

Luxury Fashion NFTs: Exploring Consumer Motivations and Behaviors

Kelcie Slaton and Sanjukta Pookulangara, University of North Texas

Keywords: luxury, NFTs, metaverse, systems theory

Background: The interest in digital technology and the rise of the metaverse has created noticeable attention to nonfungible tokens, or NFTs (Wolfson, 2021). The first NFT was created in 2014 with little knowledge of the asset, but today, the concept of NFTs has become more of a social norm (Searle, 2022). NFT trading hit \$17.6 billion last year (Browne, 2022) and continues to grow as artists and content creators embrace this asset. As the metaverse mindset continues to rise and the world places an emphasis on augmented reality, the adoption of NFTs are increasing (Wolfson, 2021). Furthermore, mainstream corporations are leveraging the NFTs to create deeper experiential connections with their consumers and provide new avenues for consumer engagement (Chandler, 2022). One of those industries that are taking notice of NFTs is the luxury fashion industry. According to Searle (2022), luxury fashion brands are collaborating with artists to create one of a kind NFTs hoping to capitalize on the new digital trend.

The luxury fashion industry is one of the largest in the world generating \$2.5 billion in sales before the emergence of COVID-19 (Wolfson, 2021). Currently, fashion brands such as Jimmy Choo, Gucci, Dolce & Gabbana, and Louis Vuitton are creating NFTs utilizing blockchain technologies (Digital Assets 101, 2022). Blockchain technologies, or distributed ledger technologies, is a peer-to-peer database that can be shared across a network, and can validate, record, and distribute transactions in immutable, encrypted ledgers (Swan, 2015). While these digital products are available for the public to see online, the NFT written into the blockchain are unique to the owner, are considered exclusive, and has the potential to increase in value over time (Buchholz, 2022). Given the potential to generate revenue of \$56 billion by 2030, NFTs are a game changer for the luxury industry (Canny, 2021), it is imperative that we explore the impact of this digital technology on the luxury market.

Significance of the Study: The utilization of NFTs in the luxury market provides brands with innovative and creative opportunities (Sinclair, 2022). Brands like Hilfiger and Hogan participated in Metaverse Fashion Week hosted in the virtual world of Decentraland that featured virtual stores and NFT wearables (Hirschmiller, 2022). Luxury brands are using NFTs to push the limits of virtual fashion (After Conquering, 2021) and are creating NFTs strategies with various levels of success. For example, Dolce & Gabbana recently launched Collezione Genesi, a collection of nine pieces and involves both digital and physical works generating a revenue of \$6 million (After Conquering, 2021). Consumers were able to purchase the physical item and NFT together, thus, appealing to the traditional luxury consumer with an interest in NFTs. It can be stated with a degree of certainty that NFTs has the potential of breaking the long-standing single ownership format of luxury goods while securing the scarcity of virtual items (Walking The Cyberspace, 2022). Additionally, the market has seen an interest from the millennial and Gen Z market groups who are digital savvy and status and sustainability focused (Bain, 2018; Hamari et

al., 2015; Morency, 2019). According to DeAcetis (2021), these consumer are more likely to patronize a brand that connects with them. Furthermore, while early, it is predicted that NFTs can help provide this desired connection with irreplicable experiences which will improve brand awareness, engagement, and profit (DeAcetis, 2021). In other words, NFTs represent a new way to track ownership while “preserving the notion of exclusivity that the luxury industry has historically capitalized on” (Walking The Cyberspace, 2022).

The current literature has examined blockchain technology in sustainable fashion supply chains (i.e., Wang et al., 2020) and luxury authentication (i.e., Chio, 2019). Currently, there is no literature on NFTs and the luxury market. Given the potential growth of NFT strategies within the luxury market, a study is warranted to explore this phenomenon in depth. More specifically, it would of interest to explore consumer motivations and behaviors in engaging in consumption of NFTs from luxury fashion brands. Therefore, the aim of the conceptual paper is to propose a study to explore NFT strategies within the luxury market among consumers and to outline their thoughts, motivations, and behaviors within this new realm of luxury consumption.

Theoretical Framework: The authors propose using a holistic system theory perspective to guide the study (Bubolz et al., 1980). This perspective will provide a foundation to holistically explore the consumer’s motivations and consumption of luxury fashion NFTs. Furthermore, the authors plan to utilize a current definition of luxury from Author (2021), luxury is the characteristics of the products themselves, including quality, price, aesthetics, designer/brand, and specific products or service, addresses the consumer’s personal needs, including self-pleasure and overall shopping experience, and addresses the consumer’s social needs, including impeccable taste, expressiveness, and social status, to further explore how these digital products fit within this current definition from the consumer’s perspective.

Proposed Methodology: The authors propose utilizing a phenomenological approach to understand the “lived experiences” of consumers during the consumption process of luxury NFTs from luxury brands (Merriam & Tisdell, 2016). This qualitative research method will be used to explore the motivations of consumers to purchase luxury NFTs and how that consumption relates to their idea of luxury. Focus group interviews will be conducted and will consist of eight to ten consumers who have shopped and purchased luxury NFTs in the last year. The participants will be recruited via social media. Two or three focus groups will be conducted or until richness of data is achieved. The interviews will address demographic and psychographic identifiers to interpret diversity of the consumers in the study. The interview questions will address the reasons why the consumers are interested in shopping and purchasing NFTs, their consumption process, and how these NFTs contribute to luxury from their perspective. Themes will be extracted to understand the reasons, intentions, and behaviors surrounding luxury NFT consumption. Interview transcripts will be analyzed concurrently to identify when data saturation has been reached.

