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Digital future of luxury brand marketing

Leveraging NFTs to elevate the customer experience

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TIIVISTELMÄ:

Kun luksusbrändien kivijalkaliikkeet sulkiivat ovensa koronapandemian myötä vuonna 2020, digitaalisten kanavien merkitys markkinoinnissa kasvoi. Lohkoketjuteknologia ja non-fungible tokenit (NFT) nousivat suosioon luoden uusia mahdollisuuksia brändien ja kuluttajien väliselle vuorovaikutukselle. NFT:t ovat luoneet uusia mahdollisuuksia olla vuorovaikutuksessa etenkin diginatiivien kanssa, jotka arvostavat elämyksiä. Tämän kandidaatintutkielman tarkoituksena on tutkia NFT:tä luksusbrändien näkökulmasta analysoiden niiden ominaisuuksia, komponentteja, nykyisiä markkina-alustoja sekä käyttötarkoituksia. Näin ollen tutkimuksen tavoitteena on vastata seuraaviin tutkimuskysymyksiin: Mitä erilaisia NFT-tyyppejä on, ja miten ne toimivat? Miten NFT-kuluttaminen voidaan selittää? Mitä luksusbrändit voivat saavuttaa hyödyntämällä NFT:tä? Tutkielmassa vastataan tutkimuskysymyksiin aikaisempien artikkelien ja tutkimusten pohjalta, ja lähdekirjallisuudessa on käytetty ajankohtaisia julkaisuja, joiden vaikuttavuuskerroin on vähintään 1.

AVAINSANAT: Digital Transformation, Luxury, Blockchain, Non-Fungible Tokens (NFTs), Brand Awareness, Consumer Loyalty

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1 Introduction

Vigneron describes the possibilities of blockchain technology for luxury brands as follows:

It is an unprecedented cooperation in the luxury industry. Blockchain is really a key technology for the future to enhance customer service, relationships with partners, and traceability, and many more things that can be improved thanks to this innovative technology (Aura Consortium, n.d.).

Luxury industry plays a significant role in the global economy, and it includes sectors such as fashion, cosmetics, jewelry, cars, events, and hospitality. Currently, the luxury industry is undergoing through industry 4.0, more commonly known as the fourth industrial revolution, which is fueled by the development of many technologies, such as artificial intelligence, machine learning, IoT, and blockchain technology (Joy et al., 2022). These innovations are transforming the business models of luxury maisons and redefining consumer expectations, particularly among digital natives who have grown up with instant access to information (Solomon et al., 2016).

Luxury consumers belong to high-net-worth individuals (HNWI) whose liquid assets are over 1 million dollars (Kapferer et al., 2012). By 2030, more than 80% of luxury consumers are expected to belong to digitally savvy group (Rothchild, 2023). These consumers are more aware of sustainability issues and prioritize transparency, innovativity, and digital engagement (Griffiths et al. 2024). The evolving demands are prompting luxury brands to adopt new technologies into their business models including non-fungible tokens (NFTs) and the metaverse (Murtas et al., 2023).

NFTs are unique digital tokens that are verified on blockchain technology (Kim et al., 2024). Blockchain technology has become a cornerstone of digital transformation in the luxury industry. Blockchain is a technology that secures and transmits information in a transparent and decentralized manner (Yilmaz et al., 2023). NFTs are an ideal fit for luxury branding because they align with core values of luxury. Luxury is defined as rare,

exclusive, and high quality items that are associated with dreams (Kapferer, 2012). NFTs are redefining the concept of luxury in the digital realm, and although they are a relatively new phenomenon, they already represent a multibillion-dollar market (Alexander et al., 2022; Griffiths et al., 2024).

Since late 2020, major luxury houses have adopted NFTs despite the market crash in 2022 (Alexander et al., 2022). Louis Vuitton, Christian Dior, Porsche and Tiffany & Co have created various NFTs (see Figure 1). NFTs can represent various forms of art including images, videos or audio (Bao et al., 2024). These digital creations can be created, sold, bought and traded on different virtual brand platforms, metaverse spaces, mobile apps, and marketplaces (Lee et al., 2024).



Brand	NFT Initiative	Image	Year
Louis Vuitton	Leather varsity jacket NFT		2024
Christian Dior	B33 NFC-linked sneaker line		2023
Porsche	Porsche 911 NFT collection		2023
Tiffany & Co	NFTiff CryptoPunk jewelry		2022

Figure 1. Luxury brand NFT initiatives.

There is previous research that has explored the wider adoption of digital transformation in luxury marketing. Many research papers have studied it from the perspective of metaverse. Previous studies have shown that luxury brands were unwilling to move to digital channels because there was concerns on diluting brand value and losing control over the consumer experience. However, limited research has analyzed the motives behind luxury consumer behavior toward buying NFTs. Understanding different types of NFTs and their applications is important because it forms the basis to craft marketing approaches to appeal to digital natives. Luxury marketers should understand what digitally-savvy consumers desire, and define their products and qualities that will engage them in better ways.

The purpose of this study is to analyze how digital transformation, and in particular NFTs influence luxury marketing and affect customer experience. To address this, the study addresses the following research questions:

RQ1: What types of NFTs are being utilized by luxury brands and how do they work?

RQ2: How can the behavior of NFT luxury consumers be explained?

RQ3: What marketing objectives can luxury brands achieve by adopting NFTs?

