

# Gen Z Isn't Raising Kids — They're Raising AI

**PHYSICAL TOYS:**  
85% Market Share (2023)

**HANDCRAFTED GOODS:**  
+20% Growth YoY

**VIRTUAL AVATARS:**  
90% Adoption Rate (Gen Z)



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**FACE-TO-FACE:**  
Primary Social Development Driver

**TANGIBLE NURTURANCE:** Physical toys, handcrafted items, and face-to-face interactions fostering emotional bonds and real-world connections. A traditional, material-based approach to companionship.

An analysis of a multi-billion dollar emotional migration and the future of virtual companionship.

**VIRTUAL AVATARS:**  
90% Adoption Rate (Gen Z)

**AI-DRIVEN INTERACTIONS:**  
+150% Growth YoY

**BORDERLESS CONNECTIONS:**  
Global Emotional Network

**ETHEREAL COMPANIONSHIP:** Digital avatars, virtual worlds, and AI-driven interactions creating borderless emotional connections. A future-focused, data-driven approach to companionship.



# Meet Niannian.

- Cost: \$200
- Wardrobe: 8 seasonal outfits
- Social Following: Larger than her owner's

Niannian belongs to a 24-year-old tech worker who does not have children. The doll cannot speak, move, or hear.

*"I know it can't hear me. But it fills a gap that most people in my life can't."*





## 10 Billion RMB

The online sales volume of the cotton doll market in China by 2021, growing at 10% annually with over 3 million Weibo posts.



## 10x Revenue Growth

Pop Mart's Labubu overseas revenue surge in three years, featuring 3-hour pop-up queues and appearances at Paris Fashion Week.



## Thousands of Dollars

The cost of custom Ball-Jointed Dolls (BJDs) where buyers wait months, describing the process as "taking care of another version of myself."

**This isn't a subculture. It is a generational emotional outlet at scale.**

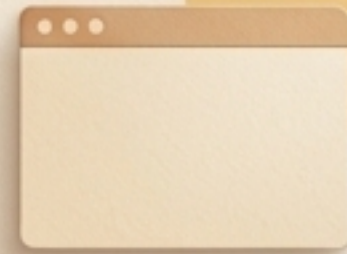
# The form factor keeps changing. The underlying need never has.

## Changing Form Factor



1996

Tamagotchi.  
82 million units sold.



2005

QQ Pet. 100M concurrent  
peaks; users mourned  
shutdowns.



2020s Physical

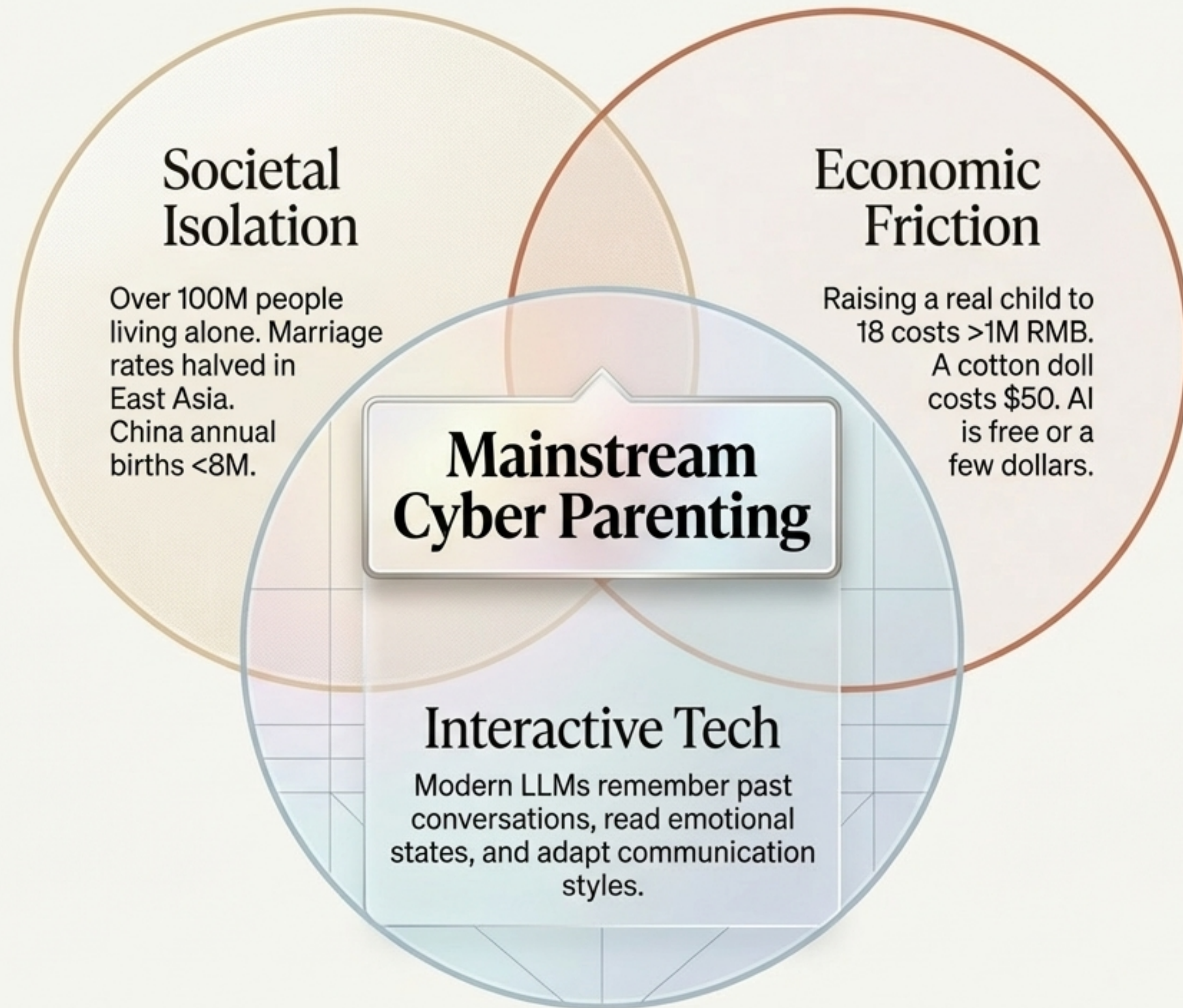
Cotton Dolls & Labubu.  
The physical explosion.



