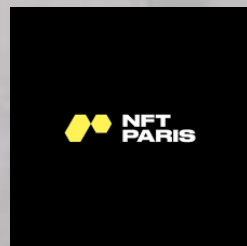




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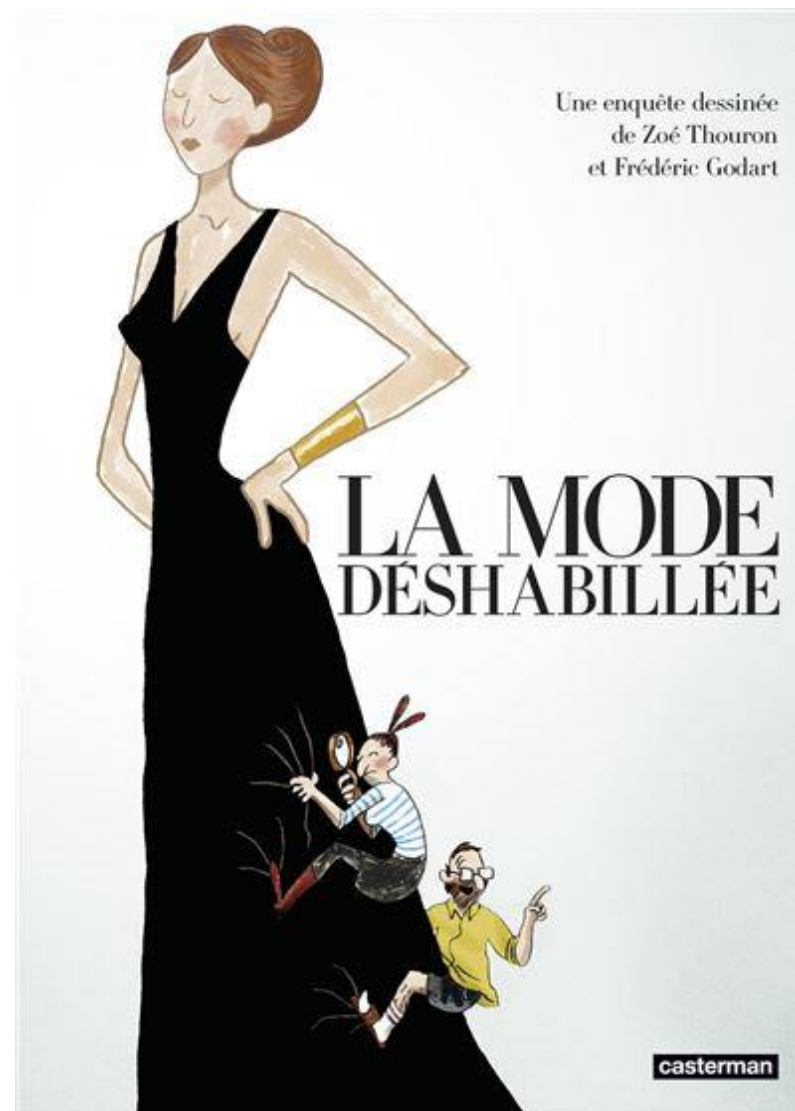


