

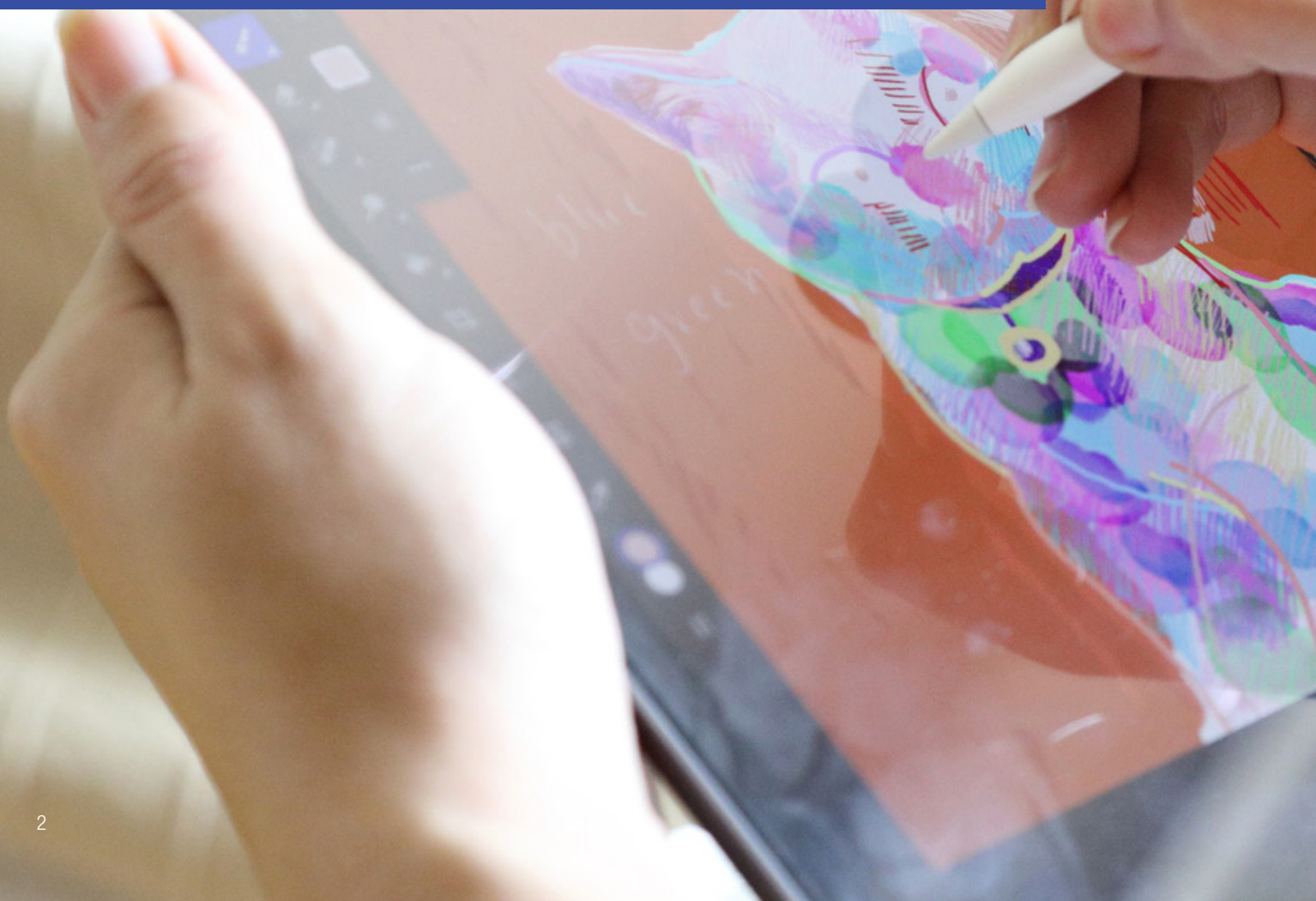
MAKING SENSE OF NFTS

An alternative path
for expressing your brand

October 2022



NFTs are, in their current form, a type of art investment that is capturing the attention of investors and brands alike. Initially discounted as a passing trend, the market for NFTs has surged. However, many brands will be challenged to unlock the full potential of an NFT for novel use cases. Therefore, to understand this emerging space further, Ipsos has completed a study into the world of NFTs, by following the process of creating an NFT collection. We have uncovered an alternative way for brands to delve into the phenomenon. By engaging the community of investors around specific NFT collections, NFTs hold the possibility for brands to augment consumer interaction as well as brand storytelling.





