

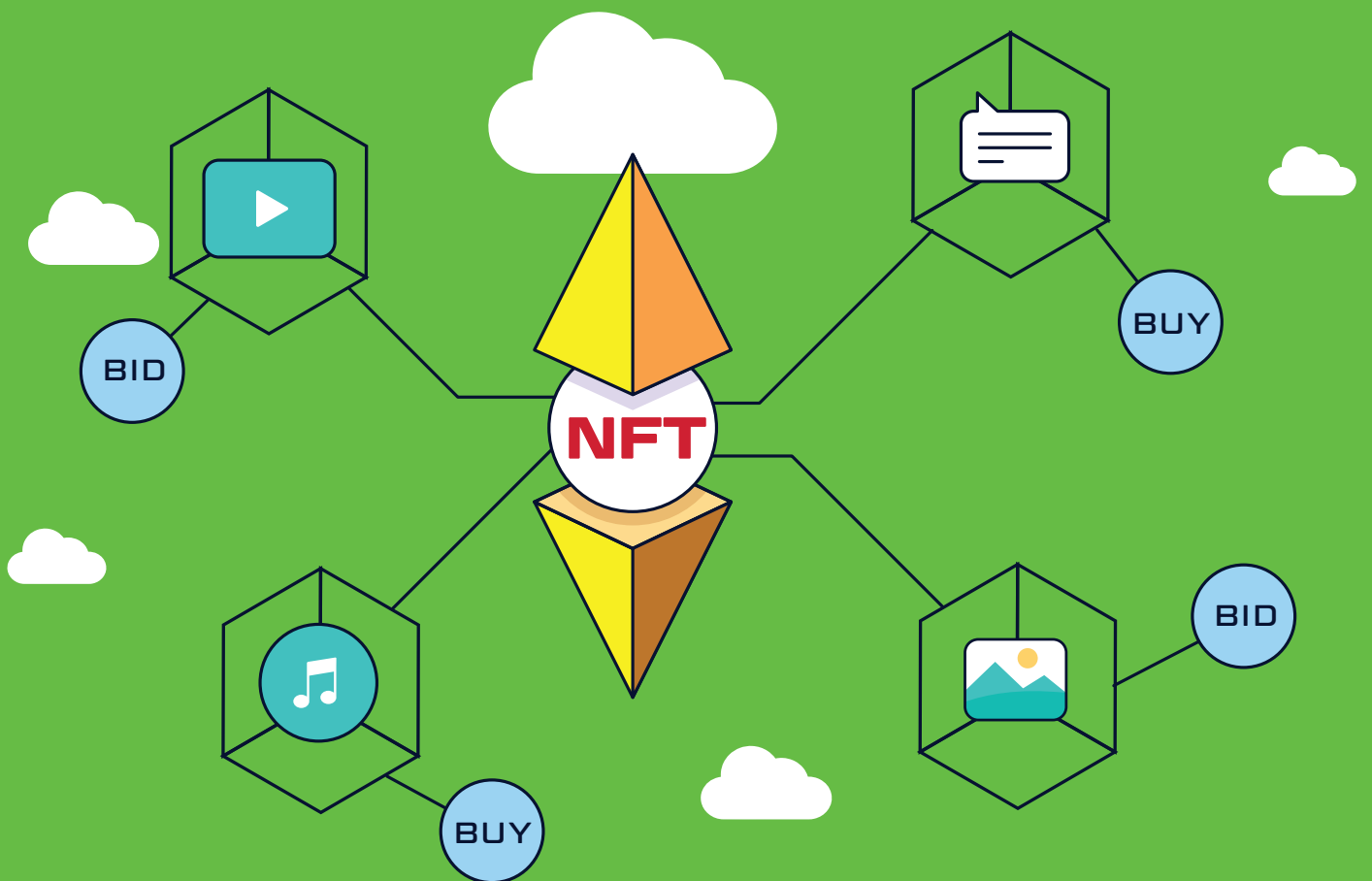
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Over the past year, NFTs (Non-Fungible Tokens) have emerged from crypto-obscurity to become one of the most popular and accessible digital platforms for brands, consumers, and celebrities alike.