# THE USE OF NFTS IN LUXURY AND FASHION: STATE OF THE ART, AND WHAT'S NEXT?

**Frédéric Godart (Associate Professor of Organizational Behavior at INSEAD)**

February 24<sup>th</sup> 2023, 11:00am - 11:20am

# Who Am I?



# Agenda – 3 Items



**Overview: Why It's Interesting**



**Examples (Use Cases)**



**Future Directions / Frameworks**

# Agenda – 3 Items



**Overview: Why It's Interesting**



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# What Is So Interesting About Fashion/Luxury and NFTs: The Mystery of Value Creation Without (Much) Functionality (Social Construction and Creativity)



```
// SPDX-License-Identifier: MIT
pragma solidity ^0.8.0;

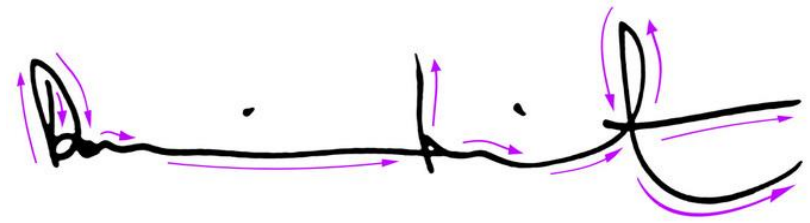
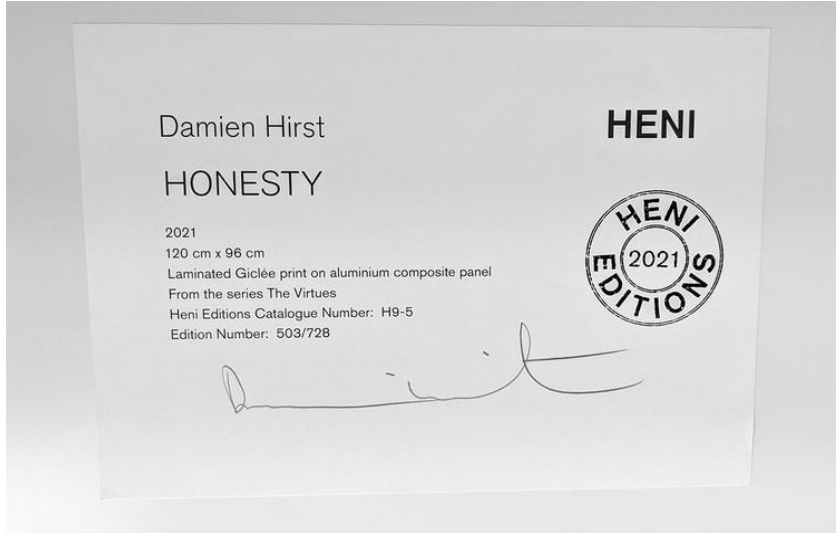
import "@openzeppelin/contracts/token/ERC721/ERC721.sol";
import "@openzeppelin/contracts/utils/Counters.sol";

contract EmotionalShapes is ERC721 {
    using Counters for Counters.Counter;
    Counters.Counter private _tokenIdCounter;

    constructor() ERC721("EmotionalShapes", "ESS") {}
    function _baseURI() internal pure override returns (string memory) {
        return "https://YOUR_API/api/erc721/";
    }

    function mint(address to) public returns (uint256) {
        require(_tokenIdCounter.current() < 3);
        _tokenIdCounter.increment();
        _safeMint(to, _tokenIdCounter.current());

        return _tokenIdCounter.current();
    }
}
```



# Fashion and Luxury Have a Complicated History with Innovation...



## THE EVOLUTION OF AN ICON

Launched in 1953, the Submariner was the first divers' wristwatch waterproof to a depth of 100 metres (330 feet). The Submariner Date, with its date function in addition to the time, was introduced in 1969. Both of these benchmark watches are emblematic of the relationship that unites Rolex and the underwater world. The Submariner and the Submariner Date have been guaranteed waterproof to a depth of 300 metres (1,000 feet) since 1989 and 1979 respectively. Several of their technical features and aspects of their design were taken into consideration in 1981 when the international standard for divers' watches was established. The new generation of the Submariner and the Submariner Date are being unveiled by Rolex in 2020.



1953

The Submariner is the first divers' wristwatch waterproof to a depth of 100 metres (330 feet).



1954

The waterproofness of the Submariner is increased to 200 metres (660 feet).



1969

First Submariner Date.



1984

The Submariner Date is now equipped with the Triplock winding crown (1977), a sapphire crystal (1979) and a dial with applique hour markers (1984). Its waterproofness increases to a guaranteed depth of 300 metres (1,000 feet) in 1979.



2010

First Submariner Date in steel and a Cerachrom bezel insert in ceramic.



