

# Brands & NFTs: How Web3 Is A Game Changer For Brand Growth

*by Teng Yan, Yun Heng Lin*



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# Introduction

It's tough to be a brand today.

In today's hyper-connected, digital-first world, brands face a plethora of challenges as they vie for consumers' attention. There are more brands than ever before, each trying to be the loudest voice in the crowd. Consumers are more informed, demanding and skeptical. Brands need to sell a story, a purpose — not just a product or service. And privacy laws are making it harder for brands to truly understand their consumers.

So... what do?

## A Greenfield Opportunity For Brand Growth

Consumer brands need to think outside the box. Paid ads on Facebook or influencer marketing will only get so far, and it's getting very expensive to continue on this strategy.

Enter Web3 and NFTs — a green field opportunity for forward-thinking brands. It can create win-win opportunities for brands and consumers:

- Tap into new user bases they haven't been able to connect with before
- Build an engaged community around the brand
- Co-create and co-own things with their community, at scale



How are Web3 & NFTs unique and different compared to other technologies? In our view, it is a game changer for brands in 3 fundamental ways:

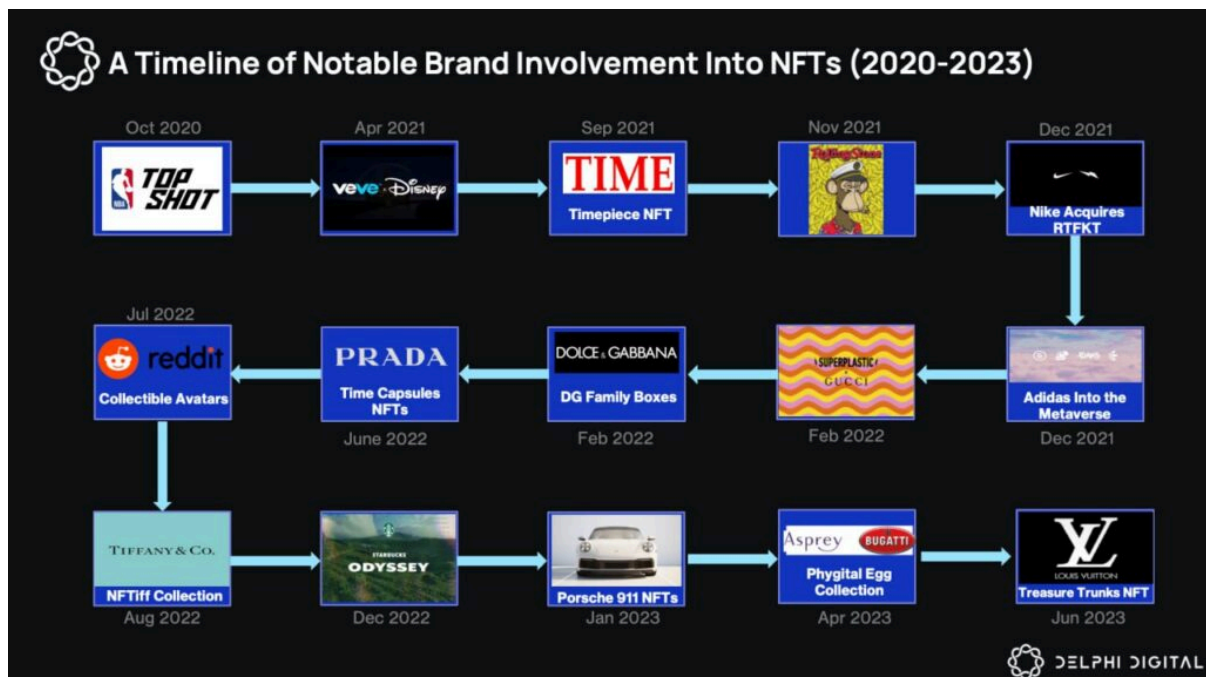
1. **Digital property rights & ownership with NFTs.** With true ownership, users gain a sense of agency, which in turn, aligns their behavior more closely with the brand's ethos. Verified ownership can significantly enhance the value of digital assets.
2. **On-chain activity will be a treasure trove** for understanding customer behaviors deeply. Brands can observe actual user behaviors on-chain, beyond just their brand, and offer consumers highly personalized experiences that were not possible before. NFT metadata can chronicle real-world purchases and consumption experiences by users.
3. **Enables open ecosystems to form**, breaking down the walled gardens of today. This unveils immense opportunities for brands to tap into other ecosystems, reach new audiences, and foster collaborations.

Let's not forget other unique properties of NFTs:

- **Verifiable scarcity:** Unlike traditional items, where the actual supply is often shrouded in mystery—even in the case of high-end luxury goods like Hermès Birkin bags—NFTs allow for transparent verification of how many units exist. This transparency can elevate the perceived value of an item.
- **Representation of intangibles:** This includes identity, goodwill, and culture.

Brands can leverage this to create a deeper emotional connection with consumers — something that is increasingly valuable in today’s experience-driven market.

## Where We Are Today



We are in the very early days of brands & NFTs. It’s been less than 3 years since the earliest initiatives began.

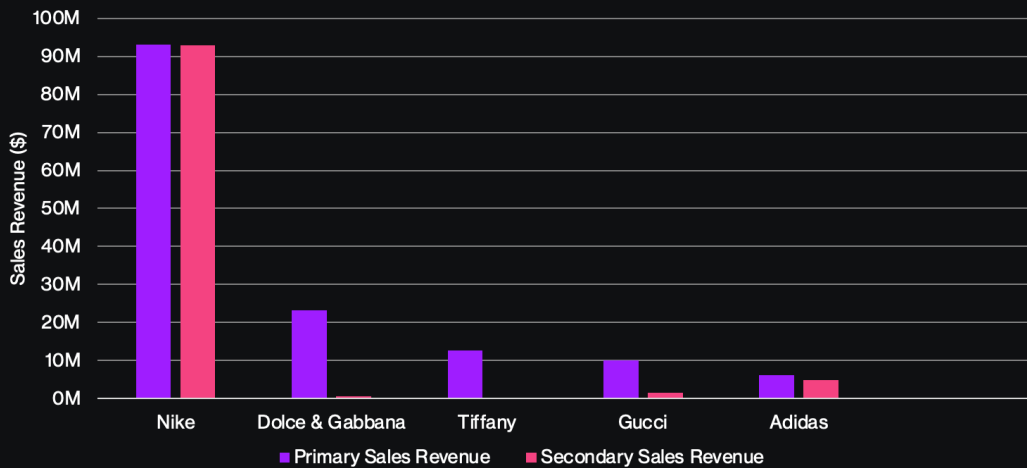
Some brands were early to recognize this opportunity — Adidas, Nike, TIME, Gucci. They initiated their Web3 experiments during the hype phase of the NFT bull market in 2021 – 2022. And it appeared that many have achieved early success, at least in terms of revenue generated.

- Nike (via its [acquisition](#) of RTFKT) sold \$93M of NFTs and made another \$92M from royalties.
- Dolce & Gabbana sold \$23M of NFTs in early 2022.



## The Top Brands Experimenting With NFTs

Primary and Secondary Web 3 Sales Revenue (\$) Of Various Brands



Data as of October 20, 2023  
Source: Dune (@kingjames23)



Yet in retrospect, most of their early “success” was from being at the right place at the right time — riding on the NFT bull market and speculative fervor. Today, many of these 2021-early 2022 vintage projects appear to be dead: no secondary trading volume (a proxy for demand), few new developments, and a discord server that’s akin to a ghost town.

This tweet exchange in December 2021 perfectly encapsulated the FOMO felt by brands to get involved in Web3:



Brands should not worry about having missed the boat. In fact, we believe that the next generation of brands embracing NFTs — those that sprung up this year or launching in the coming months — will have a greater chance of achieving long-term success. They can draw valuable insights from previous brand experiments,

learning from their successes while avoiding their mistakes.

**We spoke with [Diego Borgo](#) for this report, a Web3 & Metaverse advisor for Fortune 500 brands, and he had this insight to share:**

*One of the major mistakes that major brands have made so far is their predominant focus on targeting Web3 natives only. With that said, brands should instead leverage Web3 technology (on the backend) to engage with their existing audience, addressing current business challenges, and capitalizing on new opportunities.*

*For me, the winners of the next 12-24 months will be the ones that understand that, and will be in a really good position for the long-term strategy that innovations like Web3 provide.*

# The 4 Pillars of Brand Engagement

Engaging with potential and loyal customers is the cornerstone for brands aiming to maintain relevance and drive repeat business. By crafting novel customer experiences, brands don't just sell—they build relationships.

We've pinpointed four fundamental pillars that can propel brand engagement in the real world. *And how NFTs are powerful tools that can enrich each pillar:*

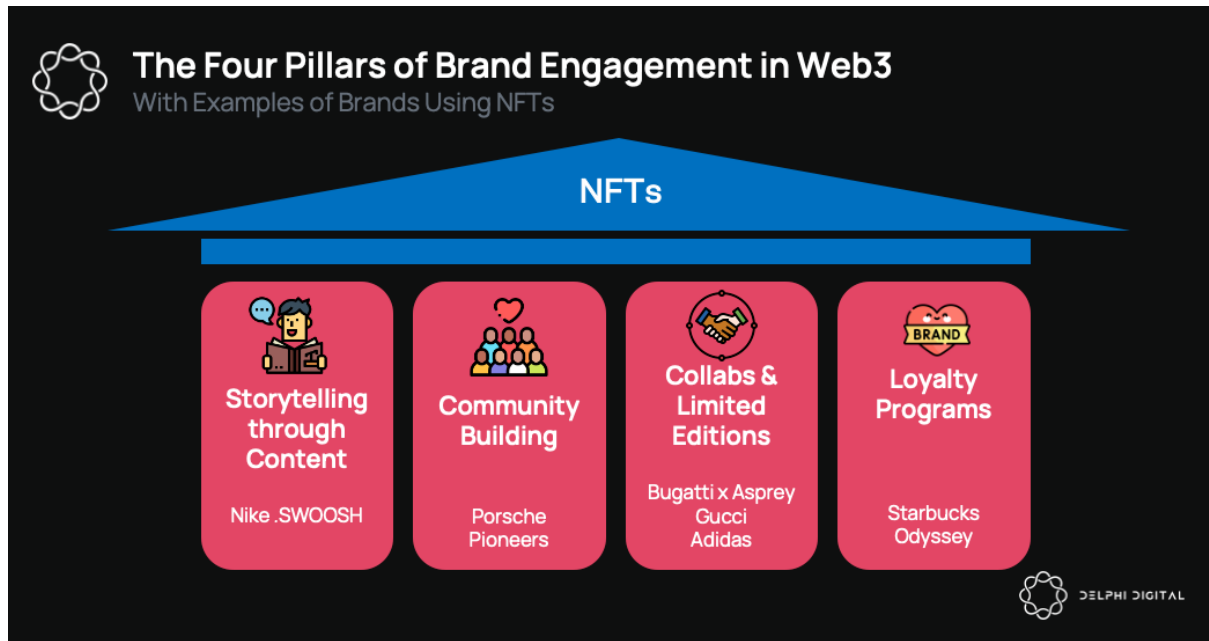
1. Storytelling through content
2. Community building
3. Collaborations & Limited Edition drops
4. Loyalty programs





## The Four Pillars of Brand Engagement in Web3

With Examples of Brands Using NFTs



These pillars are interdependent and often amplify one another. For instance, compelling storytelling can both fuel and be enriched by a vibrant brand community. A well-rounded Web3 brand strategy should ideally incorporate multiple, if not all, of these pillars.

In our report, we'll explore each of these facets in greater detail, supplemented by real-world brand case studies to illustrate the key concepts.

## Before we continue...

*At Delphi Digital, our team has had the opportunity to consult with and advise strong teams building crypto protocols as well as renowned brands & artists.*

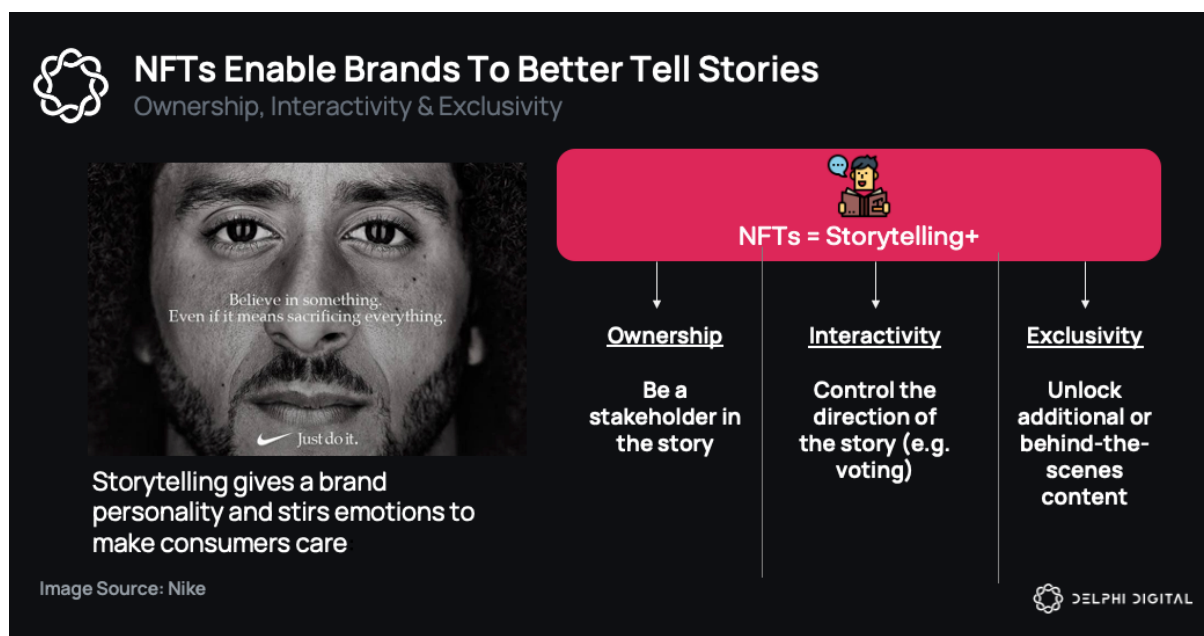
*If you (or anyone you know) are interested in having a conversation about this, please reach out to [creative@delphidigital.io](mailto:creative@delphidigital.io)*

## Storytelling Through Content



Imagine a world where brands just shouted facts at us. Boring. Now, imagine a world where brands share tales of triumph, hardship, innovation, and vision. Feels different, doesn't it? Storytelling is like the heartbeat of a brand, giving it life and personality.