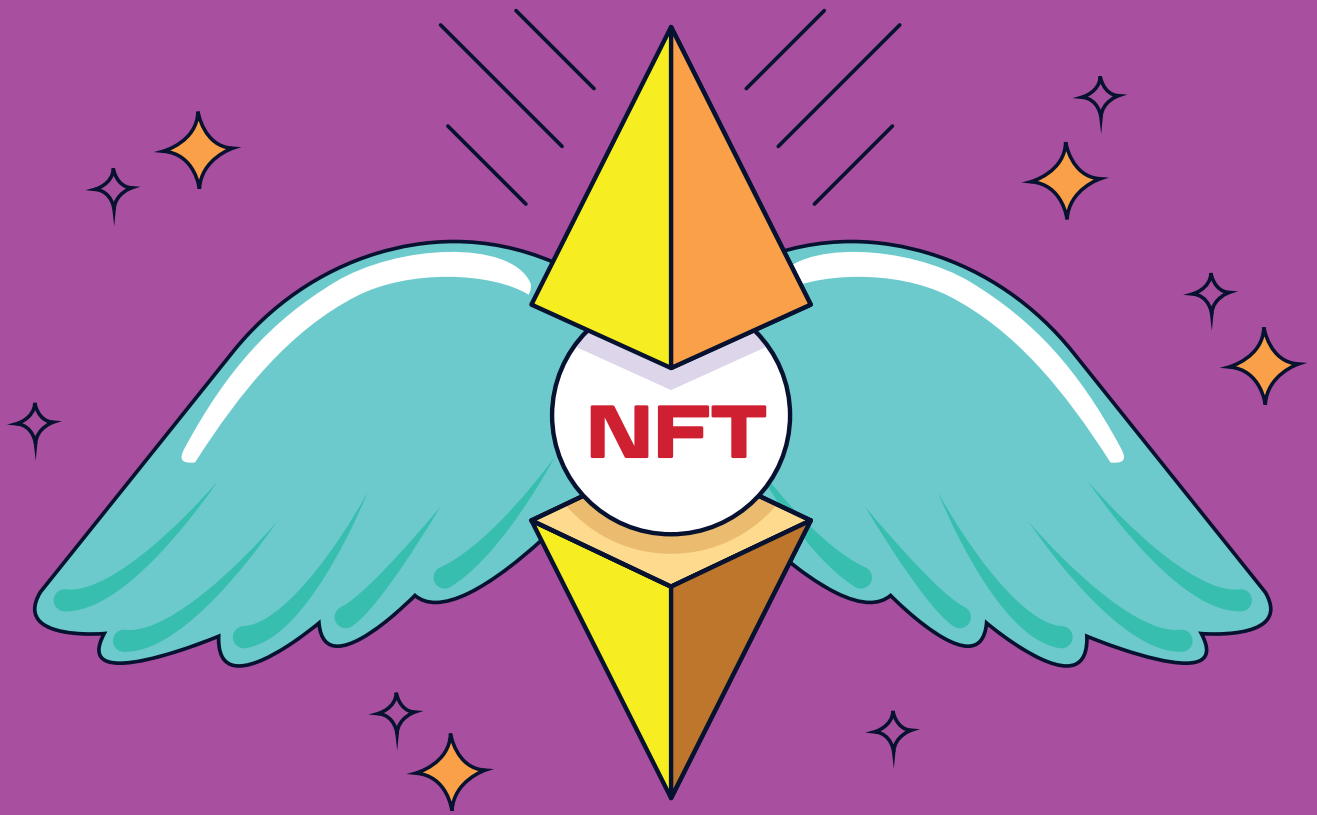
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NFTs function as digital assets that can be collected, traded, and redeemed, allowing creators to foster new and unique touchpoints with their audience.



When executed correctly, NFTs offer brands an opportunity to strengthen customer loyalty while fostering long-term equity among both prospective and current consumers. Contributing to the popularity is the fact that NFTs can be bought, sold, and resold on secondary markets, presenting an investment vehicle for consumers, similar to buying a piece of art, which can accrue value over time.