These RQs are addressed by conducting a literature review based on previous studies and scientific articles related to digital transformation, luxury and NFTs. The articles were selected using the Google Scholar search engine, with only those published in journals with an impact factor of 1 or higher included. Grammarly was used through the research process as a tool to ensure the sentences were correctly formed and that the academic language of the thesis is good.

The thesis consists of six chapters. Chapter 1 introduces the topic and provides an overview of luxury NFTs. It also outlines the purpose, aims, delimitations, research questions, methods and structure of the study. Chapter 2 addresses RQ1, exploring the different types of NFTs used by luxury brands. Chapter 3 focuses on RQ2, analyzing the

luxury consumer behavior toward buying NFTs. Chapter 4 answers RQ3, highlighting the objectives luxury brands can achieve through utilizing NFTs in different stages of marketing funnel. Chapter 5 synthesizes the main findings, discusses limitations and offers perspectives on future research. The final chapter concludes the study.

2 What types of NFTs are being utilized by luxury brands and how do they work?

To understand the significance of NFTs in the luxury industry, it is essential to first identify the different types of NFTs used by luxury brands and the digital environments in which they are found. After establishing this foundational understanding, it is important to examine how they work and contribute to the luxury experience. This chapter will categorize different NFT types identified by Chandra (2022) within the luxury sector and analyze their applications and presence in the industry. By doing so, it provides a comprehensive framework for understanding how NFTs are shaping the future of luxury branding. Different types of NFTs are illustrated with examples in Figure 3.

2.1 Metaverse NFTs

Metaverse NFTs refer to tokens that are used in virtual world. The metaverse is a digital world where users can interact with each other socially and economically (Joy et al., 2022). In metaverse, users can own assets, use digital currency, and take part in events (Kim, 2021). Decentraland, Gucci Vault, Roblox and Sandbox are examples of well-known metaverses. Metaverse NFTs can be representations of avatars, clothing, accessories, and real estate (Chandra, 2022). They are used in metaverse platforms. Metaverse NFTs hold significant economic potential as in 2021, virtual items like avatars and digital goods generated 50 million dollars in revenue within the 150 million dollar digital gaming market (Song et al., 2021).

Luxury brands can engage in metaverse in different ways. For instance, Gucci launched an popup exhibition on Roblox in 2021. The exhibition was designed for visitors to see avatars that transform into unique artworks. It was also possible to try clothes on avatars (Kim, 2021). The items displayed on the exhibition emphasize the uniqueness and rarity of the products, which are the core attributes of luxury (Zhou, 2024).

Another brand that has a strong presence in metaverse is Louis Vuitton (Murtas et al., 2023). The brand launched a NFT project "Louis the Game" in August 2021. There was a limited-edition campaign going on for one month after the launch. During the campaign users were able to participate on a raffle and collect NFTs that feature the game's main character Vivienne. Beeple designed 10 of the 30 reward NFTs, which in turn added value to these metaverse assets (Kozinets, 2021; Zhou, 2024). After the raffle, the game's purpose is to educate gamers through storytelling about the brand's history, values and vision in different themed worlds (Murtas et al., 2023). Users can also dress Vivienne in virtual LV clothing and play.

2.2 Virtual NFTs

In brick-and-mortar stores, customers can reach and try luxury products directly. Virtual NFTs are assets that exist only in digital form (Chandra, 2022). Virtual NFTs can represent haute couture, jewelry, cars, and other luxury accessories (Heim et al., 2022). They are often inspired by existing physical fashion collections (Ferrini et al., 2023). Luxury brands collaborate with famous artists, designers and filmmakers to enhance the exclusivity and prestige of virtual NFTs (Ferrini et al., 2023).

An example of virtual NFT is the Aria film that was created by Gucci in 2021. It is a film that was inspired by Gucci Aria collection, and it is available on Youtube and Gucci's website. The film has cultural significance and highlights the intersection of fashion, art, and technology (Zhou, 2024). It was sold at the Proof of Sovereignty -event at Christie's for 20 000 dollars. The film was created in collaboration with famous designers (Zhou, 2024).

Luxury brands are accompanying virtual NFTs with additional benefits. Many brands have created loyalty membership NFTs that function as invitations to experiences such as private events and new product launches. Member benefits can be anything. For

instance, Bored Ape Yacht Club is a community where it is needed to own a Bored Ape NFT to be a member.

2.3 Hybrid NFTs

NFT types are not limited only to virtual goods but can appear in the real world. Chandra (2022) describes hybrid NFTs as tokens that combine virtual and physical components and are typically tied to utility (Xie et al., 2023; Mele et al., 2023). According to Bao et al. (2024) hybrid assets are also known as digital twins. They link the physical version with an corresponding digital item. Luxury brands link them with utilities and benefits such as limited-edition releases, events and additional gifts (Alexander et al., 2022; Chen et al., 2022). These omnichannel features add value to the the customer experience and build communities around these products and services.

Dolce & Gabbana created a digital collection named Collezione Genesi which consists of physical items with their digital versions companying with experiences (Ferrini et al., 2023). A good example of hybrid NFT from the collection is the Doge Crown. It exists both in real world and virtually. The holder of the crown is granted with access to Dolce Gabbana's events like fashion events, and private invitation to see the brand's Milan atelier (Joy et al., 2022). Hybrid NFTs are exclusive and unique thanks to the real world version of the product and benefits and experiences they grant acess to (Joy et al., 2022; Treiblmaier, 2021).