Context

NFTs (non-fungible tokens) have recently gained notoriety as an accessible way to buy and sell digital art. They have garnered the attention of brands across categories as a potential new line of business. But is this a real opportunity for most brands? How can and should brands and businesses be responding to this ever-shifting landscape, to tap into new opportunities and leverage growth?

Introduction

In recent years, cryptocurrency has demonstrated itself as one of the defining financial trends of our time. In contrast NFTs, a form of digitally produced and blockchain based art, feels like the defining cultural trend of the past year, generating a total of \$5.4 billion in profits through sales of the tokens in 2021.¹ Despite all the publicity, the space still feels like it is mostly for insiders: gamers, investors, and luxury brands.

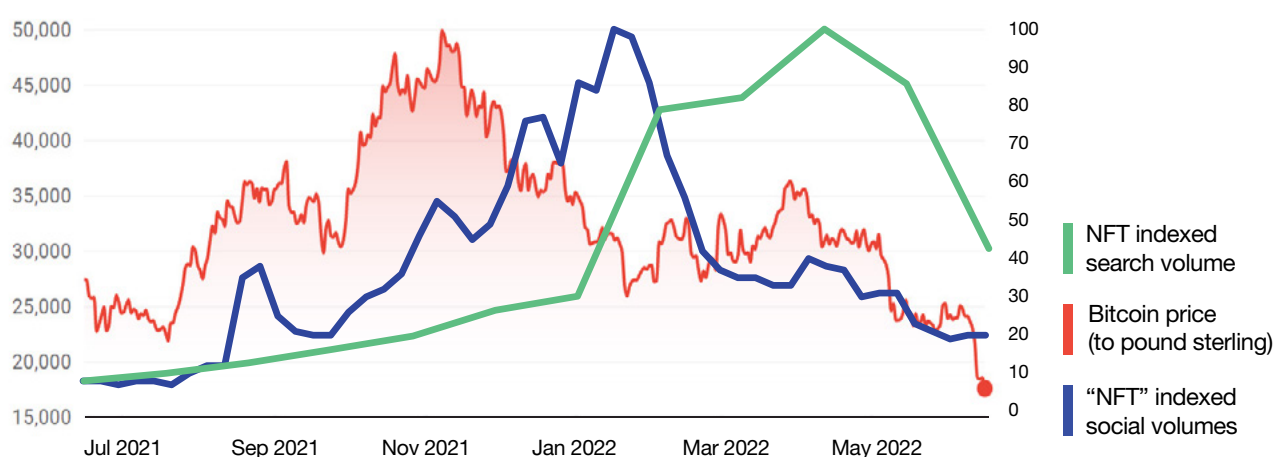
As such, Ipsos investigated the world of NFTs. We have gone on the journey of creating (aka *minting*) an NFT. Our research shows that NFTs have opened new possibilities for brand storytelling, and that engaging NFT communities is a creative, yet more risk-averse way to help brands tap into the phenomenon and play in the space. Here we will present learnings designed to empower brands across many categories, with insights on how to innovatively engage with consumers and shape new brand narratives.

The scope of the public discussion on NFTs

Search and social data provide a concrete basis for understanding how the wider public has been exploring NFTs. Globally, the terms “NFT” or “NFTs” have been mentioned a staggering 169 million times in the past twelve months, 93.6 million of which were in the past three months alone. Both search and social volumes for the past twelve months (indexed UK Google search volumes for NFTs and social mentions of “NFTs” versus GBP Bitcoin) show interest is overall very

high, demonstrating that NFTs have emphatically captured the public’s attention.

As the space has gained so much popularity, it would be appealing to brands to want to monetise this opportunity and start creating their own NFTs. However, it is important to fully understand what they are first, to decide how brands across most categories might capitalise on the NFT space.



Indexed searches broadly map to the Bitcoin price, although NFTs peaked in late January – some delay after Bitcoin’s November peak.

Source:
Google trends, P12M, UK
Synthesio, P12M, Worldwide



But what are NFTs?

NFTs ('non-fungible tokens') are digital assets. While they are not cryptocurrencies themselves, they are supported by the same blockchain technology.² More simply, they are another thing to buy or invest in, usually digital art, but with a highly trackable claim to ownership. The trackability is important because digital things like a JPG or an MP3 can be duplicated repeatedly, rendering the idea of "ownership" meaningless. The trackability is possible because an NFT itself is a unique digital code, creating a unique claim on it that is publicly accessible and, therefore, transparent. The hard to grasp technological nature of the blockchain should not deter us from trying to dig deeper on the myriad opportunities it might represent.