2020

With a subtly redesigned case, the Submariner and the Submariner Date are now equipped with movements at the forefront of technology.

# ...Until Now



## ***“World's First Digital Only Blockchain Clothing Sells For \$9,500” Some lessons and questions***

- Fashion/Art/Tech meet: The result of a collaboration between The Fabricant, artist Johanna Jaskowska, and Dapper Labs (CryptoKitties)
- Principle is 28-day window for the NFT couture’s new owner to provide a photo of the future wearer to the creators in order for them to custom fit the digital garments (lesson: there is a market)
- BUT What was the motivation? Connect with Gen Zs?
- Environmental impact: would digital fashion increase or decrease consumption? Is it disingenuous because it is simply “not real”?

# The Beginning of a New Era?



## *Glossy magazines turn NFT*

- Launched by *Vogue* Singapore (founded in 2020, during the pandemic!) (September 2021 issue)
- Not new to new tech with AR and IG filters
- 15 commissioned NFTs for sale, including a “flame” dress designed by Balmain creative director Olivier Rousteing
- 3D rendering and animation of the dress, virtually fitted image of the dress, Rousteing's sketches of the dress, and the ability to port the dress into the fashion gaming app Altava (formerly Unmateriality)





# The Beginning of a New Era



## ***The first-ever Metaverse Fashion Week (MVF22): A Milestone (March 2022)***

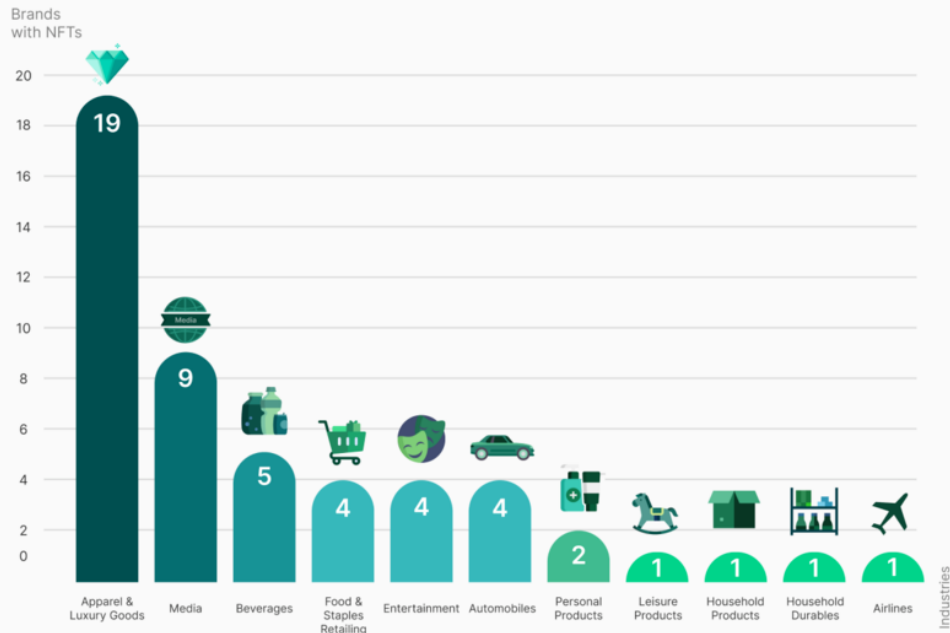
- Launched by *Vogue* Arabia (founded in October 2016), UNXD, and Decentraland
- Decentraland as fashion capital?
- Over 50 international brands and creators
- Boson Protocol mimics a boulevard of metaverse stores, allowing brands to sell luxury and physical goods in the form of non-fungible tokens (NFTs)
- A (crypto)wallet with ETH on it is necessary for purchases

# Fashion and Luxury Have Outpaced the Other Industries



## The Apparel & Luxury Goods Industry has the Most Brands Launching NFTs, since 2020

Based on brands in the U.S. or Europe, with their own tradeable NFT collections



Basis: Traditional brands in the U.S. or Europe with an international presence, and have launched one or more tradeable NFT collections since 2020; MSCI's Global Industry Classification Standard (GICS) is used for industry categorization