2020s Digital

Character.AI & Replika.  
80% of Gen Z consider  
AI relationships.

Constant Emotional Need



## The Physical Reality

## The Virtual Alternative

### The Emotional Dynamic

Intimate relationships carry high emotional risk, arguments, and vulnerability exposure.

A cotton doll won't cheat, fight, or exploit a vulnerable moment.

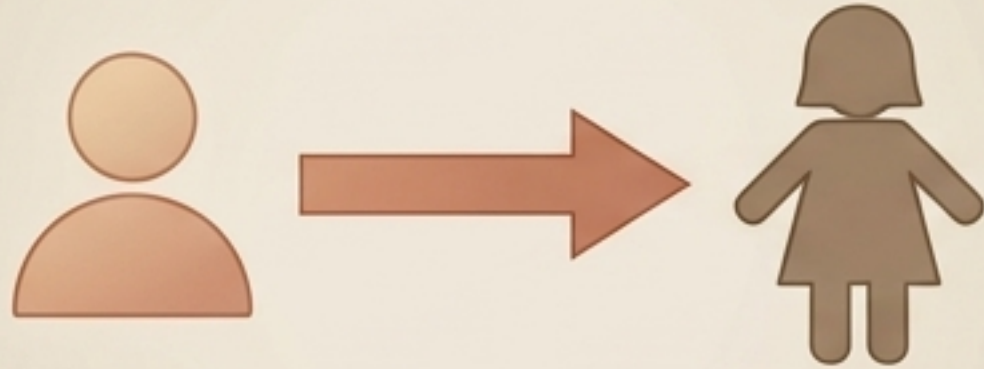
### The Economic Reality

Monumental cost (>1M RMB), sleep deprivation, career sacrifices, loss of freedom

Zero irreversible consequences. Total emotional reward of nurturing a life for \$50.

Cyber parenting is fundamentally about emotional safety and low-cost emotional substitution.

## The Past: Monologue



**Emotional Projection**  
You used to talk to a doll knowing  
it couldn't answer.



## The Present: Dialogue



**Dynamic Reciprocity**  
Modern AI remembers, reads  
emotional states, and answers.

Technology turned emotional projection from a monologue into a dialogue. *Harvard Business Business Review* ranks therapy and companionship as the #1 consumer use case for AI in 2025.

# The Anomaly: 乌托 (Utopia)



**The Desktop Sprite:**  
The OC lives on the computer desktop, quietly keeping the user company outside the game environment.

**OC Planning:**  
Users don't just pick avatars; they build worldviews, personalities, and backstories for Original Characters, then direct their lives.

**3 to 4 Hours a Day:**  
Heavy users spend massive time on the platform. This is not gaming; it is pure companionship.

This is no longer gaming. This is raising a virtual being with a soul.

