultural and related industrial enterprises above designated size reached 14.2 trillion Chinese Yuan, a year-on-year increase of 6.0%; the total profit reached 1.3 trillion Chinese Yuan, a year-on-year increase of 10.8%^[3]. The scale of China's trendy toy market will continue to expand, driven by the rise of the Z-generation consumer group, the release of emotional consumption demand and the prominence of social currency attributes^[4].

However, Dongguan's trendy toy industry is standing at a historic crossroads: should it continue to indulge in the path dependence of the "World Factory" and engage in homogeneous competition at the bottom of the value chain; or can it seize the strategic opportunity of "dual circulation" to complete the dangerous leap from "manufacturing advantages" to "brand advantages"? What are the internal driving mechanism and external realization path of this leap? In-depth exploration of this issue is not only related to the sustainable development of Dongguan's trendy toy industry itself, but also has important theoretical value and demonstration significance for many traditional manufacturing clusters across the country seeking transformation and upgrading.

2. Development opportunities for Dongguan's trend toy industry under the dual circulation framework

2.1. Unlocking domestic demand potential and riding the wave of consumption upgrading

China is in a period of rapid consumption structure upgrading. As an "emotional carrier" and "social currency" that meets spiritual needs and highlights personality and taste, trendy toys are accurately in line with the direction of consumption upgrading. In addition, driven by the strong development of the trendy culture industry, the global trendy toy retail market scale has experienced significant expansion, jumping from 8.7 billion US dollar in 2015 to 44.8 billion US dollar in 2024^[5].

The activation of domestic demand potential and the wave of consumption upgrading have provided a broad blue ocean market for trendy toys as an "emotional carrier" and "social currency". The rise of the "Guochao" trend has brought a historic opportunity for Dongguan's trendy toy industry to achieve value leap. For example, the "Guoxi Fufu" series launched by ToyCity, the "Guofeng Terracotta Army" blind boxes jointly launched by LAMTOYS and museums, and the metal assembly models of Metal Build have all built a unique "cultural moat" different from international brands through the "creative transformation" and "innovative development" of Chinese traditional cultural IP.

2.2. The "National Trend" tailwind and the reconstruction of cultural symbol value

Dongguan's trendy toy enterprises can directly reach overseas consumers through the cross-border e-commerce B2C model, greatly shorten the value chain, and realize the iteration of the "external circulation" driven by data. At the same time, the formation of global "fan culture" and aesthetic commonality has reduced the initial cultural communication threshold for Dongguan's trendy toys to go overseas. More importantly, the "flexible supply chain" system formed by Dongguan's decades of manufacturing accumulation is in line with the characteristics of the trendy toy industry such as "many categories, small batches and fast updates", making it a "trump card" for participating in international competition.

3. Challenges facing Dongguan's trend toy industry under the dual circulation framework

3.1. Constraints in deepening the domestic circulation

Behind the opportunities lie profound challenges. The IP matrix of most enterprises is still dominated by cooperation with “internet-famous” designers or short-term authorization, lacking core self-owned IP with deep emotional connection and long-term vitality. Furthermore, many IP images lack full background stories and world view support, making their value stay at the “appearance” level, which is difficult to generate deep emotional resonance with users, resulting in a short life cycle. With the influx of capital and entrepreneurs, the domestic trendy toy market has shifted from a blue ocean to a red ocean. Some small and medium-sized enterprises have fallen into the vicious circle of “micro-innovation” or even “imitation”, leading to serious product homogenization and ultimately fierce price wars.

