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NFT Projects in the Luxury Industry – Identification & Evaluation of Success Factors

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List of abbreviations

AR	Augmented reality
API	Application programming interface
DAO	Decentralized autonomous organization
D&G	Dolce & Gabbana
ETH	Ether
ICO	Initial coin offering
IT	Information technology
IRL	In real life
I1	Interview 1
LV	Louis Vuitton
NBA	National Basketball Association
NFC	Near field communication
NFL	National Football League
NFT	Non-fungible tokens
PO	Product owner

Abstract

Many NFT projects are currently emerging, however, it is not clear why some are more successful than others. This study analyzes NFT projects in the luxury industry to determine success factors. These factors are validated through expert interviews. Furthermore, the Business Model Canvas is adapted to build a structured framework for planning an NFT project. Subsequently, the empirical findings are leveraged to build a best-practice use case for the luxury industry. Through the discussion with three further experts, the feasibility is ensured and the findings provide a profound approach toward future NFT projects.

Keywords

NFT, Web3, blockchain, success factors, luxury industry, semi-structured expert interview, Louis Vuitton

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1 Introduction (Group Part)

In February 2021, an artwork called ‘Everyday’s: The first 5000 days’ sold in an auction for more than \$69 million. While this price is nothing special for an auction, the sale has caused quite a stir as it is the most expensive sale of a non-fungible token (NFT) in the world (Kugler 2021). For some time, many brands have been starting to launch their own NFTs and get involved with the booming technology. However, while doing so, some achieve great success while others fail (Q. Wang et al. 2021). Latest research mainly focuses on the evolution of NFTs, technological usage or risks and benefits for companies without elaborating on the right entry strategy (Park et al. 2022; Brienza 2022; Q. Wang et al. 2021). During the course of this study, NFT projects in the three industries of sports, automotive and luxury are analyzed to determine success factors that need to be considered for future projects. Based on the findings, a separate use case will then be created.

In accordance with the purpose of this study the following research questions arise:

1. What are the most relevant success factors of NFT projects within the sports, automotive, and luxury industry?
2. What could a structured framework look like for planning an NFT project?
3. How can the findings be leveraged to build a realistic use case within one of the analyzed industries?

The work project is structured into four main steps to answer these questions thoroughly. First, the theoretical foundation is laid by explaining essential aspects of Web3 and NFTs. Furthermore, this part describes the methodology and empirical research used in the study.

In the second step, the first research question is answered for each industry. Relevant NFT projects in the sports, automotive, and luxury industry are analyzed, and the most important success factors are identified and validated by expert interviews for each industry.

Subsequently, the Business Model Canvas is adapted through empirical findings from step two. A so-called 'NFT Model Canvas' is created to build a structured framework for planning an NFT project and answering the second research question. Based on this model, the validated success factors from the analyzed industries are leveraged to plan a best practice use case within the luxury industry. The new model and use case serve companies as an example on how to assess their situation and plan an effective NFT project. Hereby, the third research question is answered.

Lastly, the self-developed use case is discussed with the knowledge of relevant experts and a final conclusion summarizes the whole work project and gives an outlook for further research.

2 Theory: Introduction to Web3 (Group Part)

2.1 Web3

The web has changed significantly in the past decade, and internet applications today are very different compared to the early years of the web. The emergence of Web3 promises to reform the internet and the web as it is known. Therefore, to appreciate these paradigm-shifting innovations, the early iterations of the web must be understood first (Goel, Bakshi, and Agrawal 2022).

Web1 was mostly used in offices, libraries, and schools. Because adding content (such as developing websites) required coding knowledge, many Web1 users were in 'read-only' mode, excluding e-mails, chats, and instant messaging. In addition, Web1 had a content problem due to the technical difficulties connected with developing content and the lack of financial incentives for those capable of doing so (Murray, Kim, and Combs 2022).

Advancements in web technologies like JavaScript or HTML5 made the internet much more interactive. Developers could create interactive web platforms such as YouTube, Facebook, and Wikipedia. This is known as the Social Web, or Web2 (Mishra and Srivastava 2022).

Web3 is the latest version of the internet. It is still being built and is progressing quickly. Its foundation is decentralization, which is enabled by artificial intelligence and blockchain

technology, and will result in an open, trustworthy, and permissionless network. The concept of decentralization refers to multiple people controlling the internet. Decentralization is important to prevent a handful of corporations and governments from controlling the internet internationally and to preserve it as a healthy, accessible public resource (Kharif 2021). Web3 allows consumers to access the internet without sacrificing their privacy. The most significant difference from the previous edition is the adoption of a typical architecture that enables machines to interpret the meaning of the content on a website, thereby facilitating human work, personalizing each user's browsing experience, and automatically filtering content (Goel, Bakshi, and Agrawal 2022).

2.2 Blockchain

An important technology on which the Web3 and its functions are based on is the blockchain technology where decentralization plays a fundamental role (Vranken 2017). However, blockchains are defined in various ways, and there is no general definition. A blockchain functions as a chain of multiple transactions. Each unit in the chain, called a block, contains multiple transactions and must be confirmed for the transactions to be valid (Lafourcade and Lombard-Platet 2020). By using cryptographic methods, members of the blockchain network must validate the legitimacy of the transactions. The majority of the members must agree on a transaction's validity before a new block can be added to the blockchain (Underwood 2016).

There are different ways blockchains create this consensus between the members. The most common consensus mechanisms are Proof of Work (PoW) and Proof of Stake (PoS). On the one hand, the PoW mechanism leverages computational power to validate transactions (Wendl, Doan, and Sassen 2022). As a result, competition is created between all validators for the transactions, so-called miners, where only the first one will be rewarded with Bitcoin for example (Frankenfield 2022). On the other hand, in PoS, so-called validators store and save a certain quantity of cryptocurrencies on the blockchain. In exchange, they are able to validate transactions. If they

validate transactions correctly, they receive interest in the stored cryptocurrency. Nevertheless, if they validate inaccurate or false data, they lose some or all of their interest in the stored cryptocurrencies. The general process is called staking and is more energy efficient because only one validator works on validating the transactions within the block instead of many (Curry 2022). The use of blockchain technology results in several advantages. As all transactions are stored within the blockchain, blockchains give accurate, complete and up-to-date information. Additionally, this allows blockchains to be very transparent and immutable as the transactions cannot be changed or removed afterward. Through those advantages and the digital nature of blockchains, users can easily track their history (Sarmah 2018).

2.3 Tokens

As the internet made it possible for information to move freely and rapidly, tokenization made it possible for digitalized values to flow borderless and at a low cost due to the advantages of blockchain technology. Hereby, the process of digitizing values is called tokenization (Freni, Ferro, and Moncada 2022). The preprogrammed mechanisms in the blockchain can be defined by any individual or organization and illustrate a governance policy that includes tokens, features, monetary policy and the user's incentive system (Freni, Ferro, and Moncada 2022). These mechanisms represent a way of funding, which is why many blockchain projects have adopted tokens for their purposes (Giudici, Adhami, and Martinazzi 2018). Mainly blockchain start-ups have adopted tokenization in the form of initial coin offerings to raise capital. These tokens resemble currencies, stocks or other commodities (Colak and Hoogeveen 2017). In general, these tokens can be seen as fungible tokens and have some important characteristics. Fungible tokens are divisible, interchangeable, and identical (Karandikar, Chakravorty, and Rong 2021).

2.4 Non-fungible Tokens

Another kind of token is the so-called NFT, named as non-fungible token. They are blockchain-based digitally secured objects that enable ownership of digital assets for the first time (R. Chohan and Paschen 2021a). An NFT is a piece of digital information (token) that is stored on a blockchain and is not interchangeable with other digital assets (non-fungible). Three fundamental key conditions bring value to an NFT: permanence, immutability, and uniqueness. (Q. Wang et al. 2021). To create an NFT, a file is uploaded onto an NFT auction market, which is recorded on the blockchain and can thus be purchased or sold using digital currencies. This process is called minting (U. W. Chohan 2021).

Once the NFT is sold, the creator of the digital asset can receive royalties for each secondary sale on the NFT market or peer-to-peer exchange (Barrington and Merrill 2022). This information on the distribution of sales proceeds is saved in the smart contract, which is attached to the NFT. Smart contracts are computer protocols designed to digitally simplify, validate, or enforce the execution of a contract through immutable rules as blockchain-stored functions (S. Wang et al. 2018). Not only may they exchange messages with users, but also with one another and can be executed on demand or when an NFT is being sold (Hu et al. 2020).

Ethereum is the first blockchain that has standardized NFTs in a well-defined interface named 'Ethereum Request for Comments 721' (ERC-721) (Chirtoaca, Ellul, and Azzopardi 2020). This standard implements an application programming interface (API) for tokens within smart contracts. It provides functionalities like transferring tokens between accounts, getting the current token balance of an account, the owner of a specific token and the total supply of the token available. Applying ERC-721 to NFTs helps to build an ecosystem where NFTs can be used and interact based on this standard (Casale-Brunet et al. 2021). Besides this information, ERC-721 has some

other functionalities, like approving that an amount of token from one account can be moved by a third party to another one (“ERC-721 Non-Fungible Token Standard” n.d.).

NFTs can be obtained through three mechanisms: fixed-price purchase, auction, or airdrop. In a fixed-price purchase, the prospective buyer transfers the requested price from his wallet to the seller’s wallet and receives the NFT immediately in his wallet. Since the demand for NFTs is often larger than the supply, companies use so-called whitelists before launching the collection to prioritize some prospective buyers. When registered on a whitelist, a person is guaranteed to buy an NFT of the collection. In an auction, prospective buyers register their bid and at a pre-defined time stamp, the highest bid is transferred to the seller and the buyer receives the NFT. During an airdrop, an NFT is transferred for free from one wallet to another (AlexWGomez n.d.). Due to the disrupting technology, NFT purchases are likely to become more mainstream in the future. Therefore, companies must be ready to meet increasing consumer demand for NFTs and prepare the right entry strategies (R. Chohan and Paschen 2021a). Among other use cases, many NFTs find use cases in the metaverse, which is explained in the following chapter.

2.5 Metaverse

The metaverse is a commonly known term without a specific definition. In 2021, companies such as Facebook announced their metaverse strategy while changing their name to Meta and the company Epic Games collected one billion US-Dollar funding for their metaverse strategy (Kiong 2022). Since then, the concept has grown in popularity. The metaverse can be understood as a post-reality universe, representing a permanent and persistent multiuser environment. It is based on technology that enables multimodal interactions with digital items, virtual surroundings, and humans (Mystakidis 2022). The metaverse can potentially extend the physical world using augmented and virtual reality. This allows users to interact with avatars and holograms in real and simulated situations using special glasses. As the boundaries between physical and digital are likely

to be somewhat blurred from present conceptions, the potential influence on how humans conduct business, connect with brands and people, and generate shared experiences is likely to be transformational (Dwivedi et al. 2022). This includes NFTs, for which several use cases will emerge in the metaverse like virtual art galleries or marketplaces, property sales with NFTs proving the ownership or wearables for avatars using fashion NFTs (Fonarov n.d.).

2.6 Platforms

In order to leverage NFT technologies and connect people, various platforms such as social platforms or marketplaces are required. These are products, services, or technologies created by companies supporting Web3, NFT and cryptocurrency trading. They are openly available to all companies and users, which can lead to network effects that increase the value of a platform, as synergies can be exploited by connecting participants (Gawer and Cusumano 2014). NFT platforms such as Open Sea or Rarible enable the trading of NFTs and therefore the exchange of NFTs. Open Sea is by far the largest trading market for NFTs based on all-time sales volume (Dappradar 2021). Several platforms have developed tools to assist ordinary people in creating their own NFT work (Q. Wang et al. 2021). On the one hand, numerous collections have been released on these platforms over the past years. On the other hand, Nike, Lamborghini, and RIMOWA have recently launched their own platforms and marketplaces to increase credibility, individuality, and independence from existing platforms. To accomplish this, they use the expertise of service providers, such as Web3 Pro, that provide the platform as a white-label product and adjust it to the companies' individual preferences. These providers create strong and legally secure platforms for the release of NFTs. In addition, they offer design and creative support, a marketing strategy, launch action plans, and after-launch support (Web3 Pro n.d.).

Discussion platforms such as Discord, Twitter and Telegram can offer deeper insights into a cryptocurrency project and its community. The number of subscribers is a solid sign of increasing

confidence and demand for a token (Toufaily 2022). Through organic messages or original content, brands can use discussion platforms to increase brand awareness and customer engagement in NFT communities. For example, Time Magazine uses Discord to interact with users through daily challenges and games (Ewen 2021).

3 Methodology (Group Part)

Selecting an adequate research approach is essential for beginning scientific research and providing the foundation for this study. In this regard, existing scientific literature distinguishes between quantitative and qualitative methods (Flick 2002; Hennink, Hutter, and Bailey 2020). Quantitative methods are characterized as being based on empirical scientific evidence and rely on analyzed data in the form of numbers and quantities (Flick 2002; Hennink, Hutter, and Bailey 2020). Furthermore, the data can appear in statistical, mathematical, and numerical to validate predefined hypotheses (Flick 2002; Hennink, Hutter, and Bailey 2020).

However, some phenomena cannot be measured and analyzed by applying quantitative methods. This is the reason why qualitative approaches have relevance. The research is rather conducted with social criticism and interpretation instead of examining empirically falsifiable theories (Bryman 2016; Flick 2002; Hennink, Hutter, and Bailey 2020). In contrast to quantitative methods, qualitative research applies text as a source for empirical findings. In doing so, qualitative approaches focus on understanding opinions, words, and experiences through interviews and informal communication, surveys, observations, case studies, and focus groups (Strauss and Corbin 1990; Flick 2002; Hennink, Hutter, and Bailey 2020). The exploratory nature of qualitative research aims to understand social phenomena, processes, and circumstances comprehensively. In general, the application of this method seeks to answer the questions of why and how people experience the world they live in (Flick 2002; Hennink, Hutter, and Bailey 2020; Silverman 2015). Since qualitative approaches assume that there are various realities and truths rather than only one

reality, high attention should be paid to understanding and interpreting the meaning of studied actions and processes (Steffe and Gale 1995).

This study aims to develop a first understanding of what success factors are recommended for organizations to implement NFT projects and create a self-developed use case based on the findings. For this purpose, three industries, namely the sport automotive and luxury industries are analyzed and their success factors are pointed out. To carry out this analysis, applying a qualitative approach seems appropriate as the focus is on answering questions about why and how certain factors are successful. It can be argued that a qualitative research approach provides the relevant guidance to analyze all three industries and identify their corresponding success factors.