Query results Consolidated Brands Stats Final Table (Official) @kingjames23

Rank	Title	Total Transactions	Secondary Volume	Primary Sales Revenue	Total Royalties	Total NFT Revenue
1	Nike	67,251	\$1,293,959,811.39	\$93,104,204.25	\$92,165,461.48	\$185,269,665.73
2	Dolce & Gabbana	9,036	\$20,166,188.96	\$23,136,074.46	\$2,515,055.20	\$25,651,129.66
3	Tiffany	74	\$3,403,933.72	\$12,622,377.00	0	\$12,622,377.00
4	Gucci	3,993	\$31,046,025.35	\$10,004,853.25	\$1,552,301.27	\$11,557,154.52
5	Adidas	51,449	\$175,651,669.33	\$6,201,058.63	\$4,742,595.07	\$10,943,653.70
6	Budweiser	4,122	\$6,572,572.87	\$5,883,246.00	0	\$5,883,246.00
7	Time Magazine	6,413	\$31,257,344.11	\$1,476,939.62	\$3,125,734.41	\$4,602,674.03
8	Bud Light	10,517	\$3,321,306.26	\$3,997,581.00	0	\$3,997,581.00
9	AO	9,608	\$8,063,014.82	\$1,495,841.27	\$201,575.37	\$1,697,416.64
10	Lacoste	11,572	\$2,615,699.72	\$1,004,125.02	\$104,627.99	\$1,108,753.01
11	Nickelodeon	7,296	\$2,619,830.09	\$320,650.00	\$261,983.01	\$582,633.01
12	McLaren	2,048	\$2,574,000.16	\$204,294.36	\$128,700.01	\$332,994.37
13	Pepsi Mic Drop	3,384	\$11,027,156.63	0	0	0

13 rows Search...

“Which Industry has the Most Brand NFTs?” (2022)

# Agenda – 3 Items



**Overview: Why It's Interesting**



**Examples (Use Cases)**



**Future Directions / Frameworks**

# Three Ways NFTs Have Been Used in Fashion and Luxury So Far

1. Bringing in new customers and integrating their experience

2. Adding to the traditional luxury/fashion experience

3. Increasing brand status and standing

Luxury/fashion + NFTs



# NFTs Beyond Collectability: Access to Exclusive Products, Community Building



- Prada's TimeCapsule
- Every first Thursday of each month, started on December 5<sup>th</sup>, 2019 (online exclusives)
- Already ancient but has been updated on June 2<sup>nd</sup>, 2022, with gifted NFTs
- Prada TimeCapsules give access to exclusive physical products (resale value of NFTs seems high, 0.8 ETH for June 2022 on Opensea, physical T-shirts > 1k USD)
- Access to the PradaCrypted Community (e.g., on Discord)
- Special events, e.g., November 9<sup>th</sup>-10<sup>th</sup>, 2022 Prada presented the eighth Prada Mode Dubai event, featuring an installation by Damien Hirst (Pharmacy—reference to the shape of the TimeCapsule?)

# Prada's NFT Strategy Mixes Two Approaches: *Educate* Traditional Customers, *Bring In* New Ones



## Bring New Customers

NFT > Physical product



## Reward faithful...

Physical product...