2.4 Physical / virtual interface NFTs

A physical and virtual interface links a physical token with a corresponding digital identifier. (Chandra, 2022). The two main benefits that they have are that they can be used to provide transparency and traceability. NFTs store detailed, tamper-proof information on a decentralized blockchain (Joy et al., 2022). Digital product passport

(DPP) refers to a connection between the physical objects and their digital identity (Joy et al., 2022). It is a certification method that allows verifying the authenticity of a product through a data carrier such as QR code, or other similar feature (Whitaker, 2019).

In terms of traceability, DPPs give access to information of the product's origin, material sources, manufacturing, and distribution (Joy et al., 2022). When customer buys a luxury product, they can scan the QR code and access the product information. Second advantage in terms of authentication is that NFTs offer transaction transparency by documenting every transaction which in turn guarantee ownership and protect against counterfeiting (Kim et al., 2024; Bao et al., 2024). The digital certificate of authenticity store information of previous owners, and warranty status (Hawashin et al., 2024). Owners can claim the ownership and certify the authenticity through scanning the data carrier. If they want to maintenance such as repair services, they can prove the ownership via Aura. If they want to sell the product as second hand, they can verify it as genuine.

Aura Blockchain Consortium is a platform designed to offer blockchain solutions to brands that aim to improve transparency and traceability in the luxury sector (Joy et al., 2022). It is established by LVMH, OTB, Prada Group and Cartier. Dior created DPPs for its B33 Sneaker collection. Through DPP, customers can access the authenticity certificate, product details to learn about the history behind the collection and an insight into the production process, gifts and announcements for future sneaker launches. They also get access to the digital twin of sneakers on digital universe. Another example is Louis Vuitton's LV Diamond certificate. Consumers can access the product cycle information about the diamond through the certification.

In summary luxury brands utilize metaverse NFTs, hybrid NFTs, virtual NFTs and NFTs with physical/virtual interface, and each function in different ways across virtual and physical environments (see Figure 2).

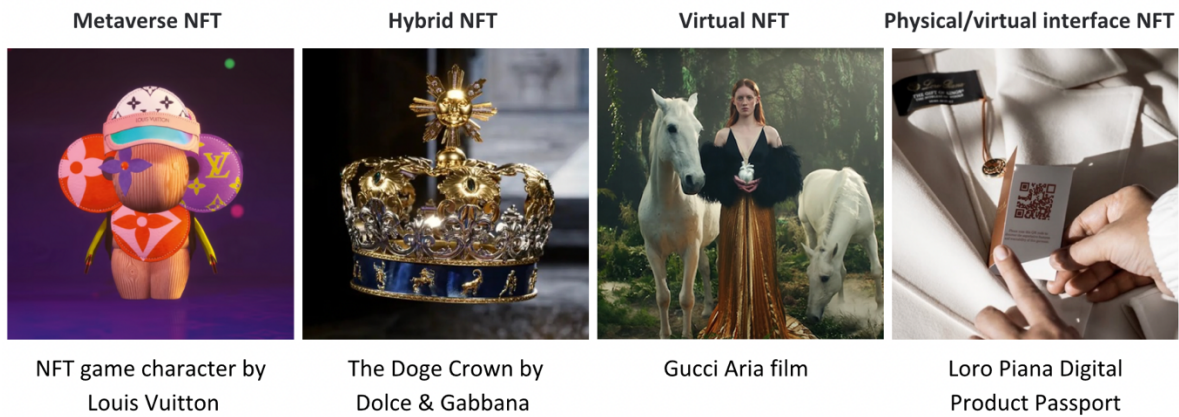


Figure 2. Four typical NFT types and examples in luxury.

Figure 2. illustrates the different types of luxury NFTs that can be classified into four categories. First metaverse NFTs are avatars, clothing and other properties that exist in the Metaverse. Second, virtual assets are digital representations of valuable items such as cars or jewelry that exist only in digital form. Third, hybrid assets are virtual NFTs with physical presence. Finally, physical/virtual interfaces are physical products with virtual features like digital product passports. These categories represent how luxury NFTs exist across different realms, and how they offer diverse applications.

3 How can the behavior of luxury consumers be explained toward NFTs?

This chapter aims to understand why luxury consumers buy NFTs. It begins by exploring the luxury brands' various methods and strategies for enhancing customer value throughout the consumer journey. It begins by analysing the economic value of NFTs. There is attention in psychology literature when analysing the emotional and social dimensions. Lastly the focus shifts to analyzing functional value referencing technological literature. Understanding these factors is crucial for luxury brands looking to connect with consumers and enhance engagement. The customer journey is the path that potential customer goes through when looking for the products or services, to buying them and to talking about them (Yilmaz et al., 2023). NFTs derive value to customers in different ways and in this chapter I will analyze the consumer types more. To achieve this, the chapter analyzes the theories and motivations associated with luxury consumption.

3.1 Economic value

Owning a luxury NFT offers multiple advantages but according to Sung et al. (2023) the economic value is the most significant. Yilmaz et al. (2023) argue that financial value influence customer journey even after they have purchased NFTs. NFT consumer group, speculators, are investors who are interested in the potential financial returns (Chen et al., 2024). From an economic point of view, there are two aspects that make NFTs attractive to consumers (Yilmaz et al., 2023). First is potential for value increase and the other is the possibility to make profit from them. Speculators' goal it so make profit by investing in NFTs at lowest possible price and then selling them high (Cho et al., 2024; Chen et al., 2024).