In order to identify highly valid and significant success factors, experts from the respective industries are interviewed. Based on the identified success factors, an individual use case is developed, and feedback is obtained from additional expert interviews.

This work aims to contribute to creating new theories, in contrast to quantitative approaches that seek to validate or refute preexisting hypotheses. In addition, using qualitative methodology may open new research possibilities for the area of success factors of NFT projects. The literature review shows that only a few studies have looked at what factors contribute to the success of NFT projects.

4 Empirical Research (Group Part)

As the previous chapter describes the reasons for the selected research method, the following section introduces the narration of the data collection, the creation of the interview guideline, the sample collection, and the procedure of the expert interviews.

4.1 Data Collection Procedure: Semi-structured Interviews

Data collection in qualitative research through interviews is suggested because it is practical, flexible, and relatively inexpensive (Carter and Henderson 2005). Unlike a simple question-and-answer format, open-ended questions in semi-structured interviews provide opportunities for

discussion (Carter and Henderson 2005; A. Stein and Ramaseshan 2016). Through open-ended questions, interviewees can speak freely, provide answers in their way and answer in as much detail as they wish (Carter and Henderson 2005; A. Stein and Ramaseshan 2016). For those reasons, semi-structured interviews seem to be the best choice for expert interviews.

4.2 Preparation of the Interview Guideline

It is important to create appropriate interview guidelines for the selected semi-structured interviews. The interview guideline is structured to gain insightful answers in order to validate the findings. However, it is adjusted for each industry but provides enough guidance for comparable interview results. In addition, the questions are phrased as neutrally as feasible to avoid pressuring or supporting experts to provide responses or otherwise influence them.

4.3 Sample: Participants of the Interviews

Since the research aims to analyze and identify success factors for the luxury, automotive and sports industries, it is essential to interview experts from all three industries. Therefore, the study's authors reached out to experts. Every expert was selected under the requirement of having profound knowledge of one of the industries and the NFT space. As the literature suggests, a representative sample size of interviews is between 5 to 50 interviewees (Dworkin 2012). Therefore, nine experts are interviewed to answer the research questions.

4.4 Interview Execution Process

4.4.1 Conduction of the Interviews

Since most experts live worldwide, all interviews were conducted via Microsoft Teams.

Before the interview, the participants received an interview guide and needed to agree to the interview recording. Furthermore, each participant was informed about the possibility of destroying the interview after defending the study. The interviews took place over a period of two weeks and

lasted between 30 to 45 minutes. Each interview started with a brief explanation of the study's background and encouragement for the participants to introduce themselves and their position.

4.4.2 Language of Interviews and Consent & Confidentiality

It is important to note that either English or German was used as the primary language for the interviews. All participants granted their permission to participate in the study and agreed that the interviews would be recorded and transcribed. In addition, participants were informed that this study is marked confidential, so their information is guaranteed to be kept private.

5 Industry Selection (Group Part)

Each of the three industries was selected based on relevant use cases within their respective industry and corresponding market size. Further, it is crucial for the selection of the use cases that larger organizations are involved and the use case experienced attention within the NFT space. Therefore, the following paragraphs will describe why each industry is selected.

The sports industry audience is a huge target for Web3 companies as the investment of sports sponsorships is expected to grow by 778% between 2021 and 2022 (Gough 2022b). From the sports industry perspective, the earliest approaches to adopting Web3 technology were NFTs, mainly through trading cards. Due to the advantages of NFT technology, an analogy to trading cards was quickly established. Especially by leveraging the advantages of unique identification and transparent transaction history. Subsequently, it was understood that fans could become more loyal to clubs and leagues if they receive certain utilities and experiences through NFTs. This led to new revenue streams for clubs and leagues (Lielacher 2022). As a result, many projects were developed by different actors in the sports industry. These actors include well-known athletes such as Tom Brady, Steph Curry, or major leagues and clubs such as the NBA or Liverpool F.C.. As Yannick Pass is a vast sports enthusiast, he was introduced to the world of NFTs through the launch of an NFT project by one of his favorite players Steph Curry.

Many large brands in the automotive industry have already started their Web3 journey by offering NFTs to customers and building NFT platforms. However, when designing customer experiences, car manufacturers have few touch points with their target groups to interact or engage. NFTs create a new possibility to build a community, provide excellent customer experiences through offering utilities and connect with new target groups. Further, exploring the area of Web3, blockchain technology can be used to set new transparency standards, create trust and disrupt the industry (The Power of NFT's and their use in the Automotive Industry, o. D.). Therefore, the automotive sector builds a prosperous basis for Web3 technologies and brings the excellent potential for using NFTs. Further, the author Tim Jolk was introduced to NFTs in the automotive industry when he did an internship at Porsche Digital, supporting the project of building the upcoming NFT platform and strategy of Porsche. This experience increased his interest in NFT projects in the automotive sector and set the foundation to research the topic in this study further.

Almost all of the world's largest luxury brands, including Prada, Gucci, Dolce & Gabbana, and Louis Vuitton, have successfully published at least one NFT collection. The luxury sector uses NFTs to engage with clients in a novel way. They can communicate their stories and express their values through NFTs. NFTs enable premium brands to provide customers with unique, one-of-a-kind experiences, which increases brand exposure, customer engagement, and sales (De Acetis 2021). Tim Fuder was introduced to the luxury market for the first time through a university project entitled 'The future of luxury', in which he participated in a podcast aired on Spotify and learned a vast amount about the possibilities of NFTs for the industry. Since then, he has been actively involved in the industry and is responsible for its selection.

There are also other industries that have ongoing NFT projects like fashion, anime, art, real estate, consumer goods, and gaming. However, even though these sectors are comparable in size and have reasonable relevance, the focus of this study is limited to the selected industries. The reason for

this is the global visibility of these three sectors, the proven potential through past successful projects, and the contacts with relevant experts of the three authors due to their individual enthusiasm for the respective sector. Nonetheless, the results represent NFT projects focusing on brand building and leveraging blockchain technology. Therefore, they can be applied to other industries to give valuable learnings for respective projects.

6 Identification of NFT Success Factors in the Luxury Industry (Tim Fuder, 48747)

6.1 Introduction – Luxury Industry

The COVID-19 pandemic has prompted the typically conservative luxury industry to reconsider. After the pandemic led to a global revenue decline of about 15% from \$315 billion in 2019 to \$265 billion in 2020, businesses were forced to make risky decisions regarding the development and expansion of their digital strategies (Statista Consumer Outlook 2022; Faccioli and Sheehan 2021). Brands increasingly recognized their prospects on Web3 to provide customers with digital experiences that enabled new business units. Most of the industry's brands emphasize Web3, powered by blockchain, NFTs, and the metaverse. Primarily NFTs represent a tremendous opportunity for luxury businesses to build digital connections with their communities and generate new options to enhance the luxury experience in the digital realm (Hazan et al. 2022). The significance of NFTs for luxury brands is underscored by a Morgan Stanley report. By 2030, NFTs might account for 10% of the luxury market and produce €50 billion in revenue for the luxury industry (Canny 2021).

For this reason, this work project analyzes four NFT projects in the luxury market based on their exposure and impact. Furthermore, these NFT projects have in common that they combine NFTs with real physical products. This technology offers exciting opportunities for the industry, which is why these four projects are chosen. Particular attention is given throughout the research to identifying and emphasizing the characteristics that contribute to the success of each project and

the general lessons that can be drawn from them. After identifying and describing the studied success factors, two industry experts are interviewed to determine the significance of the identified factors. In this way, the following research question is answered: 'Which crucial factors in the luxury industry make NFT projects of organizations successful?'

6.2 Analysis of NFT Projects – Luxury Industry

The entry of luxury brands into the NFT sector is part of a clear and structured strategy. Luxury NFTs allow luxury enterprises to enter a new commodity market by expressing themselves digitally. However, NFTs may not be effective for all generations. Therefore, firms must design NFT projects for their intended audience (Kapfunde 2021). In this chapter, four NFT campaigns are examined to determine success factors for the luxury industry.

6.2.1 Tiffany – NFTiff-Collection

2017's CryptoPunk is an NFT collection of 10,000-pixel photographs featuring unique personalities, pairings, and characters (Genest 2022a). Tiffany & Co. has partnered with blockchain tech company Chain to provide CryptoPunk owners with real and digital necklaces. Each necklace was sold for 30 ETH, or approximately \$50,000, and included a digital copy of the NFT on the Ethereum blockchain. All 250 limited collection items were sold out after 22 minutes on Tiffany's own NFT platform powered by Chain (Chain 2022). Before the NFT is generated and delivered in 2023, buyers were able to digitally customize the NFT for one week. Necklaces were available in rose or yellow 18-karat gold. Furthermore, there were 87 qualities and 159 colors to pick from (Lindrea 2022). NFTs were still exchanged on OpenSea until the deadline for customization, where a portion of them was sold below the minting price. If an 'NFTiff' holder sells the NFT after the final customization, prior to obtaining the physical pendant, the order is canceled and no pendant is provided (Tiffany & Co. n.d.).

One of the most critical lessons from the successful launch of NFTiff is that customers are eager to participate in this market and are willing to invest a substantial amount of money in doing so (The Fashion Law 2022). In addition, the high press coverage of the campaign made the brand more attractive to new audiences and the project generated additional sales of €13 million (Yap 2022). As a result, Tiffany now has a community of 250 CryptoPunks who are potential clients for their other upcoming products. Tiffany did not need to create the necklaces in advance because they were solely made based on the NFTs personalization. By doing so, businesses can determine whether there is a market for their product and wait for customer cash flow before producing it (Chain 2022). Tiffany was also one of the first companies to connect the digital and physical worlds by delivering an NFT with a tangible counterpart.

6.2.2 RIMOWA x RTFKT

The luxury company RIMOWA, known for making high-quality travel cases since 1898, chose a similar approach by merging digital and physical products in its NFT project in October 2022. It was necessary to complete a quest to access the draw and mint system to purchase one of the 888 special edition suitcase NFTs (2.3 ETH, approximately \$3,000) or 2,222 Workerbots (0.08 ETH, roughly \$100) (RIMOWA and RTFKT n.d.; Silbert 2022). Two independent draws were held, one for the WorkerBot and the other for the cabin luggage. Participants needed a wallet with enough ETH to buy the NFTs. RIMOWA took advantage of the established community of CloneX NFT holders of RTFKT who had a greater chance of winning the draw. By winning one of the draws, participants had limited time to mint the NFT before the opportunity was handed to another participant. Afterwards, the minted NFT can be traded on secondary marketplaces. Another event will occur in which the issued NFT will be exchanged for the physical product. This procedure is known as forging. The user will be assigned to the physical product and receive a new NFT representing access to the physical item for the burning of the originally minted NFT. The mint

price included shipping, relevant taxes, and forging (RIMOWA n.d.). As with most RTFKT tangible items, the physical cabin luggage is implanted with NFC tags that subsequently are used to link the physical item to the NFT. (RIMOWA and RTFKT n.d.).

Only the drop generated \$2.6 million in primary sales volume, while the secondary market generated an extra \$2.4 million on the day the NFT was minted. Due to a so-called royalty fee in the smart contract, RIMOWA receives 10% of every resale (Thompson 2022). That implies that RIMOWA earned \$240,000 on the secondary market on the first day. Since then, trading has taken place every day until the forging event is going to happen and RIMOWA continues to earn additional money through the royalty fees. In contrast to a traditional minting website, the website of RIMOWA featured a virtual 3D environment. The interactive quest stood out from many projects through storytelling and community engagement and the community appreciated this for taking the experience to a new level (Tu 2022). Moreover, using the digital-only Workerbots, RIMOWA was able to motivate many individuals to participate in the project and allow them to join the community through the reduced cost of the NFT. This way, more people may be persuaded to engage in the quest, as the admission price for this NFT was substantially lower.

6.2.3 Dolce & Gabbana – Collezione Genesi

The first NFT collection in the luxury industry to create a connection between digital and the real world was made by Dolce & Gabbana (D&G) in September 2021. The entire collection was sold by auction for over 1,885 ETH, the equivalent of \$5.7 million. The project was developed in cooperation with the marketplace UNXD and the blockchain Polygon. The blockchain is more energy efficient than the blockchain Bitcoin (D. Thomas 2021b). Moreover, the layer two network Polygon offers lower transaction cost than the Ethereum main network (Akhtar 2021). This is because Polygon can execute transactions on side chains and trade far more transactions per second than Ethereum, leading to reduced transaction fees (Cointelegraph n.d.). Four of the nine items

were sold only as NFTs, while the remaining five had both a physical and digital version. The unique thing about the ‘Collezione Genesi’ NFT drop is that D&G paid a lot of attention to detail and digital rendering, which makes the collection stand out from other NFT collections (D. Thomas 2021b). Furthermore, the buyer automatically earned a gold D&G Family membership, which provides entry to upcoming real-life and metaverse events, exclusive access to apparel and digital and physical drops (UNXD 2022; Yordanova 2022). Before being transferred to the owner, the tangible pieces of the Collezione Genesi were shown on well-recognized occasions. All items were displayed for two weeks at Dolce & Gabbana’s flagship store in Milan with the collector’s name on them. Moreover, every piece was exhibited in a boutique chosen by the owner. In addition to the original sketches and access to future D&G haute couture shows, the owner will receive a private tour of D&G’s Alta Moda studio in Milan (D. Thomas 2021a).

This collection demonstrates what brands can accomplish when they understand the physical luxury world and the NFT world and combine the two intelligently. This connection adds value to digital utilities and collectibles as buyers can wear the items in real life. D&G's attention to quality and detail made the physical and digital wearables more luxurious. In addition, the strategy of running the auction over multiple days with more than 10,000 registered bidders and the rarity of the pieces increased the price by generating such a significant demand (D. Thomas 2021b).

