

# Marketing i nove tehnologije: Upotreba NFT u promotivnim aktivnostima brendova - pregled

## Marketing and new technologies: The use of NFT in promotional activities of brands - an overview

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**Sažetak** - Jedinstveni digitalni identifikator zasnovan na blockchain-u poznat kao NFT se koristi za autentifikaciju vlasništva nad određenim digitalnim sredstvom i određenim pravima u vezi sa njim. Iako relativno nov kao pojam, podaci na NFT tržištu pokazuju da je ovaj fenomen vredan istraživanja. Cilj ovog rada bio je da se definiše NFT i njegova primena u marketinškim aktivnostima globalnih brendova. Iako je značaj NFT-a prepoznat u različitim industrijama, fokus ovog rada bio je na primerima vezanim za korišćenje NFT-a u marketinškim strategijama kompanija kao što su Cola-Cola, McDonald's, Pepsi i drugih svetskih brendova. Dodatno je prikazana analiza promotivnih aktivnosti NFT kolekcija koje se koriste u cilju njihove popularizacije i povećanja prodaje.

**Ključne reči** - NFT; društveni mreže; blockchain; nove tehnologije; promocija

**Abstract** - A blockchain-based unique digital identifier known as NFT is used to authenticate ownership of a particular digital asset and certain rights related to it. Although relatively new as a term, numbers in the NFT market show that this phenomenon is worth exploring. The aim of this paper was to define NFT and its application in the marketing activities of global brands. Although the importance of NFT is recognized in various industries, the focus of this paper was on examples related to the use of NFT in the marketing strategies of companies such as Cola-Cola, McDonald's, Pepsi and many other global brands. Additionally, the analysis of the promotional activities of NFT collections used in order of its popularisation and sales increase is presented.

**Keywords** - NFT; social media; blockchain; new technologies; promotion

### I. INTRODUCTION

The appearance of non-fungible tokens (NFT) has attracted public attention as a term that currently represents a major trend in the world market and is causing great interest. An NFT is a blockchain-based technology, an unchangeable digital identifier that is used to prove ownership of a certain digital asset and specific rights attached to it which cannot be duplicated, substituted, or subdivided [1].

The fusion of art and technology in 2014 created the first NFT and its purpose was to help artists protect their creations by establishing ownership on the Blockchain. A market expansion of NFT occurred in 2021. The same year, NFTs generated more than \$44 billion in transactions due to significant media interest [2]. As an example, the auction house Christie's organized its first sale that was exclusively for an NFT of a digital image, which eventually brought in a record 69 million USD [3]. The emergence of NFTs was a combination of factors including the cryptocurrency market. The popularity of digital assets, which was driven by market volatility, has contributed to the growth of the NFT market [4]. The value of the NFT marketplace, however, changes in 2022, revealing one of its major shortcomings. Between Q1 and Q2 2022, the NFT market experienced a significant decline of around 25% in terms of USD traded. This holds true for both the number of transactions and the quantity of purchasers and sellers. With the exception of "blue-chip" collections, these declines are primarily attributable to collectibles that have lost popularity since the year's beginning [5]. The projects that have shown a high and consistent market worth over the brief history of the NFT market are referred to as „blue-chip“ NFT collections [6].

A database of secured and interconnected cryptographic protocols is called a blockchain. Blockchain was initially intended to function as an algorithm for data and transaction verification in online transactions. People's concern regarding fraud and misuse on the Internet is allayed by the existence of such a database. On such a technology, data that has been exchanged is stored and can't be modified [7]. One of Blockchain's main drawbacks is its slowness, the necessity for numerous participants, and the amount of electricity it requires. Blockchain is far less developed than PayPal and Visa, that each can do between 193 and 24,000 transactions per second. By comparison, Blockchain can only process seven transactions per second. Although Blockchain operates slowly, there is a valid reason for this. In order to strengthen network security and make it more challenging for data to be exploited, it is advised that many computers be on the platform and execute operations simultaneously [8].

A big difference is made between fungible and non-fungible tokens. A non-fungible token represents unique digital ownership of a specific asset, recorded in the Blockchain chain. With the use of "smart" contracts, NFTs can prove their authenticity and ownership of assets in the digital world [4]. On the other hand, fungible tokens, such as cryptocurrencies, are similar to each other and thus can be effectively traded and used for exchange and transaction purposes [9]. An NFT is regarded as irreplaceable since it is cryptographically distinct from all other NFTs using a code. A token is a representation of digital ownership of a specific asset that can be traded on the market [4]. NFT represents more than code, but for the owner of the digital asset, it has great value [7]. The fact that NFTs cannot be lost or destroyed on a digital server is one of their most important characteristics. The only thing that could happen is for the owner to lose his encryption keys, in which case he would be unable to access his NFT and establish his ownership, and it would be permanently stored on the Blockchain platform [10].

