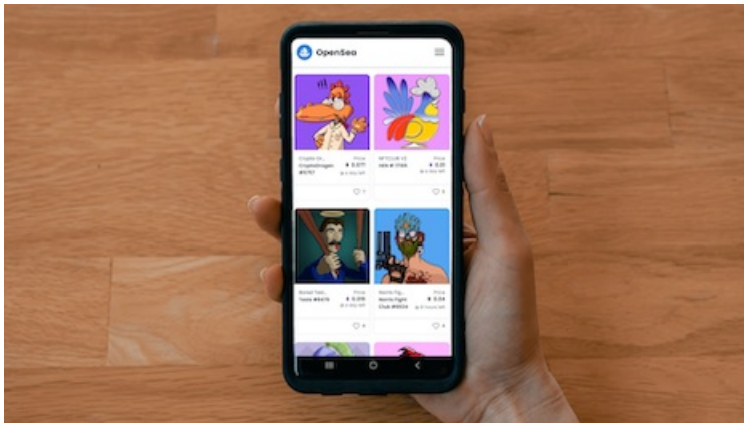


INTERNET

Luxury and NFTs: what happens if the bubble bursts?

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The NFT market is starting to show signs of disinterest, implying things could change significantly for brands in the metaverse. Image credit: Unsplash

By NORA HOWE

With the growing number of metaverse projects and NFT collaborations coming from the luxury industry, it would appear the non-fungible market is thriving, but recent numbers may hint otherwise.

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Despite increasing in value by nearly 200 percent between 2021 and 2022, inflation and newly increased interest rates have slowed NFT sales activity, throwing a wrench in the future of this digital market. A new venture for many businesses, NFTs can provide ample opportunities to engage new audiences and stand out as innovators but does the market have staying power?

"Right now, the NFT market is minuscule by total market capitalization in comparison to that of crypto, capital markets and other risk-on asset classes," said Noah Kent, cofounder [Keys Token](#), Vancouver.

"NFTs are still so new that the real utilities of these digital assets will continue to progress and develop over the next decade," he said. "If anything, it is still early for luxury brands to get involved [with NFTs]."

Ebbs and flows

The first known NFT was created in 2014 by Kevin McCoy and Anil Dash, followed by a number of projects coinciding with the launch of the Ethereum blockchain in subsequent years. However, NFTs only reached the mainstream market within the last few years.

From celebrity endorsements, investor interest, business initiatives and general consumer intrigue, the topic of NFTs has accelerated.

To say 2021 was the year of the NFT would be an understatement. There were some early adopters of NFTs in the luxury space, like Italian fashion house Gucci and British fashion house Burberry, who saw the rising interest as a strategic opportunity ([see story](#)).



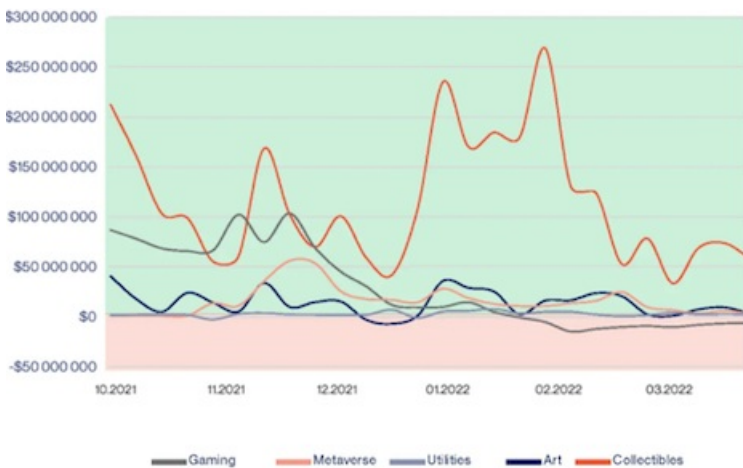
The first NFT from Gucci was a four-minute digital, looped video. Image courtesy of Gucci

In January 2021, NFT marketplace **OpenSea** the preferred NFT platform for Givenchy and Neiman Marcus, among others reported sales of \$8 million. By January 2022, this number rose to \$5 billion a nearly 200 percent increase.

However, according to *The Wall Street Journal*, the dominance of NFTs is starting to fall dramatically.

Based on figures from data website **NonFungible**, *WSJ* reported that the daily average sale of NFTs has fallen 92 percent since its peak in September 2021.