Artists, art enthusiasts, digital and cultural experts, as well as investors all have an opinion on those opportunities. Our findings show that the world of NFTs is inherently polarising. Despite many wanting to be part of the momentum, others feel there is a strong speculative dimension to this space. A recent estimate indicated that up to 90% of the

market may be speculative selling.³ Critiques range from, on the one hand, accusations not dissimilar to "insider" trading, which can artificially elevate the cost of the art at the release;⁴ on the other hand, there is the issue of the seemingly bankrupt nature of mass-produced art based in trending investment value rather than substantive aesthetic value.

For the rest of us, those unfamiliar with the blockchain, neophyte investors, or brands eager to start producing their own branded NFTs - the barriers to entry feel considerable, and it would be hard to know how or where to enter the space and translate this excitement to actual economic gains. Most brands are not the kind that can sell a digital reproduction of their product, for example a designer handbag that sells for 200% the cost of the real thing in the metaverse. Take Nike as an example, that recently managed to sell 600 pairs of NFT sneakers in just six minutes, for a total of \$3.1 million.



World of Women WOW (2022)⁵

The cultural context of NFTs

NFTs seem like the second big wave of public excitement (crypto being the first) happening because of blockchain technology. Finding new uses for the blockchain is like a grand social experiment. NFTs are part of this socio-cultural process of hammering out uses for a new technology. The excitement around NFTs is a natural cultural by-product of something simply new in our environment, and there are likely many other uses of the blockchain that will happen down the line for different areas of social and economic activity.

As claims to ownership in digital space have seemed to nearly fall apart, the blockchain as a strong tracking technology solves the problem of digital reproducibility. Think about the phrase *information wants to be free*, Stewart Brand's famous aphorism, first uttered at the Hackers Conference in Marin County, California in 1984. It became the call of hackers and internet enthusiasts at the early phase of the internet, legitimising countless platforms that have facilitated mass pirating of protected content. It is an ethos that has worked against strong control of rights and protections, that has arguably stifled creative development since. Understanding this about NFTs helps us see

that there is a good overall rationale for what NFTs do, in terms of protection of creative output, even alongside justified criticism.

While investment in NFTs may lead to financial freedom for some individuals, and growth for some brands, these opportunities are accompanied by new risks and challenges, including the hotly debated climate impact as well as an amplification of the digital divide.⁶ Because of such claims, there needs to be a safer way to make something of it. Our exploration of the long journey toward *minting art* - or the process of uploading art to the blockchain which converts digital data into digital assets that cannot be changed, edited, or deleted – does give us some new ways to understand entry points for brands.



Value lives in the NFT community

The minting process presents a compelling way to understand the value of NFTs and a more sensible way for brands to enter the cultural phenomenon of it. These fascinating communities have a quirky identity, with off-beat names like Crypto Punks, Ninja Hideout, Mutant Cat, Larva Labs, all connoting underground rebellion positioned against the monotonous normalcy endured by the rest of the world.

For NFTs, while the art itself does play *some* role, the specific piece you will ultimately own is not important. What is important, however, is that you will own something; but what one gets is more than just the NFT of a wonky digital ape; it is an identity as an NFT owner in a specific NFT collective, because there is a significant investment beyond money – it is time and social energy spent developing the art collective's identity.

Observations from interviews of NFT investors, and from our study of the NFT minting journey in which we spoke to artists during a minting process, shows that the piece one ultimately owns – not known at the outset - is only one aspect of the investment. For artists that seek to mint a collection, building of the

NFT community of investors is paramount. Equally, when looking to invest, the search for the “right” community is too. The “right” community” is determined by a multitude of factors, which begins with the artist's past work, as well as the mission and personality of the artist, and the transparent functioning of the community, the community vibe, the excitement generated in the group and other social factors that confer desirability on the digital asset and, therefore, its ultimate economic value.



For the investor, the journey often begins with a search, which seems to happen primarily on Twitter. Twitter generated almost 90% of NFT related posts in the past 12 months, and it is a key resource for those wishing to learn, engage and exchange views on NFTs. From there, once a potential investor has narrowed down the search for the collection they might like, the journey moves to the social chatting platform known as Discord. Discord is a digital place where people hang out and chat together, typically while they are doing other things together, like gaming or watching online content. The platform is the equivalent of the chat room in the early 1990s, and it is where members of a specific NFT community share their excitement on their upcoming NFT collection. Potential investors must therefore not only buy into the collective: they must also align with and help build the identity of the NFT community within Discord (which is then viral-marketed back on Twitter).