When a brand tells its story, it becomes relatable, almost like a friend sharing an anecdote. Stories also have this magical power to stir emotions. Emotional reactions make us care. And when we care, we remember. That emotional bond can often be the very reason we choose one brand over another.



### NFTs amplify storytelling, adding layers of interactivity, ownership, and value to traditional content

- Ownership makes consumers feel like genuine stakeholders in the brand's

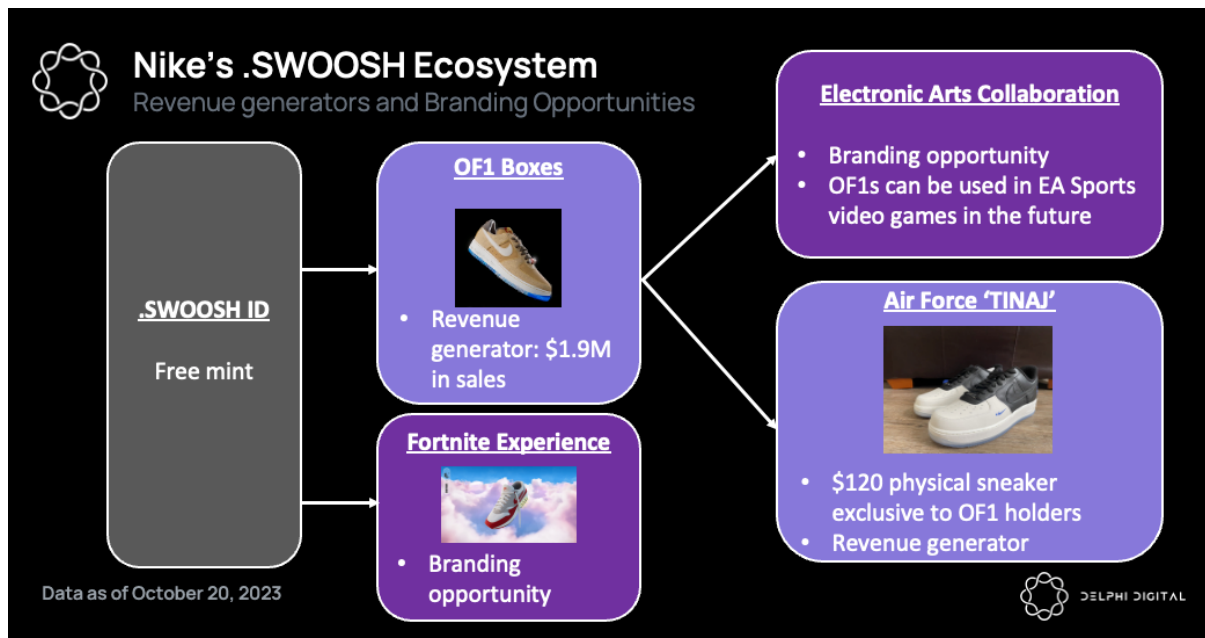
story

- Consumers can use NFTs to unlock exclusive stories and behind-the-scenes content
- Facilitating interactive storytelling elements like decision points, voting, or unlocking additional plotlines or characters. NFT holders can vote, and thus become co-authors in the storytelling process.

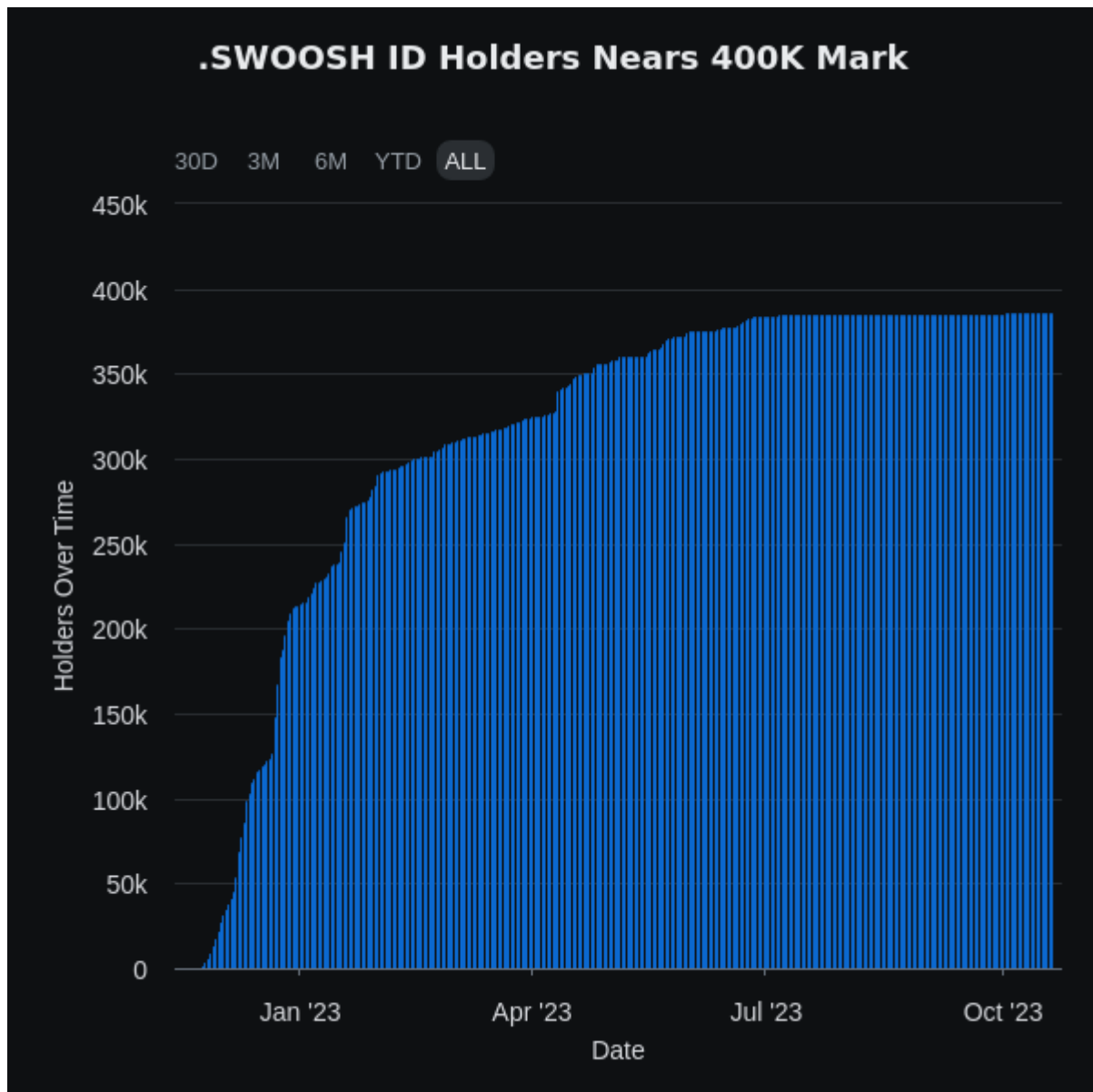
## BRAND 1: Nike .SWOOSH — Storytelling in the Metaverse

Nike consistently inspires consumers to push boundaries and overcome obstacles with their iconic “Just Do It” slogan. They utilize ad campaigns that tap into their audience’s emotions, often partnering with athletes to tell their personal stories.

And they have extended their storytelling experience into Web3/metaverse with .SWOOSH. This is not Nike’s first foray into NFTs. Nike acquired RTFKT (a prominent NFT digital sneaker maker) in 2021, although it has left RTFKT to proceed independently with its efforts.



Fans are invited to mint a unique, customisable .SWOOSH NFT on Polygon which serves as their access token to the .SWOOSH community and grants special access to physical and virtual collections. It was designed as an invite-only program which gives it an air of exclusivity. In less than a year, 385,000+ people have minted their .SWOOSH ids, a very impressive metric.



Being part of the .SWOOSH community allowed members to participate in the creation of their 1st NFT collection: the Our Force 1 (OF1) digital sneaker collection.

Members didn't just passively collect; they played a pivotal role in shaping the collection. Through a voting mechanism, community members had a say in which Air Force 1 designs would be immortalized as part of the OF1 collection. A creative contest allowed members to share their personal Air Force 1 stories. Four lucky winners collaborated with Nike's seasoned designers to craft their very own virtual sneakers.

The OF1 box sale was conducted in May 2023 and collectors were able to choose from two major types — Classic Remix or New Wave — each with its own signature traits. The Classic Remix box has links to Nike's heritage designs and nostalgia, while the New Wave box represents a gateway to Air Force 1s that have not been seen before. Each box sold for \$19.82.

So, how did this initiative pan out financially? The numbers speak for themselves. Nike raked in **\$1.97 million in revenue from 99,000 mints and attracted 52,000 unique minters**. But Nike isn't resting on its laurels. Post-launch, they've been ramping up the utility of these digital assets:

- Users can download 3D assets and this has spurred many to [co-create](#) their own shoes
- A partnership with EA Sports opens the possibility of these digital sneakers making their way into video games.
- A limited-edition physical sneaker, dubbed '[TINAJ](#)' is now available exclusively to OF1 box owners, retailing at \$120.

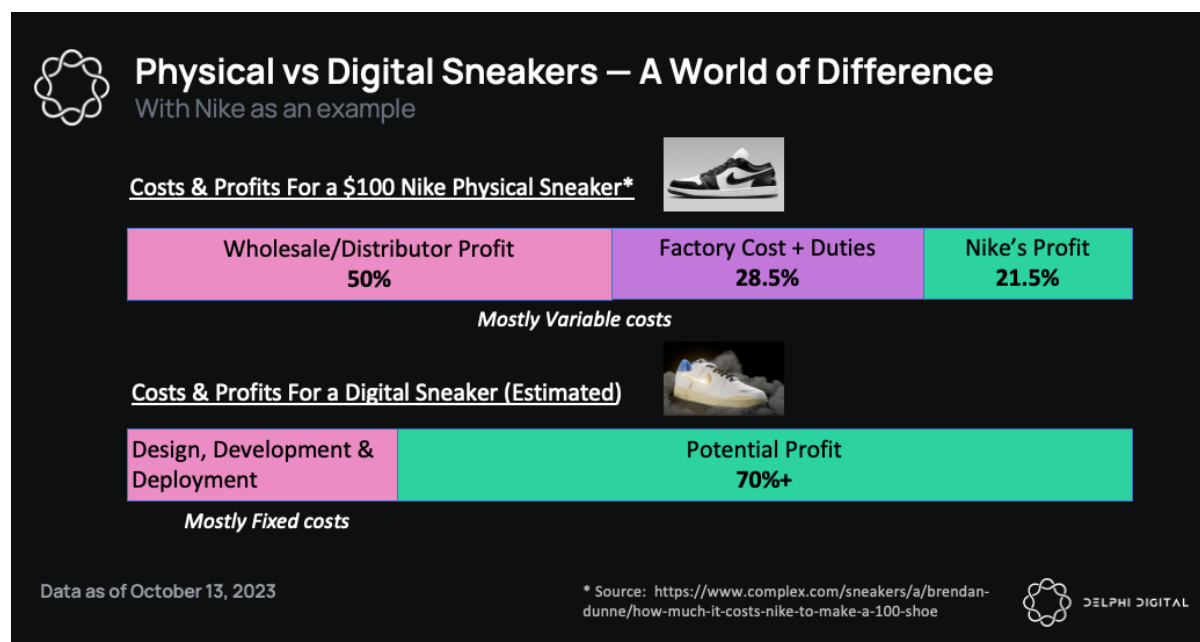
Given Nike's powerhouse status, we can only expect more utility to come. Not bad for a \$19.82 virtual shoe — one could argue you actually get more out of it than a \$40,000 Bored Ape.

**Wallet Management:** Nike creates a wallet for every .SWOOSH user and the wallet is managed by BitGo.

#### What Worked For Nike:

- **Starting with a Free Mint:** Nike kicked things off with a free mint of the .SWOOSH NFT to establish trust within their community, instead of doing a paid mint. **Free mints are often a better option for brands that are able to forgo immediate revenue in favor of increasing distribution and engagement.** Price always seems to have some impact on the perception of an NFT collection's "success" especially if it was a paid mint — free to mint/claim NFTs helps mitigate this.
- **Affordable Access:** For their first paid mint, they wisely priced it at a level many could afford—the cost of an average meal. This strategy extended its reach, making it accessible to a broader audience.
- **Curbing Speculation:** Nike opted to make these NFTs non-tradable initially, thereby discouraging speculative flipping. However, they've announced plans for a marketplace where trading will eventually be enabled.
- **Balanced Approach:** The whole Web3 initiative was designed not just with revenue generation in mind but also as a brand-building exercise. It is a nuanced strategy that avoids leaning too heavily on either aspect.