6.2.4 Hennessy – ‘8’-Collection

In January 2022, the premium cognac producer Hennessy released their first NFTs on the NFT platform BlockBar for 70.47 ETH, or \$226,450 (Malczewski 2022). Each NFT represents the first and last bottle of ‘Hennessy 8’, a limited-edition Cognac. The high-quality cognac is given out in a specific crafted carafe and box with tasting accessories. BlockBar provides NFTs from high-end alcoholic beverage brands and uses the Ethereum blockchain to verify the authenticity of rare bottles. Each NFT on the platform is equivalent to an actual bottle. Customers have the possibility

to redeem the digital version for the physical version. This means that in order to receive the physical bottle, they must exchange and burn the NFT. BlockBar maintains the physical bottle for the NFT owner if the NFT is not redeemed. The digital copy guarantees ownership, validity, and bottle delivery (BlockBar n.d.). Furthermore, the asset-backed NFTs operate as a digital assurance of authenticity since BlockBar exclusively deals with brand owners directly. The physical product is transported twice: once from the brand to a bonded secure location and once to the consumers when they are ready to enjoy it. The NFT may be transferred as often as the owner desires. This process removes the concerns of authenticity, importation, and storage, allowing people worldwide to trade and invest in rare alcoholic beverages. An additional benefit is fractionalized ownership which serves collectors who cannot afford the exorbitant prices of the collectibles individually. Interested buyers can create a community to purchase the NFT digitally together, and the NFT technology provides them with enough transparency about the different shares. Likewise, the 'Angry Pitbull Club' purchased the two NFTs from the '8' collection (Dingwall 2022).

This project demonstrates that NFTs open up new opportunities for companies with many collectors, such as the liquor industry. By removing the risks of authenticity, importation, and storage, NFTs allow customers to trade and invest worldwide with one another. This method can be advantageous not only for alcoholic beverages but also for sneakers, expensive watches, leather goods, and any other product with many collectors and a substantial secondary market (Statista 2022). Another essential benefit of such projects is that a business or artist may get a share of any sales after the NFT is traded on the secondary market. Since all transactions take place on blockchains, there is no uncertainty about the validity or provenance of products, and the creator can get a share of resales through royalty fees (S. Stein 2022).

6.3 Success Factors of NFT Projects - Luxury Industry

After reviewing the luxury business, trends, Web3 and NFT projects in depth, this chapter will concentrate on the analyzed success factors of NFT projects. For example, the CMO of Balmain noted that an NFT project must always align with the brand's goal and that launching an NFT without a long-term strategy is ineffective. (Schulz 2022). Therefore, it is essential to identify relevant success characteristics to construct an appropriate use case. Table 1 in the appendix provides an overview of the success factors evaluated in the four cases.

6.3.1 Rarity and Exclusivity

Exclusiveness is traditionally associated with the luxury industry. Customers who purchase luxury goods desire to make a statement with the item they wear. This behavior also applies to the digital space, where more and more meetings, games, and platforms take place in the metaverse. The NFTiff project described in the industry analysis is an illustration of exclusivity. The fact that only members of the Cryptopunk community had access to the limited selection of 250 objects also contributed to the project's success (Genest 2022a). In addition, a product's price can enhance the feeling of rarity and exclusivity. When people consider luxury, they automatically consider the price. The cases of Hennessy, Tiffany, Dolce & Gabbana, and RIMOWA indicate that consumers are willing to pay a higher price for an exclusive product.

6.3.2 Proof of Ownership and Authenticity

Even in the physical world, it might not be easy to distinguish between an original and a copy. Using blockchain technology, NFTs can be connected to digital items like digital paintings to provide proof of ownership and authenticity and can be the answer to maintaining more rarity (Gurzki 2022). The four use cases showed that blockchain technology contributes to the success of a project. Collectors and resellers want to demonstrate that the product is original and without defects. Especially in the example of the Hennessy 8-collection, it is clear to everyone where the

physical bottle has been since its release. A community bought the two Hennessy NFTs as fractionalized ownership. Accordingly, anyone can buy a part of the NFT to own a part of the artwork (Mackenzie and Bērziņa 2022). In the remaining three use cases, the physical product was obtained after the NFT was bought. However, the digital NFT remained with the owner after the digital and physical NFT were forged. RIMOWA employs an NFC chip on the physical item linked to the NFT so that its authenticity can always be verified.

To conclude, NFTs can be utilized for various purposes that emphasize the trust and loyalty of the customer, ownership rights, transparency, traceability, and trust in a targeted manner. The tokens can symbolize limited editions of physical and digital products, prevent fraud (Treiblmaier 2021), and allow collectors to own expensive artwork. Through an NFT, the authenticity of a physical luxury product can be proven. In addition, the history and previous owner of the product can be traced. This can be pretty significant for the luxury market to earn a profit when the product is resold in the future. Even though this is still at the forefront of technology, those are important factors where many customers profess their luxury products' status (Neumann n.d.).

6.3.3 Secondary Market

Whenever an NFT is sold on a marketplace, royalty fees are paid to the original owner as a proportion of the sale price. In the RIMOWA and Tiffany use cases, the product can be resold until the forging event of the physical item. Nevertheless, Tiffany did not apply a royalty fee for secondary market sales. Creator fees could be a massive opportunity for companies that release physical and digital products. Limited drops from companies are occasionally so valuable that they are resold within days. If it is assumed that all companies will release their designer products along with an NFT in the future, sellers will be able to demonstrate the originality of the goods, and the company or creator will be allowed to participate in resales. However, the sale of an NFT with a profit is never guaranteed. The NFT may potentially decline following the mint. Companies may

find it wise to let customers pay for the digital product before giving them the actual object, as RIMOWA and Tiffany did. As a result, they can first collect the revenue, determine the exact demand for the limited and precisely manufactured physical object, and then begin production.

6.3.4 Community Building and Brand Engagement

All four use cases illustrate how organizations can build communities using NFTs. The best example is the DG Family-Community, which provides its members with exclusive perks and valuable information about upcoming releases in exchange. Through consistent activities, engaging content, or online events, these solutions enable brands to link the online world with the real world, deepen relationships with current customers, and increase awareness. One day, brands might use their NFT communities as the primary channel to customers. NFT owners can enroll in the brand's membership program and benefit from advantages including early access to physical and digital products and the chance to demonstrate ownership (Colicev 2022). NFT projects' distinctive communities are a strength as it is explained in the following. One of a business's most considerable marketing costs is customer acquisition. Therefore, keeping clients in a business is essential. Initiatives that generate a significant amount of attention, brand recognition, and involvement, like the NFTiff project, typically have positive outcomes. The value of an NFT is determined by its digital rarity. The more significance it has as a collection, the more people will be drawn to purchase it. As a result of the increased demand, the NFT's value rises, and more people talk and speculate about the project, which leads to increased brand awareness (R. Chohan and Paschen 2021b). To conclude, community building and brand engagement are the best customer retention strategies available and because of this, they are beneficial assets to make NFT initiatives successful.

6.3.5 Customer Experiences

Brands can use NFTs to communicate their offerings and enhance customer experiences. To succeed in this emerging industry, they should focus on providing NFT-based products that appeal to innovative customers. Customers aspire to be among the first in their social circles and purchase such novel goods to demonstrate prestige and status to others (Sestino, Guido, and Peluso 2022b). All four use cases provided specific experiences. The Collezione Genesi is a good illustration of positively impacting customers and providing them with a distinctive customer experience. Not everyone holds a piece of clothing that was once only available digitally and physically and was also part of an exhibition. Such incidents are essential to collectors. Customers who can afford luxury products appreciate the opportunity to buy and possess unique art pieces. To increase a sense of exclusivity and uniqueness in customers, advertising messages for digital artworks and other products using NFTs should emphasize the sense of exclusive ownership associated with this technology (Sestino, Guido, and Peluso 2022a). If they see a benefit, people will spend money on NFTs (Joy et al. 2022). Customers want to know what the brand feels like and RIMOWA does its best to improve the story they are experiencing with their project in the metaverse (RIMOWA 2022). Brands need to see customers as protagonists and not as audiences. The user engages with RIMOWA by completing a challenge instead of just entering a raffle to purchase the NFT.

6.3.6 Partnerships

In all four cases, well-chosen partnerships and collaborations contributed to the success. Working with the correct partners is essential to complete a project successfully. Companies such as RFTKT and Chain are essential to the success of the initiatives because of their knowledge of the new market. The impact can also be a benefit for existing communities, as seen in the example of the NFTiff project. Shortly after it was announced that the project would only be accessible as a Cryptopunk owner, the sales volume of punks increased by 1,847% (Sun 2022). Additionally,

selecting the proper blockchain is crucial for successfully marketing the project, as demonstrated in the case of D&G when the more ecologically friendly Polygon blockchain was chosen. The project must also be transaction-proof and fraud-proof for users to trust it. A good NFT platform is easy to use, customer-friendly, and offers unique features.

6.3.7 Bridging the Physical and Digital World

The RIMOWA, Tiffany, and D&G use case highlights the need to integrate digital NFTs with the actual environment in the luxury industry. Whoever has the physical item can scan the NFC tag and a linked NFT proves through a smart contract the originality of the physical object. Through this forefront technology, it is possible to establish, trade and track physical goods (Neumann n.d.). Furthermore, the customer gains control over the brand's and project's narrative through the challenge. Additionally, buyers receive the item in both physical and digital forms. D&G's Collezione Genesi connected the physical and digital worlds. Owners of one of the nine extremely rare NFTs received real-world experiences in addition to a physical product. All these projects demonstrate that, while holding a tangible object in your hands is not necessary, providing the customer with a real-world experience is essential.

6.4 Results Expert Interviews – Luxury Industry

This chapter examines the results of the expert interviews in order to validate the seven success factors outlined in the previous chapter. The appendix contains summaries of the interviews, which will be referred to as interviews 5 (I5) and 6 (I6). The experts interviewed are Francesca Pagliarulo and Sara Teixeira. Pagliarulo is a business analyst in the global consulting firm BIP for the fashion and luxury industry. She manages several projects in the metaverse and Web3 sectors for the fashion and luxury industries. Teixeira is working as an NFT & metaverse Marketing Manager for Exclusible in Lisbon. Exclusible is a premium curated Web3 platform and digital brand that has built a name for itself in the luxury business through unique Web3 activations.

6.4.1 Customer Experiences

Both experts concur that client experiences must be delivered for a project to be successful. According to Pagliarulo, clients in the luxury industry expect good consumer experiences in digital and physical NFT projects. Teixeira believes that NFTs will likely replace CRMs in businesses soon. Customers can be engaged on a whole new level, and companies can experiment with different utilities for each group while considering their demands. The actual work starts after the project. Following a community-building effort, it is crucial to stay in touch with the owners and share other experiences with them. Companies need a clear plan and roadmap if they want their customers to understand what will come next. The true beauty of this world is that each new project requires creativity to build long-lasting consumer experiences and connections (I6).

6.4.2 Community Building and Brand Awareness

People seek to demonstrate their possession of a unique commodity or involvement in a specific organization. Since they reveal information about the owner, NFTs will have an even more significant impact in the future. According to Teixeira, people will rate others based on the NFTs they display on platforms and introduce a new luxury category to the market. People pursue to imply that they share a brand's vision, mission, and values because they want to be accepted and respected based on the bought item. For them, having their own CryptoPunk on their LinkedIn or Twitter profile image alone demonstrates their status as global ambassadors. Displaying your goods online and showing status and ownership without having to wear them in public is the new luxury. To benefit from this, communities must keep their customers active. Furthermore, working with influencers can help to build a community and raise awareness. However, special care must be taken not to post false information and respect the brand guidelines (I6). NFTs bring a new opportunity to create brand awareness. Pagliarulo agrees and says that just the proof of an attendance protocol as an NFT is enough to create a community that wants to show that they are

part of the publicity. Awareness, commitment, and loyalty are the keys to a thriving community (I5). According to experts, these elements are crucial for customers' digital identities and sense of group membership.

6.4.3 Bridging the Digital and Physical World

One of the most central elements is connecting the digital and physical worlds (5). Although Teixeira believes that both must be connected, an NFT does not need to be tied directly to a physical item in the real world. The project must have a common thread, needs to be creative, and can be experienced in the real world. An invitation to an actual event, such as a concert, can encourage consumer loyalty. Everything must be made as user-friendly as possible, as many people struggle to unlock their wallets. Brands must realize that they must be present where their target audience is. For generation Z, this may include social media, video games, or Discord. Soon, all consumption and transactions may occur online due to the industry's continued innovation (I6).

6.4.4 Validation of other identified Success Factors and further Outcomes

According to Pagliarulo, the virtual world is increasingly becoming part of the real world. Therefore, all the successful elements previously applied to the luxury market can also be used for NFTs. Rarity and exclusivity are important factors for all kinds of luxury projects (I5).

If you are wearing a luxury item, everyone on the street can see it. Customers seek the ability to digitally exhibit their designer items, such as a Chanel purse, in the metaverse (I5). Teixeira says that the significance of NFTs resides in their ability to aid in tracking and authenticate the items that form a part of a person's digital identity and demonstrate ownership and originality (I6).

Participation in the secondary market and the importance of NFTs in resale will be essential factors in the future. According to both experts, brands and companies should consider the resale market, as this could add additional sources of income through royalty fees. In addition, companies should

consider this market as second-hand continues to grow and NFTs could be an opportunity to participate in a resale (I6).

Both see partnerships and collaborations as an essential for the success of a project. Pagliarulo stated that NFT platforms are required to be easy to use, convenient for the client and frequently visited. Furthermore, the technological part should not be neglected and a suitable blockchain should be chosen (I5). According to Teixeira, companies must choose the appropriate agencies to design the NFT and develop a strategy. They are entering an entirely new market and usually do not have the right staff. Through cooperation, a remarkable experience for the client can be delivered (I6).

Businesses cannot initiate a project without addressing the legal implications. Therefore, they must anticipate any potential issues. Otherwise, they risk encountering problems (I5). Teixeira thinks that Web3 has infinite potential but must always be considered against possible legal consequences, such as those of a draft or competition. Taxes also impact giveaways, so brands must exercise caution when providing free products. In addition, companies must reach a financial arrangement about royalty sharing (I6).

Pagliarulo emphasizes the importance of the pricing strategy. As consumers have varying budgets, it is vital to incentivize distinct client groups, such as silver, gold, and platinum memberships in NFTs, as seen in the D&G family membership (I5). Through variable prices and non-fungible tokens, as in the RIMOWA use case, everyone has access to the new type of luxury (I6).

Teixeira argues that a corporation must build an omnipresence strategy and a long-term plan for its Web3 presence to overcome boundaries. As a result, all businesses are establishing departments for the metaverse to engage with Web3 customers and maintain brand relevance. A project that contains the most important factors for her was the Alpine Formula 1 (F1) NFT project. It began with a significantly reduced Discord community. Belonging to this community gives the owner a

chance to win a trip to an F1 Grand Prix, driving the F1 car, or have dinner with the F1 team. According to the one-year plan for their community, participation in the draws and access to luxury are open to more individuals without having to be extremely wealthy. According to the one-year strategy of Alpine, participation in the drawings and access to luxury are available to a more significant number of people who are not obscenely wealthy. NFTs enable more people to experience luxury and allow their owners to join a very exclusive club. As a result, the luxury market can attract more customers and transform from a niche industry serving privileged people to serving all consumers. However, as a company, it is important not to lose the most loyal customers, who may not want the brand to be accessible to everyone. This is achieved by differentiating rarities and offering NFTs with different utilities as shown in the RIMOWA case.