## ...customers

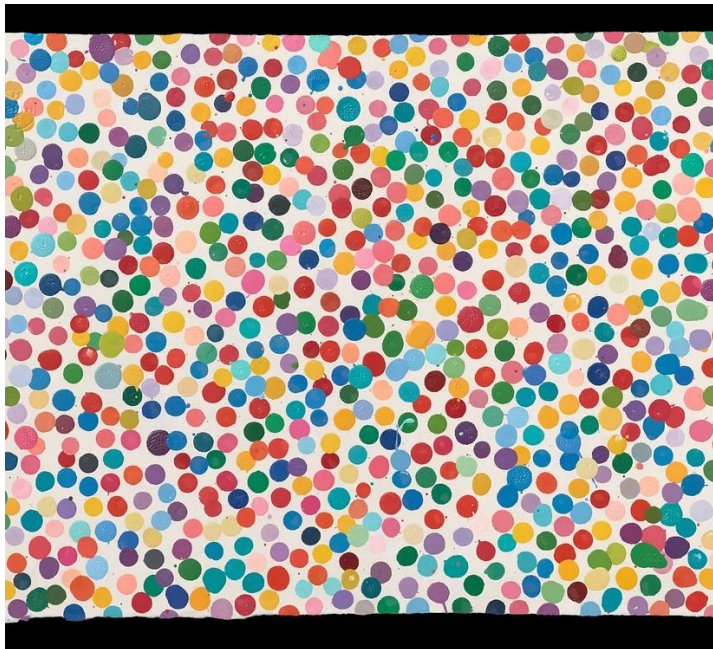
...to NFT



# The Link Between Physical and Digital Still Being Worked Out: Separated, Digital “Twins,” Integrated?

## Choose between the NFT and the physical product

Damien Hirst's project The Currency, 10k items (2k USD each), 5149 physical



## Destroy the NFT, get the product, get another NFT

Unisocks: Retail price: 30k USD



## Get an NFT, originally not redeemable

The RTFKT x Nike Cryptokicks NFT



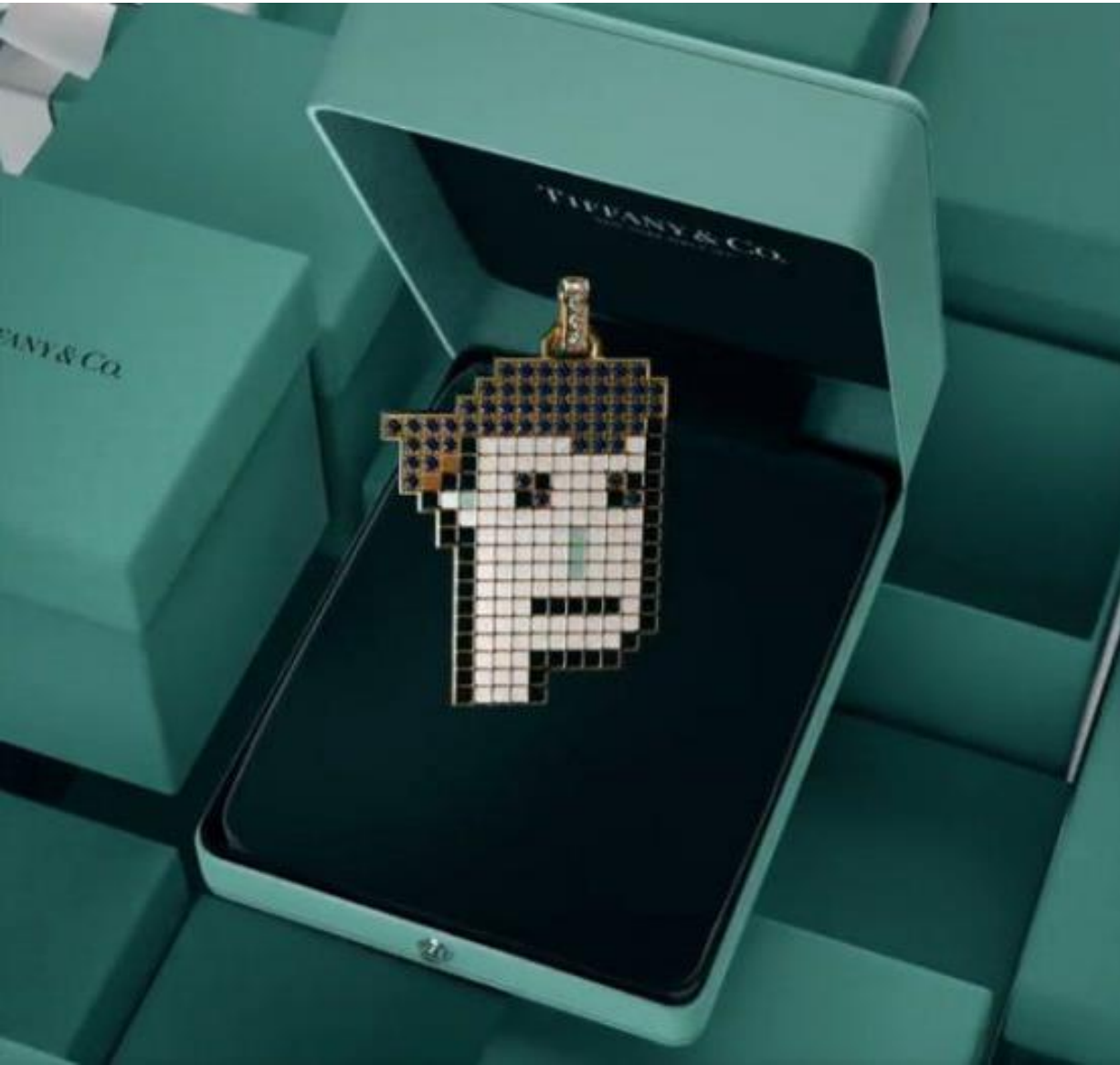
# How Paper Becomes an NFT: Burning as an Artform