Users and organizations are now more engaged in the digital environment as a result of the COVID-19 pandemic. People are becoming more present online, buying and selling occur more frequently, and they have more trust in it. This presents an opportunity to increase the volume of digital asset sales, which, in the event of continued expansion, represents an area of future innovation [11].

## II. APPLICATION OF NFT

NFTs can be used to promote engagement and strong loyalty. Currently, there are a variety of ways for businesses to combine NFTs and loyalty, such as rewarding specific behaviors to giving customers access to exclusive content. Among the benefits of NFT are its originality, affordability, long-term brand value, and popularity [12]. On the other hand, due to their unpredictable and irregular selling prices, NFT marketplaces are considered to be illiquid. It is challenging to forecast the price movement of each NFT because there is no consistency in sales. There are no price prediction models available for the NFT market, which is a highly illiquid market. The aforementioned models make extensive use of historical data that is constantly gathered, for instance when discussing cryptocurrency and auctions [13].

NFTs have a variety of applications in the market, including sports, art, gaming, collectibles, and perhaps most significantly - commerce. For example, NFT in sports has various purposes - attracting new young fans, greater publicity, promoting social responsibility, and also it is used in club ownership [4].

While there are various options for NFT implementation in the aforementioned sectors, in this paper attention was paid to NFT and its use in brand marketing activities.

Although the NFT market is still developing and consumers are not fully aware of all its advantages, many businesses have recognized the advantages and launched their own collections. Coca-Cola, Lamborghini, Nike, Starbucks, Adidas, Samsung, Pepsi, McDonald's, Louis Vuitton, Ray-

Ban, Burger King and many more are among the companies that have realized the benefits of using NFT and begun creating their NFT collections [14].

Starbucks Odyssey, a new loyalty program that paired NFT with Starbucks products, was launched in September 2022. The new loyalty program from the coffee behemoth is called Starbucks Odyssey [15]. Participants will be able to accumulate and use digital collectible items, which will then open new advantages and provide consumer an authentic coffee experience. Consumers can engage in a wide range of activities, such as playing video game or taking on tasks that will challenge understanding of coffee and Starbucks, once they log into this system powered by Web3 technology [16].

With its first-ever NFT, Coca-Cola is expanding its influence in the rapidly expanding metaverse. The company started with four one-of-a-kind Coca-Cola NFTs packages that were being sold on the OpenSea online market. Coca-Cola's global senior brand director, Oana Vlad, stated that the company has been paying close attention on NFTs, cryptocurrencies, and the metaverse and considers this is a good moment to get involved and learn from this new opportunity [17].

To mark the 40th anniversary of one of the McDolands product - McRib, McDonald's launched its first non-fungible token on November 1, 2021. The company's Twitter account was used to communicate this limited-edition NFT with its fans [18]. They engaged their customers on social media, celebrated the iconic product and influenced an increase in brand loyalty.

Similar to the previous examples, PepsiCo linked the release of NFTs to a special event. They announce the Pepsi Mic Drop genesis NFT, an Ethereum blockchain-based collection. Each of their 1,893 genesis tokens is created as a reference to the year Pepsi was first introduced [19].

## III. NFT IN PROMOTIONAL ACTIVITIES

In addition to the purchase of NFT by fans of a certain sport, game, art or digital content, there are also those entities whose goal is to make a profit. The majority of digital content buyers are fans who use cryptocurrency to purchase certain items. The second kind of purchasers, those who are interested in further resale, are less selective about their investments and purchases as long as they can benefit from them and they are not considered as fans. They operate like stock market investors and only concentrate on increasing their income. "Not all NFT buyers are fans, and not all fans are buyers" [8]. It can be concluded that purchasing NFTs is motivated by more than just a passion for a particular sport, video game or work of art. It is also done in order to improve revenue and maximize profits.

Since NFT is a novel idea, it can be challenging to determine precisely which promotion strategy should be applied. Without a good strategy and tactics, you cannot expect to attract a lot of attention and finally achieve sales. As social media is increasingly used for promotional campaigns,

organizations must remember that for the majority of users, social media is both a social and marketing experience [20].

The social network Twitter and especially media such as Discord, OpenSea, Crypto, and Rarible are the most famous places for NFT trading. In order to get noticed and stimulate a desire to purchase, an NFT project in the NFT buyer community must have a minimum of 10,000 followers, effective marketing, its purpose, objective, and vision, as well as a brand [21].