Speculators engage in buying and selling NFTs to maximize profits by monitoring market fluctuations (Chen et al., 2024). Beyond, buying luxury NFTs comes often with challenges such as limited availability and a need to complete additional tasks (Bao et al., 2024). NFTs become more valuable as investments due to the scarcity, strategic pricing, and market trends (Cho et al., 2022). Some NFTs give buyers additional financial benefits, like rewards, airdrops, or discounts on future purchases, which makes them even more valuable to consumers (Bao et al., 2024; Kapferer et al., 2012).

An example of a NFT that increased in value is the Gucci's Dionysus digital handbag that was launched on Roblox in 2021. It has a physical version that was priced at 3 400 dollars (Chen et al., 2022). According to Chen et al. (2024), the digital version's value increased to 4 115 dollars over time from being only five dollars. However, it has to be noted that the NFT prices are socially driven.

3.2 Emotional value

Consumers are likely to purchase when they perceive product or service will provide them positive experiences. Consumers start to develop emotional connections to the products or services early in the customer journey (Yilmaz et al., 2023). Emotional value refers to the perceived emotions or feelings obtained from a brand (Sweeney et al., 2001, p. 211). It stems from the experiential and hedonic elements.

Casual collectors, who represent the second-largest group of luxury NFT consumers, are especially attracted by the uniqueness and artistry of NFTs (Chen et al., 2024). For them, the joy of owning a rare item with aesthetic qualities as a hobby or interest is often more important than financial features (Chen et al., 2024). Collecting NFTs is a way for them to promote personal development.

Based on Yilmaz et al. (2023) findings, emotional value is optimized when NFTs provide value to consumers through novelty, aesthetic appeal, and uniqueness aspects. Novelty

is stems from to the combination of technology with a product, service or experience (Alexander et al., 2022). NFTs in combination with metaverse and other virtual platforms create consumers an interactive experience. Interactive features can create memorable feelings and emotions and deepen the emotional connection between consumers and NFTs.

Beautiful designs and artistry are especially what give luxury NFTs their unique value (Bao et al. 2024). According to Maslow's hierarchy of needs, self-actualization need is at the top of human needs, and virtual platforms represents a new opportunity to spend on self-actualization (Shahid et al., 2021). The concept of the extended self suggests that consumers integrate external objects into their identity (Belk, 1988). According to Salomon et al. (2016) the extended self associates an individual's self-concept, self-esteem, self-image, and ideal self with their consumer behavior. People can use NFTs to customize their avatars in metaverse to reflect their personality, style, and values.

Commodity theory by Brock (1968) suggests that the uniqueness of a product is further related to its availability. NFTs that can be acquired through limited edition drops and that grant access to special events and experiences create a sense of exclusivity and adds meaning to ownership and boosts self-esteem (Lin, 2023).

3.3 Social value

In addition to self-actualization needs, self-actualization and esteem are at the top of human needs, and NFTs are precisely what meets these needs (Shahid et al., 2021). Esteem needs refer to being respected, admired and appreciated by others.

Casual collectors seek social status and recognition in addition to emotional fulfillment (Chen et al., 2024). Maslow's hierarchy of needs aligns with PERVAL framework that suggests that social value refers to social acceptance, enhancement of self-concept, and status recognition of owning something (Sweeney et al., 2001).

Conspicuous consumption refers to consumer behavior where consumption is driven by a desire for social recognition (Veblen, 1899). Luxury consumers buy NFTs as status symbols to display their identity, wealth and social status to others (Alexander et al., 2022; Sung et al., 2023; Xie et al., 2023). Conspicuous consumption is a part of casual collectors' customer journey, receiving satisfaction from others' responses to their purchase.

Common examples of conspicuous consumption regarding NFTs include buying them as profile pictures in online spaces, collecting loyalty program NFTs or culturally significant artwork (Sung et al., 2023). Belonging to a social club fulfills feelings of acceptance and connection (Yilmaz et al., 2023). Doing owning NFT and keeping it as a profile picture on social media represents a person's identity and accomplishments. Symbolic value of NFTs further increases if they are created by famous artists or designers. Then them NFTs are more unique.

3.4 Functional value

Functional value refers to the ability of a product or technology to help customer to overcome a challenge (Sweeney et al., 2001). Cryptocurrency enthusiasts is a consumer group that is well aware about cryptocurrencies, and values the functional and technological aspects of NFTs (Chen et al., 2024). In case of NFTs, functionality is supported by blockchain technology (Bao et al., 2024). NFTs' functional value is tied to its liquidity, perpetuality, authentication, and interoperability (Yilmaz et al., 2023).

NFTs adhere to the principles of liquidity (Sung et al., 2023). Liquidity is defined as how easily an asset can be converted into cash without a loss in value. NFTs are with high liquidity as they can be easily sold. They provide confidence to investors (Sung et al., 2023). Perpetuality means that the data, ownership history, and other essential information associated with the NFT remain permanently recorded and accessible

(Yilmaz et al., 2023). Additionally, NFTs enable resale opportunities on marketplaces which is endless (Chen et al., 2024).

NFT enable authentication and ownership provenance. They also allow consumers to trace the origin of materials used in products and obtain detailed product information through digital product passports (DPPs) (Bao et al., 2024; Wang et al., 2021). Interoperability refers to NFTs' ability to integrate across different platforms like metaverse, social media, and real life. Such utility may come in physical, digital and experiential form at the same time. In summary, the customer journey is influenced by different value dimensions (see Figure 3).