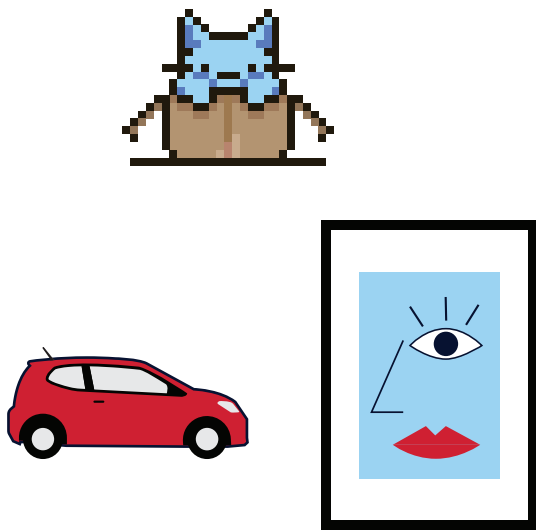
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Currently, the excitement around NFTs is partly due to the “new-kid-on-the-block” mentality, with proactive brands and celebrities looking to be early adopters, serving as a catalyst for the industry at large. However, NFTs are here to stay; brands who can take the necessary time to develop and execute correctly will be the ones to successfully leverage the token for long term value. Still, there are many questions about how NFTs work that must be answered before creating your first NFT.

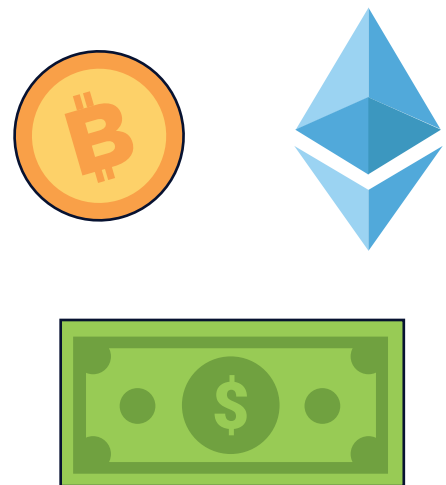
SO WHAT EXACTLY IS AN NFT?

NFT stands for **Non-Fungible Token**, which represents a **blockchain-based digital asset**. Blockchain-based assets are unilaterally possessed by the owner, and can be **bought, sold, and transferred at any time**. This is **different** from traditional financial assets, like stock, where the asset is held by a third party brokerage, and the transfer of goods is not instant. These assets can come in the form of currency (i.e. Bitcoin) or in the case of NFTs, **a digitized good**. These digital goods can, in turn, come in the form of an image, gif, tweet, or any other digital file. Standing in direct contrast with cryptocurrencies like Bitcoin, which are fungible, **NFTs cannot be duplicated**, as each individual NFT is unique in its own way.



Non-Fungible

Goods are NOT interchangeable. Cars or art are non-fungible. Someone who owns an original Picasso cannot swap it for your notebook doodles, just like a new Tesla can't be exchanged for a used Honda.



Fungible

Can be seamlessly exchanged for one another. If two people each had one dollar bill, they could swap the bills and they still both have \$1.

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SO WHAT'S THE BIG DEAL?

NFTs are the perfect blend between digital content and experiential currency. These assets can live independently, or be integrated into an existing marketing framework to be shared and socialized across other platforms.

HOW DOES AN NFT WORK?

NFTs are based on the [Ethereum blockchain network](#), which allows the network to [record every single transaction](#) when people buy and sell NFTs. By embedding the asset on the blockchain network, it verifies authenticity by creating [transparency](#) into ownership history of the asset. Because of the blockchain connection, cryptocurrencies are the primary currency used to buy and sell NFTs. This also provides further value by making the digital good [easily tradable online](#).

WHAT DOES IT DO?

NFTs can be differentiated into several categories.
The most prominent -- and brand-relevant -- are as follows:



Art Tokens

As of now, the most well-known NFT is art. An art NFT represents a digitized image, which can be as well-known as a Picasso, or as trivial as a meme or social media post. These can be released individually, or as part of a larger collective series.



Admin Tokens

An NFT that serves as a unique admin ticket for a real-world or virtual event.

This is somewhat similar to how concert tickets from a memorable event (i.e. Beatles last concert, Mets World Series) can gain value and collectibility among fans.



Experience Tokens

An NFT that unlocks an exclusive experience, like a VIP pass or on-site tour.



Gift Tokens

These NFTs can be gifted to others, or purchased for oneself, to redeem a unique gift, typically in the form of merchandise.

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BRAND CONSIDERATIONS & CONCERNS

HOW CAN IT HELP MY BRAND (NFT OPPORTUNITIES)?