## If we were Nike, what would we do next?



- **Seasonal Digital Drops:** One avenue for Nike is to release exclusive digital NFT sneaker collections on a regular basis. The economics are compelling. A \$100 physical shoe may yield Nike a [gross profit margin of around 21.5%](#), with significant deductions for factory, distribution, and other overhead costs. Digital collections offer astonishingly higher gross profit margins, upwards of 70%. This is because most of the expenses are fixed (design, development, and blockchain deployment), and the marginal costs are minimal.
- **Metaversal Partnerships:** Digital sneakers have little value if you can't do anything with them. Nike could expand their utility by integrating them into various games, social apps, and metaverses. Beyond Web3 platforms like The Sandbox and Otherside, this includes broader ecosystems like Fortnite, Roblox, or games built on the Unreal Engine.
- **Test out new ideas and products.** Nike's .SWOOSH community could serve as an invaluable testing ground for new products and concepts. By tapping on this engaged user base for early adoption and feedback, Nike can significantly cut down on product development costs and time. Their "TINAJ" shoe initiative serves as a case in point.
- **Wear-to-Earn?:** Last but not least, could we see a 'wear-to-earn' model in the future? Imagine earning rewards based on how often you 'wear' your NFTs in the virtual world. For brands like Nike, this approach could offer a form of advertising that's far more authentic than traditional paid social media campaigns.

# Community Building



Source: Friendswithjpgs.com

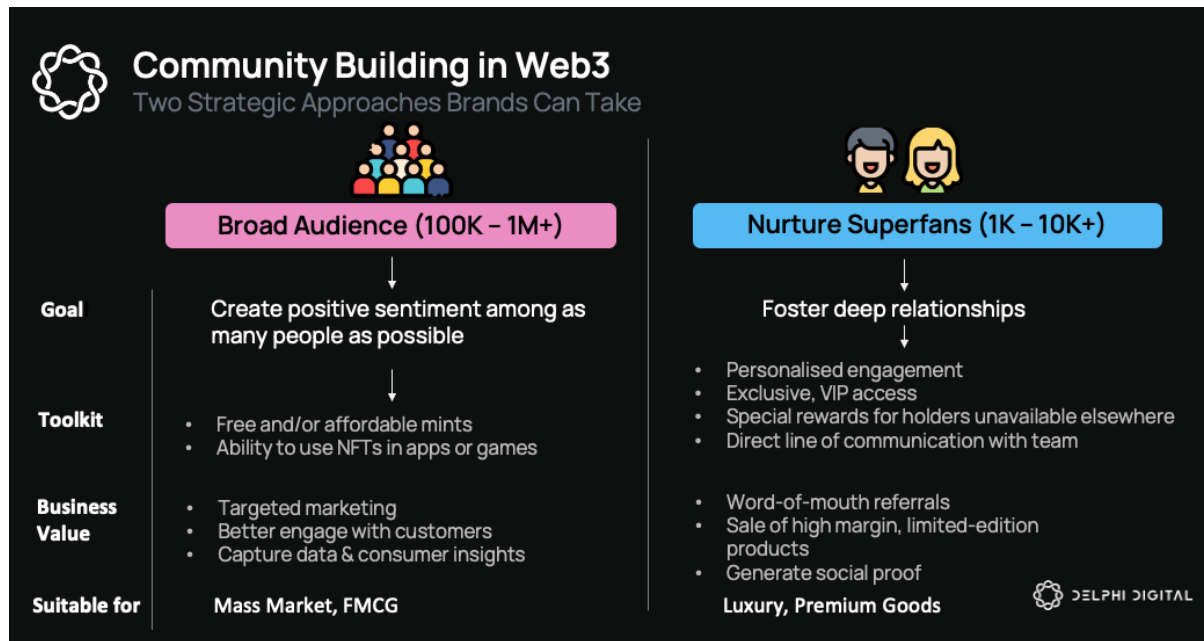
Many traditional brands struggle with community. Modern consumers, especially Gen Z, expect brands to be genuine, interactive, and socially conscious. Despite a strong physical presence, brands often lack the digital acumen and tools to build an engaged community. While Hermès can sell \$20,000 in leather bags, they do not have deep insight into their actual buyers or offer platforms for their customers to unite and share experiences.

**And so this is the holy grail of Web3 and NFTs** — giving brands the power to connect with their customers more closely and co-create with them.

- Building a sense of community can foster brand loyalty. When consumers feel they belong to a group that shares mutual values and interests, they're more likely to stay loyal. It's business 101: retaining current customers is cheaper than acquiring new ones.
- With community, brands have an authentic platform to engage in real-time dialogues with customers, leading to a deeper understanding of their needs. A dedicated community not only provides invaluable social proof but can be a brand's most influential ambassadors.

NFTs create a sense of psychological ownership. And **a sense of ownership can supercharge tribes, driving greater cooperation** (H/T to [Arad](#) from Collab+Currency for this insight). Not just among current customers but also

those who aspire to be future customers.



Brands have two primary paths for community-building: targeting broad audiences or focusing on a core group of superfans. While these approaches aren't mutually exclusive, they do demand different strategies:

**Building a broad audience (100K – 1M+ members).** The goal is to create positive sentiment among as many people as possible. Because NFTs have very low marginal costs (and nearly negligible if you use compressed NFTs on Solana), this can be done using free or cheap mints as a gateway into their brand community. Once the community is onboarded, they can be engaged through games, discounts and utility via NFTs, and also be a natural audience for targeted marketing to drive sales.

With a larger audience, brands can gather rich behavioral data and consumer insights which lead to better data-driven decisions. This approach is most complementary for mass-market consumer brands — Nike, Reddit, TIME magazine and Starbucks have been early adopters.

**Nurturing an exclusive group of Superfans (1K – 10K+ members).** This focuses on a niche audience that is highly passionate and engaged with the brand. The goal is to foster deep relationships that can lead to strong brand advocacy, nuanced feedback, and high-value outcomes like word-of-mouth referrals. Superfans can be nurtured over time through personalized engagement, providing exclusive access & special rewards that are unavailable anywhere else, and direct lines of communication with the team.

This strategy is a natural fit for luxury brands, where exclusivity is integral to the



brand's identity and customer lifetime value is high.

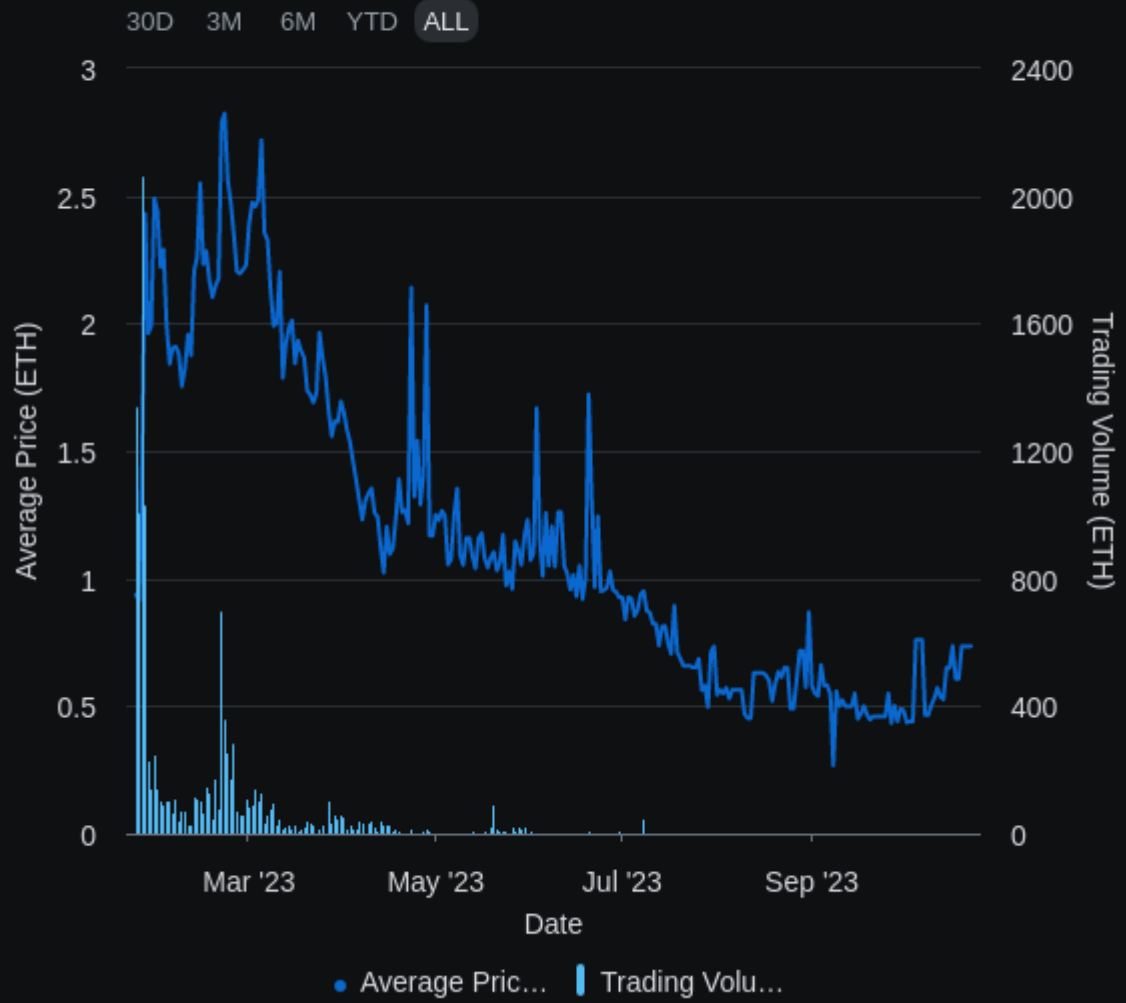
Brands must consider various factors, such as their vision, budget, and strategic priorities for the next 3-5 years when deciding which community-building approach to adopt. While tactics for building a 1M-member community differ significantly from those of a 10K-member superfan community, both are viable options. The inherent features of NFTs—like ownership and provable scarcity—make them especially suited for nurturing superfans.

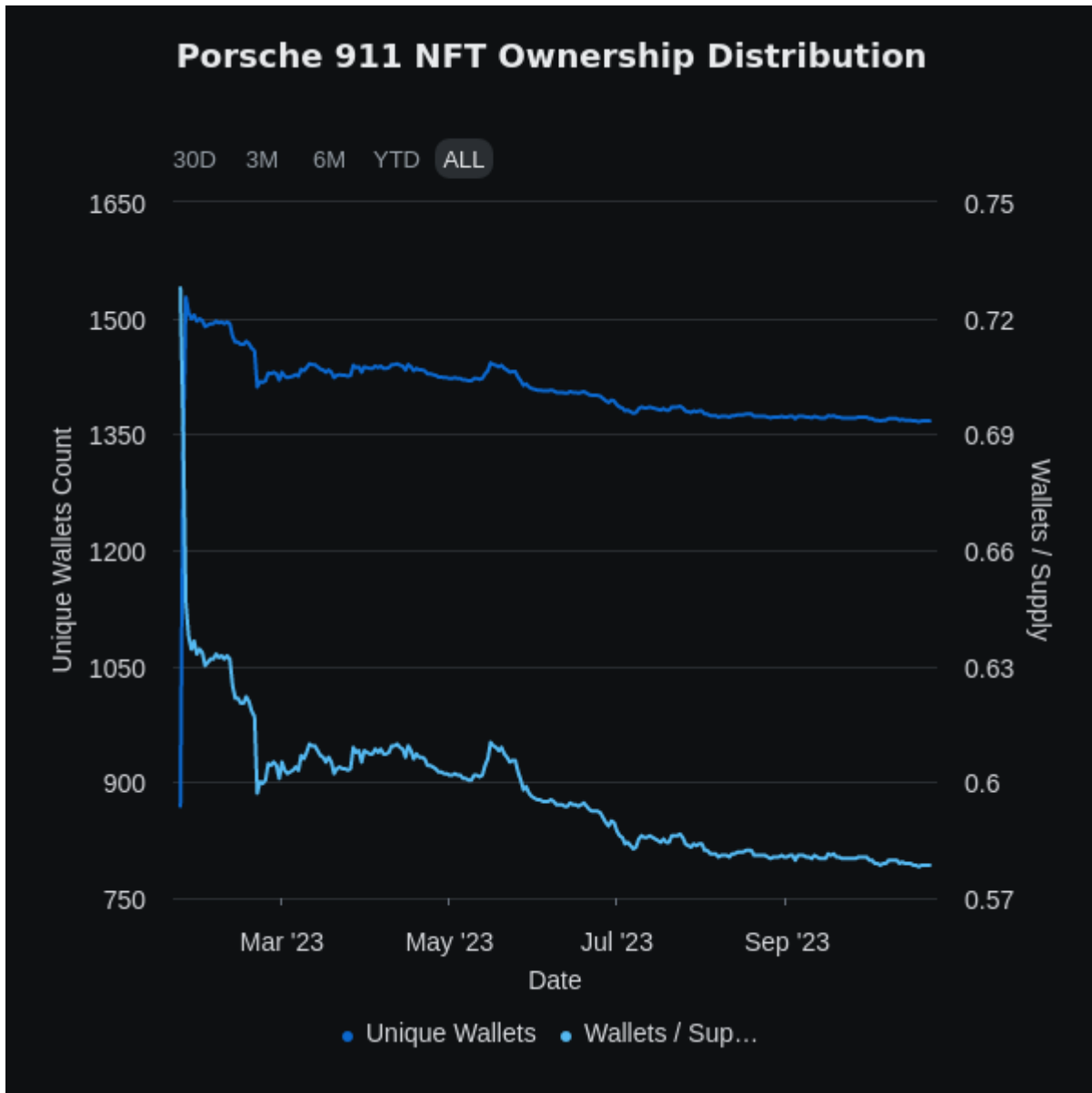
Nike & .SWOOSH is a great example of building for a broad audience, so now let's look into an example of a superfan community.