Entry into Web3 is a chance to revolutionize the industry, but it does not need to be fully digital. Every online retailer and website will eventually provide a Web3 application-connected option. Even if everything is initially new and intimidating, it will ultimately become a part of our existence (I6). In their instances of best practices, the two experts frequently refer to the NFTs personalization and highlight the significance of personalization to luxury shoppers. In addition, they often use the NFTiff project as an illustration, enabling the necklace's NFT owner to customize it (I5 & 6).

Companies make mistakes by initiating a project without establishing a proper community, which limits its success due to a lack of interest (I5). After the project has begun, there is no community involvement. Lastly, enterprises could make the unsustainable error of leaving the community after gaining fame and wealth (I6). A brand's Web3 debut should be considered as a digital product, not a marketing strategy. Therefore, a workforce capable of creating and selling a product that creates long-lasting experiences is necessary (I6).

In conclusion, the experts validate each success factor identified in chapter 8.3. Pagliarulo sees the fashion and luxury industry as the best positioned, with all respect to all other sectors. The luxury

industry uses Web3 as a game-changer to communicate and engage with customers in new ways (I5). For both, community building is one of the most critical factors. Having an existing community on Discord before launching can highly influence a project's success, and businesses must pay particular attention to their core audience. The two experts concur that the client experience is among the most crucial factors. However, they have varying opinions on additional significant elements. Pagliarulo adds partnerships, legal, and knowing the target market, but Teixeira believes that the customer's utility should be crucial. Every project has additional aspects contributing to its success, but the mentioned fundamental factors must be in place first (I5).

6.5 Conclusion – Luxury Industry

This work project has highlighted seven important factors for a successful NFT project in the luxury industry. In addition to analyzing four NFT projects and establishing success factors for the luxury market, interviews were conducted with two industry professionals. In the study, the experts validate the seven analyzed success factors, allowing the research question to be answered. The evaluation of the four projects demonstrated that luxury companies are moving in the right direction and that entering this industry can be profitable. In any case, they are still in the testing and learning phase, which depending on their goals and tactics will create new and integrated NFT ecosystems. Given the lack of expertise in some companies, partnerships and collaborations are essential to ensure the project's success. NFT projects create communities with immense future potential, which can be tied to the company with successful and unique customer experiences in the long term. Moreover, projects in this field generate substantial brand recognition on the market. Connecting the physical and digital worlds through a project can generate synergies. In the future, consumers desire to wear their rare and unique items not just on the street but also at any time online. The secondary market is becoming increasingly significant in the business, and NFTs offer organizations an opportunity to participate further in this market. However, each project is unique

and includes other factors that contribute to its success. The seven assessed success elements are the foundation of every luxury NFT project and must be considered by businesses.

Future research should study further NFT projects in the luxury industry's secondary market. Specifically, the findings and progress of existing projects and the expanding potential for luxury companies on the secondary market should be examined.

7 NFT Model Canvas (Group Part)

The Business Model Canvas (BMC) by Osterwalder and Pigneur was used as a framework to build the use case in all critical dimensions (Osterwalder and Pigneur 2010).

However, the complexity of NFT projects makes it difficult to apply the standard BMC directly. To ensure an optimal understanding and the adoption of the identified success factors, the basic format was adapted for NFT projects. This modified model is mentioned in the subsequent chapters as 'NFT Model Canvas' and can be viewed in Figure 1. In the following, the most important aspects of the NFT Model Canvas and the corresponding questions are presented:

- *Key Partnerships*: Who are the key partners to realize the NFT project?
- *Key Technologies*: Which technologies are necessary to build the solution? How do the key technologies work?
- *Utilities & Functions*: Which utilities & functions should be provided to the customer?
- *Community Building*: How is an engaged community built? How does the communication strategy look like?
- *Customer Segments*: Who are the target groups?
- *Key Competencies*: Which competencies are needed for the NFT project? How is the team structured? What kind of roles and skills are needed in the NFT project?

- *Financials*: What is the price of the NFT? How many NFTs are sold? What are additional revenue streams? How is the NFT project monetized?
- *Legal*: Which legal aspects need to be considered?

Based on the NFT Model Canvas, the use case is presented and thoroughly explained in the following chapters based on the observation of relevant projects in the three industries and the advice of selected experts.

8 Development of a Use Case based on Findings of all Industries (Group Part)

One objective of the study is the creation of a self-developed use case based on the findings from the industry analyses. The choice is made in favor of the luxury segment and the company Louis Vuitton (LV). With a current market size of \$5 billion and the potential to triple by 2027 (Sabanoglu 2022), the secondary market for luxury goods represents a massive opportunity for LV. Adopting the NFT technology opens a new business opportunity for LV by participating in secondary market sales. Besides this opportunity, LV's goals are boosting brand awareness, connecting the digital and physical worlds, establishing an engaged community, and assessing secondary market performance through their own marketplace. To achieve these goals, a platform is developed for releasing special LV collections using NFTs with a marketplace for trading the items afterward.

8.1 Concept

For a better understanding of the following chapters, the concept of the project is described in this section. Overall, multiple collections can be deployed on the platform in the future. However, only the first collection is described in detail.

A new and special edition of the Keepall bag will be the first collection on the platform. Since its 1930 debut as a weekend travel bag, it has been a bestseller for LV (Hadzic 2021). The collection is limited to 1,854 pieces based on the year LV was founded, as it is usual for NFT collections to

be restricted to numbers with special meaning. This bag will be released digitally as an NFT and subsequently delivered to the customer as a physical replica. The bag's design is determined through a collaboration with the fashion company Off-White and looks identical for both the digital and the physical versions. After the NFT is minted, the owner can customize the strap from five different designs and 500 colors on the LV platform 'lv.nft.com'. Each owner can personalize the strap design according to their wishes until the end of the period of four weeks after the mint. Once the customization is complete, it can no longer be adjusted, and the physical bag and strap are manufactured and delivered. The NFT is digitally adapted and differs accordingly from the others through the strap. Implemented NFC tags in the physical products ensure that the user can prove ownership by scanning the NFC tag and checking the product and corresponding details online.

Consumers must create an 'LV.ID' with their personal information for purchases on the platform and the marketplace. The LV.ID is connected to a credit card and a wallet of the consumer. This enables purchases through US-Dollar or the Polygon currency MATIC. Following the LV.ID confirmation through e-mail, the consumer can participate in raffles and mints. After the mint of a collection, everyone with an LV.ID can trade NFTs and the corresponding physical bags on the LV marketplace with other consumers. On this marketplace, each collection has its own subpage where NFTs and physical items can be exchanged. In this case, all of the 1,854 NFTs are listed. In addition, the owner can offer the NFT for a fixed price. Prospective buyers can acquire listed NFTs immediately with a credit card or cryptocurrency MATIC at the set price. The partner Web3 Pro handles the operations on the marketplace. If an NFT is sold on the platform, the seller receives the NFT's purchase amount as well as the shipping address of the buyer to send the bag. This process is similar to other marketplaces. The first concept of the platform is illustrated in Figure 2.

The NFC tag in the bag allows the new owner to claim the NFT with a smartphone through scanning. Through this process, the NFT is automatically transferred from the seller to the buyer's

wallet (IYK n.d.). Such a procedure ensures that the buyer acquires the actual bag and the NFT replica, and the two cannot be sold separately. Furthermore, utilizing smart contracts in this procedure allows LV to participate in every transaction on the secondary market through the embedded royalty fee of 5%.

8.2 Key Partnerships

As it is assumed that LV may lack expertise in some areas, numerous partnerships are required to design and release products, and NFTs and develop a platform and marketplace. These partnerships can be differentiated between technical and design-related partnerships.

Technical partnerships are needed to develop the platform, the secondary marketplace and the NFC technology. As a result, LV should partner with Polygon Technology as their preferred blockchain because a comparison of different blockchains (see Table 2) identified this blockchain as the best solution, which is explained in more detail in chapter 10.3. For platform and marketplace development, LV partners with the NFT company Web3 Pro, a leading company in developing and launching NFT platforms and marketplaces. They were selected because they had already done a successful NFT project with Lamborghini. In addition, LV is part of the LVMH conglomerate and therefore affiliated with the AURA Blockchain Consortium, a blockchain association of various luxury companies. This consortium sets standards to ensure connectivity across projects and supports project development. Lastly, every physical product must be equipped with an NFC chip to build the bridge between the physical and digital worlds. Therefore, LV could partner with IYK, an NFC company specializing in real-life minting and targeted rewards for communities. The plan is to use the NFC chips for multiple collections to take advantage of the economies of scale when purchasing the NFC chips. Another benefit of cooperating with IYK is that they cover the fees related to mints on the Polygon blockchain (IYK n.d.). Therefore, LV and the consumers will have no additional fees through the mints of the NFTs.

Since design itself is highly relevant to the NFT industry and LV, it makes sense to collaborate with the RTFKT Creator Studio for the creation of the NFT and to gain access to a very engaged and exclusive NFT community (Zwieglinska 2022). In addition, the famous brand Off-White, partly owned by LV, supports the design of the Keepall bag and therefore creates attention for generation Y and Z as former Off-White designer Virgil Abloh is well-known in those generations.

8.3 Key Technologies

This chapter outlines which blockchain technology was selected, why LV must develop its own platform and marketplace called lv.nft.com, and additional information about the NFC tag.

Several factors were considered for selecting the Polygon blockchain, which is explained in more detail in Table 2. The selected blockchain complies with the ERC-721 standard prescribed by the AURA Blockchain Consortium (“Solutions – AURA” n.d.), NFC company IYK, and the requirements of Web3 Pro. A comparison of different blockchains is presented in Table 3.

The Polygon blockchain will also be used as the underlying infrastructure to connect the NFC chip with the corresponding digital NFT. Therefore, by scanning the implemented NFC within the physical item, the consumer is directed to a landing page of the platform where it is possible to mint or see the corresponding NFT with all the relevant information.

The NFT technology allows LV to participate in transactions on the secondary market of its items. Therefore, the decision was made to be involved in this market with its own marketplace. This was supported by the announcement of 0% royalty fees on NFT marketplaces (Thompson 2022), the release of the .SWOOSH NFT platform by industry leader Nike (Ballah 2022), and the possibility to collect user data and control the user experience.

The NFC chip guarantees a special user experience. The connection between NFT and NFC chip allows details about the product to be viewed by scanning the chip like prices and trading history.

8.4 Utilities & Functions

The industry analyses have indicated that an NFT project should provide the consumer with utilities and features to be successful. Therefore, the customer is provided with added value through verified shopping on the platform and marketplace and access to additional utilities.

Each owner can personalize the design of the strap according to their wishes until the end of the set deadline. In this way, the success factor of personalization is incorporated into the project, which is immensely important for the luxury industry, according to expert 6.

In addition to owning the digital and physical items, only owners of special and limited NFTs, such as the Keepall NFT, become part of the 'LV NFT Club'. Members can participate in raffles and challenges and win unique experiences, such as tickets to an LV fashion show, tours through the LV design studios, Q&As with the LV design team or secured whitelist spots for future collections.

Moreover, the presentation of their bought NFT will allow owners to skip the queues at physical LV stores. More experiences and utilities will be added in the future alongside collections of LV.

According to expert 6, NFTs make luxury accessible to everyone. Therefore, all account holders with an 'LV.ID' are allowed to collect NFTs via airdrop at each LV store worldwide. The requirement is that they buy something and show their LV.ID at the cash desk to get an NFT.

Collectors advance in the 'LV.ID Program' by accumulating a growing number of NFTs in stores.

The present status of the LV.ID Program can be viewed on a section of the platform where the earned NFTs are listed in a digital scrapbook. The design and progress within the program are

highly engaging. The higher the program level, the greater the benefits. These may include early access to new LV collections, small products like a phone case, or single spots on the whitelist for

upcoming NFT drops. This gamification aspect aims to strengthen the consumer's relationship with the LV brand. It can also attract more people to stores and encourage them to buy products. An

overview of the two programs can be seen in Figure 3.

8.5 Community Building

Community building strengthens the relationship with consumers and ensures the long-term success of an NFT project. The goal of a loyal and engaged community is achieved through a good communication strategy about the project itself and its benefits.

Therefore, the initial communication will start six weeks before the official launch of the first collection, an observed average time in many NFT projects. It is more effective to stay vague and distribute little pieces of communication step by step, according to expert 4. Therefore, the first message will be a short teaser video shared via the LV Twitter and Instagram accounts. The social media posts link directly to a landing page on the platform, which is only used for collecting mail addresses of prospects and presenting teaser videos. Prospective buyers can insert their mail addresses to join the newsletter and be the first to be informed about updates. The goal of the communication is to create a fear of missing out for people to sign up. This is a proven technique in Web3 to create hype and build a community, according to expert 4.

Four weeks before the launch, the project will be fully published via Twitter, the newsletter, and a FAQ on the NFT platform. Also, a Discord channel will be launched, and people can join for further insights into the project. To create an exclusive community to feel special and match the values of LV, 50% of the 1,854 bags and NFTs will be sold via an invite-only mint for LV's special customers, including influencers. In order to generate more interest in the Keepall bags and NFTs, the remaining 927 spots can be won through a public raffle.

Two weeks before the launch, a detailed project roadmap with all utilities will be announced on all channels. At this point, exclusive invite-only letters will be sent out, including access codes to buy a bag and corresponding NFT. Simultaneously the raffle opens to the public to win a whitelist spot. On the official launch day, the chosen loyal customers and influencers can purchase the bag with its NFT through the access code from the letter invitation. The remaining 927 places, plus the ones

of letter holders, that did not decide to purchase the bag and NFT, will be given to raffle participants. Finally, they will all be united in a particular Discord room to complete the last step towards an exclusive community with engaging and connecting events in the future. For a better understanding, an overview of the communication plan can be seen in the appendix in Figure 4.

8.6 Customer Segments

Customer segments are formed in order to reach the right target group. In addition, LV aims to further bond the most committed clients to their brand.