World of Women WOW (2022)⁷



Once someone is interested in buying an NFT they have found on Twitter, they will join that community's Discord to further explore the opportunity. Discord is a welcoming space, with myriad chat rooms in one channel, it is set up to explore different aspects or topics around a single collection, allowing for open, free, and silly or serious conversation with like-minded people.

Although people might certainly come to enjoy the visual aspect of the art, few join an NFT because they find the artwork itself initially beautiful. Like much of modern art, members of a community buy into it because they like what it represents, and they connect with the ethos of the artists, and the specific community. In the context of NFT communities, the hype prior to minting is critical in developing the value of the ownership, attracting new people who want to share and celebrate their identity as an owner within that collective. Essentially, it is the sociability and energy of the of the overall collective that ultimately attracts enough members to finally mint the art.

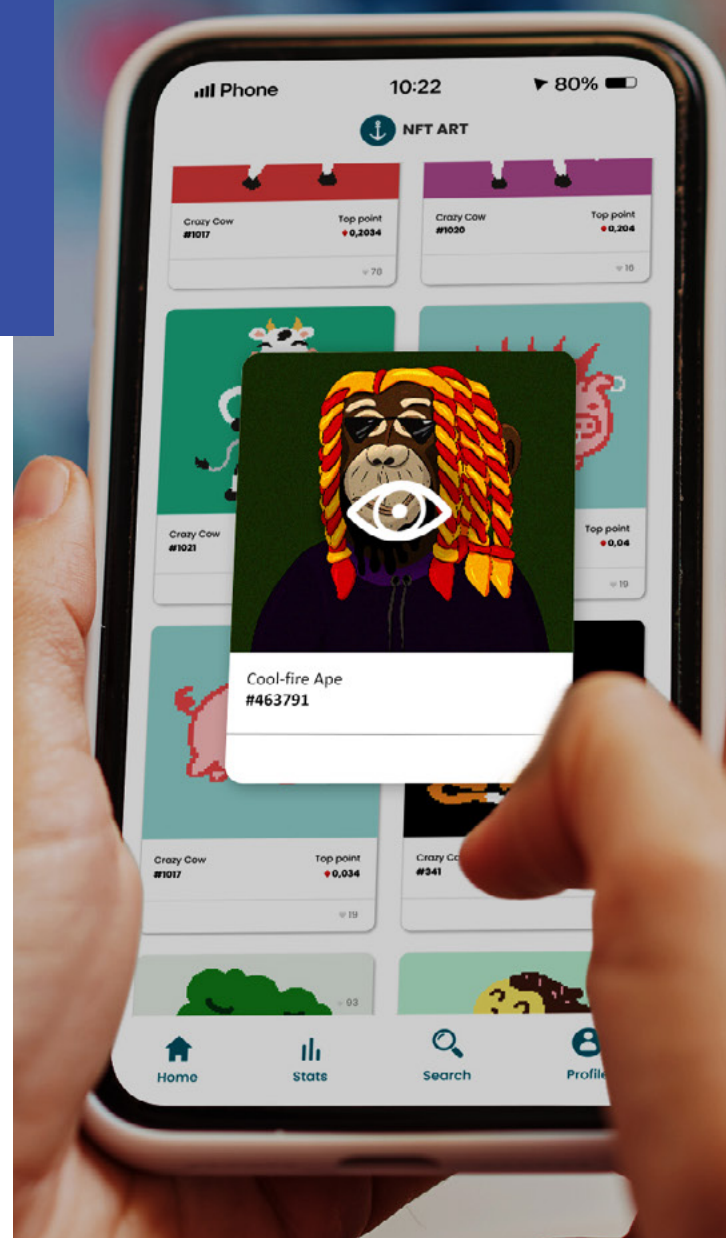
Taken together, the community hype is a central aspect of overall investment, and it plays on one of the deepest motivations of

human existence: that of belonging. Engaging the community creates new forms of social connection and gives a new way to find one's tribe in the digital sphere, a key part of what people do more generally in the digital world.