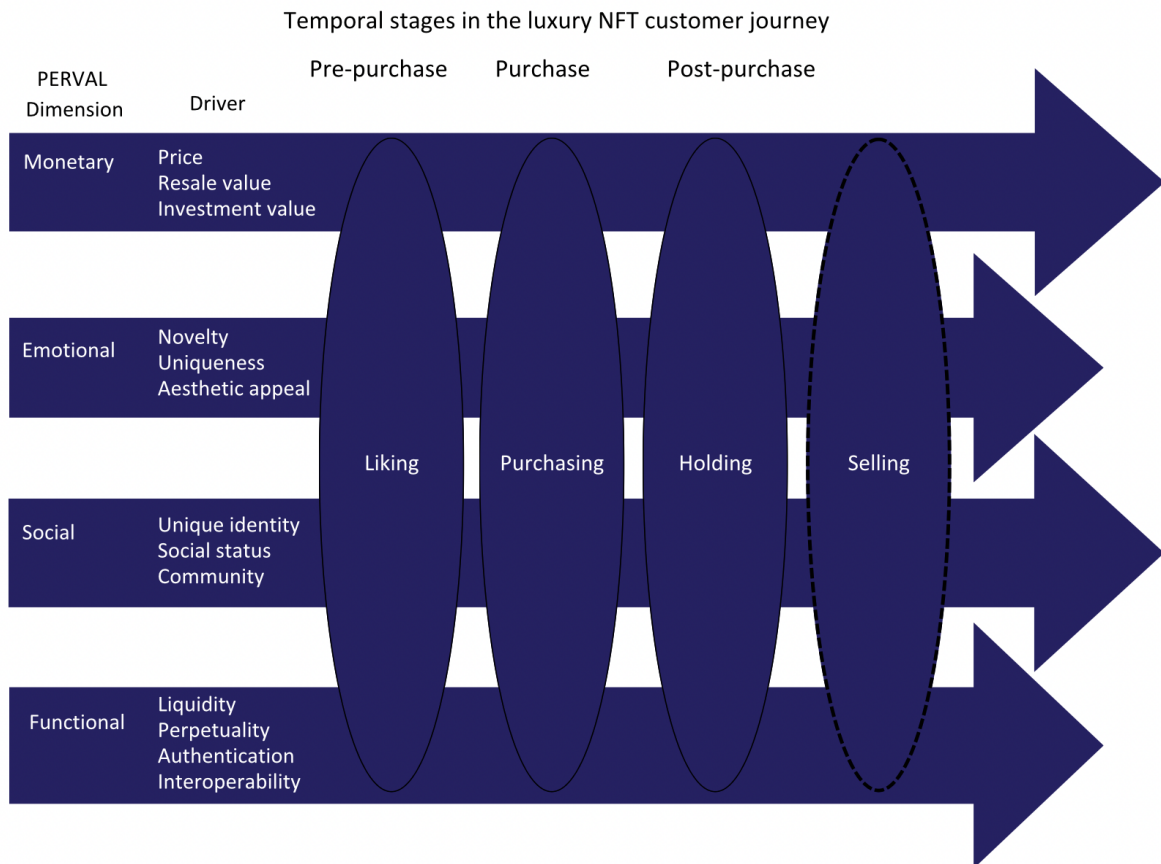


Figure 3. Key factors driving luxury NFT purchases (adapted from Yilmaz et al., 2023).

Figure 3 illustrates the dimensions and drivers that influence the luxury NFT customer journey. The luxury NFT customer journey is influenced by four key dimensions; monetary, emotional, social, and functional values. These dimensions shape customer decisions throughout the customer journey. Economic factors include price, resale value, and investment opportunities. Emotional factors include novelty, uniqueness, and aesthetics. Social factors include unique identity, social status, and community. Functional drivers include liquidity, perpetuity, authentication, and interoperability. The figure is adapted from (Yilmaz et al., 2023). Next I will discuss what marketing objectives luxury brands can achieve through NFTs.

4 What marketing objectives can luxury brands achieve by adopting NFTs?

The ideal goal of luxury brands is to boost sales and income. This chapter explores how luxury brands can achieve this by adopting NFTs into their business model. Building upon the findings discussed in response to RQ2, I will analyze the marketing funnel that ranges from initial awareness to post-purchase loyalty. This chapter begins by analyzing how NFTs contribute to brand awareness. Then I will analyze what builds customer loyalty. Lastly, there is economics perspective as I will discuss how NFTs bring monetary value to the luxury brand. Building on the findings related to RQ2, the chapter examines the features that customers value to understand how NFTs contribute to luxury marketing objectives.

4.1.1 Raise brand awareness

Brand awareness refers to how well consumers recognize and remember the brand and its products (Kotler et al., 2016). NFTs have the ability to increase brand awareness through online visibility (Colicev, 2023). As younger generations purchase luxury, brands have started building brand awareness via online technologies that enable more engaging virtual experiences (Eastman et al., 2024; Zhou, 2024).

An approach to reach previously unreachable audiences is to simply launch NFTs (Murtas et al., 2023). Once brands know their target audience whether it is speculators, casual collectors or cryptocurrency natives it is time to develop a targeting strategy (Chen et al., 2023). Building brand awareness using certain tactics to align with preferences of consumers is important. Building brand awareness among speculators could be emphasizing the financial advantages and potential returns on investment (Chen et al., 2024). It can be market analyses and value projections to highlight investment opportunities. Besides, sharing information about how previous NFT investments have appreciated over time can appeal to these consumers.