The most committed LV customers are selected based on the most frequent and highest purchases made at LV. By exclusively inviting the 927 most loyal customers, this important group is to be taken along by LV for the new path in Web3. Moreover, this invitation rewards customer loyalty and pulls them closer to the brand as they become part of the 'LV NFT Club'. Furthermore, famous LV brand influencers are chosen to advertise the goods. The objective is to create a relationship between LV's brand and the young generation through the unique product. The partnership with RTFKT allows LV to access a young target group with high NFT, Web3 and fashion affinity. RTFKT forbids itself from talking about consumers and always has its 157,000 members Discord community in mind when creating projects. They build ecosystems for that community to inspire people and provide the tools to build their brand (Han 2022). Incorporating these factors and expertise will take the project to a new level for this target group. Like the collaboration between LV and Off-White in previous years, this partnership reflects the consumer-oriented fusion of the luxury and streetwear industries (Hale 2021). Whether it is young people, social media, or fashion trends, these collaborations attract attention and gain cultural popularity, making luxury companies more desirable to younger consumers (Wong 2019). In memory of Off-White designer Virgil Abloh's death, the collection will be widely desired, especially by young people, due to the

promotion of influencers. The collection is intended to help accelerate the legacy of the Off-Whites brand, show that it remains innovative, reclaim the spotlight, and inspire Millennials and Gen Z. The rarity and exclusion by scarcity serve as motivation to purchase an NFT in the raffle for this collection and future NFT collections to become part of the exclusive LV NFT Club. This exclusivity is a validated success factor from the industry analyses and makes customers more interested, attentive and enthusiastic about the company. In addition, the LV.ID Program makes luxury accessible to everyone. As mentioned, customers can collect NFTs and move up in the program, provided they buy something in the LV Store. In summary, this collaboration and the introduction into the world of NFTs will potentially gain much attention from people interested in fashion and further establish LV's brand reputation among the mentioned customer segments.

8.7 Key Competencies

In order to achieve a successful release, a thorough planning phase is needed. To achieve this, a product team must be formed with the right competencies and setup. According to expert 4, creating an agile team structure is necessary because the market can change quickly, and teams need to adapt. A team of eleven people is required to reach the defined goals, and agile project management is applied. The team splits into different roles with different tasks.

To guide the project strategically and represent it in front of senior leadership, a director or senior manager from LVMH is needed. This person would give guidance whenever required. Further, a product owner (PO) acts as the project manager. The responsibilities of the PO are deciding on project scope and weekly sprints, managing stakeholders inside the LVMH group and planning team budgets. Planning the right communication strategy to build a prosperous community requires a marketing manager. The role is also responsible for target group analysis and the creation of marketing materials. A user experience designer helps to set up the NFT platform in collaboration with Web3 Pro. Furthermore, the UX designer collaborates with RTFKT on the NFT creation,

designs the customer experience roadmap, and supports the marketing manager with materials. A business development and partnering manager is needed to analyze partners, bargain contracts, and design customer payment flows. The team is supported by a lawyer who conducts risk analyses, prepares terms and conditions and advises on all legal issues. Two business analysts support all project areas generally and conduct market analyses and benchmarking. The accounting and tax management of the project will be handled by a financial manager that also plans the payment flow with cryptocurrency. Finally, two full-stack developers are responsible for developing the handbag customization process, and integrating the LV.ID program, and planning the technical integration of NFC chip scanning in stores. Expert 4 recommends that at least one of the developers should have worked in Web3 and bring valuable experience to the team.

8.8 Financials

The financials are part of the NFT Model Canvas and will be explained in the subsequent paragraphs. Profits or revenues are not key project goals, but revenues and costs should always be considered in budget requests and project team financials.

Previous limited editions of the Keepall bag were sold for an average retail price of €3,500. In 2017 LV Keepall bags in collaboration with streetwear brand Supreme were sold for €3,650 in primary sales. Some of these bags are sold today on the secondary market for over €10,000 each (StockX 2022). Given that the buyer receives the bag both physically and digitally and joins a remarkable community with experiences, the price for the LV x Off-White bag is sold at a retail price of €7,500. Following the success of past collections, the 1,854 items are expected to sell out quickly, generating revenues of €13,905,000 from primary sales. The production cost per physical bag is assumed to be €500. The custom-made strap costs €150 per unit because each is manufactured individually. Thus, the entire bag is sold for twelve times the production cost in retail, which is standard in the industry (CBS News 2016; McDonald 2022). An NFC tag costs €5 per unit (IYK

n.d.). The total costs for the NFC tags are €9,270, which results in total manufacturing costs of €1,214,370. The labor costs of employing eleven individuals, who will work on the project for six months, are estimated at €615,746. Off-White and RTFKT each receive €1,390,500 in exchange for 10% as a partnership fee. Web3 Pro receives 15% and therefore €2,085,750 of the revenues. These shares are usual in the market and were distributed accordingly. The entire costs of the project are €6,696,866 and the anticipated profit before taxes is €7,208,134 (see Table 4).

In the first year, the secondary market generates €84,811,447 based on sales numbers from the RIMOWA x RTFKT project. Therefore, the secondary sales are expected to generate about 85% of primary sales in the first month. In addition, it has been assumed that every month the revenue on the secondary market decreases by 10% as demand falls and more people want to keep their bags. As a result, LV would receive an estimated €4,240,572 in additional revenues through a 5% royalty fee. From these revenues, 35% is allocated to the partners. Overall, LV will generate a profit of €1,984,588 on the secondary market. In this calculation, 10% inflation rate and 20% buffer are accounted for the case that circumstances turn out differently than expected (see Table 5).

8.9 Legal

Since NFT regulations are not yet finalized, it is important to avoid legal sanctions. LV must avoid the impression that the physical items or NFTs are securities or investment products. Otherwise, the items usually fall into a regulated securities and investment market that requires a license.

Since most legislators are not familiar with NFTs, legal frameworks are not well established. For example, the U.S. Howey test evaluates whether a cryptocurrency or NFT is an investment contract (Paul Kim 2022). If the four parts of the test are met, a cryptocurrency or NFT could be considered an investment contract. As a result, the SEC will regulate cryptocurrencies or NFTs. Currently, the EU Parliament is voting on the cryptocurrency law MiCA, which will determine how regulators

will deal with NFTs (Fortis 2022). Therefore, the wording of the use case must clarify that the physical item and the NFT are for personal use and enjoyment.

9 Discussion (Group Part)

Having explained all relevant aspects of LV's use case, this chapter refers to the learnings, limitations, implications and recommendations within this study.

In general, the results indicate that specific success factors are identified, and it is possible to develop a structured framework based on them. Furthermore, the structured framework provides a guideline for planning an NFT project, as shown in the developed LV use case (see Figure 5). Subsequently, all three research questions are answered in this study. However, it cannot be concretely assessed how this use case proves to be successful which is one limitation of the work project. Three additional experts were interviewed to reflect the self-developed use case, build more credibility, and validate the study. Among the experts are a Web3 Project Manager at LV; Oliver Scherenberg, NFT attorney; and Jürgen Alker, Head of NFT Studio Highsnobiety.

Based on the general feedback from all three experts, it can be said that the use case is realistic and could be implemented in a similar way. This statement is especially underlined by a Web3 Manager at Louis Vuitton, stating that „it is quite surprising how close [the study is] to [their] approach“ (I7). However, due to the confidentiality of the actual LV project, he could not confirm all the details but gave a general recommendation to think bigger and apply a more luxurious perspective to the use case. This shows room for improvement and that a more luxury-centered view should be adopted (I7). The second expert, Oliver Scherenberg, added more knowledge about legal questions within the use case. On the one hand, he confirmed that external communication of the project should avoid making the impression of an investment product. On the other hand, he expressed concerns about whether it is technically and legally possible to link the NFT directly to the physical product (I8). This being said, the same issue was addressed to the third expert, Jürgen Alker. From

his point of view, there are no technical limitations to the proposed NFC solution. He stated that the smart contract may be modified to enable NFT trading alongside the physical bag. Additionally, based on his understanding of the connection between the NFT and NFC tag, there should be no legal issues regarding the concern of Oliver Scherenberg (I9). Hereby, it is assured that this crucial aspect can be implemented and LV can participate in the secondary market.

At the same time, these different perspectives demonstrate the fast-paced and challenging environment of NFTs. There are few industry standards and best practices to draw from, but they constantly evolve. Since market conditions can change rapidly and each project is unique and must be treated as such, it is essential to examine the NFT model Canvas on a constant basis.

A potential outlook of the use case could be that the platform and marketplace are extended and unites upcoming NFT projects of the LVMH conglomerate. In this way, LVMH as a whole enhances its footprint in Web3, reaches new target groups, leverages technology to gain more insights on sales processes, and participates in the secondary market.

10 Conclusion (Group Part)

This study aimed to identify success factors for NFT projects in the sports, automotive, and luxury industry. Based on the qualitative analysis and a developed structured framework, it was possible to build a realistic use case for the luxury brand Louis Vuitton. Hereby, particular attention was paid to implementing the identified success factors. Thereby, the following three research questions of the study were answered:

1. What are the most relevant success factors of NFT projects within the sports, automotive and luxury industry?
2. What could a structured framework look like for planning an NFT project?
3. How can the findings be leveraged to build a realistic use case within one of the analyzed industries?

The current state of research on success factors of NFT projects made it necessary to identify them prior to the use case development. Therefore, success factors of each industry were identified and validated. Furthermore, the so-called ‘NFT Model Canvas’ was created to build a structured framework which serves as a guideline for planning an NFT project. Based on these findings, it was expected to develop a realistic use case, which was confirmed by the experts. According to the positive feedback of a Web3 project manager of LV, the findings of the study exceeded expectations. Moreover, this research provides new insights into success factors in the three industries. However, these success factors play an essential role in most NFT projects, but each project is unique and additional factors can be important.

To better understand the implications of these findings, future studies should address if the identified success factors will keep their relevance. Additionally, after the potential release of the official LV NFT project, it would be interesting to analyze their approach and compare it to the use case of this study.

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Tables

Table 1: Overview of observed success factors in the luxury industry

	Tiffany	RIMOWA	D&G	Hennessy
Rarity & Exclusivity	X	X	X	X
Proof of ownership & authenticity	X	X	X	X
Secondary Market	X	X		
Community building & brand engagement	X	X		
Customer Experiences	X	X	X	
Partnerships	X	X	X	X
Bridging the digital and physical world	X	X	X	

Table 2: Evaluation criteria for the blockchain selection and the underlying reasoning

Criteria	Reasoning for Criteria	Source
	Influences how transactions are	
Consensus Mechanism	verified, how much energy is used, transaction speed	Rosenberg, 2022
Number of transactions per second (TPS)	Indicates the speed and scalability of the blockchain	Blockchain-Scalability, n.D.
Avg. Transaction costs	Affect how much return can be generated	Blockchain Transaction Fees: Why Do They Matter?, n.D.
Number of DApps	Indicates how well the ecosystem will develop over time	Semeney, n.D.
Number of developers	Gives an impression how difficult it will be to find developers for the project	Lemmens, 2022

Table 3: Blockchain Comparison for the self-developed Use Case

	Ethereum	Polygon	Flow	Tezos	Solana
Consensus Mechanism	Proof of stake	Proof of stake	Proof of stake	Proof of stake	Proof of stake & proof of history
Number of transactions per second (TPS)	30 – 100,000	Almost 65,000	1,000	1,000	50,000 – 60,000
Avg. Transaction costs	\$2.91	\$0.018	\$0.000049	\$0.01	\$0.00025
Number of DApps	2,970	> 19,000	> 1,000	103	> 350
Number of developers	3,900	330	150	285	880
Support	Decentralized community	Articles & support tickets	Community & mail contact	Articles & Community	Articles & Community

Table 4: Financials Primary Sales - Self-developed Use Case

Revenues	<i>Mint</i>	€13,905,000
Manufacturing Costs	<i>Crafting Bag</i>	- €927,000
	<i>Crafting Individual Strap</i>	- €278,100
	<i>NFC Tags</i>	- €9,270
	<i>Total Manufacturing Cost</i>	€1.214.370
Total		€12,690,630
Labor Costs	<i>11 Employees</i>	- €615,746
	<i>Total Labor Costs</i>	€615,746
Total		€12,074,884
Partner & Collaborator Costs	<i>Off-White (10%)</i>	- €1,390,500
	<i>Web3Pro (15%)</i>	- €2,085,750
	<i>RTFKT (10%)</i>	- €1,390,500
	<i>Total Partner Costs</i>	€4.886.750
Total Profit		€7,208,134

Table 5: Financials Secondary Sales / Marketplace - Self-developed Use Case

Revenues		€4,240,572
	<i>Off-White (10%)</i>	<i>- €424,057</i>
Partners Costs	<i>Web3Pro (15%)</i>	<i>- €636,086</i>
	<i>RTFKT (10%)</i>	<i>- €424,057</i>
	<i>Total Partner Costs</i>	<i>€1,484,200</i>
Profit LV	<i>w/o risk calculation</i>	€2,756,372
Inflation Rate	<i>10%</i>	<i>- €275,637</i>
Safety Margin	<i>20%</i>	<i>- €496,147</i>
	<i>Total risk calculation</i>	<i>€771,784</i>
Profit LV	<i>w/ risk calculation</i>	€1,984,588

Table 6: Financial Model self-developed Use Case

Revenues			
Product	Price	Quantity	Revenues
NFT and Bag	7.500	1.854	13.905.000

Manufacturing Costs			
	cost p. bag	units	Total
Crafting	500	1.854	927.000
Crafting strap	150	1.854	278.100
NFC tag	5	1.854	9.270
Total			1.214.370

Labor Costs				
Employee	number	(length: 6 months)		full-time
		wage		0,5
Director	1	336789		168.395
Product Owner	1	132.403		66.202
Business Analysts	2	80.000		80.000
Marketing Manager	1	120.000		60.000
User Experience Designer	1	48.000		24.000
Business Development Manager	1	65.200		32.600
Financial Manager	1	67.100		33.550
Lawyer	1	100.000		50.000
External web3 developer	1	150.000		75.000
Full Stack Developer	1	52.000		26.000
Total	11	1.151.492		615.746

Partners and Collaborators			
Partners and Collaborators	Percentage of Revenue	Costs	
Off-White	10%	1.390.500	
Web3Pro	15%	2.085.750	
RTFKT	10%	1.390.500	
Total	35%	4.866.750	