There are variable motivations for the different actors that engage NFT collectives: for artists, the community is market access, a somewhat more accessible and democratic art scene; for gamers, communities are an exciting space for play and exploration; crypto investors on the other hand, see them as a space of innovation and participation in the blockchain experiment. In this way, *NFTs are generative*. Their random cultural nature, sometimes funny cultural memes (Bored Apes), other times social values and conscious driven (World of Women collective), they allow for different meanings to be given by different industries and different individuals. Overall, NFTs capture the cultural moment by the random quirkiness of the art pieces generated, but whose users choose to find something intriguing in, something to identify with or celebrate – collectively, something to believe in. The ownership of the NFT is the final prize for the excitement around their community's pieces.

Ultimately, like crypto, as well as most currency and art, economic value is generated in the *shared belief* that the collective has in its value. And this is what the communities built around NFTs do.

Viewed in its more social aspects then, NFTs are about more than just digital investments – the cultural hook they create, the art that catches a niche group’s imagination – elevates to economic value what are to outsiders seemingly non-sensical digital artworks by way of generating social value – a sense of collective belief and purpose in the ownership of the art, powered by community-based nature of NFT ownership. In a deep way, the community is king and can be considered a brand in itself.



Brands and NFTs: where to go from here?

We conclude that while the luxury space is now teeming with NFT opportunities, very few brands at this stage have the kinds of product that would have value in an NFT format. However, our analysis highlights different opportunities. NFTs hold the promise of a new form of brand engagement with younger generations, through partnerships with NFT communities. The space can be considered a new way for brands to not only understand but also to engage new audiences. Brands across every category are already thinking about how to engage Generation Z, and Generation Alpha. And newer platforms like Discord and Steam, that create socialising, multitasking, and content exhibiting at the foundation of NFT communities have already become an inherent part of how this generation communicates with one another. While the price of the art may fluctuate, it is the communities that become a new pathway for brands to create engagement and interact with participatory pre-built communities created in these platforms.

Collectives aiming for social impact are an emerging phenomenon. Inclusion and diversity are critical topics of our time and there are several collectives based on this principle including [Women Rise NFT](#), [ARTXV](#) and [Moon Landing](#). Others support charity around mental health (such as [Blazed Cats](#)) or families in need ([Fast Food Punks](#)). There is even a new NFT platform called [Metagood](#), which hosts collectives with a charitable aim, and which allow portions of sales to go to donations. It seems likely at this time that social values-oriented collectives will continue to grow.



NFT partnerships to activate your brand

While brand activation is sometimes about highlighting inclusive values, it is much broader than that. Where NFT collectives can be understood as a new kind of brand, as we have described above, engagement and marketing through NFT collectives is about finding the collective/s or even hosting one that complements your brand personality in its core characteristics – something playful or caring, or empowering or science-vibe. It means having something metaverse-y to talk about to connect better younger generations.

While this is a very emergent space, brand partnerships are not. Reese Witherspoon's media company, Hello Sunshine, announced a storytelling partnership with the NFT community World of Women (WoW), an NFT collective with a mission to "create a beautiful, diverse, empowering collection and thriving new community". This unique collaboration gives a new marketing platform, generating

educational and entertaining content for both Hello Sunshine and WoW, alongside events that celebrate representation and inclusivity. Another partnership, between the collective ARC⁸ and Millennium Hotels & Resorts gives ARC members access to bespoke real-world experiences across the hospitality group's global footprint and the opportunity for digital co-creation in its latest venture, M Social Decentraland. ARC is a diverse community that spans a variety of geographies and industries and includes influencers across fashion, cinema, and investment as well as thought leaders. They partner with brands to give members "*the opportunity to connect, play and grow in a community across Web 2 experiences and Web 3 opportunities*," says the founder Kiat Lim. Even while brand partnerships are an embedded practice, these examples illustrate creative ways to explore, understand and utilise NFT communities and how brands might align to them.



Recommendations for brands looking to move forward in this space:



Understand your brand and what it might be missing. Consider partnerships with NFT communities as a partnership like any other: as a way to refresh your brand with new marketing opportunities and initiatives



Start diving into the NFT world with an eye toward the community itself and its identity: Find an NFT collective that can help play out aspects of your brand, or complement your brand in new ways



Be creative in thinking about how to use it: is it a new place for understanding your audience? Is it a collective that can be a potential partner? Is there an option to sponsor a collective?







Conclusion

The rise of NFTs is too important for brands to ignore. Our research concludes the value of NFTs to be rooted in community identity. This should bring a challenge, but also, some reassurance to brands: challenge in that brands need to get creative in how they bank on new technologies and cultural phenomena, sharpening the need to listen and empathise to deliver their purpose; and reassurance in that aligning with a community is an easier path forward than jumping into minting NFTs, and that closer listening to the market has forever been the secret to success.



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