## **BRAND 2: Porsche Pioneers — Nurturing Superfans**

Porsche launched its web3 initiative in January 2023 with its 911 NFT collection representing a series of customizable virtual cars. The collection combines Porsche's iconic heritage with its digital future – an example of the desire to dream beyond boundaries that has characterized Porsche throughout its history.

# Porsche 911 NFTs Bottomed on September 8

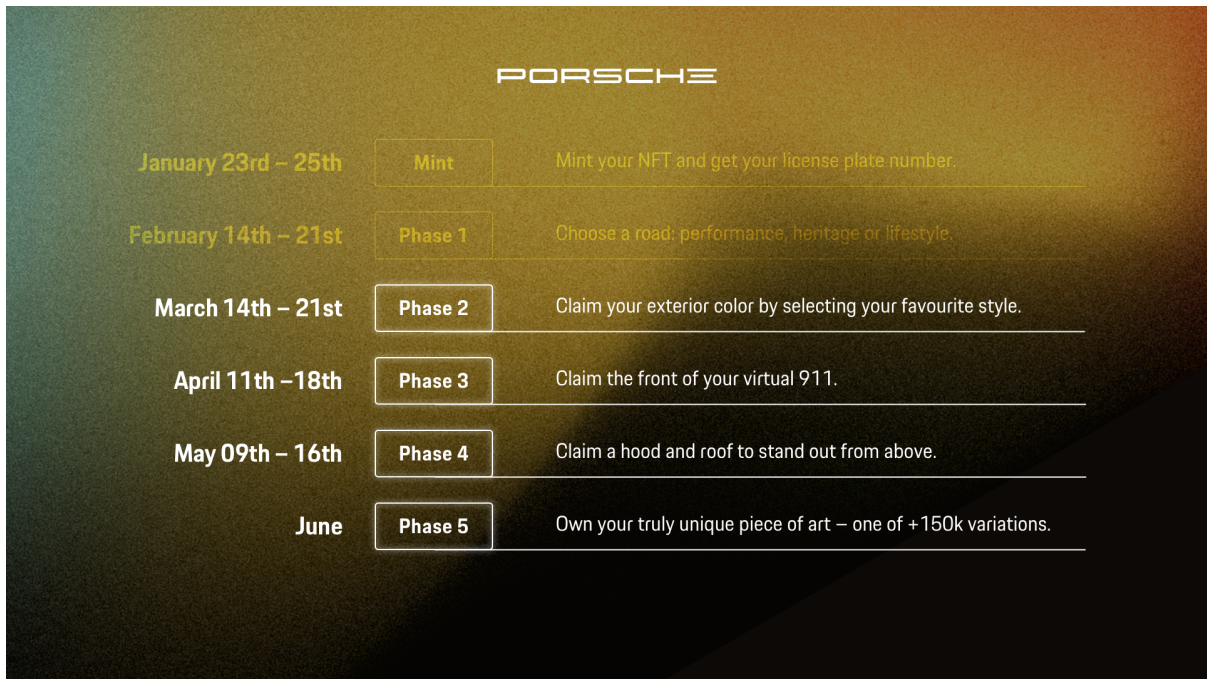




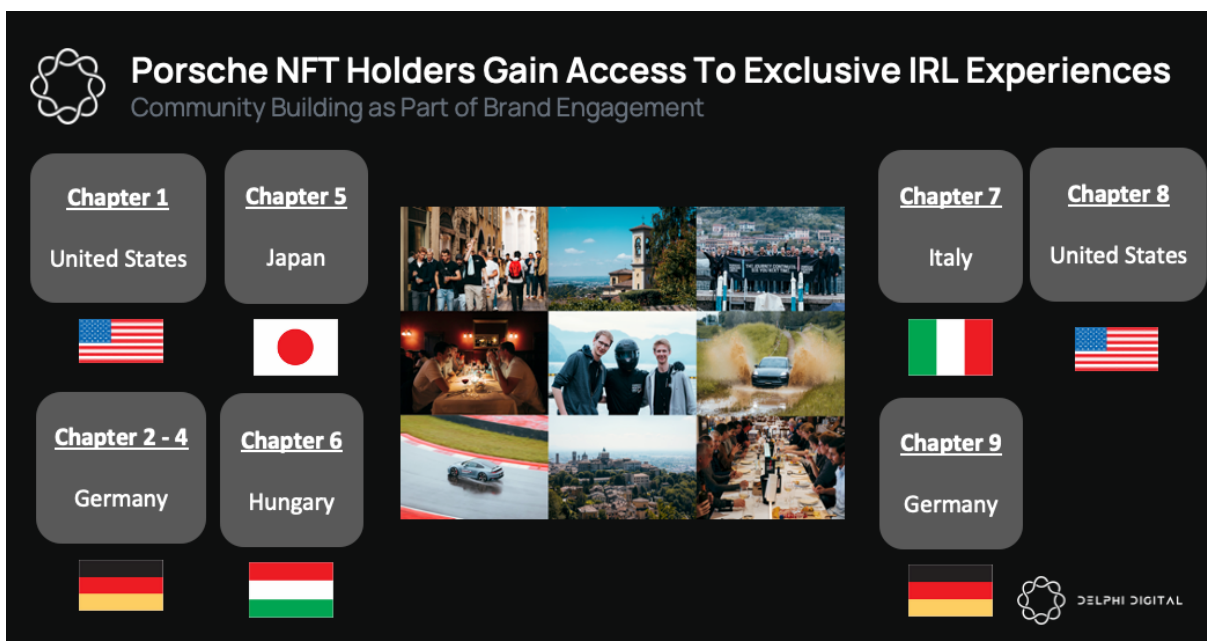
It was priced at 0.911E (~\$1,400 at that time) with a 7,500 supply but ended up minting only about 2,300 NFTs before the mint was halted. Many called Porsche tone deaf by launching with a high mint price during an NFT bear market. Yet, Porsche has managed to turn it around.

**Porsche took two approaches to build its superfan community:**

1. Firstly, Porsche offered NFTs as customizable, digital collectibles that evolved over time, allowing owners to imprint their personalities onto these tokens. Owners watched their NFTs transform—from 2D to 3D artwork—upon reaching specific milestones. This fostered a sense of attachment and made it less likely for holders to part with their tokens, which had come to represent an extension of themselves.



2. Porsche further enriched its community by hosting unique, in-person events in various global cities. These experiences were exclusive to NFT holders. For instance, during a three-day Formula E event in Berlin, Porsche NFT owners mingled in the Porsche Motorsport Lounge, toured the race garage, and even took a thrilling lap in a Porsche Taycan.



And the community enjoyed the events, as evidenced by the testimonials shared. One participant [summed](#) it up:

*We got to meet other PIONEERS and there were lots of interesting conversations. What I liked most was the mix of ages, backgrounds*

*and professions. We saw everyone from kindergarten teachers to crypto millionaires. The whole event was like a huge bonding exercise, and we got close really quickly, probably because it was such a unique experience.*

### **What Worked For Porsche:**

- **Superfan Approach:** Porsche wisely focused on cultivating a close-knit superfan community, contrasting sharply with the broad-audience strategy pursued by brands like Nike. This reflects the brand's upscale market segment. Brands need to be keenly aware of their target audience when crafting their web3 strategy.
- **VIP Experiences:** Providing these real-world experiences created a sense of exclusivity and added tangible value to the NFTs, reinforced by the involvement of core Porsche team members.

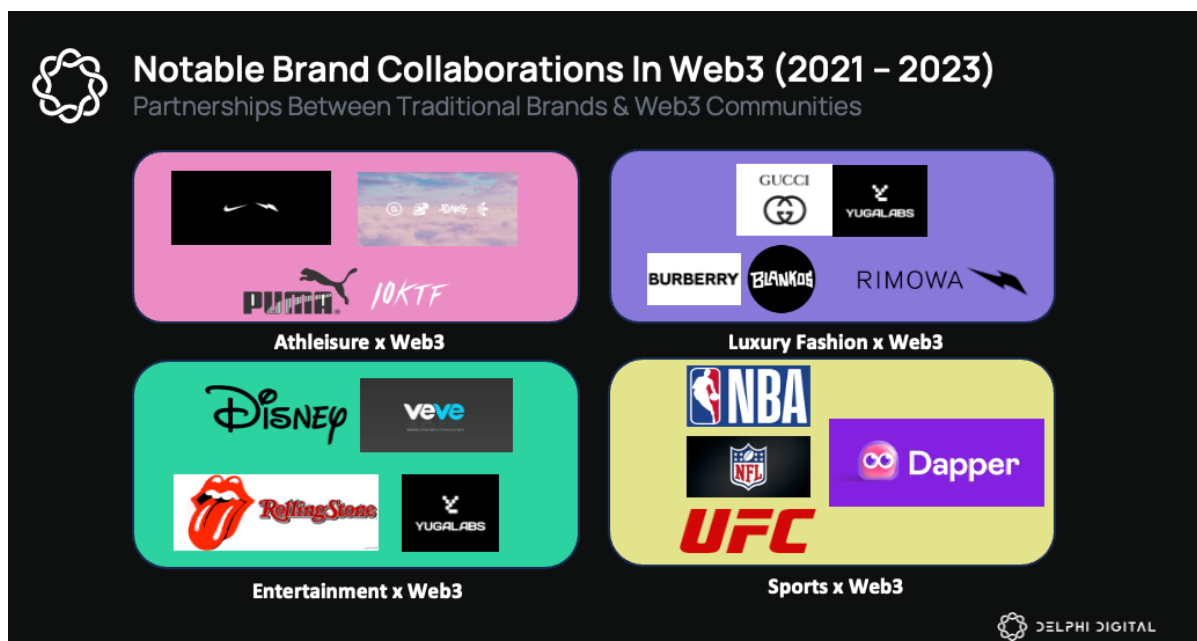
### **What Porsche could have done better:**

- **Be clear with its target audience and lean into it:** Porsche was targeting affluent crypto-natives with their mint and focused on new marketing channels. They intentionally avoided targeting existing Porsche car customers who could have easily afforded the NFT. However, Porsche did not establish a robust Web3 presence prior to the mint, leading to the perception of a “cash grab” by the crypto community. A savvy move could have been forming partnerships with established NFT communities to bolster credibility and engagement within the ecosystem prior to the mint. This could have led to a more successful mint.

### **If we were Porsche, what would we do next?**

- **Virtual Showcases:** Develop innovative ways for NFT holders to display their virtual 911s. This could range from sharable animations on social media, and games with prizes, to benefits within racing video games.
- **Funnel into Business Value:** Leverage the passionate community they have nurtured to create tangible business value—be it through new exclusive product launches, loyalty & referral programs, or even marketing initiatives championed by these superfans.
- **Geographical Expansion:** Consider expanding its IRL events to high-value luxury car markets, especially in Asia, such as Singapore and Hong Kong.

# Collaborations & Limited Edition Drops



## Why Do Brands Collaborate?

Brand partnerships are the lifeblood of the business. While they can be risky, if done well they have several benefits:









- **Cultural Relevance:** Collaborations enable brands to stay culturally relevant by aligning with current trends and themes.
- **Tap into a new base of customers** that they were not able to access before via cross-promotions. This could be an entirely different demographic or customer segment.

Just a few examples of Web2-Web3 brand collaborations so far include: [LINE friends & Azuki Beanz](#), [Adidas & Yuga Labs](#), [Burberry & Blankos Block Party](#)



## NFT Communities Have Different Brand Identities

Brands Should Identify Communities That Resonate With Their Values

Community	Brand Values	Community	Brand Values
 Azuki	Asia-centric, Streetwear, Luxury	 Pudgy Penguins	Cute, Family-friendly, Mass-market
 Bored Ape Yacht Club	Pop culture, Gaming, Exclusivity	 Nouns	Crypto-native, Memetic, Community ownership
 Doodles	Family-friendly, Luxury	 Kanpai Pandas	Combat Sports, In-person events
 World of Women	Gender equality, Diversity	 ON1 Force	Anime, Sci-fi, Comics

Data as of October 19, 2023



For brands looking to enter Web3, collaborating with existing Web3 brands, such as PFP communities, can be a good strategy. The diversity of NFT communities and their brand values means that it's important to identify projects in the space that the brand will resonate with and learn what they can do together. For example, women-focused brands like Chanel can consider working with existing NFT communities like World of Women, which celebrate gender equality and diversity.

### Limited Edition Drops

Limited-edition drops have become a cornerstone strategy in brand collaborations. These drops create a sense of urgency and exclusivity that can drive significant consumer interest and engagement. One successful example would be Supreme's collaboration with Louis Vuitton in 2017, which shook up the luxury and streetwear markets. A wide range of products were sold, including apparel, accessories, and travel gear. Collection items were available only in limited quantities, were sold out instantly, and had high resale value. Some items like the [Courier trunk](#) are going for \$90,000+.

Here is where NFTs shine — collectors can verify on-chain that their items are genuine, are indeed scarce, and know what the total supply is at any point in time, something that is not available in the physical world. They can also track ownership and activity to better understand the market demand and value of their items.

## BRAND 3: Asprey x Bugatti — Two Luxury brands collaborating in Web3

In 2023, Asprey Studio and Bugatti formed a partnership to launch the [Asprey Bugatti Egg Collection](#). Here, two luxury brands came together to launch a limited-edition “phygital” collection, priced between \$20,000 – \$200,000 each. Bugatti and Asprey are legacy brands known for their long-standing traditions and luxury offerings. Staying relevant is a key concern. With this foray into Web3, they can connect with a new generation of consumers who are drawn to innovative products.