‘I’m completing the transformation of these physical artworks into NFTs by burning the physical versions. The value of art digital or physical which is hard to define at the best of times will not be lost. It will be transferred to the NFT as soon as they are burnt’ Damien Hirst

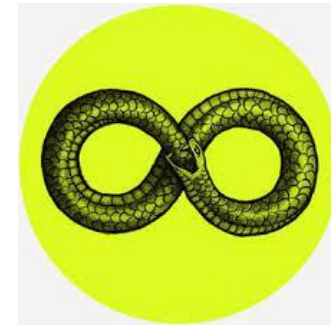


# The “Luxurification” of NFTs



- Taking NFTs and turning them into IRL products
- Rely on traditional crafts and values to do so
- Shows the power of luxury to extract and add value
- Very valuable to expand brand outreach to new audiences (new generations and new subcultures)
- The brand is rejuvenated
- Twice the magic!

# From NFTs to Luxury to NFTs: A “High-Tech Luxury Ouroboros” (Joseph Genest)



## Original NFTs

CryptoPunk 7523 – \$11.75 Million



## nftiff

250 at 50k USD 18 carats rose or yellow gold and features a minimum of 30 gemstones and diamonds



## Second order NFTs

Listed 39,99 ETH



# Bringing A Strong Brand Heritage to the New World through Gamification



## *Learning about Gucci and earning \$SAND*

- In The Sandbox metaverse, players were invited to discover (via the completion of gamified tasks) the heritage of Gucci
- 500,000 \$SAND prize pool for 10,000 users. Opportunity to win Gucci Vault Boxes, entries into a Raffle for exclusive digital collectibles
- Gucci NFT holders received a Gucci Vault Aura collectible airdrop
- Adding to previous efforts to connect with Gen Z and Gen Alpha via Gucci Town on Roblox

# Increasing Brand Status and Standing: Balmain and Mattel (Barbie)

## *For both partners it is about status from creativity*

- Mattel Creations was launched in 2020 to connect Mattel's IP to creative talents globally (toys infused with art, toy-inspired art)
- For Balmain and its creative director Olivier Rousteing it is a way to project its New French Style (diverse, genderfluid)
- Scarcity and pricing are on point and NFTs have helped sustain the highbrow collaboration
- IRL outfit given with each NFT is doll-sized, so has no practical purpose