Proposed Implications. The idea of developing NFTs by luxury brands is still a relatively new, niche market with a small target consumer group. According to Wolfson (2021), NFT luxury fashion items do have some advantages over tangible luxury fashion items. For example, physical items do have a secondary market value, but that value does diminish over time. Digital

pieces will remain intact with the potential to increase in value if they are highly sought after. Furthermore, the author points out that digital items can be used as “client retention and community engagement” (Wolfson, 2021, para. 7), where NFTs can be used to redeem physical items and be used as ways to unlock new collection drops and provide access to exclusive events. As an example, LVMH is using NFTs as tokens to connect with consumers, tell their stories, and communicate their values (DeAcetis, 2021). Exploring the consumer’s thoughts, motivations, and behaviors with luxury fashion NFTs can provide strategic implications for luxury fashion brands. For example, the findings from such a study can provide holistic insights to the consumption experience of the consumer and provide information on if using NFTs in business strategies is viable. Furthermore, findings will be added to the academic literature and further exploration can be embraced on this phenomenon.

References

- After conquering the art world, luxury brands are turning to NFTs.* (2021, October 27). Lifestyle Asia. <https://www.lifestyleasia.com/bk/style/fashion/luxury-brands-turning-to-nfts/>
- Author (2021). *What does luxury really mean to millennial consumers?* Manuscript submitted for publication.
- Bain, M. (2018, December 19). *Young luxury shoppers explain why they’re willing to pay \$500 for sneakers.* Quartz. <https://qz.com/1498824/highsnobiety-survey-explains-why-people-spend-500-on-sneakers/>
- Browne, R. (2022, March 10). *Trading in NFTs spiked 21,000% to more than \$17 billion in 2021, report says.* CNBC. <https://www.cnbc.com/2022/03/10/trading-in-nfts-spiked-21000percent-to-top-17-billion-in-2021-report.html>
- Bubolz, M. M. Eicher, J. B., Evers, S. J., & Sontag, M. S. (1980). A human ecological approach to quality of life: Conceptual framework and results of a preliminary study. *Social Indicators Research*, 7(1/4), 103-136. <https://doi.org/10.1007/BF00305595>
- Buchholz, K. (2022, February 17). *The luxury brands selling luxury NFTs.* Statista. <https://www.statista.com/chart/26869/luxury-fashion-nfts/>
- Canny, W. (2021, November 22). *Luxury NFT market could hit \$56B by 2030: Morgan Stanley.* Yahoo! News. <https://www.yahoo.com/video/metaverse-gaming-nft-could-account-125706792.html>
- Chandler, S. (2022, January 2). *NFTs in 2022: From word of the year to mainstream adoption & new use cases.* Crypto News. <https://cryptonews.com/exclusives/nfts-2022-from-word-of-year-mainstream-adoption-new-uses-cases.htm>
- Chio, T-S. (2019). Blockchain-technology-supported platforms for diamond authentication and certification in luxury supply chains. *Transportation Research Part E: Logistics and Transportation Review*, 128, pp. 17-29. <https://doi.org.libproxy.library.unt.edu/10.1016/j.tre.2019.05.011>
- DeAcetis, J. (2021, September 20). *How the NFT boom and luxury fashion brands are aiming for success.* Forbes. <https://www.forbes.com/sites/josephdeacetis/2021/09/20/how-the-nft-boom-and-luxury-fashion-brands-are-aiming-for-success/?sh=3887e435596d>

- Digital Assets 101 (2022, March 2). *8 top NFT fashions trends – Big brands are joining NFTs industry*. Zipmex. <https://zipmex.com/learn/nfts-in-the-fashion-industry/>
- Hamari, J., Sjöklint, M., & Ukkonen, A. (2015). The sharing economy: Why people participate in collaborative consumption. *Journal of the Association for Information Science and Technology*, 67, 1–13. <https://doi.org/10.1002/asi.23552>
- Hirschmiller, S. (2022, March 27). *How luxury retail's big metaverse fashion week experiment in Decentraland played out with virtual stores, NFT wearables, a Bored Ape collaboration and more*. Forbes. <https://www.forbes.com/sites/stephaniehirschmiller/2022/03/27/how-luxury-retails-big-metaverse-fashion-week-experiment-in-decentraland-played-out-with-virtual-stores-nft-wearables-a-bored-ape-collaboration-and-more/>
- Merriam, S. B. & Tisdell, E. J. (2016). *Qualitative Research*. Wiley.
- Morency, C. (2019, January). *Special report: This is what the future of sneaker reselling looks like*. High Snobiety. <https://www.highsnobiety.com/p/sneaker-reselling-future/>
- Searle, Z. (2022, February 10). *8 times luxury brands jumped on NFTs*. Gotham. <https://gothammag.com/luxury-brand-nfts-gucci-prada-givenchy>
- Sinclair, I. (2022, January 29). *NFTs and luxury fashion: A conscious coupling*. L'Officiel. <https://www.lofficielusa.com/fashion/nfts-luxury-fashion-collaborations-gucci-louis-vuitton>
- Swan, M. (2015). *Blockchain: Blueprint for a new economy*. Sebastopol, CA: O'Reilly Media, Inc. 978-1-491-92049-7
- Walking the cyberspace: *How luxury brands can leverage the metaverse and NFTs to win over China*. (2022, March 29). Dauxe Consulting. <https://daxueconsulting.com/luxury-brands-metaverse-and-nfts/>
- Wang, B., Lou, W., Zhang, A., Tian, Z., & Li, Z. (2020). Blockchain-enabled circular supply chain management: A system architecture for fast fashion. *Computers in Industry*, 123. <https://doi.org/10.1016/j.compind.2020.103324>
- Wolfson, R. (2021, October 26). *Culture converges with blockchain as luxury fashion brands launch NFT collections*. Cointelegraph. <https://cointelegraph.com/news/culture-converges-with-blockchain-as-luxury-fashion-brands-launch-nft-collections>