Asprey Bugatti Egg buyers receive a physical version of the egg which they can customise. The digital version is inscribed on Ordinals (Bitcoin “NFTs”). This artwork was created by Ali John Walker of the Asprey Studio and coded by Danny Yang from Metagood. The idea behind the digital collection is to symbolize the heritage and history of Asprey and Bugatti — by existing in the Bitcoin network, the artwork (and brands) will last forever. It is dynamic and transforms from an oval shape to the actual shape of the Asprey Bugatti physical egg once a week. Rarer-tier eggs have more unique digital traits.

Edition	Quantity	Price	Features
Royale Edition	10 pieces	\$200,000	Bugatti Blue/Green shell Gold/Sterling Silver lattice & elephants Sterling Silver Stand Custom engraving
Crown Edition	9 pieces	\$50,000	Carbon Eggshell Gold/Sterling Silver lattice & elephants Sterling Silver Stand Custom engraving
Carbon Noire Edition	90 pieces	\$20,000	Carbon Fibre shell Sterling Silver lattice
Carbon Noire Precious Edition	90 pieces	\$30,000	Carbon Fibre shell Sterling Silver lattice Custom engraving

Estimated total primary sales: ~\$5 million

DELPHI DIGITAL

Despite the high price tag, the Eggs were sold out, netting ~\$5M in primary sales. Priority mints were given to holders of the existing [Asprey Bugatti La Voiture Noire](#) NFT collection, followed by holders of the [Asprey Studio Club NFT](#).

### What Worked For Asprey-Bugatti:

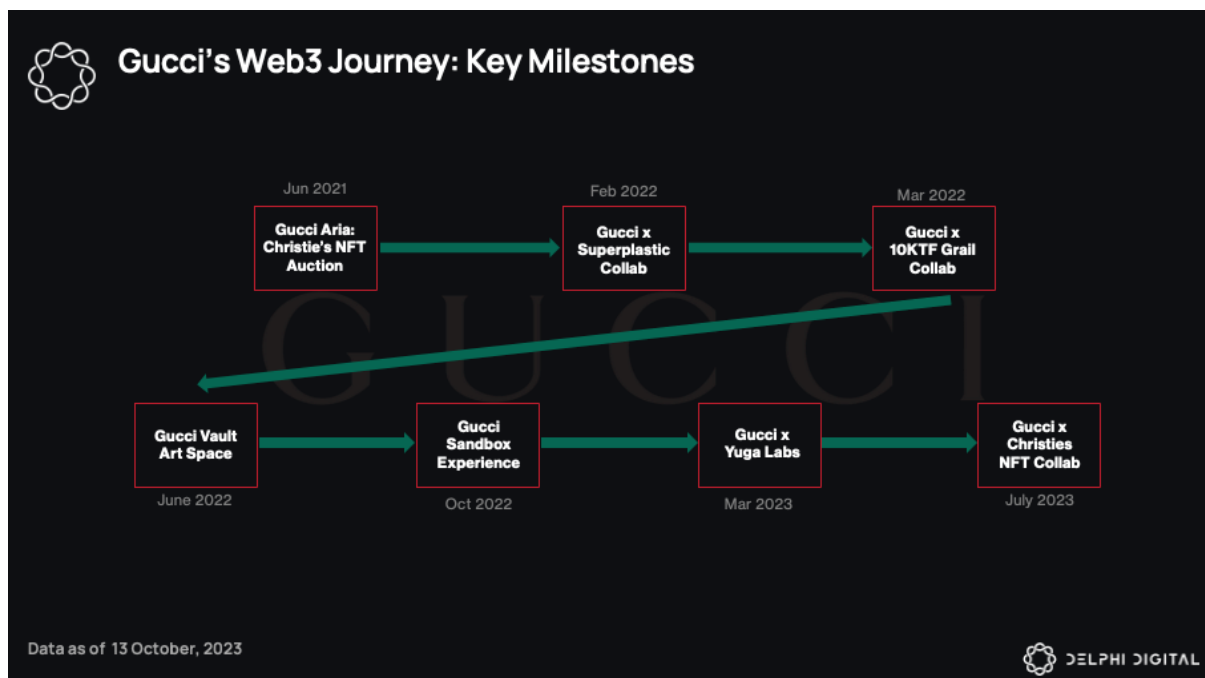
- **Creating a compelling narrative around the “egg”.** On its own, the egg is



an unremarkable object. But Bugatti emphasizes the egg as the “most perfect shape in nature” and the physical representation of Asprey’s silverware lineage. They created a story that is emotionally resonant and intellectually intriguing for the target audience.

- **Launch on Bitcoin Ordinals**, a unique choice that is perceived by some as the “luxury chain” and home for high-end art. Ordinals are also immutable and fully on-chain. The characteristics of the protocol fit closely with their brand identity.

## BRAND 4: Gucci collaborates with Web3-native communities



Gucci began its foray into Web3 in 2021 and has adopted a very specific strategy so far: **collaborating with Web3-native brands instead of releasing its own standalone collection.**

The luxury fashion house organized a [Christie's auction](#) where it sold its first NFT for \$25,000 and subsequently launched its first [PFP phygital collection with Superplastic](#) in early 2022. One month later, Gucci partnered with 10KTF, an NFT project founded by Beeple, to launch the [10KTF Gucci Grail](#) project, which enables holders of 11 popular NFT collections like BAYC, Pudgy Penguins, World of Women, and ON1 Force to obtain iconic Gucci digital fashion wearables.



Later, Gucci collaborated with *SuperRare* to launch the Gucci Vault Art Space, which showcased “The Next 100 Years of Gucci” with a selection of NFT artworks, each a collectible fragment of Gucci’s heritage. The NFTs were showcased and auctioned off directly on [Gucci’s Vault website](#) in three drops in July last year.

In March this year, Gucci partnered with *Yuga Labs* to release a limited edition Koda Pendant NFT and physical necklace that provide a digital visual upgrade to existing Koda or Vessel NFTs, including trail VFX and a branded chat handle in Otherside. The physical pendants were crafted from 925 silver with an antique finish, and feature a Koda-shaped pendant with Gucci engravings.



In July, Gucci partnered with Christie’s to release a digital art NFT collection called [Future Frequencies: Explorations in Generative Art and Fashion](#), featuring 21 NFTs created by AI artist [Claire Silver](#), generative artist [Emily Xie](#), decentralized autonomous artist [Botto](#), and more. The auction took place on Christie’s 3.0, a fully on-chain auction platform launched in 2022, and was also highlighted on Gucci Art Space.

### What Worked For Gucci:

**Taking an intentional, step-wise approach with Web3.** This minimizes the risks to the brand while allowing it to learn along the way. It's safe to say that Gucci is one of the pioneering brands in Web3 today. While some luxury brands were still wrapping their heads around how NFTs work, Gucci has been busy experimenting and learning:

- Gucci began its journey with simple activations, such as its collaboration with Superplastic on SUPERGUCCI, a straightforward phygital drop that allowed NFT holders to redeem a physical sculpture. But it didn't stop with just one activation (e.g. Tiffany x CryptoPunks), as many brands are wrought to do when they lose interest.
- Instead, it continues to build upon its past learnings with each Web3 experiment, gradually growing momentum. Over time, Gucci started to introduce more sophisticated mechanics into its collaborations. For example, Gucci launched their collaboration with 10KTF to create Gucci-branded digital wearables to be used on various NFTs, with the ability to customize them in the 10KTF game.

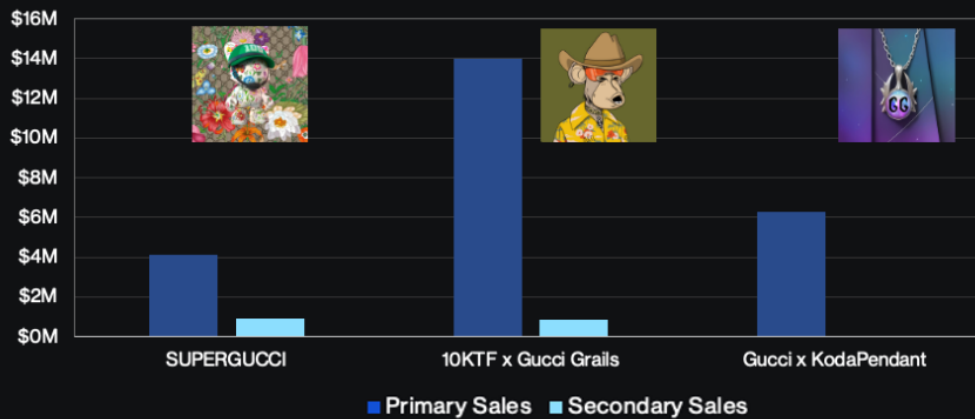
**Picking collaborations that align with its brand identity.** With its strong brand equity, Gucci could have every NFT community lapping at its feet to partner up. Instead, it was very selective with the communities it worked directly with to ensure that they add to its brand, not detract from it:

- *Superplastic*: A rising star in the designer toy landscape, resonating well with Gucci's playful and cutting-edge sensibilities.
- *10KTF*: Recognized as a best-in-class Web3 storytelling project, 10KTF brought together other top NFT communities that were rich in high-spenders, thus aligning perfectly with Gucci's upscale market.
- *Yuga Labs & Otherside*: These communities represent the crème de la crème of Web3 affluence
- *SuperRare*: A premier marketplace for rare and unique crypto art, SuperRare's exclusivity complements Gucci's own high-end appeal.



## Gucci's NFT Revenue (Primary & Secondary Sales)

From 3 Collections: SUPERGUCCI, 10KTF, KodaPendants



Data as of October 19, 2023  
Source: OpenSea



Across their NFT drops so far, **Gucci would have netted more than \$26M in revenue** at the point of writing across SUPERGUCCI, 10KTF x Gucci Grails, and the Gucci Koda Pendants.

### If we were Gucci, what would we do next?

- **Launch a “Genesis Collection” Membership NFT:** Gucci has a golden opportunity to consolidate its varied fan communities, currently scattered across multiple Discord servers and other platforms, into a cohesive Web3 community. By launching an exclusive membership program, Gucci can unite these fans under a singular digital identity. Because of the groundwork Gucci has already done in the space these years, it has a better chance to be received positively and not seen as another corporate “cash grab”.
- **Deepen Investment in Digital Fashion:** Although digital fashion faces its set of challenges—most notably the limited utility of digital wearables—there’s undeniable potential. One telling indicator is the jaw-dropping \$400,000 sale of a [rare CS:GO skin](#) earlier this year. Gucci could seize this moment to collaborate with entrepreneurs and developers to craft novel consumer experiences and tools for digital fashion.

# Loyalty Programs

Most of our favorite brands already have some form of membership/loyalty program today. A [study by Bond](#) shows that 73% of consumers are more likely to recommend brands with good loyalty programs and 68% of them will spend to maximize the benefits they receive.

However, brands are struggling to achieve the engagement that was envisioned. A typical consumer:

- is involved in too many undifferentiated loyalty programs. On average, they are [enrolled in 14.8 loyalty programs](#) but are only active in 6.7 of them.
- often don't end up spending their points because of the limited array of rewards or the high barrier to claiming rewards. [66% of the average US consumer](#) prefer receiving cash incentives rather than merchandise rewards.
- craves for a more personal, less transactional relationship with their favorite brands.

**The Case For Web3 Loyalty Programs**  
Blockchain & NFTs Can Be Strong Value Drivers

**Loyalty Programs Are Good** → **But Traditional Programs Struggle** → **Web3 Loyalty is a new paradigm**

**73%**  
Consumers are more likely to recommend brands with good loyalty programs\*

**68%**  
Consumers will spend to maximize benefits they receive\*

*Too many undifferentiated programs*

*Transactional relationship*

*Limited array of rewards*

- Enable new customer experiences
- NFTs with utility
- Community engagement
- Interoperable, open ecosystems

BRAND

ODYSSEY BLACKBIRD

\*Source: Bond — The Loyalty Report 2021

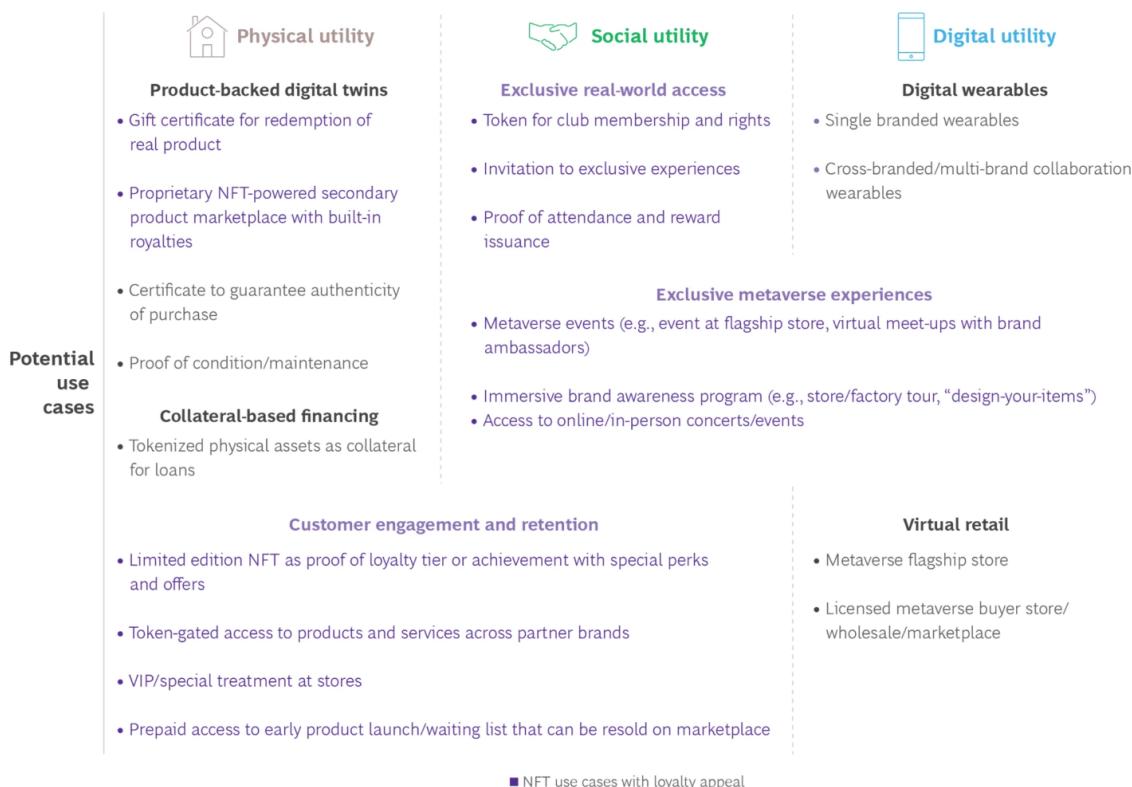
DELPHI DIGITAL

Web3 & NFTs have the potential to reinvigorate existing loyalty programs with new experiences and utility, making them interesting again. These include special offers, early access to products, discounts, and priority access to stores or events. NFT metadata can be used to track loyalty progress and achievements with the brand as well as with its partners.