Casual collectors can be targeted by focusing on marketing the aesthetic and unique qualities of NFTs. Brands can be more effective in increasing visibility by communicating limited availability, hosting events such as pop-up stores and other events, and collaborating with artists and designers (Colicev, 2023). For instance, Louis Vuitton's Louis The Game was a contest to win rare NFTs, which attracted new consumers. Additionally, hybrid NFTs create awareness in both digital and real world (Colicev, 2023). Cryptocurrency natives can be targeted by appealing to their technological expertise and interest in cutting-edge innovations.

Online visibility gives birth to word-of-mouth (WOM & e-WOM). E-WOM refers to consumer generated positive and negative opinions about a product or brand using the internet (Choi et al., 2019). Positive e-WOM is a powerful way to attract new consumers as it builds trust and credibility for the brand (Choi et al., 2019; Choo et al., 2024).

As mentioned in Section 1. luxury consumer demographics are shifting toward digital natives who value ethical considerations when making purchasing decisions. These socially responsible consumers seek products that demonstrate corporate social responsibility (Franco et al., 2019). To summarize, the brand awareness comes from NFT launches, online visibility, limited-edition releases, collaborations with celebrities and designers, and E-WOM.

4.1.2 Develop consumer loyalty

By utilizing NFTs, luxury brands can achieve brand loyalty which is a long term goal for luxury brand marketing (Choo et al., 2024). Consumer loyalty refers to a customer's strong commitment to repurchase and prefer a product or a service in the future (Lee et al., 2024). Brands can improve loyalty by providing consistent and engaging methods to ensure positive consumer experiences (Solomon, 2006; Colicev, 2023).

According to Roberts' (2004) lovemark theory, customer loyalty is built on two pillars which are love and respect. A brand that has love and respect from its consumers is considered as lovemark (Giovanis et al., 2018). Brand love refers to an emotional attachment or social connection to the brand (Giovanis et al., 2018). Luxury brands can contribute to brand love by creating emotional connections with their consumers such as engaging them with invitations to private events and creating social communities where NFT consumers can interact with each other (Giovanis et al., 2018; Xie et al., 2023; Zhou, 2024). These engaging initiatives make customers feel loved as they sense of belonging to a community (Cho et al., 2024).

Brand respect is defined as consumers' positive attitude toward a brand (Roberts, 2004). In their study, Pawle et al. (2006) found that brand respect is established on functional aspects such as performance, trust, and reputation. Good functionality creates a sense of trust and builds positive reputation (Roberts, 2004). NFT performance is tied to its liquidity, perpetuality, authentication, and interoperability as mentioned in chapter 3.1.4.

Luxury criteria is being handmade, demonstrating craftsmanship, embodying quality of excellence, or possessing rarity (Kapferer et al., 2012). When customers know the products meet these criteria, they trust the brand.

Brands can build trust and communicate with consumers by using storytelling (Kapferer, 2012; Murtas et al., 2023). For luxury brands, storytelling refers to the activity of sharing stories, history, and culture (Chohan et al., 2023). Storytelling allows brands to narrate their history, values, and craftsmanship through NFTs in visually and emotionally compelling ways (Murtas et al., 2023). Telling about supply chains, materials, local businesses and heritage of region in aesthetical ways may build respect through an emphasis on the brand's performance, trust and reputation (Giovanis et al., 2018).

Brand trust is a concept that refers to consumers' perception that a brand performs in accordance with its promises (Ferrini et al., 2023). Counterfeiting has been a challenge for luxury brands for a long time as mentioned in chapter 1. In this context, the Aura Blockchain Consortium helps luxury brands by building consumer trust with DPPs (Joy et al., 2024). Corporate social responsibility (CSR) initiatives amplify consumer trust when brands communicate their efforts transparently (Kapferer, 2015). Corporate social responsibility (CSR) is a concept that refers to the voluntary way of companies to take into account socially and environmentally important concerns (European Parliament and Council of the European Union, 2024). By highlighting their CSR activities, luxury brands can convey authenticity and create emotional resonance with consumers.

Okonkwo (2007) argue that the proper management of CSR issues improve brand reputation. DPPs offer a strategic approach for luxury brands to meet the European Union's compliance standards, which are set to become mandatory starting in 2026. This regulation requires that nearly all products sold in the EU to feature a DPP (European Parliament and Council of the European Union, 2024). When brand's reputation is seen as following socially and environmentally requirements, brands attract consumers who value these themes (Zhou, 2024; Murtas et al., 2023).

In summary, a well-designed NFT strategy is a crucial for enhancing brand awareness and improving consumer loyalty. In addition to raising brand awareness and developing consumer loyalty, NFTs are a way to generate new sales as standalone products (Joy et al., 2022; Zhou, 2024). NFTs give royalties to owners every time NFTs are sold (Chohan et al., 2021). This keeps the ownership rights with the brand that owns the NFT and creates a continuous revenue stream (Chohan et al., 2021). This concept is illustrated in Figure 4., which is designed to represent the relationship between NFTs and the objectives for luxury brands.