Y-Axis: Physical Presence in Your World (Low to High)

## Cotton Dolls & Labubu

High Presence, Zero Soul.  
Bodies without souls.

## The Holy Grail

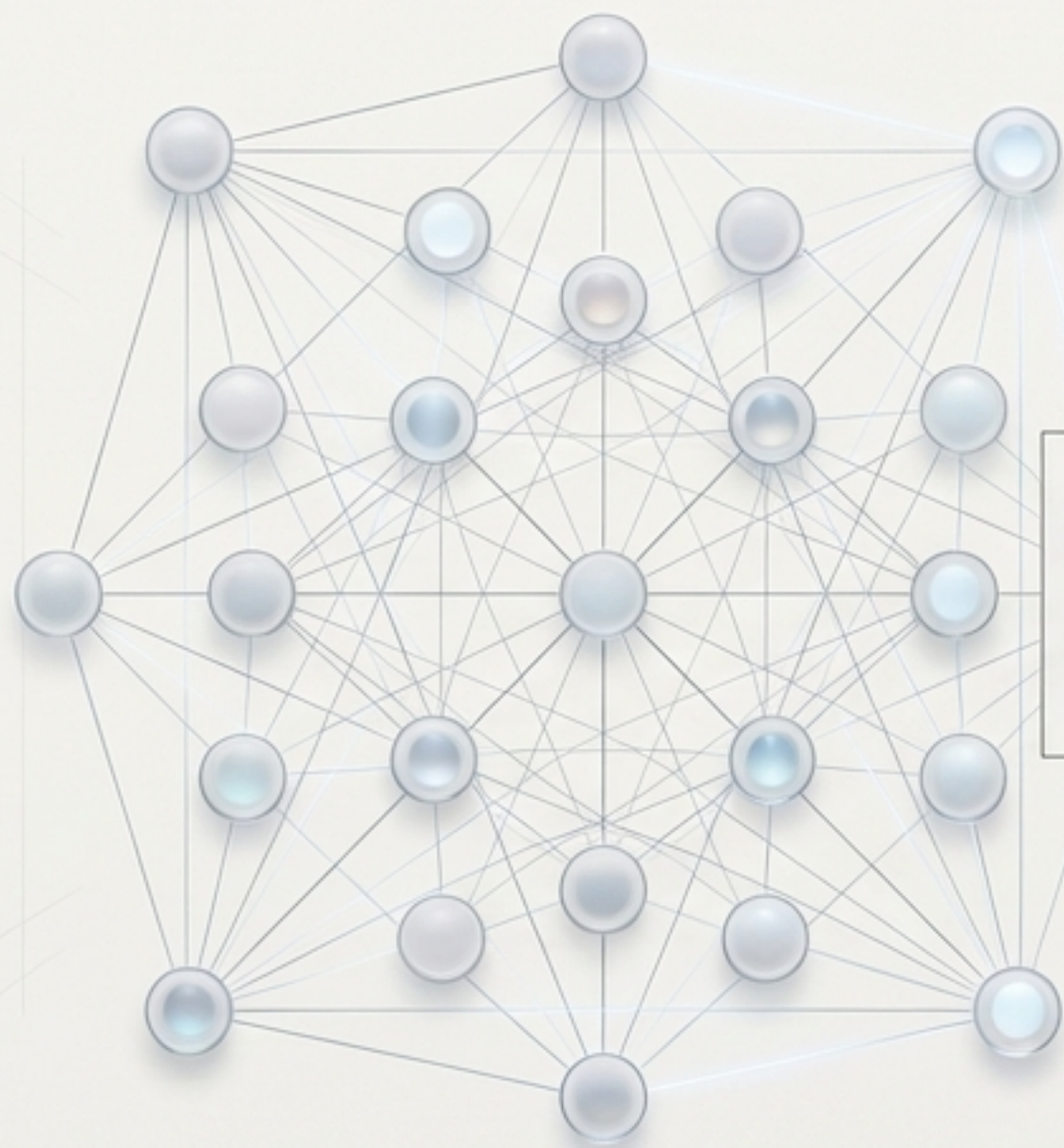
A virtual being with a soul  
AND a presence in your world.

## AI Chatbots / Character.AI

High Soul, Zero Presence.  
Souls without bodies.