3.2. Challenges in expanding overseas circulation

The road to “going overseas” is not smooth. Chinese cultural products generally face the challenge of “cultural discount” when going overseas, that is, due to cultural background differences, the international market’s understanding of product value is lower than its value in the country of origin. A purely Chinese-style IP may be unpopular overseas because its cultural symbols are not understood. At the same time, the international intellectual property protection environment is complex and severe. The original designs of Dongguan’s trendy toys are at high risk of infringement overseas, and the cost of cross-border rights protection is high. On top of that, the continuous high pressure of international logistics, warehousing and compliance costs constitutes a huge burden on small and medium-sized enterprises. Finally, the most core challenge is the difficulty in leaping from “selling products” to “building brands”. At present, the overseas expansion of many Dongguan trendy toy brands is still in the initial stage of “selling products”. In the minds of overseas consumers, “Made in Dongguan” is still mainly associated with “manufacturing”, not “brands” and “creativity”.

4. Strategic pathways for strengthening the trendy toy industry ecosystem

4.1. Government level

The government should strengthen the original IP creation and full-chain copyright protection. Specific measures include establishing the “Dongguan Trendy Toy Industry Intellectual Property Rapid Rights Protection Center” to provide “one-stop” services for copyright registration, confirmation and protection; at the same time, cooperating with customs, market supervision and other departments to carry out special crackdowns on online and offline infringement behaviors. In addition, the government should provide precise and systematic support for going overseas, such as taking the lead in organizing the “Dongguan Trendy Toy Brand Fleet” to participate in top international exhibitions and establishing strategic cooperation with mainstream cross-border e-commerce platforms. A more forward-looking suggestion is that the government should take the lead in establishing an “industrial data center”, integrating data from e-commerce platforms, customs, taxation, etc., to provide the industry with accurate market trend prediction, consumer portrait analysis and risk early warning services, and enhance decision-making capacity of the entire industry.

4.2. Industry level

The industry should build a collaborative development platform. Led by leading enterprises, establish the

“Dongguan Trendy Toy Industry Alliance” to jointly formulate industry conventions and product quality standards to avoid vicious competition. The alliance should actively promote the construction of an internal supply chain resource sharing platform, and innovatively explore the “overseas warehouse sharing model”, where the alliance collectively leases and operates overseas warehouses to resolve the capital precipitation and operational pressure of individual enterprises. Furthermore, this sharing model can be upgraded to an “overseas brand experience center”, that is, the alliance jointly invests in the construction of an offline space integrating display, sales and fan interaction, transforming a simple logistics node into a brand outpost. At the same time, the industry needs to deepen the integration of industry, university and research, and cooperate with universities to establish “trendy toy industry colleges” or “IP research and development centers” to tailor-made compound talents who understand both art and business for the industry.

4.3. Enterprise level

Enterprises should adhere to the principle of “content is king”, set up a special IP operation department, build a world view and content matrix for core IP, solve the pain point of “lack of storytelling” through stories, and explore diversified monetization paths such as authorized derivatives. At the same time, enterprises need to deepen the DTC model, convert traffic into retained customers through operating official APPs, private domain communities and membership systems, and build a solid basic disk for the “internal circulation”. In terms of overseas expansion strategy, enterprises can adopt “gradient overseas expansion”, give priority to the Southeast Asian market, and implement “global thinking and local actions”, launch product series with both international aesthetics and Oriental elements, and actively reduce the “cultural discount”. Additionally, enterprises should explore the perspective of “reverse innovation”, where products or marketing models developed for specific overseas markets can “feed back” the domestic market after verification, forming new growth points. This is the microcosmic embodiment of the dynamic mutual promotion mechanism of “dual circulation”.

5. Conclusion

This study shows that “dual circulation” brings dual opportunities for Dongguan’s trendy toy industry, empowering the internal circulation and reshaping the external circulation, while also presenting challenges such as insufficient core competitiveness of original IP, cultural discount, and difficulties in brand overseas expansion. The industry needs to achieve transformation from “manufacturing advantages” to “brand advantages” and from “cultural understanding” to “global communication capacity”, which requires the joint efforts of the government, industry and enterprises. Its exploration is not only the industrial transformation narrative of a city, but also a vivid microcosm of the global reshaping of “Made in China”, adding luster to “Created in China”.

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