Total Costs 6.696.866

Profit LV 7.208.134

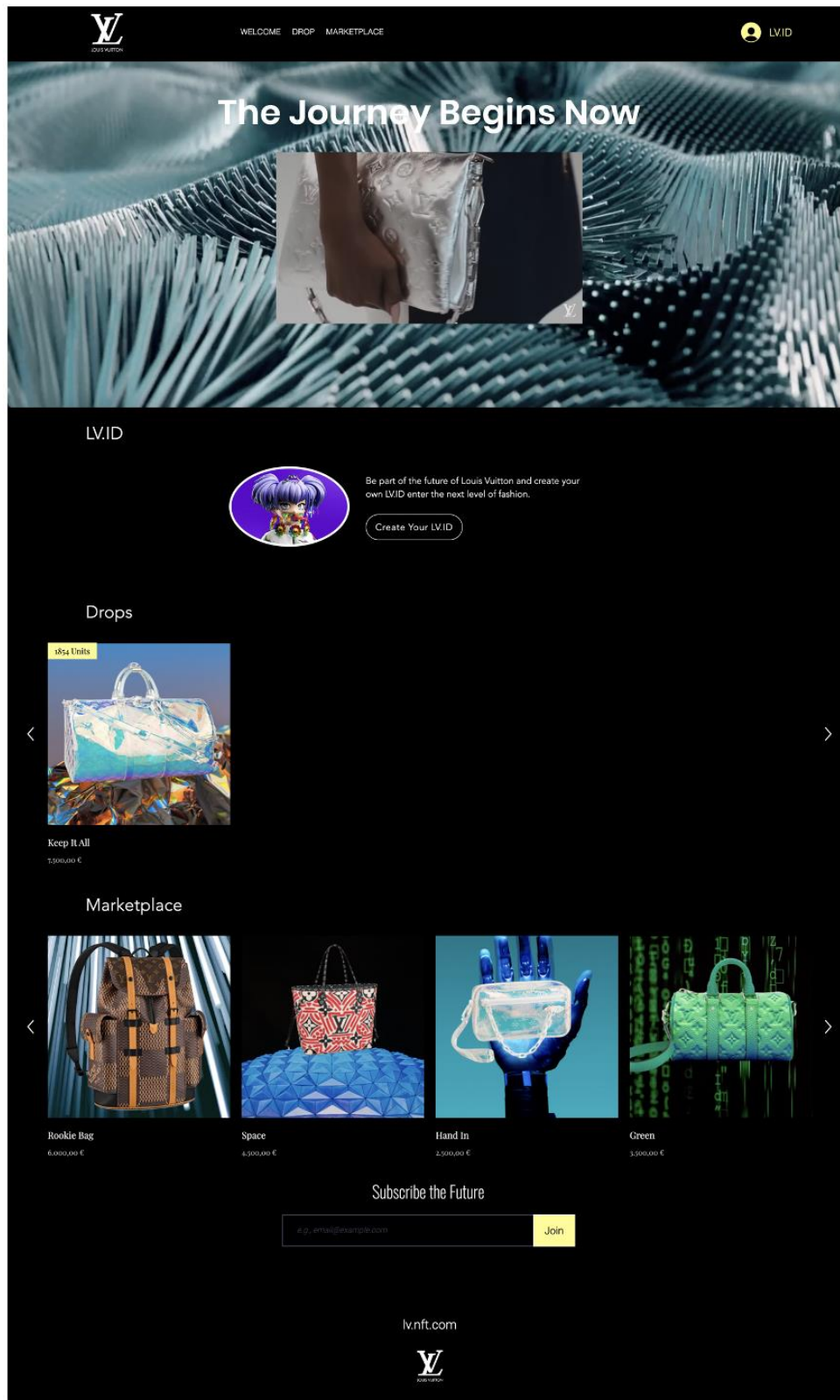
(before taxes)

Figures

Figure 1: Self-developed NFT Model Canvas

Key Partnerships <i>Who are the key partners to realize the NFT project?</i>	Key Technologies <i>Which technologies are necessary to build the solution? How do the key technologies work?</i>	Utilities & Functions <i>Which utilities & functions should be provided to the customer?</i>	Community Building <i>How is an engaged community built? How does the communication strategy look like?</i>	Customer Segments <i>Who are the target groups?</i>
Key Competencies <i>Which competencies are needed for the NFT project? How is the team structured? What kind of roles and skills are needed in the NFT project?</i>	Legal <i>Which legal aspects need to be considered?</i>		Financials <i>What is the price of the NFT? How many NFTs are sold? What are additional revenue streams? How is the NFT project monetized?</i>	

Figure 2: Illustrative Example of the lv.nft.com Platform & Marketplace





WELCOME DROP MARKETPLACE



DROPS – Welcome to the new World

Discover the next generation of Louis Vuitton. The journey begins with a physical product and its corresponding digital replica. After you make the purchase, you own the physical product and the digital replica.

1854 Units



Keep It All
7.500,00 €

lv.nft.com



WELCOME DROP MARKETPLACE



Marketplace

Use your LVID to buy our products on the marketplace and be 100% sure it is the original product. Louis Vuitton uses the latest technology to ensure that only original products are available on our marketplace.

Current Offers



Rookie Bag
6.000,00 €

Place Your Offer



Space
4.500,00 €

Place Your Offer



Hand In
2.500,00 €

Place Your Offer



Green
3.500,00 €

Place Your Offer



Flower Power
5.000,00 €

Place Your Offer

lv.nft.com



Figure 3: Overview LV NFT Club and LV.ID Program

	LV NFT Club	LV.ID Program
Participants	all 1854 owners of the Keepall NFT	account holders of a LV.ID
Requirements	bought an NFT on the platform	buy something in a physical store and show their LV.ID at the cash desk to get an NFT via airdrop
How it works	must enrol in regular raffles or participate in challenges to win unique experiences	Collectors advance in the 'LV.ID Program' by accumulating a growing number of NFTs in stores Reaching certain levels unlocks specified utilities
Utilities	<ul style="list-style-type: none"> • tickets to a LV fashion show in Paris • tour through the LV design studios • special dinner and Q&As with the LV design team • secured whitelist spots for future collections • can skip queues at physical LV stores • more experiences and utilities will follow in the future 	<ul style="list-style-type: none"> • early access to new LV collections • small products like a phone case • spots on the whitelist for upcoming collections

Figure 4: Overview of LV's Communication Plan

	6 WEEKS BEFORE LAUNCH	4 WEEKS BEFORE LAUNCH	2 WEEKS BEFORE LAUNCH	LAUNCH
Key information	<ul style="list-style-type: none"> Short teaser video 	<ul style="list-style-type: none"> Full reveal of project FAQ 	<ul style="list-style-type: none"> Detailed project roadmap with utilities Invitation of core customers and raffle opening 	<ul style="list-style-type: none"> Project is live NFTs can now be traded on marketplace
Goal	<ul style="list-style-type: none"> Create ,FOMO' Collect e-mail addresses for newsletter 	<ul style="list-style-type: none"> Inform the public about the project 	<ul style="list-style-type: none"> Show added value to increase demand for launch 	<ul style="list-style-type: none"> Create ,FOMO' Collect e-mail addresses for newsletter
Channels	<ul style="list-style-type: none"> Twitter Instagram 	<ul style="list-style-type: none"> Twitter Newsletter lv.nft.com 	<ul style="list-style-type: none"> Twitter Newsletter lv.nft.com Discord LVMH news 	<ul style="list-style-type: none"> Twitter Newsletter lv.nft.com Discord LVMH news

Figure 5: NFT Model Canvas applied to the self-developed LV Use Case

Key Partnerships <ul style="list-style-type: none"> Polygon Technologies Web3 Pro AURA Blockchain Consortium IYK RTFKT Off-White 	Key Technologies <ul style="list-style-type: none"> ERC-721 NFC Chip Own Platform Own Marketplace 	Utilities & Functions <ul style="list-style-type: none"> LV.ID LV NFT Club LV.ID Program Physical Products 	Community Building <ul style="list-style-type: none"> Bi-weekly launch roadmap Channels: Twitter, Discord, Instagram 	Customer Segments <ul style="list-style-type: none"> Loyal customers Millennials GenZ
Key Competencies <ul style="list-style-type: none"> LVMH Director Product Owner Marketing Manager UX Designer Business Development Manager/ Partnership Manager Lawyer Two Business Analysts 		Legal <ul style="list-style-type: none"> No investment-related communication Howey Test (USA) MiCA (EU) 		Financials <ul style="list-style-type: none"> Price Keepall bag & NFT: €7,500 Quantity: 1,854 Royalty fee: 5% Revenue Primary Sales: €13,095,000 Revenue Secondary Sales: €4,240,572 Revenue Partners Fee: 10% Estimated Profit: €1,984,588

Interviews

Interview Guideline

!!!IMPORTANT!!!

Adjust or delete all orange parts of this interview guide before sending the interview guideline to the experts

Interview Guideline

Give a short introduction about what happens in the next 30mins – 1 hour

We can keep you anonymous if desired. If you have problems with confidentiality, we can even keep the company anonymous and just say the company belongs to the following industry. There are many possibilities.

Then ask, if he/she is ready for the interview and that you have to ask her some questions in the beginning.

Do you agree to the saving and recording of this video?

The answers will be reused in my thesis, do you agree?

Thus, I have your consent

The purpose of my study is to gather in-depth information to explore following research question:

What are crucial factors for organizations building their entry strategy for NFTs analyzed by the sports, luxury & automotive industries?

For this, we have analysed many projects in the specific industry and identified success factors for entry strategies of NFT projects. In this interview, we will clarify with the help of the expert whether these factors play a role as analysed.

The interview guideline has been structured to find answers to my research question for the **sports** industry.

- **Background information: Role of Expert at XXX (3-5 min)**
 - Tell me about your role as XXX at XXX
 - What made you want to work in this newly formed industry?

- **Specific Industry and NFT space (5 min)**
 - How do you see the **sport/luxury/automotive** industry positioned in the NFT area?

- **NFT projects in the industry (10 min)**
 - What are the most relevant projects in the industry in your opinion?
 - Could you tell me more about your personal best practice example of an organization for entering the NFT market?
 - What about worst practice examples? Do you have a specific project in mind?
 - What mistakes do brands and organizations make when they enter the NFT space?

- **Success Factors (10 min)**

(Only add the success factors from your industry analysis to the questions)

In this part, we talk about the success factors found in analyzed NFT projects. The expert should give her/his/its opinion and preferably her/his/its own examples of why these factors make a project successful or not.

- Customer Experience
 - Brand Awareness / Branding
 - Purchase Experience
 - Customer Satisfaction
 - Digital Events
 - Community Building
 - Development Team
 - Blockchain/Technology
 - Financing
 - Collaborations/Partnering
 - Value / Utility
 - Legal Security
 - Rarity & exclusivity
 - Platforms & Collaborators
-
- To what extent does the **XXX** play a role in for the success of an NFT project?
 - Do you have an example for it?
 - Which role does **XXX** play for the success of an NFT project?
 - Which relevance does **XXX** have for a successful NFT project?
 - Do you have a specific project in mind?
 - What is the importance of **XXX**? Is this a factor a the successful NFT project in your opinion?
 - Do you have an example for it?
 - Are there other success factors in your opinion?
-
- **Closing the interview: Recommendations from Experts in the industry**
 - In your opinion, what are the main characteristics of a successful NFT project? Why do you think so?
 - Is there anything you would organize differently at projects? Why do you consider this important?
 - Are there any other points you consider beneficial for the overall outcome of a NFT project?

Interview 1 (I5)

Summary of Expert Interview with Francesca Pagliarulo (Business Analyst for the Fashion & Luxury Industry at BIP)

Note: In order to make the interview more readable, clearer and easier to understand, the core statements of the interview were arranged under the respective questions.

Q1 | Introduction | Tell me about your role as Business Analyst in the fashion & luxury industry at BIP.

- We are managing different projects in the metaverse sector and in the fashion and luxury industry.
- We are doing Research about Web 3.0, metaverse, Gaming and Blockchain.
- BIP is entering the Web 3.0 world.

Q2 | Specific Industry and NFT space | How do you see the luxury industry positioned in the NFT area?

- Fashion & Luxury industry is best positioned among all other industries in this space with all respect to the others.
- The first industry which approached the industry as a gamechanger for their own industry in a way to communicate and engage with their own customers.
- They made most out of the possibilities of the NFT space.

Q3 | NFT projects in the luxury industry | What are the most relevant projects in the industry in your opinion? Could you tell me more about your personal best practice example of an organization for entering the NFT market?

- Tiffany with Cryptopunks is one of the best practice examples in the luxury industry:

- First kind of company in the jewellery industry to collaborate with an existing community like Cryptopunks.
- They used their community and were sold out within a few minutes.
- Another example is the Supergucci NFT that is a best practice example:
 - Customers play in the sandbox metaverse and collect digital wearable Gucci items.
 - A project of this type is very cool and be very successful.
 - They unify NFTs with possibilities that engages customers.
- Another example was the one of Prada NFT holders:
 - During the Milan Fashion Week this September, one of the NFT Prada holders was picked and then had the possibility to participate at the fashion show in Milan.
 - He also had different private events in each shop of Prada and also the possibility to have a personalized hoodie.
 - This was also one example of merging the real and digital world.

Q4 | NFT projects in the luxury industry | What about worst practice examples? Do you have a specific project in mind?

- In the luxury industry, I don't have a project in mind
- But I have one in the automotive sector which also leads to the automotive luxury sector, the project of Chevrolet
- Their strategy was bad, as they did not find the target of customer that they have and this obviously without laying the foundation for customers
- It is important to create an NFT project where companies understand the target group and keep the ground of the company in mind

Q5 | NFT projects in the luxury industry | What mistakes do brands and organizations make when they enter the NFT space?

- They pay no attention to the target group or do not lay the foundation for a use case which can be successful.
- In order to be successful, you need to have an active community.
- Create a community before trying to sell the NFT.
- Companies should have the community before launching, for example they build the community on Discord beforehand.

Q6 | **Success Factors** | **Customer Experiences**

- They do not understand how to sell the NFT.
- You have to sell an NFT with an experience.
- Customer in this industry want to have experiences.
- Physical or digital experiences but you need to have them.
- NFTs always need to be launched with digital or physical experiences.
- Companies that have done this very wisely are Tiffany, Gucci and Prada.
- Especially Gucci with their ‘Gucci Vault’ Discord Server.
- An experience with a Proof of attendance protocol as NFT will be used a lot in the future.
- They are used to prove your participation at an event and NFT that you possess and you can show to others that you were there.

Q7 | **Success Factors** | **Brand Awareness**

- Awareness, engagement and loyalty are key for luxury companies to a successful NFT project.
- By building a community it is possible to create brand awareness.