Attract New NFT-Curious Customers

NFT-centric activations present an opportunity to attract new tech-savvy consumers who are motivated to engage with NFTs, valuing their long-term prospects as collectibles and/or investment vehicles. This enables brands to reach new consumers at touchpoints that may previously have been unavailable, such as tech or science media outlets. Brands who move forward with NFT assets demonstrate their forward thinking and commitment to innovation.

As NFTs continue to gain popularity, brands will need to be selective when deciding how often they wish to develop NFTs. The exclusivity of these NFTs is a key component of their appeal, and diluting the NFT landscape with brand tokens would negatively impact consumer interest.



Drive Engagement with NFT Exclusive Promotions

Both experiential and admin NFTs can be used as digital currency tokens, redeemable for exclusive rewards such as brand merchandise, front row concert seats, or pricing discounts. Leveraging a creative or unique design that embraces the visual component of the NFT, brands essentially create a Limited Time Offer token, which can be saved and displayed long after redeeming.



Amplify Charitable Work

One of the most popular ways brands have been using NFTs has been to donate proceeds from the digital asset to a charity group or philanthropic partner.



Foster Long-Term Brand Equity

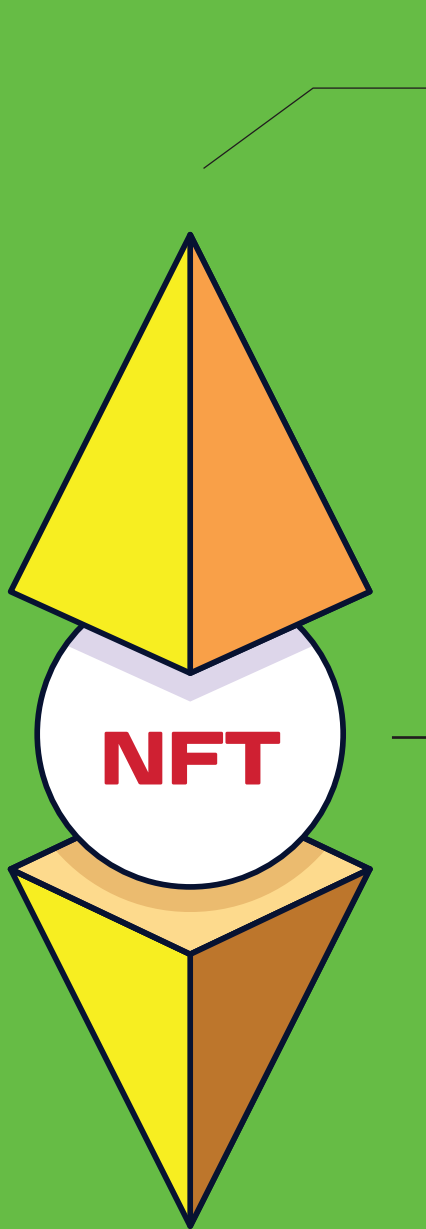
Utilizing NFTs can give consumers a reason to maintain engagement with a brand over an extended period of time. Brands can successfully use NFTs to drive loyalty with memorable offerings and redeemable experiences. Likewise, the prospect of NFTs as an investment encourages consumers to follow and interact with future brand activity.



Socializing the Brand

Just like any other new or exciting purchase, consumers will want to share their NFTs across other social platforms. Posting a picture of your NFT (or the experience it unlocked) to Instagram creates organic brand awareness and excitement.

HOW CAN NFTS HURT MY BRAND (NFT RISKS)?



Legal Restrictions on Branding

Contractual obligations, intellectual property rights, and fundraising laws will still apply to the sale and distribution of NFTs. This will require brands looking to create and sell NFTs to ensure they unilaterally own the copyright to the asset, as well as any other trademarked or celebrity likeness within the asset. Brands need to be extremely cognizant of these legal restrictions to avoid putting themselves at risk for legal action and should pursue NFT assets that are unique and ownable for the brand at hand.