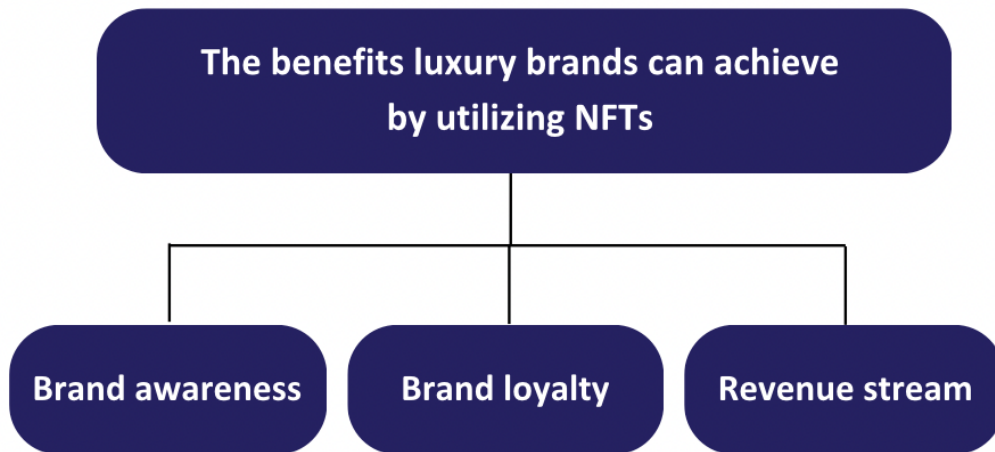


Figure 4. The marketing objectives luxury brands can achieve by utilizing NFTs.

Figure 4 highlights the advantages luxury brands can achieve by integrating NFTs into their marketing strategies. These benefits include enhanced brand awareness, strengthened consumer loyalty, and new revenue streams.

5 Discussion

5.1 Theoretical Implications & Answers to Research Questions

As a new form of luxury marketing, NFTs help luxury brands to meet to the modern consumer demands, maintain relevance, and reach new markets in today's dynamic environment. NFTs have received limited attention in academic research. While numerous luxury brands have incorporated NFTs into their business models, existing studies on the benefits of NFTs for luxury brands have primarily focused on metaverse perspectives.

Consequently, it is essential to synthesize the various types of NFTs discussed in the academic literature, along with the motivations behind their purchase and the potential opportunities they present, into a comprehensive study. This research addresses three research questions: *What types of NFTs are used by luxury brands and how they work? How can we explain the luxury consumer behavior toward buying NFTs? What marketing objectives can luxury brands gain by adopting NFTs?* The study summarizes the different types of luxury NFTs, identifies the key factors influencing consumer behavior towards purchasing them, and explores the potential outcomes of these factors from the perspective of luxury brand marketing (see figure 5).

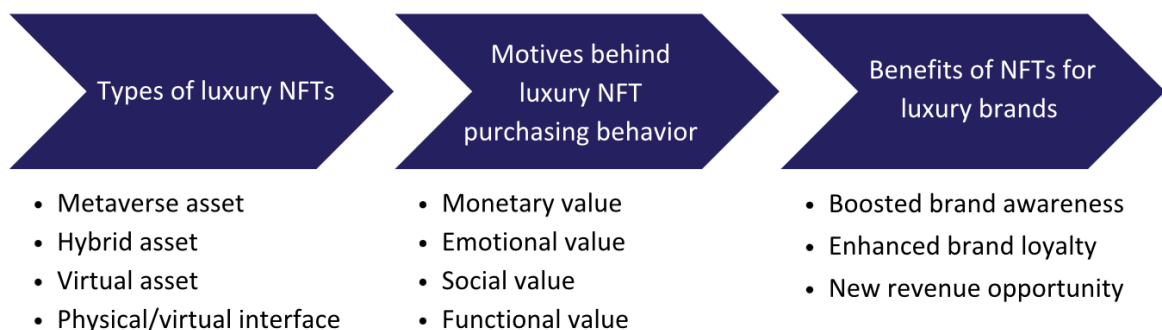


Figure 5. NFT types, purchasing motivations, and marketing outcomes.

The research contributes to the theoretical landscape by integrating existing literature and offering a thorough understanding of luxury NFTs, with a focus on their practical implications for luxury brands. This is achieved by combining insights from the marketing and psychology literature and presenting the findings in a clear, actionable format.

In Figure 5, the key findings that contribute to the effective utilization of luxury NFTs are outlined, including the different types of luxury NFTs, the motives behind luxury NFT purchasing behavior, and the benefits of integrating NFTs into luxury branding. Drawing from psychology, economics, and marketing theories, the figure offers a comprehensive framework for understanding and evaluating the potential outcomes of integrating NFTs into luxury branding strategies.

Answering RQ1, luxury NFTs are digital assets that can represent different forms such as audio, images or videos. NFT types are metaverse NFTs, virtual NFTs, hybrid NFTs and physical/virtual interface NFTs. NFTs are often tied to unique experiences such as fashion shows and other events. They are digital representations of luxury goods and enable consumers to interact in digital environments. This aligns with Bao et al. (2024) and Chandra (2022), who divide NFTs into four different types and categorize them into different formats.

Addressing RQ2, based on marketing and psychology literature, luxury NFTs have several features that encourage customers to purchase them. Customer motivations toward buying luxury NFTs are analyzed mainly with the PERVAL, introduced by Sweeney et al. (2001). Important motives include money, emotions, social status, and functionality. NFT consumer groups can be categorized into speculators, casual collectors, and cryptocurrency enthusiasts. NFTs offer investment opportunities, a chance to express identity, a way to signal social status, and be part of brand community. Examples of functional benefits are access to product information and trading. Understanding these motives is crucial when analyzing the benefits that luxury brands can achieve by adopting NFTs, as discussed in RQ3.