NFT will soon be available on Facebook to a bigger number of people and to a smaller number of users on Instagram, according to Mark Zuckerberg, the CEO of Meta. In addition to these networks, NFT could also appear on the WhatsApp platform. As for Instagram NFT will be supported on Ethereum and Polygon, and later on, Solana and Flow which make up the blockchain [22].

Public interest is greatly increased when celebrities are involved in the advertising of a brand, products, or services [23]. People prefer to invest and buy when they know that other people have done the same, thus this form of promotion is a reasonable choice. Consumers like to get "social confirmation" when making a purchase decision. There are crypto influencers on different platforms who are found with the help of crypto agencies. Influencers are people who have a significant influence on consumer decision-making. One benefit of collaborating with influencers is the trust that is established between them and their customers. Building relationships with an audience is one of an influencer's responsibilities since an audience that trusts them is more likely to invest in NFT [24]. One of the more famous influencers that can be found on Twitter is Vitalik Buterin who is the co-founder of the Ethereum platform and one of the youngest crypto billionaires. There's also Ben Armstrong who shares his crypto tips and experiences on Twitter, Instagram, and YouTube and has 1.45 million subscribers, as well as Natalie Brunell who has 193,000 Twitter followers and interviews experts from this area [25].

One strategy that has so far had positive results in the marketing of NFT is public relations (PR). One can target the crypto audience with the appropriate communication messages by hiring a crypto PR agency. Press releases published by the PR agency through specialized communication channels play a major part in engaging the crypto community. This activity makes NFTs more noticeable to potential owners and investors. The most popular platform for distributing content to the public that also distributes goods and intellectual property is Blockchain Press Media. Press releases are crucial for enhancing brand recognition, attracting in potential clients, and establishing credibility - all of which are things that this PR firm makes achievable [26].

People who actively participate in collecting, selling, trading, and discussing NFTs are referred to as members of NFT communities. Customers in NFT communities can be there for entertainment, gathering information, as well as for more significant trading objectives. Communities typically develop on platforms like Twitter and Telegram [27]. The sport industry is where the application of promoting the NFT collection by establishing the aforementioned communities is

most commonly seen. Sports organizations that have widely adopted NBA Top Shot, a project that allows users interested in NFTs and collectibles to get closer to teams and players as well as sports moments that they can then trade, are just one of the examples and indicators of the effectiveness of this marketing strategy. [28]

#### IV. CONCLUSION

NFT as an innovation, which is widely accepted in modern culture, symbolizes an inevitable future because of how pervasive digitalization is in everyday life.

People are innately afraid of the unknown, thus it can be assumed that this was also the case with the development of NFT. The use of the Internet for transactions led to mistrust in terms of security against fraud and abuse, possession of something that is not in physical form but in digital form, and exchange of a certain collectible item or some other digital asset between users. Aforementioned can be solved by using "smart contracts" that are an inevitable part of performing digital transactions, as well as by the existence of an identification key that is used during each transaction, which certainly created a greater sense of security for the individual and reduced fear of fraud and abuse.

It can be said that the application of NFT is actually competing with the different forms of sales and placing products on the market. As mentioned above, global brands recognize the importance of NFT and actively implementing it into their business. Specifically, as part of their marketing strategies, they carefully plan and place their NFT tokens to the public by engaging their users.

New methods of marketing communications have emerged quickly as a result of technological advancement and modern company models. Although companies in their communication strategies still use established formats of advertising and communication with their consumers, new technologies have led to the emergence of innovative approaches of grabbing users' attention and delivering marketing messages. Companies can increase customer loyalty, promote social responsibility, attract new customers, gain higher visibility, and set themselves apart from competitors by incorporating NFT into their marketing strategies. Adequate implementation of new technologies in business can be significant in maintaining a leadership position on the market. The paper's data analysis leads to the conclusion that the NFT market is very dynamic and defined as unpredictability in terms of market value and the number of active buyers and sellers. It will be interesting to monitor how the aforementioned changes will be reflected in the activities of global brands when it comes to NFT market.

The analysis of the NFT market in Serbia and its comparison to the global market can be one of the recommended directions for further study on this topic. It is essential to keep up with the activities of global brands whose outcomes and achievements may provide an inspiration for local businesses to expand beyond the traditional framework and advance their business through the launch of their first NFT collections. Although it can have many benefits, an

absence of a defined strategy and improper application may prevent the company's NFT projects from producing favorable outcomes.

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