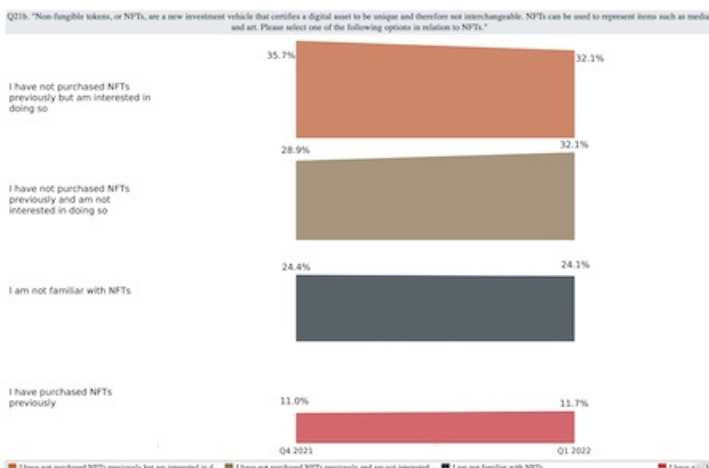
Investments in NFTs also appear to be losing interest and value, such as Twitter cofounder Jack Dorsey's first tweet, which was minted and sold for \$2.9 million in March 2021 and now **has not received bids higher than \$14,000** .



Weekly evolution of profit volume by segment in reselling NFTs. Image credit: Nonfungible.com

According to market researcher Altiant's **Global Luxury and Asset Management (GLAM) monitor**, the share of affluents and high-net-worth individuals who have not purchased NFTs and are not interested in doing so ticked up from 28.9 percent in Q4 2021 to Q1 2022.

Altiant also found that women and respondents over the age of 40 are least likely to be aware of NFTs, which may be at odds with the strong NFT investment from luxury fashion labels that primarily market to women.



There may be a saving grace to this impasse: attaching tangible components to the digital certificates.

"NFTs can be anything, representing both virtual and physical items," said Kelly Ann Collins, CEO of [Into The Meta](#), Washington, D.C. "In addition to virtual collectibles, NFTs can represent gift certificates, real estate contracts, birth certificates and citizen records.

For instance, Italian automaker Lamborghini recently auctioned its last produced Aventador Coup with an exclusive NFT for \$1.6 million in collaboration with musical artist Steve Aoki, digital artist Krista Kim and Invnt Group.

As the marque moves to electrify its entire lineup in 2023 and 2024, its iconic super sports car Aventador is reaching the end of its run. To honor the vehicle and the brand's history, Lamborghini auctioned the final Lamborghini Aventador LP 780-4 Ultimate Coup and a one-of-one NFT ([see story](#)).



Lamborghini auctioned the last of its supercars with a one-to-one NFT. Image credit: Lamborghini

"The entertainment industry is now starting to use NFTs for event tickets, music and VIP experiences," Ms. Collins said. "Artists like Snoop Dogg are selling their music as NFTs and even Spotify is working to allow artists to share their NFTs on their profile, alongside their music."

In the metaverse

Luxury brands have invested a significant amount of money and effort into developing capabilities to fit virtual infrastructures, which, right now, very much includes NFTs.

"The metaverse as a whole would see a massive change in direction if NFTs were to collapse entirely," Keys Token's Mr. Kent said. "The metaverse is made possible by the convergence of various technologies, one of them being blockchain and NFTs which allow ownership of digital assets to be verified.

"Without the verification of ownership of digital assets, the whole concept of building a digital identity or life in the metaverse is put in jeopardy," he said. "Without NFTs, none of this is possible."

After participating in Decentraland's first Metaverse Fashion Week, Italian fashion house Dolce & Gabbana is launching DGFamily on UNXD, a luxury NFT platform.

In a balancing act between the virtual and the physical, DGFamily community members will have exclusive access to digital skins, physical products, digital wearables and physical and virtual events ([see story](#)).

While interest in NFTs appears to be wavering, banking giant J.P. Morgan anticipates that the metaverse will pervade every sector, estimating the market opportunity at more than \$1 trillion in yearly revenues ([see story](#)), indicating it would be in businesses' best interest to continue expanding in the virtual world.

"I don't see the NFT market ever collapsing," Into the Meta's Ms. Collins said. "We have a very long way to go, and right now is the perfect time for brands to hop into the world of NFTs and the metaverse."

[Read part one of our NFT series here: What do differing NFT strategies mean for luxury?](#)