Q8 | Success Factors | Community Building

- Community Building is an important success factor.
- Like she already mentioned, it is indispensable to build a community.
- Companies that build a community were Lacoste, Christofle and Scotch & Soda.
- Lacoste decided to sell a NFT in form of a profile picture with a crocodile.
- A lot like bored ape but more related to Lacoste and customers were able to modify their profile picture.
- Scotch & Soda sold an NFT only to create a club membership which was a very good example for community building.
- Christofle, the luxury company for cutlery built a community with an NFT egg.
- The lucky owners of the community will be able to continue the experience by entering a draw, giving them an unprecedented chance to obtain fabulous benefits.
- Create exclusive benefits and access for owners of an NFT.

Q9 | Success Factors | Rarity & Exclusivity

- The virtual world is becoming a part of the real world.
- All of the success factors that typically applied to the usual industry, also apply for NFTs.
- Prada time capsule edition was an exclusive collection.

Q10 | Success Factors | Proof of ownership and authenticity

- You go to Chanel and buy a Chanel.

- Everyone on the street recognizes that you have them.
- People want to have an status item but the next thing is to have it digital as well.
- People want to show their items in the metaverse.
- Therefore, it is very important to prove it and this is possible through NFTs.

Q11 | Success Factors | Resale Potential and Investment Opportunities

- This can be a factor in the future and is interesting for all luxury companies as the secondhand market is growing.
- It still needs to be explored how this can be made possible.

Q12 | Success Factors | Bridging the digital and physical world

- Tiffany one of the best examples and is one of the most important success factors in the luxury industry.

Q13 | Success Factors | Partnerships & Collaborations

- Partnerships and collaborations are essential for a success of a project.
- The platforms where you buy NFTs need to be easy to use, be convenient for the customer and should have traffic on their site.
- The technological point of view should always be considere before starting a NFT project.

Q14 | Success Factors | Legal

- There is no way that companies do not look at the legal part because they do not want to get in trouble and have to be prepared.

Q15 | Closing the interview | Recommendations from Experts in the industry

- All the mentioned success factors cannot be missed.

- In every project, there will be others for the success but it always depends on the specific project.
- Community building, partnerships, customer experience, legal part and understanding the target of your community and company are the most important success factors in her opinion.
- Pricing strategy is another important success factor.
- Customers of the luxury industry have a different type of budget.
- But they could hesitate to buy NFTs as they are afraid of paying too much.
- Pricing should be done for different groups, silver, gold and platinum memberships like in the Dolce & Gabbana use case.

Interview 2 (I6)

Summary of Expert Interview with Sara Teixeira (NFTs and Metaverse Marketing Manager at Exclusable)

Note: In order to make the interview more readable, clearer and easier to understand, the core statements of the interview were arranged under the respective questions.

Q1 | Introduction | Tell me about your role as Metaverse Marketing Manager at Exclusable.

- Exclusable is the contact between the luxury brands and Web3.
- We make sure that everything is planned before a launch.
- The community, utility and value proposition of the project is important.
- Every time they have a new client, they make sure that these standards apply to the project.
- We pay attention to how they communicate the project successful and what type of strategy they should use.
- Before every project, a planned budget is allocated.
- This budget depends on the estimated revenue that they want to generate with the drop, supply, price point and marketing.
- The vision of Exclusable is to shape the future of Web 3.0 and luxury.

Q2 | Specific Industry and NFT space | How do you see the luxury industry positioned in the NFT area?

- All luxury brands are going to jump on board and want to enter this market and Exclusable wants and is there to help.
- There is no way that luxury brands are doing it without help and experts.
- Digital luxury experiences should be in the repertoire of every luxury company.

- Many companies still do not see the full potential of these things.
- Luxury is trying to understand the new digital products also in Gaming and the Metaverse.

Q3 | Specific Industry and NFT space | Could you tell me more about your personal best practice example of an organization for entering the NFT market?

- Recently, the Alpine x Exclusible project launched where several layers of NFTs were released.
 - In the top tier ‘legendary’ main utilities of one NFT was to drive the F1 car of Alpine for a day or hangout with the F1 team.
 - This project clearly states the potential of NFTs and NFTs will become the new CRM of the future.
- You can communicate on a whole other level with your customers and engage them better and can play around with different utilities for each group in consideration of what your customers want.
- Goals of Alpine project were to build a very reduced community in Discord for the kick-off.
 - Alpine has a 1-year plan for their built community.
 - If you belong to the community, you can maybe go one day to the grand prix, drive the F1 car, informal dinner with Alpine F1 team.
 - Owning an NFT and participating in a raffle gives you the chances to experience something that you usually cannot have.
 - Luxury next level is that the owner of the NFTs don’t need to be super rich to participate.

- Luxury is becoming accessible to more people although they become part of a super special community.
- Another example is the NFTiff project of Tiffany.
 - What Tiffany did was great for entering the NFT world.
 - The collaboration with Cryptopunk was smart because they had an existing NFT community and through the limitation of 250 products, it was clear that they could not fail.
- Brands need to understand that it is important to merge the digital and physical world.
 - Young generation demands that, as they are in gaming for example.
 - You need to be there (as a brand) where the Gen Z is; in videogames, on Discord and on social media.
 - All conversations and transactions will happen in the digital world.
- Entry in the Web 3.0 doesn't mean going fully digital, just a way to innovate things.
- In the future every website and retail store will have the connected option and it will be more easy to just use your wallet and more people will understand it.
 - It still needs time but it will all be merged, but It will all be part of our normal life.
 - It is something scary and new for everyone, but in the future, we are getting there.
- You don't need to tie every NFT to a physical product -> it needs to make sense.
 - Don't generate hype and money and then do nothing with that as a brand.
 - It's very important in this field that you speak to the community and deliver experiences.
 - After the project, the real work begins.

- Customers need to understand what you are doing – for that you need a clear strategy and roadmap and companies need to deliver everything that they promised.
- The beauty of this world is that you can be creative, you can launch every product with creativity.
 - Give me an example of a good, where you think it is difficult to build an experience in the Web3 world.
 - Author named watches.
 - The NFT watch collection of Louis Moinet x Exclusible February 2022 was sold out within minutes.
 - you can wear it as a digital replica in the metaverse and can display the timing which is linked to the real timing and one lucky member will receive a unique watch that no one has.
 - Collectors of watches are emotional and easy to convince.
 - It is a male dominated accessory.
 - Another example is the Frederique Constant x Exclusible NFT project where we released a very special watch.
 - The NFT gives the customer discounts, presale access, invited to events, seeing the watchmaker one physical watch.
 - One rare physical watch was drafted between all NFT holders.
 - In this collection, Constant played with experiences.
- Companies are creating departments for metaverse which is related to strategy and how can we connect in Web3.

- Increasing Web3 innovation space in their company.

Q4 | Success Factors | Customer Experiences

- It's very important in this field that you speak to the community and deliver experiences.
- After the project, the real work begins.
- Customers need to understand what you are doing – for that you need a clear strategy and roadmap.
- The beauty of this world is that you can be creative, you can launch every product with creativity.

Q5 | Success Factors | Brand Awareness

- It's normal, it's always important for brands to have press exposure and people are talking about your projects.
 - Companies are pretty focused on the press exposure when launching a project because that is one of the goals to be in the headlines.
 - Every luxury brand is focused on that but not only in the NFT world.
 - They bring a new kind of luxury to the market through NFTs and want to share that achievement.
 - Brand awareness is most important for the younger generation.
- Luxury and NFTs are not a need.
 - We want to share this with people that we belong there.
 - Obviously because we believe in the vision mission and values of the brands.
 - It's based on desire and belonging somewhere.
 - NFTs will have an impact of how you see the other person because it says sth. about the person.

- People will appreciate me based on the NFTs and communities that I am part of.

Q6 | Success Factors | Community Building

- It's something for the digital identity and belonging to a certain group.
- Cryptopunks, bored apes and world of women are projects where you want to show that you are part of a community.
- You can show on LinkedIn, Twitter with your profile picture that you are a belonging to a community.
- You are considered as an ambassador an advisor, someone who is highly respected in this world.
- Companies can reach with NFTs out to your community and keep them active on Discord.

Q7 | Success Factors | Rarity & Exclusivity

- It is normal that these are success factors that apply for the luxury industry as they have always been important.

Q8 | Success Factors | Proof of ownership and authenticity

- It's something non-fungible, you can track, prove it.
- NFTs are something for the digital identity and belonging to a certain group, therefore it is important to check for authenticity.

Q9 | Success Factors | Resale Potential and Investment Opportunities

- Can be a case for the future that brands participate on a resale.
- Brands should think about that.

- Market activity in the secondary sales is really fast and of course this is something that needs to be rethought.
- NFTs are so important for the luxury industry as they are unique, non-fungible, trackable, proof and are linked to the digital identity.
- Through this technology, it could be possible to participate on the second hand market in the future.

Q10 | Success Factors | Bridging the digital and physical world

- Every NFT project has not to be tied on a physical product but it needs to be tied to the physical world.
 - Strongly advise to follow that goal, a lot of Web 2.0 brands that collaborated with us.
 - Many consumers still don't have a digital wallet.
 - Physical experiences can be an invitation to attend a physical event like a concert.
 - Companies need real innovation and should be creative to merge the two worlds but they need to understand that it is important to merge the digital and physical world.
 - Young generation demands that, as they are in gaming for example.
 - You need to be there (as a brand) where the Gen Z is; in videogames, on Discord.
 - All conversations and transactions will happen in the digital world.
- Entry in the Web 3.0 doesn't mean going fully digital, just a way to innovate things.
 - You don't need to tie every NFT to a physical product, it needs to make sense.
 - Don't generate hype and money and then do nothing with that as a brand.

Q11 | Success Factors | Partnerships & Collaborations

- The right partners, collaborators and blockchain are super important.
- Companies are entering something new and need to be careful and need to make sure that they are prepared.
- 10 years ago, luxury companies took a conservative approach when it came to digitalization.
- They need the right agencies as partners to design their NFT or develop your strategy.
- In terms of tech, it is crucial that there are no mistakes from the companies side for the project.
- Many brands don't have someone in house who really understands this world and consumers that is why part of my job is to educate them on that.
- Twitter and Discord are so important and even that is something new for the companies.
- You need to deliver with the partners a good experience for the customer (technical).

Q12 | Success Factors | Legal

- When it comes to Web 3.0 brands, you can literally do anything for examples a contest or a giveaway.
- Those things are not legal and you have to pay attention on that as you cannot just simply give away products.
- Taxes do play a role in every NFT project.
- Financials always need to be considered and companies need to find good agreements when it comes to royalty sharing.
- The collaboration and work with influencers, can also be difficult as they need to respect brand guidelines and just can not simply post stuff.

Q13 | Closing the interview | Recommendations from Experts in the industry

- We covered the most important things that are utility and community.
- The created expression of the project is important, if all of the brands are doing the same stuff, where is the fun of a project.
- Creativity is something that is nice to have and you need to push the boundaries and really create an omnipresence strategy with all universes like the metaverse.
- Companies need to create a long-term strategy for the Web 3.0 presence and have it in mind.
- It should be meaningful and create an impact where a customer can follow and understand the community.

Q14 | Closing the interview | What would you organize differently on all the projects?

- Personal opinion: don't want to link this to her company or what she does.
- Sometimes a brand just releases a project, they have the money and do nothing for their built community, for example they do not go on Discord and interact with them.
- We are a marketplace and don't provide community service.
- Brands need to keep on working after the drop and there is often a lack of commitment from some luxury brands after the drop.

Interview 3 (I7)

Summary Expert Interview with Web3 Project Manager at Louis Vuitton

Note: Due to the confidentiality of the role and projects of the interviewed expert, the name and company cannot be shared.

Concept Presentation

- We identified several success factors for NFT projects over the last months and developed a use case for Louis Vuitton based on our findings.
- The goal for the use case is to launch an NFT with a physical product and connect those via an NFC chip.
- Additionally, the secondary market of luxury goods provides enormous potential. Therefore, LV wants to participate in this market by offering a secondary marketplace for products traded via NFTs.
- Further, it is planned to create an engaging and prosperous community of many people of current customers of the target group but also conquer new groups like Gen Generation Z and Y and unite them through attractive utilities that would also engage them. Through gamification and a communication strategy.

Q1 | What are your thoughts about the presented use case?

- First, it's quite surprising how close you are to our approach. Then you are very close to the kind of project we are building. To tell you so. That's very, very interesting.

Q2 | Do you think we're missing in any particular partnership, or are we on the wrong track?

- No, you are on the right track. The partnership is essential because Louis Vuitton doesn't have the capabilities of an internal blockchain deployer. Not like it's a dealer on the blockchain.
- It's strange because I try to say things, but all I can say is without saying. Let's say that it's essential to a company, like we do, to understand how to build a community.
- How do I communicate with the community and engage the community? And so maybe we could have a partnership with another company.

Q3 | What is vital for a company like Louis Vuitton to enter Web3?

- The first structure is subjective. As a company like us it is, why should we enter web3? How can an NFT be useful?
- It's very, very important for, let's say, classic companies where two companies know why they are entering Web 3.

Q4 | What is your opinion on the secondary market of luxury goods?

- We need to build bridge grids between physical and digital products.
- But before, the priority for luxury companies was to increase the value of their products to increase the desirability of their products. They only think about that.
- I can tell you that luxury companies' priority is to increase their products' desirability. By desirability, we mean the fact that people would kill to buy a product of our brand. New digital utilities to increase this desirability and increase value.

Q5 | What do you think about the utilities of the use case?

- All the use cases you talked about. Sure they are great, and they are more or less what we are thinking about.

- But we must remember that they are here to increase the product's value.
- It's excellent, a great idea, and I can tell you we didn't think about it, but does it increase the product's value?
- The first feeling when I hear about it is to tell you our mindset and priorities. We are very, very focused on a physical product. And to increase their values.

Q6 | What are your thoughts about the secondary market & participating through royalty fees?

- It's excellent and very, very close. I agree. There is a need for luxury companies. They have no control over secondary markets. It's a problem for these companies because they need to know where their products are going. They don't earn any money whether their product is sold at a single value.
- There is a big pain point behind it. Luxury companies want to avoid being in these secondary markets because, for all the customers, it is pretty cheap too. They don't want to be associated with secondary markets.
- But there is one thing exciting. Luxury companies are very, very, very attracted by the principle of royalties.
- The whole challenge is to use the NFTS to earn royalties. Without being too much associated with the secondary market. We don't want to be on Open Sea. For example, we don't want an Open Sea profile because it's too cheap.

Q7 | Why do companies like Louis Vuitton not want to be on platforms like OpenSea?

- That's it's essential. Not only for the royalties but also to keep control over the product. So there is an excellent opportunity for us.

- On the secondary market, we will be able to know which wallets will buy NFTs and maybe which physical product is associated with this. We see NFTs and the secondary market as a great opportunity.