Answering RQ3, there are several objectives luxury brands can achieve by utilizing NFTs in their marketing. NFTs are innovative way to engage customers in more meaningful ways. From the marketing perspective, NFTs have the ability to raise consumer awareness and develop consumer loyalty. From an economic point of view, NFTs are a new way to generate sales and revenue. In summary, brands can build stronger connections with consumers when they bring them value in financial, emotional, social, or functional level.

5.2 Practical Implications

The use of NFTs has increased over the past five years, and more and more luxury brands are using them to engage customers. NFTs make it possible to create not only digital products but also new experiences for their customers. Luxury goods are mainly purchased in physical form, but marketing literature emphasises the importance of emotional connection with brands alongside digital products. Luxury NFTs with their technological capabilities provide an opportunity for for brands to build new ways for customer interaction.

The findings in the section 4 offer managerial implications as suggestions, on how NFTs could be used to benefit the luxury brands as well as to improve their customer engagement. To obtain positive marketing outcomes, luxury brands need to understand how NFTs can be used in their strategies. In order to do this, brands first need to understand NFT types and how they function, and then understand what is valuable for consumers. The theoretical background of this thesis focuses on the consumption motives customers have for luxury items. This helps developing the findings and suggestions for brands in how to utilize this theory and together, combined with the information provided with the NFTs use it to implement NFTs into one's own luxury brand.

There is a consensus among studies and they emphasize different motivations that mainly influence reasons for luxury consumption. They are quality, price, usability, uniqueness, hedonic, extended self, and conspicuousness (Kapferer et al., 2012).

The findings suggest that simply offering virtual NFTs is not enough to guarantee the success of marketing strategy but they should be combined with physical and experiential side. To maximize customer engagement, brands need to focus on creating emotional connections because they make customers feel they are respected and valued. NFTs are used ideally in interactive formats such as games and they should function as keys to access experiences.

5.3 Limitations and Future Research

The study focused on NFTs from the perspective of luxury brands, aiming to categorize different types of luxury NFTs, understand motivations toward purchasing them, and assess their potential benefits for luxury brands. The expansive nature of the NFT phenomenon presents challenges, as NFTs can take on various forms. This research focused on luxury NFTs at a general level, collecting features that are not tied to any specific platform. As a result, the study provides with an overview of NFTs for luxury use cases, which can help luxury brands in planning their marketing strategies.

However, the luxury NFT market is in its early stages, and the number of relevant literature is limited. The literature used in this study is limited by its focus mainly on NFTs within the metaverse. NFTs as a luxury phenomenon has been minimally studied in other contexts. It results a gap in understanding the phenomenon in a larger picture. Additionally, the study relied solely on existing research literature and did not conduct new empirical research. Conducting research could have highlighted potential differences between NFTs in the metaverse and those on other virtual platforms. The phenomenon should be reviewed in the near future, taking into account its continuous development.

This study lays the foundation for future research, enabling NFTs to be studied from different angles or analyzed on different platforms. Luxury brands use many different types of NFTs, and brands should identify the most effective platforms to launch them. However, blockchain regulation and organizational acceptance stand still in some countries. Platforms are continuously evolving, and NFT features may expand over time. Customers may prefer to buy an NFT from a brand they like, especially if it connects them with others who share similar interests or offer benefits such as access to communities.

The literature shows that consumer attitudes toward luxury NFTs can vary. One major factor influencing purchase decisions is pricing. Consumers react differently to high prices that signify exclusivity versus lower prices targeting a larger market. Additionally, NFT functionality, brand reputation and the desire to be part of a community can impact how attractive luxury NFTs are to different consumer groups.

6 Conclusion

The purpose of this study was to analyse the relationship between NFTs and luxury. The aim was to categorize different types of NFTs that luxury brands use, how they enable a new type of engagement with customers, what influences consumers to buy them, and the objectives brands can achieve by utilizing them. Based on the findings, the results suggest that NFTs can be classified into four types; metaverse NFTs, virtual NFTs, hybrid NFTs, and physical/virtual interface NFTs. NFT forms include images, videos, audio and other digital formats. Typical use cases include avatars and other forms in metaverses, and digital product passports. NFTs provide value for customers with financial, emotional, social and functional aspects. NFT characteristics, scarcity, resaleability and trendiness create mostly positive consumer perceptions. By combining a digital NFT, its physical version, and an experience, luxury brands can engage with consumers in innovative and more meaningful ways. The benefits that NFTs bring to luxury brands are increased brand awareness and customer loyalty and new revenue stream.

However, when creating a luxury brand marketing strategy, it's important to think carefully about how to use NFTs. NFTs help maintaining core values for luxury, showing innovation, citing sustainability and resonating with today's digital landscape. Luxury brands have integrated NFTs into different platforms, but the gap between digital and physical experiences require more technological development. In order that NFTs reach their full potential in the luxury market, they must represent rare and exclusive products. An NFT without a purpose will not be effective. Likewise, NFTs that seem as ordinary fail to draw attention from consumers. In order to succeed, luxury brands must design a well-planned NFT strategy, and ensure NFTs feel as rare and exclusive with a purpose. They must connect seamlessly to the luxury experience.

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