[Boston Consulting Group](#) proposes a framework to think about utility

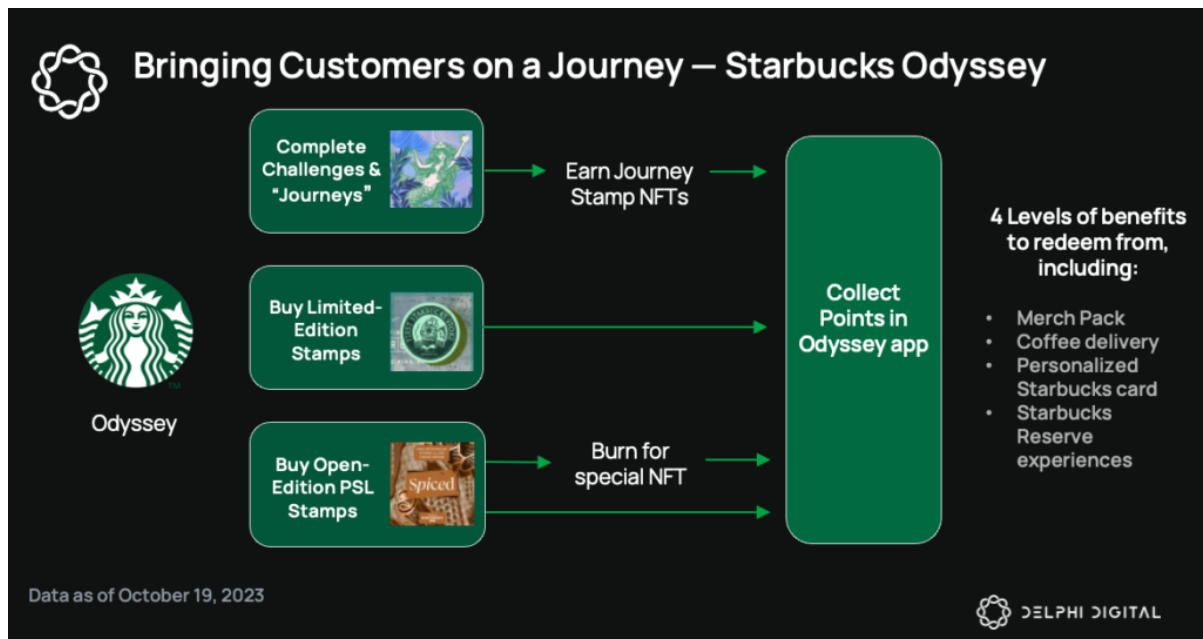
- Physical Utility: Gift certificates, phygital products
- Digital Utility: Metaverse experiences, digital collectibles
- Social Utility: Token-gated community access, invitation to exclusive events

### Exhibit 9 - Pair Tokens with Utility to Drive Loyalty



Source: BCG analysis.

## BRAND 5: Starbucks Odyssey — The Loyalty Program Pioneer



[Starbucks Odyssey](#), powered by Polygon’s blockchain, is a leap from the conventional Starbucks Rewards program. Users can embark on “Journeys”, which comprise several challenges that earn them points. On completion of all the challenges in a journey, they earn a “Journey Stamp”, which represents bonus points and are tradable. These points can be redeemed for exclusive Starbucks Odyssey perks and experiences.

For instance, the completion of the “Holiday Cheer Journey” involves the following tasks:

- Answering Starbucks trivia questions
- Matching holiday cups with release years
- Participating in the “Starbucks for Life” challenge (for a chance to win a lifetime supply of free coffee)
- Taking a “Kindness Pledge” to spread cheer through pay-it-forward, a note of appreciation, or offering an unexpected compliment
- Gifting a Starbucks card to someone



## Starbucks Odyssey Has Generated \$1.3 Million In NFT Sales

List of Limited-Edition & Open-Edition Odyssey Stamps

### Limited-Edition Stamps

#### 1. The Starbucks Siren Collection

Supply: 2,000  
Mint Price: \$100  
Primary Sales: \$200,000



#### 2. The Starbucks First Store Collection

Supply: 5,000  
Mint Price: \$99  
Primary Sales: \$495,000



#### 3. The Starbucks Green Apron Collection

Supply: 3,000  
Mint Price: \$100  
Primary Sales: \$300,000



### Open-Edition Stamps

#### 1. The Starbucks Odyssey Avatar Collection

Total Minted Supply: 7,013  
Mint Price: \$25  
Primary Sales: \$175,325



#### 2. The Starbucks PSL Collection

Total Minted Supply: 6,634  
Mint Price: \$20  
Primary Sales: \$132,680



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Besides the basic user loop of completing journeys -> earning journey stamps, Starbucks has also experimented with other mechanisms to test user interest:

### 1. Limited-edition, for-sale stamp collections

There have been 3 of these limited-edition collections which Odyssey users can directly buy for ~\$100 each using their credit cards. Buyers would receive 1,500 bonus points within the Odyssey app for holding each of these stamps, without having to go through the process of completing tasks. The first such collection, the “Siren,” sold out within 18 minutes and has since generated nearly \$1M in volume.

### 2. Open-edition & Burn mechanics

Commemorating the 20th anniversary of Pumpkin Spice Latte, these \$20 stamps offer 250 bonus points each. There was no supply limit although each member was limited to 4 NFTs. In total, 6634 NFTs were sold. Users can burn a complete set to receive a special PSL stamp, accompanied by 1,500 bonus points.

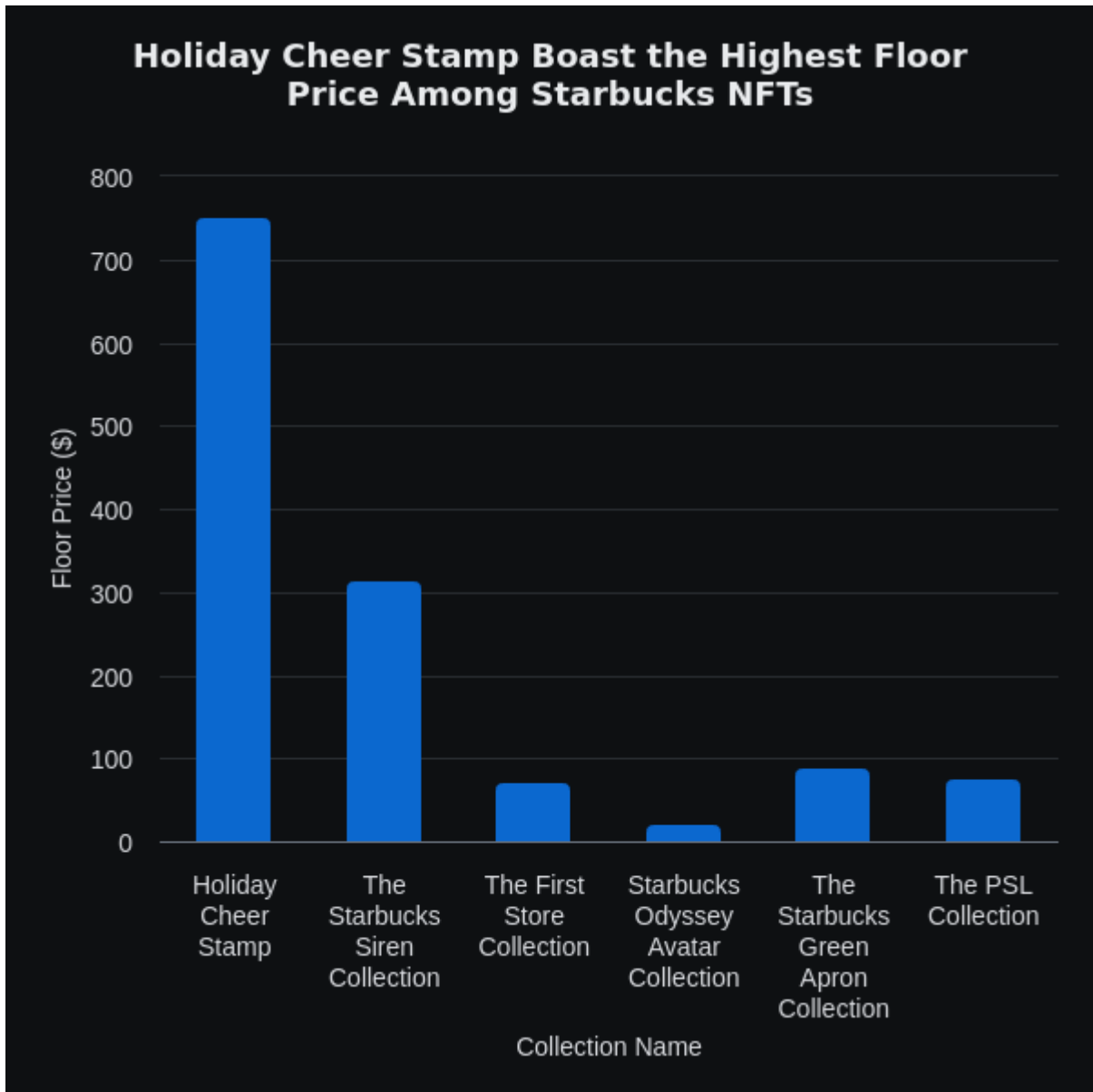
This strategy echoes trends in the broader NFT ecosystem, particularly the open-edition meta made popular earlier this year by Jack Butcher’s Checks collections. In Butcher’s model, collectors could “burn” their open-edition NFTs to receive a different, more exclusive, Checks NFT. Starbucks’ foray into this mechanism indicates an attentiveness to evolving trends in the NFT space and a willingness to innovate. And... we hear that more people are trying out the Pumpkin Spice Latte — a marketing win.



## The Perks

The Odyssey platform introduces a tiered benefits system, where the perks a user can access are determined by their total point tally. They can reach four distinct levels based on their points (1000 – 2999 points / 3000 – 5999 / 6000 – 9999 / 10000+). For example, at Level 4 (the highest tier), members could choose to get either a merch pack (t-shirt, fanny pack, cup, tote bag), Starbucks Reserve experiences, or get coffee delivered every 3 months for a year. Options at other levels include “Feed a family of 100” or “Get a personalized Starbucks card with your NFT on it”.

It’s worth noting that users will not be able to accrue the points needed to unlock the higher levels just by completing challenges and journeys. They would need to purchase limited-edition stamps. This design creates a mini-economy. Some users will want to exit the ecosystem and sell their stamps while there will be other users who want to quickly climb the benefits ladder by purchasing stamps. It’s a real showcase of the power of tokens.



With every new stamp collection, the total supply of stamps in the ecosystem increases. Of all the Odyssey stamp collections, the Holiday Cheer Stamp and the Siren Collection seem to command the highest price premium, which could be due to their provenance as the earliest stamp collections to be released.

**How does Starbucks Odyssey compare to Starbucks Rewards?**



## Starbucks Rewards vs Starbucks Odyssey

Caffeine Addict vs Coffee Connoisseur



	Starbucks Rewards	Starbucks Odyssey
User Base	31,400,000+	42,000+
Key Features	<ul style="list-style-type: none"> <li>Earn points directly based on spending amount</li> <li>Mobile App and Payment Integration</li> </ul>	<ul style="list-style-type: none"> <li>Complete educational &amp; spending tasks to earn stamp NFTs which represent points</li> <li>NFTs can be bought &amp; sold for cash</li> </ul>
Rewards	<ul style="list-style-type: none"> <li>Redeem free drinks</li> <li>Several reward tiers based on annual spend. High tiers = more benefits</li> </ul>	<ul style="list-style-type: none"> <li>Unlock BRAND NEW experiential benefits, such as coffee workshops, event invites and trips to coffee farms</li> </ul>
Issues	<ul style="list-style-type: none"> <li>Transactional</li> <li>Limited opportunity for brand-to-customer engagement</li> </ul>	<ul style="list-style-type: none"> <li>Clunky UI/UX</li> </ul>

Data as of October 23, 2023



As of Q3 2023, Starbucks Rewards stands as one of the most expansive and well-liked retail loyalty programs, boasting [31.4 million](#) active members. The program operates on a straightforward points-for-spending mechanism, where members earn points they can redeem for free drinks. One of the standout features of Starbucks Rewards is its seamless integration into the customer journey, making it exceptionally user-friendly. However, the program does have its limitations, notably its transactional nature, which offers scant opportunities for deeper brand engagement or community building.