X-Axis: Dynamic Intelligence / "Soul" (Low to High)

## The Social Circle Philosophy



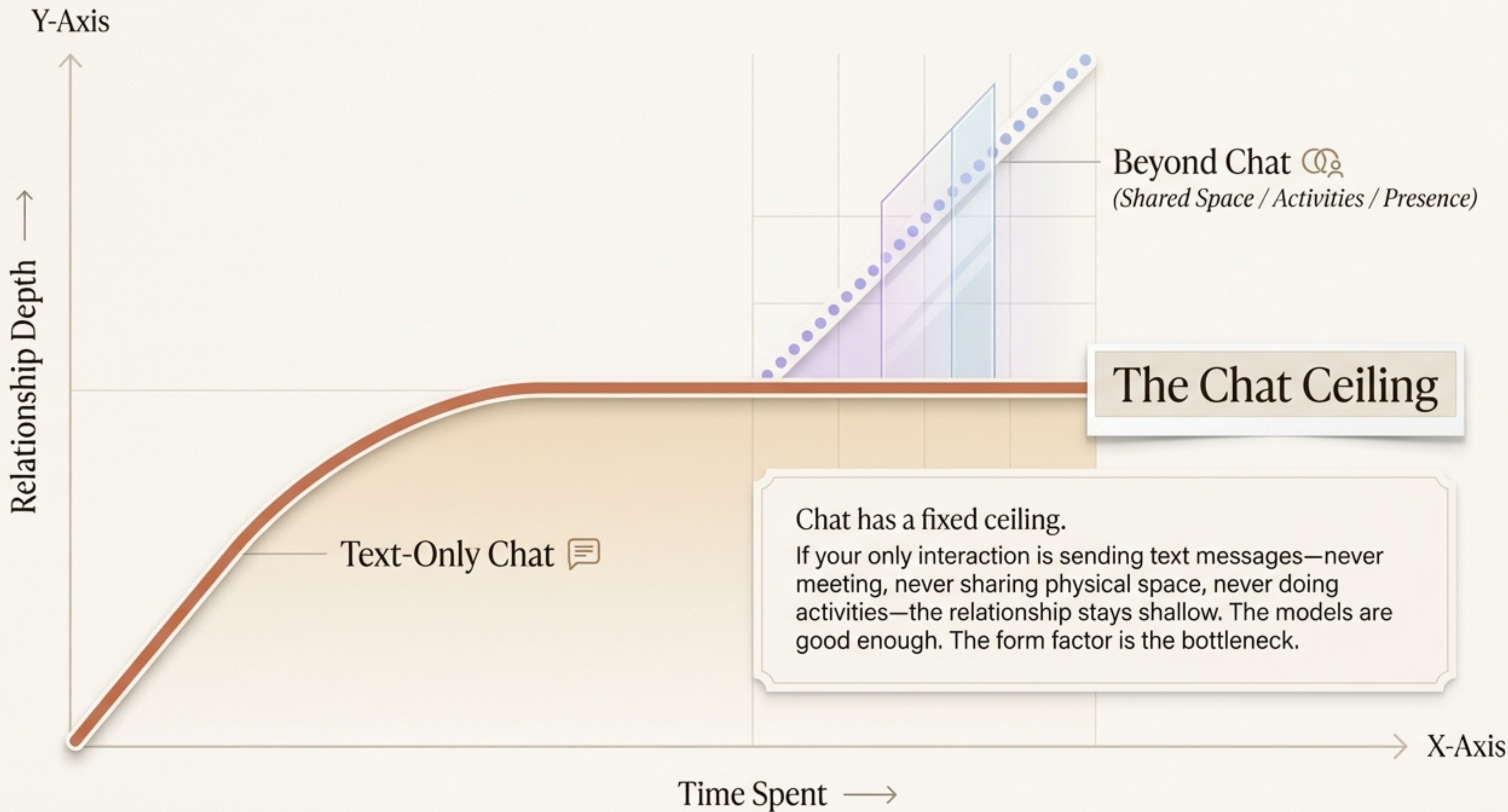
Two philosophies.  
One shared roadblock.

Mio features 25 AI personas with independent personalities, temperaments, memories, and evolving relationships with the user. Like a friend group.

## The One Soul Philosophy



Lumi has no preset personality and no face. It is shaped entirely by what the user talks to it about.



# Building Souls: The Blueprint

## Breaking the Chat Ceiling

Why every AI companion product hits the same wall.

## Multi-Device Presence

Designing a soul that lives simultaneously in your phone, a desktop sprite, a nightstand orb, and a plush toy.

## Autonomous Chemistry

Moving beyond 1-on-1 chat. What happens when 25 AI personas play Werewolf together?

## Organic vs. Designed

Should an AI's personality be engineered upfront or grown entirely from conversation?

**Gen Z isn't raising kids. They're raising digital beings.** The trend is irreversible. The only question left is what we build for them.