Environmental concerns

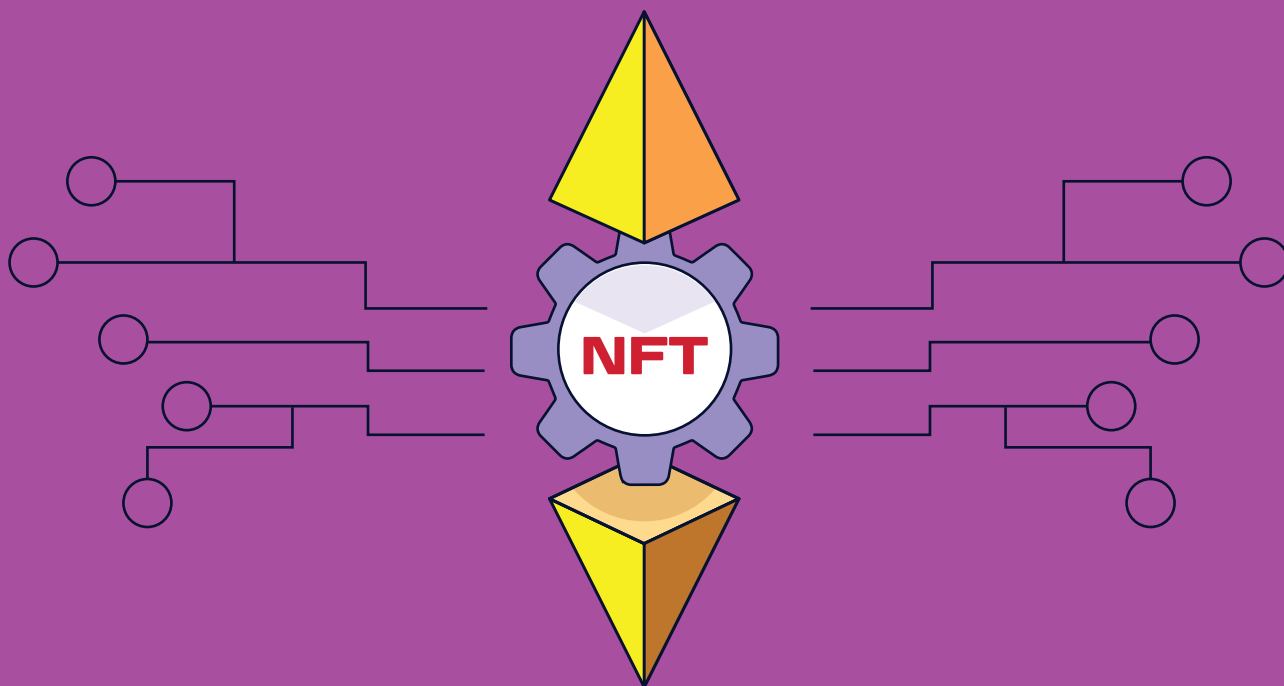
NFTs, along with all cryptocurrencies, come with a very high environmental footprint. A massive network of online servers are required to maintain the digital infrastructure that serves as the lifeline for the cryptocurrencies on which NFTs depend. The average NFT uses as much energy as the average European citizen does in one month. While this element of the crypto-based landscape is receiving less attention in this early phase of existence, brands must be cognizant of their impact and potential for backlash down the road.



Economic loss

As NFTs get bought and sold, they have the potential to change value -- hence the non-fungible part of the name. Along with this comes an inherent risk that the value of the good will decrease. Brands can alienate consumers who purchase overpriced NFTs that later drop significantly in value. Brands should minimize this risk by only utilizing low-stakes NFTs optimized for engagement rather than investment.

EXECUTION & STRATEGY



STRATEGIC IMPERATIVES:



Keep it easy; keep it simple; keep it cheap

No need to overcomplicate NFT initiatives with high-stakes auctions or activation hurdles. Straightforward NFT activations, like a collectible series of images, are more than enough to generate consumer interest and excitement. By keeping NFTs reasonably priced, brands can minimize backlash should the asset lose value over time.

Identify and prioritize collectibility

Understand what aspect of your brand your consumers are most passionate about to identify the strongest territory for NFT commoditization. Leaning into a collectible series, rather than one-off NFTs, will allow you to effectively channel consumer interest and create sustainable long-term momentum for any NFT initiative.



Ensure NFTs can be socialized

NFTs should not live independently from a broader marketing strategy. Brands should make sure they are promoting their NFTs through traditional outlets, while also encouraging consumers to promote and share their branded NFTs among their own audience.