Here is where Starbucks Odyssey can play a part, introducing new mechanics using NFTs that can increase customer engagement with the brand and form a community. By bringing its loyalty program on-chain and using other metrics besides spending, Starbucks will gain specific insights into what its customers are doing and be able to identify its superfans based on their behaviors.

**Wallet Management:** Starbucks partnered with Nifty Gateway to offer a custodial wallet solution for its users so that users would not have to manage their own wallets and reduce the onboarding friction. The disadvantage of using a custodial solution is that it limits the opportunities for playing on the composable and interoperable nature of NFTs.

### What Worked For Starbucks:

- **Simplifying User Onboarding:** Existing Starbucks Rewards members can access the Odyssey platform using their current credentials. This smooth transition eliminates the hassle of creating a new account, making it more likely for users to engage with the new program. Starbucks smartly

sidestepped the jargon— “NFT” and “crypto,” opting instead for the more familiar term “stamps.”

- With Odyssey, Starbucks ingeniously designed **activity loops to encourage certain customer behaviors they wanted**. For instance, rewarding the purchase of a signature drink five weeks consecutively or promoting the use of reusable cups in some Journeys. These incentives nudged customers to explore new actions, with rewards serving as a catalyst for habit formation.
- **The benefits tiering was thoughtfully designed**, driving users to purchase limited-edition stamps in order to access the top-tier benefits and thus giving them value.
- **User-Friendly Payment Options:** Users can acquire limited-edition stamps using their credit cards, bypassing the need to interact with blockchain technology directly. The abstraction of web3 and crypto wallets from most of the user experience made the process simple. Only those wishing to trade or sell their stamps would need to use the Nifty Gateway marketplace or understand how NFTs work.
- **Community Building via Discord:** The Starbucks Odyssey Discord server acts as an exclusive hub for all of its users, and it is the primary channel for the latest announcements and information. It is also a platform for collecting invaluable feedback.

### **If we were Starbucks, what would we do next?**

- **Explore Advanced NFT Mechanisms:** Experiment with fun mechanisms like dynamic NFTs where the digital art changes based on specific triggers or milestones. They could also introduce “phygital” drops, where NFTs can be redeemed for physical items.
- **Forge Web3 Partnerships:** By collaborating with other Web3 native brands and artists, such as Yuga Labs, Starbucks can solidify its position in the Web3 and NFT ecosystem.
- **Integrate with Existing Rewards Program:** Currently, Starbucks Rewards and Starbucks Odyssey operate mostly independently. A future integration could allow Starbucks Rewards points to be used for purchasing Odyssey stamps. Likewise, achievements on Odyssey could translate into tier upgrades in the Starbucks Rewards program.

The ultimate question here is: Do Starbucks fans want to complete challenges

and order drinks they might not like to collect stamps? Or will the allure of straightforward discounts via Starbucks Rewards prove too strong to resist?

It is unlikely that Starbucks Odyssey will replace Starbucks Rewards any time soon. Rather, it serves as an innovative testing ground for new forms of customer engagement and loyalty. Over time, Starbucks Odyssey has the potential to integrate with Starbucks Rewards, evolving into a next-gen, community-centric loyalty program that sets the standard for retail engagement.

### **The Future of Loyalty Programs — Open Ecosystems**

Most loyalty programs today operate in a closed ecosystem. But imagine if you could take your points and NFTs in Starbucks Odyssey/Rewards and use them to redeem clothing from Uniqlo or hotel stays from Starwood. Suddenly, you realize that your points have a lot more value. Interoperability between loyalty programs becomes possible on the blockchain. Business partners can plug into a brand's loyalty program more easily.

While still early days, we are seeing some developments in open loyalty programs. One example: [Loyalty+](#) is a partnership between Co:Create, Crossmint, Cookie3 and Smart Token Labs to enable users to redeem rewards universally across systems.

## **A Brand That Evolves: Adidas Web3**

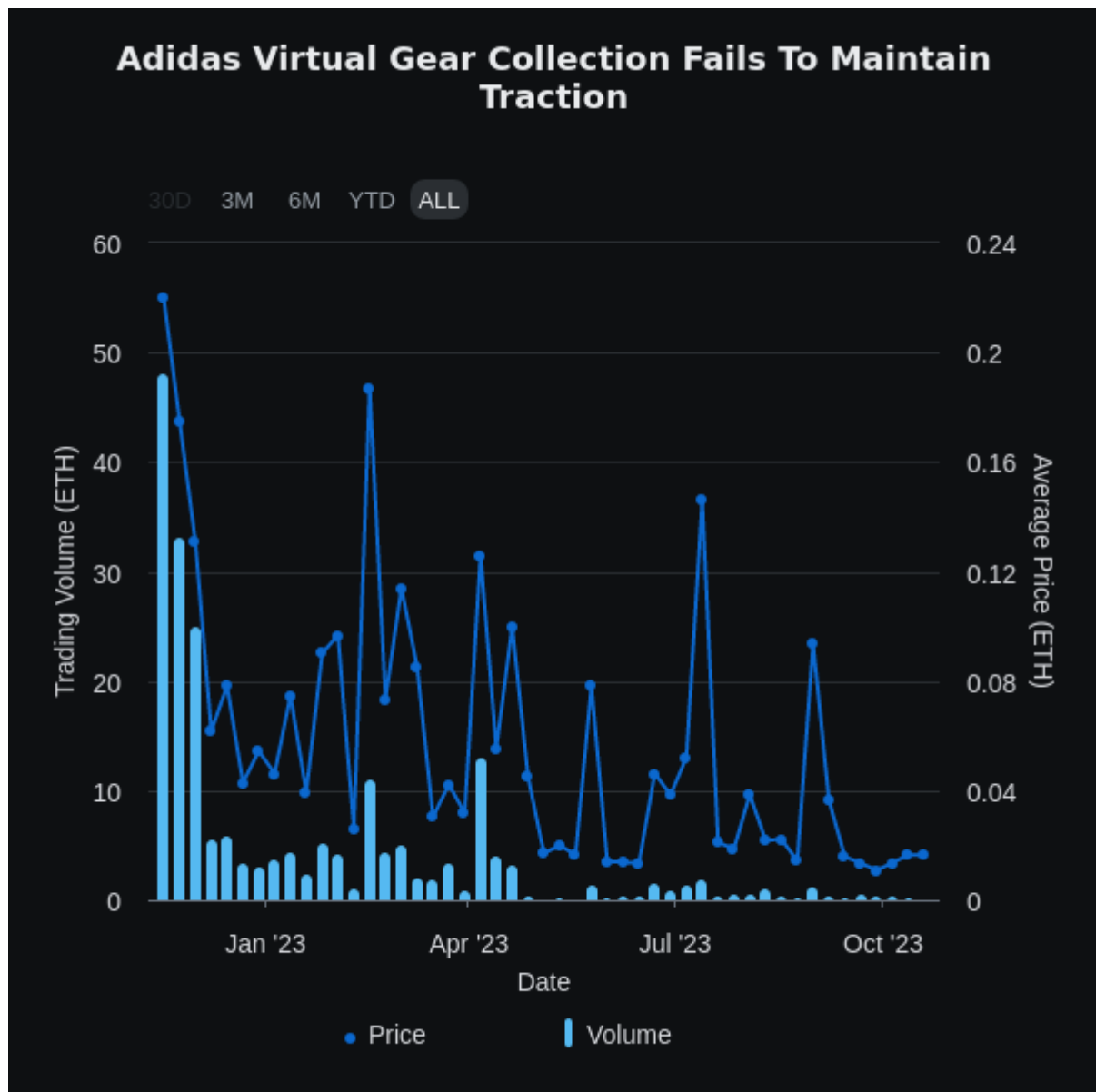
Adidas is an interesting case study of a large consumer brand getting into Web3 early and pivoting its strategy over time. There are some lessons we can learn here.

### **Adidas in 2021 – 2022: “Into The Metaverse”**

In December 2021, Adidas Originals introduced “Into the Metaverse” (ITM) in collaboration with projects like BAYC, PUNKS Comic, and gmoney. Phase 1 involved minting 30,000 NFTs, which sold out within hours, generating over \$23 million in sales for Adidas.

Phase 2 allowed Phase 1 NFT holders to redeem physical Adidas-branded garments and receive a Meta Capsules airdrop, evolving into The Impossible Box.

This box included the Virtual Gear Collection with 16 wearable items for avatars, along with a PFP dressing tool for customization and connection to metaverse projects.



Despite the Adidas brand name, there was hardly any user traction for their virtual gear collection — evident by just 215E in secondary trading volume and floor prices for the items at 0.01E today. Part of this stems from the lack of real uses for digital wearables — what do I do with my virtual Adidas-BAYC jacket? Adidas realized that it had to rethink its strategy.



# Adidas Levels Up Its Web3 Strategy

Comparison Between Adidas' Web3 Approach in 2021 vs 2023

2021 Adidas



2023 Adidas

Limited Personalization	<b>Personalization</b>	Avatars can be personalized with utility tied to specific traits
Web3: Gmoney, BAYC, PUNKS Comic	<b>Collaborations</b>	Web2: BAPE, Moncler, Bugatti
Influencer-driven	<b>Community Building</b>	Deeper efforts + IRL events
NFT holders can claim one set of standard physical merchandise	<b>Physical Drops</b>	Limited-edition items with holder benefits Items embedded with NFC chip Digital twin NFT
Adidas Virtual Gear: Low user traction	<b>Digital Wearables</b>	More focus on collaborations & Limited-edition drops.

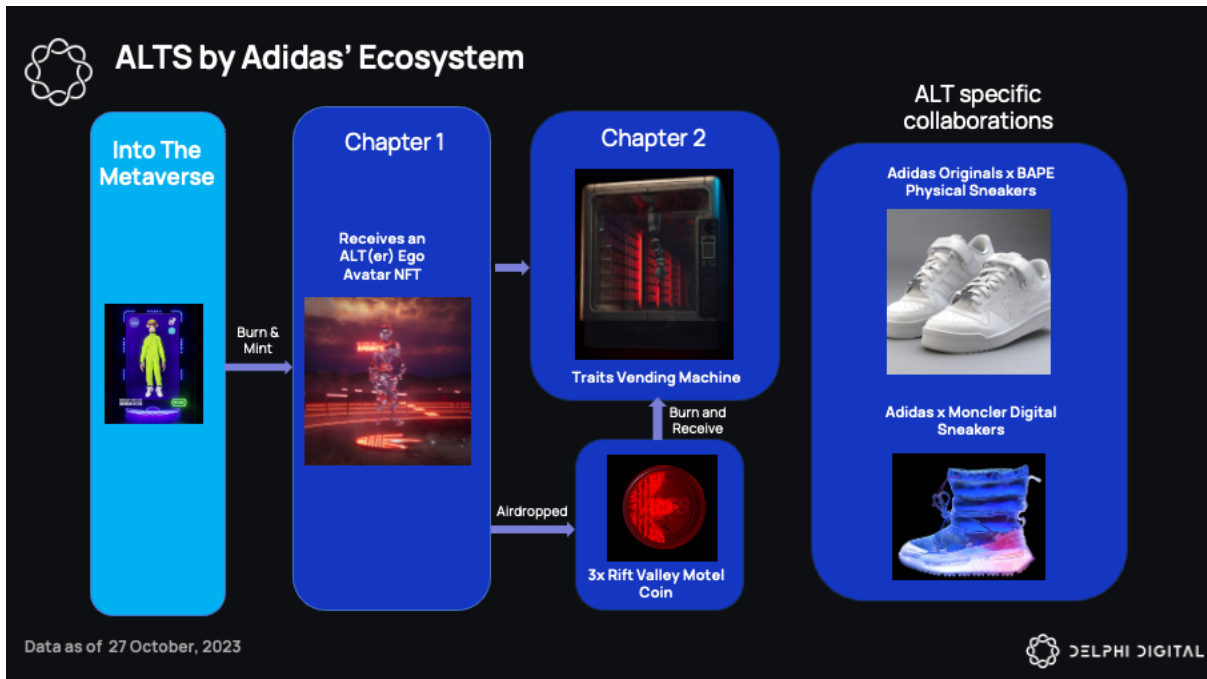
Data as of November 2, 2023



## Adidas in 2023: “ALTS”

In January 2023, Adidas announced the formation of the Three Stripes Studio, which would oversee the brand’s Web3 presence and be responsible for the development and execution of all Web3 initiatives. Concurrently, the “Into the Metaverse” platform was rebranded and relaunched as a hyper-personalized, token-gated Web3 loyalty program through an avatar called ALT(er) Ego.

Following this, Adidas introduced ALTS, the final phase of ITM, featuring an interactive storyline taking place at “Rift Valley Motel.” ALT(er) Ego NFTs offered early product access, event tickets, and stakes in the ALTS ecosystem. These phases were rolled out systematically in chapters, with Chapter 1, “Alt(er) Ego,” in April 2023 and Chapter 2, “Collect Your Traits,” in May 2023.