Sold Out

**Mattel Creations**  
**Balmain x Barbie White Ringer T-Shirt**  
**\$295.00**

Size



Sold Out

 Limit 1  
Per Customer



# NFTs as An Avenue for Creativity



Balmain

- “Flame dress designed by Balmain creative director Olivier Rousteing
- Never-seen before design opened not only by digital art but also by NFTs
- Without NFTs, little commercial and financial motivation
- NFTs monetize digital art, bridge fashion/luxury and almost unlimited creativity

# Agenda – 3 Items



**Overview: Why It's Interesting**



**Examples (Use Cases)**



**Future Directions / Frameworks**

# Style and Status: NFTs from Tool to Product?

**Style Focus**

**Status Focus**

**Creation**

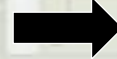
*Use NFT value  
(ETH?) to select  
trends*

*Build on NFTs to  
project status via  
collaborations and  
innovation*

**Market**

*Identify emerging  
trends with NFTs*

*Rely on NFTs to  
protect status by  
pushing creativity*

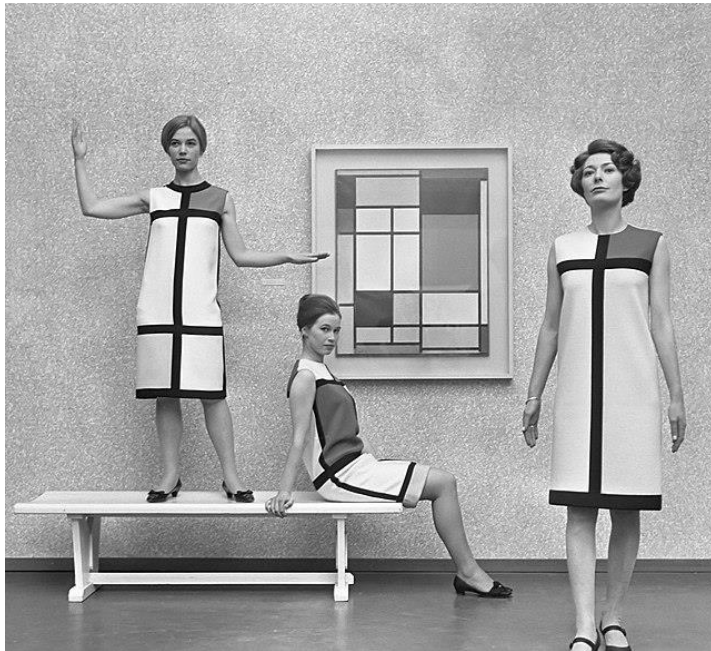


# Artification: NFTs Boosting Luxury's Art Content



## Art used in Luxury Fashion

Mondrian dress



## Luxury Fashion Displaying Art

Dior exhibition



## Luxury As Art

The Fabricant / Teresa Manzo





# Future Developments?



- 1. Systematically identify NFTs that can become luxury and fashion products**
- 2. Guide and “equip” loyal customers’ avatars, educate them on metaverses**
- 3. Allow customers to co-create NFTs**

# NFT Fatigue in Fashion and Luxury?

## NFT brouhaha

“It seems that the constant race on today’s social media fuelled digital landscape to come up with the most outrageous, jaw-dropping and previously unthinkable partnership has no end in sight.”

Collaborations and digital are “eating fashion alive”

“But I don’t want a Burberry trench covered in Minecraft blocks. I want a Burberry trench because it is durable and stylish and makes absolutely everyone who wears it look like they are in control of their lives. I am a grown woman, and so is Stella McCartney – so why did she create a range of clothing emblazoned with Disney illustrations? Collaboration is meant to enhance. This dilutes.”