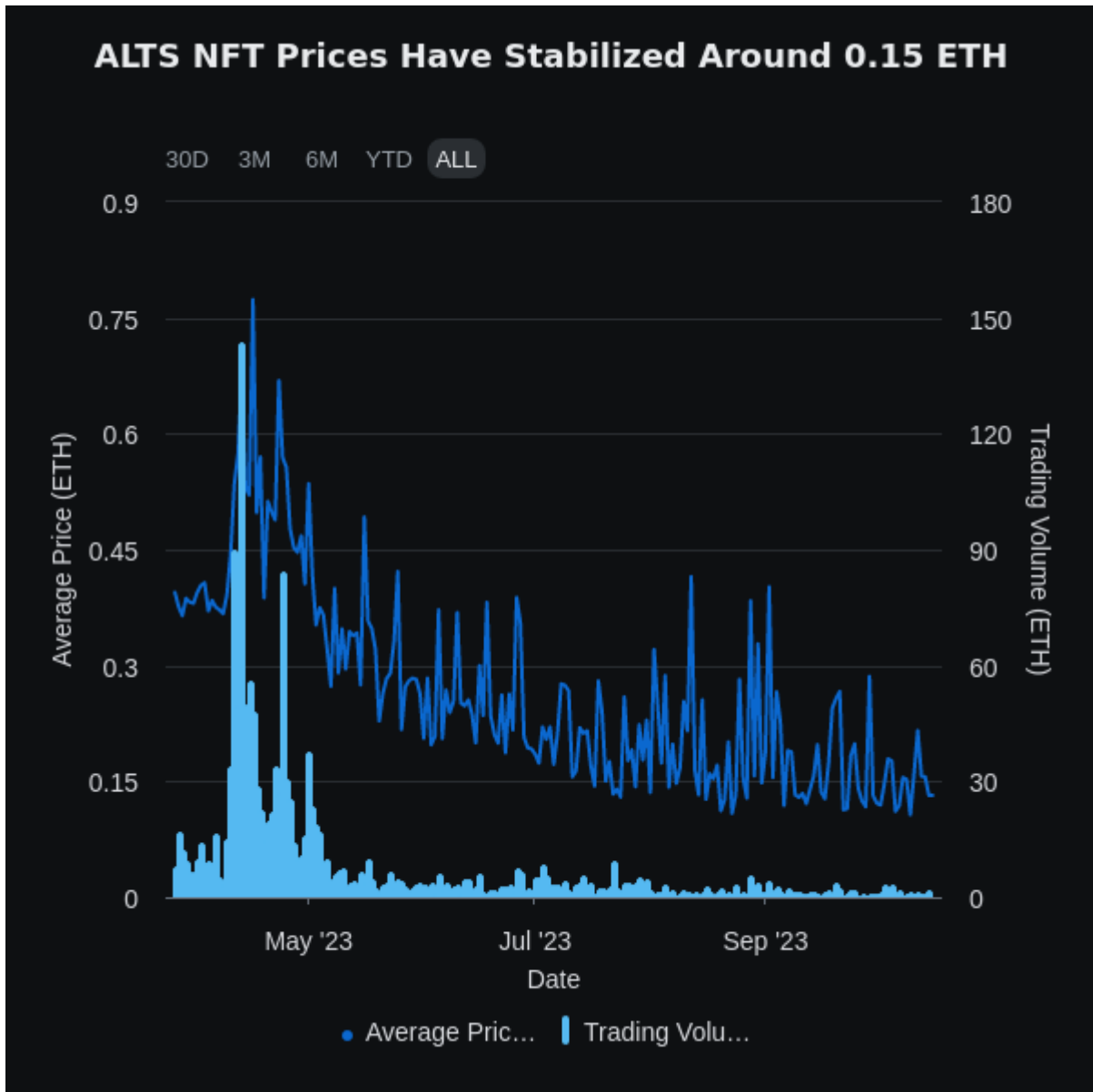


Chapter 2 rewarded ALTS holders with three Rift Valley Motel Coins, which they could use in the Rift Valley Motel Vending Machine. This vending machine, active from July 4 to July 25, provided over 90 facial traits in three rarity categories for the ALT(er) Ego avatar customization.

The ALT(er) Ego avatars are also bestowed with one of eight special traits, each belonging to various sports or lifestyle genres, such as Strikes (soccer), Hoops (basketball), Thrills (gaming), Amps (music and film), Soles (sneakers and skate), and Drips (Fashion). Each trait carries unique utility, providing exclusive or early access to both physical and virtual products, as well as event tickets. This tailored approach ensures that the benefits align with the individual interests of the holder.



## ALTS NFT Prices Have Stabilized Around 0.15 ETH



ALTS saw its NFT prices and trading volume plummet alongside the greater NFT market but has managed to settle at a floor price of ~0.15 ETH since early September, although the trading volume remains muted, with less than 9 daily NFT sales since September 1.

### [ UNIVERSAL UTILITY FOR ALL ALTS BY ADIDAS ]

- ✓ A STAKE AND A VOICE WITHIN THE ALTS BY ADIDAS ECOSYSTEM
- ✓ PRIVATE USE AND SPECIFIC COMMERCIAL IP RIGHTS FOR YOUR ALT
- ✓ ACCESS TO 3D FILES WITH THE ALT AND DIFFERENT ARTWORKS RELATED TO IT (E.G. ALT[ER] EGO BACKGROUNDS)
- ✓ ABILITY TO ENHANCE AND PERSONALIZE YOUR ALTS WITH VIRTUAL WEARABLES
- ✓ PARTICIPATION OF YOUR ALT INTO THE ALTS BY ADIDAS NARRATIVE
- ✓ ACCESS TO HOLDER ONLY COMMUNITY GATHERINGS
- ✓ EXCLUSIVE PARTNER OFFERINGS
- ✓ PREMIUM ACCESS TO THE ADIDAS COLLECT PLATFORM
- ✓ EXCLUSIVE ACCESS TO BESPOKE ALTS BY ADIDAS PHYSICAL AND VIRTUAL PRODUCTS VIA ADIDAS ONLINE AND RETAIL TOUCHPOINTS (INCL. ADIDAS CONFIRMED APP)
- ✓ EXCLUSIVE ADICLUB REWARDS AND BENEFITS AND ABILITY TO EARN AND USE ADICLUB POINTS WITH AND FOR YOUR ALT
- ✓ EXCLUSIVE ACCESS TO PHYSICAL (IRL) AND VIRTUAL (E.G. METAVERSE AND GAMING) EXPERIENCES
- ✓ CO-CREATION OPPORTUNITIES FOR ADIDAS PRODUCTS AND EXPERIENCES
- ✓ ACCESS TO A TOKEN-GATED CHAT IN DISCORD AND IN FUTURE PLATFORMS

### EXCLUSIVE UTILITY SPECIFIC TO YOUR ALT[ER] EGO

STRIKES	SPRINTS	HOOPS	THRILLS	AMPS	SOLES	DECOS	DRIPS
RARITY: 17,5%	RARITY: 16,5%	RARITY: 16,5%	RARITY: 16%	RARITY: 15%	RARITY: 12,5%	RARITY: 3%	RARITY: 3%
<ul style="list-style-type: none"> <li>✓ EXCLUSIVE OR EARLY ACCESS TO PHYSICAL AND VIRTUAL PRODUCTS SPECIFIC TO YOUR ALT[ER] EGO VIA THE ADIDAS ONLINE AND RETAIL TOUCHPOINTS</li> <li>✓ ACCESS TO TICKETS FOR EVENTS AND PERFORMANCES SPECIFIC TO YOUR ALT[ER] EGO</li> </ul>							
ADIDAS SOCCER ATHLETE EXPERIENCES	ADIDAS RUNNING APP EXPERIENCES	ADIDAS BASKETBALL & OTHER US SPORTS ATHLETE EXPERIENCES	IN-GAME AND METAVERSE SPECIFIC BENEFITS	MUSIC AND FILM EXPERIENCES	SNEAKERHEAD & SKATE SPECIFIC ADIDAS CONFIRMED APP EXPERIENCES	CO-CREATION OPPORTUNITIES WITH UP AND COMING ARTISTS	SPECIFIC FASHION EXPERIENCES

With ALTS, Adidas' strategy now appears to be 3-pronged:

## 1. Focus on identity and user-specific utility

Users are bought on a journey. As users actively participate, they have the opportunity to earn personalized traits, which they can use to customize their unique ALTS avatars. By offering avatars with traits tied to specific sports and lifestyles, Adidas personalizes the user experience. This incentivizes active participation and builds a community of like-minded individuals.

## 2. Community and IRL events

Adidas is placing an emphasis on strengthening its Web3 community. Its significant presence at prominent Web3 events like NFT NYC, NFT Paris, and Art Basel Miami exemplifies this commitment. Adidas has extended its collaborative efforts with Web3 partners such as Doodles.

### 3. Physical items & limited edition drops

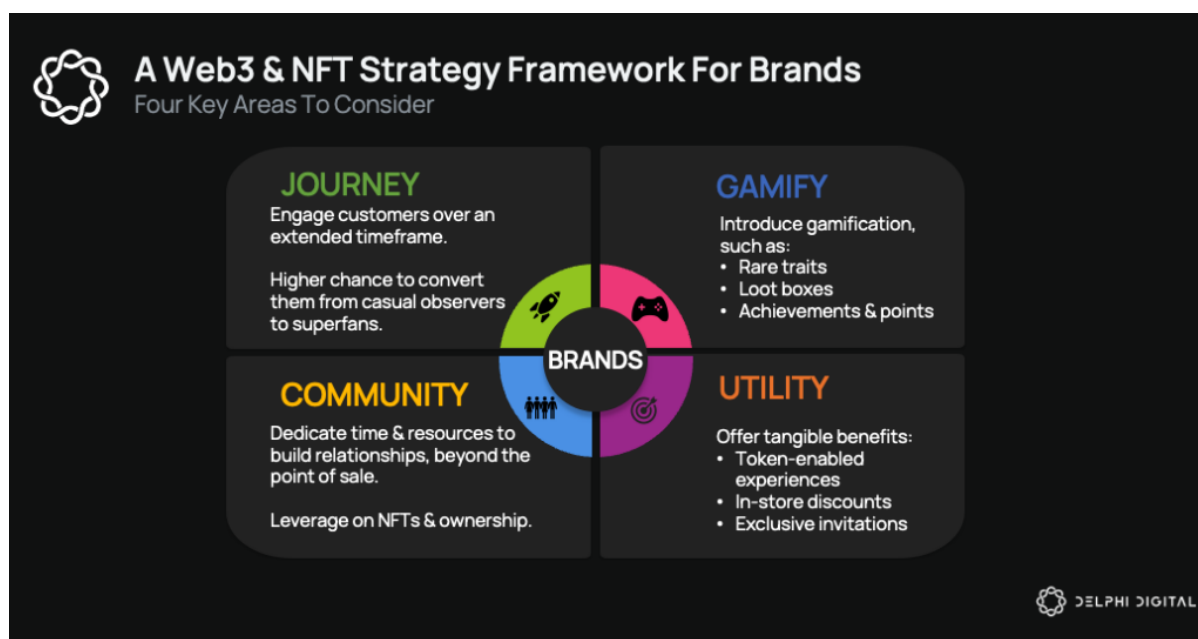
- Adidas did a limited-edition [physical sneaker drop](#): Adidas Originals Forum 84 BAPE® Low Triple White sneaker. There were only 100 pieces available and sold via an auction (ending at 0.3 – 0.5E depending on shoe size). ALTs with the “sole” trait were given a 10% bonus during the bidding.
- Adidas collaborated with [Moncler](#) to launch an “Art of the Explorers” digital experience. This ended with the release of 3,000 free digital NFT shoes on a first-come-first-serve basis. ALTs with the “drips” trait were airdropped the shoes directly.

We expect Adidas to announce more such collaborations soon.

#### Key Takeaways

It’s important to be agile in the space. From its early foray into Web3 which was more akin to a sales & marketing campaign, Adidas has now crafted a forward-looking strategy that weaves personalization, community integration, and tangible incentives together, effectively aligning customers with the brand’s core values and interests.

## A Web3 Strategy Framework for Brands



To conclude, we would like to provide a high-level framework for brands to consider when designing their NFT strategy:

### **1. Bring your customers on a Journey**

Single, one-off NFT drops are NGMI (not going to make it). Our attention spans are short. While a simple NFT drop can generate buzz and attention for a short period of time, it rarely moves the needle on any business metrics.

Instead, consider a more comprehensive roadmap that engages customers over an extended timeframe. This has the highest chance of moving them down the funnel from casual observers to dedicated superfans.

### **2. Gamify the experience**

Everyone loves games. Brands can inject various layers of gamification by introducing different levels of rarity in the NFTs, with “limited-edition” or exclusive ones sprinkled within the collection. Alternatively, employing Lootbox-style mechanics can add an element of surprise and excitement. Users might unlock mystery boxes to reveal additional NFTs of varying rarity and value. Points and achievement-based systems can further entice users to invest both time and emotional equity into the ecosystem.

Or even more literally: the NFTs could be used in a game, like [Louis Vuitton](#) or Burberry x Blankos Block Party.

### **3. Offer Tangible Utility**

Collectible appeal is only one facet of NFTs. The real game-changer comes when NFTs offer actual utility. This could range from token-gated experiences like VIP encounters with celebrities to exclusive event invitations. The utility could even extend to in-store benefits, like claiming a physical item or enjoying future purchase discounts. The key is to align this utility closely with both the brand’s mission and the customer’s needs or desires.

### **4. Prioritize Community Building**

In traditional retail models (e.g. Uniqlo), the relationship between brand and customer often ends at the point of sale. The Web3 world, however, calls for a more community-based approach. Building a community doesn’t come with an immediately measurable ROI; it requires a dedicated investment of time and resources. This could involve setting up specialized community groups or hiring community managers to sustain meaningful conversations and activities within

the ecosystem. A leap of faith is needed.

## Conclusion

The digital frontier is expanding. Soon, the purchase and ownership of digital assets will be as commonplace as buying physical goods today. It's a good idea for brands to start establishing their presence in this new realm.

As with anything new, brands will need to learn what aligns best with their ethos and audience. This comes from experimentation and keen observation of what succeeds and fails for others.

For brands aspiring to carve a niche in Web3, adopting a well-rounded strategy is crucial. NFTs have a pivotal role to play in the four key pillars of brand engagement. By being thoughtful and intentional, brands can lay the foundation for long-term engagement and loyalty using these new tools.