Simon Letch



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[frederic.godart@insead.edu](mailto:frederic.godart@insead.edu)

Europe



Asia



Middle East

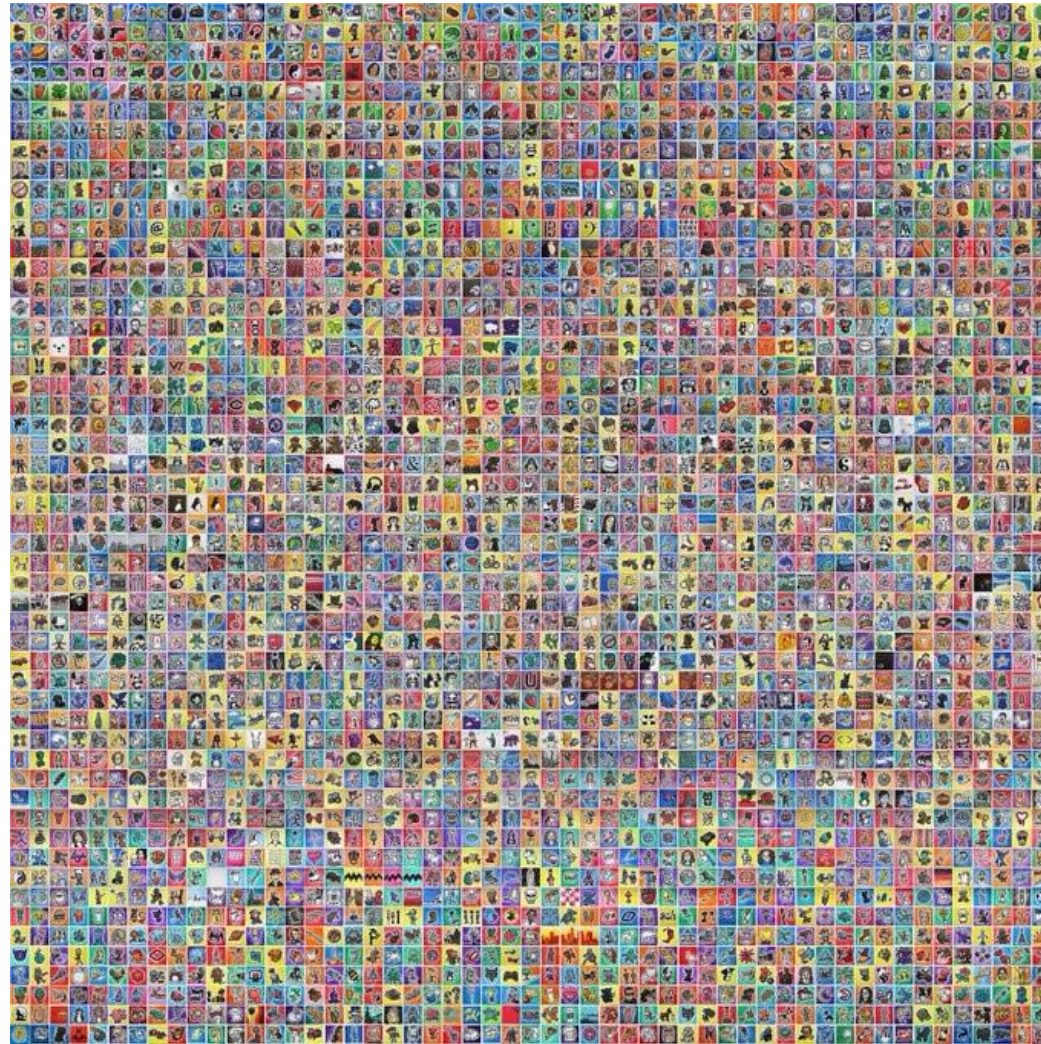
# Fashion, Luxury, and NFTs: Elective Affinities? Irreconcilable Tensions?



## *Elective affinities or tensions?*

- Creativity: NFTs are inherently creative, a key driver of success in both fashion and luxury (perhaps too creative); but NFTs change often, so closer to fashion
- Exclusivity: luxury products and NFTs are exclusive and unique, not fashion
- Functionality: Fashion (as apparel) has functionality, NFT has none, luxury has some
- Price: broad range for NFTs, in that sense closer to fashion
- Scarcity: NFTs (in some collections) are scarce like luxury, but often they're not (like fashion)

# Navigating or Drowning in the Ocean of NFTs? (Oversupply > Not Luxury-Friendly)



# Authentication