Q8 | What is your opinion regarding discussion platforms like Discord and Twitter? And how important are actual events for your projects?

- I will answer not about the mechanisms but about this platform. It is not appropriate for luxury businesses. This is our condition because I wonder if you spend time on the Discord servers, but it doesn't fit with how we treat our clients and our communities. It's the first thing I can tell you.
- Then about the physical events. Well, and if sooner, then I think it's great. We don't have to exclude anyone. Because it's essential for us, there may be clients who are our big traditional clients. Can they join all our events? We don't want to exclude them. So it's another thing I can tell you.

Q9 | Do you have any last words about our use case?

- What you are doing is much better than a master's thesis. You are working on a starter project behind it, and I don't know if it's the case, but if it's not, you should because you know you know.
- Precisely, our pain points, and I think you are good. It's like very very crazy how close you are to our challenges, and so I believe that you should build a business. Behind this, this is my advice.

Interview 4 (I8)

Summary of Expert Interview with Oliver Scherenberg (Founder and IP Licensing Counsel, Web 3 Strategy and Legal Advisor Volkswagen AG)

Q1 | Introduction | Are there any questions so far to our project?

- This is a project that you guys came up with. The project is not a collaboration, or you have not been asked to do it, but it is your own case that you are building.

Q2 | Partnerships | Are these partnerships feasible?

- I have two questions. The first one is: Does the collaboration with RTFKT mean that they do the animations, for example? Or what would that be? Or do they design and distribute the digital fashion or the avatars that then wear the clothes, or what is the idea behind that?

Yannick:

- The idea here would be for RTFKT to take over the digital part, i.e. the design of the NFTs. In addition, we could of course consider in the long term whether we could also make them compatible with the CloneX avatars. Because of the framework of the Master's thesis, we didn't go into it in detail. But of course that would also be an idea where we could still look at.

Oliver:

- Why RTFKT? Why not a fashion company, for example, a manufacturer or someone who prepares fashion individually, so to speak? RTFKT is ultimately a competitor in the broadest sense because they belong to Nike and of course not in the same segment. But maybe they are too close?

Yannick:

- On the one hand, we took RTFKT and Off-White because Nike already had a collaboration with Louis Vuitton and Off-White. So we would bring the whole purpose of that into the world of NFTs as well and that's the thinking behind it.

Tim J.:

- Another reason was that there is already a project with RTFKT and Rimowa and Rimowa is part of the Louis Vuitton group. And that's why there are already connections.

Oliver:

- Logically I understand. Aura Blockchain is not just a consortium, it's its own blockchain, if I know that correctly. Quite deliberately its own blockchain for the for various luxury brands that they have built up that don't want to be on Ethereum, Polygons or whatever. Is my understanding correct there, or is Aura's consortium not its own blockchain at all?

Yannick:

- We didn't understand it as being its own blockchain. Several companies in the luxury industry are coming together here to create this connectivity between different brands so that they can work together and realise projects with each other. This also leads to the ERC 721 standard for key technologies, which is based on Ethereum, so that it is really adhered to.

Oliver

- Ok, yes, very good. So I had just seen that. To be honest, I didn't quite understand whether this is a blockchain in its own right or whether it's ultimately a consortium that works to harmonise and unify some kind of standards. So that they can guarantee a certain level of security for luxury goods etc. on the blockchain. But that's interesting. Sounds cool.

Q3 | Key Technologies | What do you think of these technologies?

Oliver:

- Why? Why an own marketplace? Better than Open Sea or simply because it's more controllable?

Yannick

- On the one hand, it is more controllable. On the other hand, Open Sea recently declared 0 percent royalties, which also had the consequence that other marketplaces did the same. We decided to do this because of the risk factor and, in the end, also to have complete control over the marketplace. Be it user experience or own design. Here you would have more control and that also fits in with the exclusivity of Louis Vuitton.

Oliver:

- I think OpenSea has made it optional whether to recognise royalties or not and not abolished it. But it's definitely a bad signal, no question. For me it's just the NFT standard token and I don't see a problem there.

Q4 | Utilities and Functions| What do you think of the just mentioned utilities?

Oliver:

- I was just wondering about the model of secondary sales and royalties, which was originally intended as a form of remuneration for authors, as it already exists in some legal systems. This means that when works of art are sold by commercial resellers at art houses or auctions, for example, the authors can already demand a share of the proceeds from the commercial resellers. And this was also implemented here accordingly through these NFTs.

- This was established to protect and strengthen the creator of the work. It has been abused a bit in the past, with companies building up a second revenue stream. In this case, the community would probably not appreciate it, because you have already paid for the bag and the bag is not a work of art in the sense that it is simply an everyday object.
- Yes, it's a high-quality and very special object, but it's not artistically valuable in the sense that you have to pay the creator. And the fact that a company earns twice, if you like, that it charges a high price for a good and then gets money for it again in the secondary market is actually unusual, especially since the price for these products is usually lower in the secondary market than in the mint or at the time of purchase.
- The joke of these royalties is actually that you are in on price increases. I could imagine that this is a point that is at least critically perceived by the company or by the market. Earning again on secondary sales is almost a kind of punishment here and almost leads to a possible limitation of resale. Because the factor that you have to give something away and get even less money with your secondary market bag is already not very common and could even be problematic from a legal point of view, because you are putting someone at a commercial disadvantage and, at the end of the day, maybe you are keeping them from reselling these bags at all. I would put a small critical cross against secondary market sales and royalty fees.

Tim F.:

- Okay, but you also meant that the NFTs tend to go down after the Mint. That was the case with the Tiffany case in the luxury industry, but now, for example, with Rimowa, the NFTs are still selling for four times the original price.

Oliver:

- I mean on the contrary. I mean, the secondary sales royalties are actually intended for the case that the works of art increase in value and through trade another revenue stream arises but everyone can easily deduct the 10% or whatever from the profit of the resale and compensate the author. In the case of everyday objects and also in the case of bags, where I am frankly not very familiar with secondary sales of Louis Vuitton bags. I would guess that they tend to go down in price, not up, unless it's some insane edition.

Tim F.:

- Yes, that's exactly the point. Sorry to interrupt you here, but the Off-White collection is supposed to create this certain hype. Some of the bags went for 3000€ in retail and our collection is strictly limited to 1854 units. The prices of these strictly limited bags and collections usually skyrocket. So here was our thought, which could be very interesting for the luxury industry.

Yannick:

- Quick question, because you said that this commercial disadvantage, that it could be legally difficult? In what way or how does that look like?

Oliver:

- So if I as a buyer pay for something, then I can normally assume that I have paid for it once and then it is mine and I can do with it and dispose of it as I want and I don't have to pay someone else for it again. I have already paid for it. So in intellectual property law there is an institution called exhaustion. Ultimately, the right is exhausted. I paid for it once, now I have it and now it's mine and that's it. I also paid for the right to use it and that includes the right to resell it. If I am now forced by general terms and conditions or by any mining conditions or anything else, it is not normal to pay something again, then I would possibly

ask myself as the owner where the legal basis would be. I wouldn't want to do that. According to the law, I don't have to and then I look at the general terms and conditions and say that a general business condition can force me to pay something that nobody can force me to pay according to the law. Then it's quite conceivable that these general terms and conditions will classify this clause as surprising and thus invalid. So from that point of view, it's not one hundred per cent stable, because it's just unusual in the context of normal material objects. In the copyright field it exists under some rights, so there it is not necessarily surprisingly unusual. I would say that the secondary sales royalties are still somewhere in the green zone. If it is really about NFTs it is one thing, if it is about bags as part of a package of digital and physical assets, then it is a burden on me as the seller of the bag, because I usually sell NFTs and bags together. That's probably the way it's meant to be, and accordingly I might have this aspect of purchase law that I have with the normal item more in the foreground than I would have with pure NFT royalties. But it's worth a try, so at worst it's ineffective.

Q5 | Community Management| What do you think of the plan for the community?

Oliver:

- With Raffles it's always the case that it could be gambling, depending on whether you have to pay to participate in the Raffle, which is usually not the case. So if you are forced to buy a kind of lottery ticket to win something else, then you are quickly in regulated industries.
- But if you have this typical we do games here in Discord and we do some riddles and then you can be the winner here or you can somehow do community art projects and the community decides whoever should be the winner.

- So giving out whitelist spots exclusively according to certain criteria is a common practice and nothing out of the ordinary now. I've always raised my eyebrows a bit at some of the raffles I've seen in the past, but it has to be said that there are good ways to do this legally and without problems. The story with the best customers, for example, those who buy bags for at least €100,000 a year, of which there are certainly more than 500 a year. You will find them, whether they are influencers or celebrities or whatever.
- The idea that you give them the right to mine or the other way around, you only give them a whitelist spot and they have to mine either in a payment or in a normal mining window and if not, the unused whitelist spots fall back into the community or back to the project and can then be reassigned. 6 weeks is also standard, etc. Whether you really want to do Discord, I'm not entirely sure, especially if you do it before launch, then you have the typical grinder effect, whether you like that is something you have to consider as a brand. I wouldn't recommend it in principle, but it doesn't have a legal background, because it can become very messy in Discord and you have to manage that with a lot of effort and then there are also good and bad examples like the Apes, who you certainly know who started their marketing campaign just under a year ago and then had over 500,000 people in their Discord and had a mega-pushed project. They did some great things for the people and for the slots for weeks and then these things crashed at the end. I think they are under one ETH now, I don't know where they are but they crashed really badly.

Q6 | Legal| What do you think of the just mentioned utilities?

Oliver:

- make free mints or airdrops to be secure that you avoid legal problems

- don't sell your NFTs if you want to avoid stress, because in the last consequence you can't exclude that there are regulatory problems
- Of course, you can earn good money with it in the initial market, even more so at such a price.
- Exclusivity, limitation, certain promotions, somewhere with a short launch window, etc. there is definitely the perspective that this can also be seen as a problematic financing or financial market product, especially in a country like the USA
- There are enough nodes in the US that are responsible for this and regulate everything.
- you can either say I'll do it for free or exclude the USA
- You can try to eliminate every conceivable reference to value enhancement and avoid all these terms if possible
- It's more about legacy and community about branding, belonging and so on.
- The biggest problem at the moment with the authentication of luxury goods is the link between the real product and the digital token can simply fall apart
- It's only a token, it had nothing to do with the bag
- The other way round, if you keep the token and burn or lose the bag
- Accordingly, it is indeed a problem.
- You can try to state that in the terms and conditions or in the mining terms or whatever that these two things have to be related.
- They lead to a digital asset and you can theoretically grant the rights to use the digital assets to anyone you want and that's not even represented in the token.
- So let's say I buy the bored Ape and you have an exclusive license agreement for the use of the IP rights of the JPEG and then I sell my token that links to the JPEG. Then the new

owner buys my digital assets and that is completely hollow inside. This means that I have just transferred the IP rights to someone else and they still have them, even if the token is gone. This means that the new owner no longer has the IP rights, but only the image

- That's actually one of the biggest problems of the whole thing, all the trading of goods that International Property is behind. You can try to fix it, but it's almost certainly not effective and you have to be prepared for that. These things can fall apart.
- So indeed, you would of course try to anchor it in the project terms.

Yannick:

- The transaction is made but for example the bag is now not sent to the other person, but they keep it but they got the money for it.
- Would Louis Vuitton have to get involved with legal action or is it a buyer-seller issue?

Oliver:

- That's just the normal business risk that you pay for something and then you don't get the item.
- That's one of the good factors about digital transactions with smart contracts. The exchange situation happens automatically.
- Typically, otherwise the same thing is brought about by a trustee, but that's the nice trustless thing here with the blockchain, because it happens automatically.
- You don't have to trust anyone, in fact, but if the transaction goes wrong then that's your risk to deal with. Especially when you link such digital and physical items.
- The project owner has nothing to do with that. Then it's completely and solely your problem how you deal with it.

- There is of course another problem with wallet-to-wallet transfers of NFTs, for example, there are currently no secondary market sales and royalties.
- The royalties for the secondary market are not part of the smart contract, but part of the platform conditions.
- If you make a private sale, there are no royalties anyway, which also apply to NFT transactions today, but the royalties only take place if you sell via a platform and the platform then also collects the royalties and not the token and is not part of the smart contract.
- There are other platforms that simply do not recognise royalty fees.
- Ultimately, they do nothing other than what you would otherwise have with the One to One Transfer. But that also shows that it's not part of the smart contract, otherwise you wouldn't be able to transfer it without it being triggered automatically.
- So you can already bypass secondary market sales at any time. That's the statement about that and also you have nothing to do with that but the project owner, because that's just a market fact.

Yannick:

- Okay, interesting. The way we thought about it, we would have decided on a separate account with the so-called 'LV ID' and everything would be linked to that, so to speak. The transactions would then take place between these LV IDs, so to speak. Yes, and how to solve this technically, I think we are unfortunately all over the map. That is the idea behind how we would integrate everything.
- We would also apply the Howey test. In this test, all four areas have to be fulfilled in order to be considered an investment object, so to speak.

Oliver:

- Yes, only according to American law.
- We have other criteria, but today it's one of the worst because it's the oldest and so it anticipates things that don't exist anymore or it's just the most generous to include everything.
- in every national jurisdiction there are some securities and financial market regulations that you would have to look at.
- In a normal NFT project that is not tokenized, that doesn't involve currency and doesn't automatically come with tokenization and so on, you would generally not apply Howey and Mica.
- So in the standard NFT case with any combined physical history you are not in the capital market space normally.

Yannick:

- EU related is the Mica regulation the right one to follow? Because I did some research on that and there are very different opinions whether it only applies to NFTs or also to cryptocurrencies.

Oliver:

- It doesn't explicitly refer to NFTs at the moment, but they can be financial products.
- It's not that the Mica is specifically targeting NFTs now, it's actually targeting cryptocurrencies and other things.
- Anything close to a share, a participation or an entrepreneurial co-participation can be a financial product and thus fall within this legal framework.

- In the case of pure NFT projects, the focus is usually more on something like community or digital assets and not on investments.
- In the current market development, I think it's easy to justify saying: if you buy NFTs today, you can't seriously expect to make money with them. A year ago it was quite different, so maybe it's quite clever to be able to present it that way.

Tim J.:

- We want to offer our customers the possibility that they can pay by credit card on our website, but also connect their wallet and pay in Ethereum. Now we're going to assume, we don't know the structures of Louis Vuitton, that we're not allowed to have crypto on our books. Are we going to get into trouble? Our platform is not run by LV, but by Web3pro. That's a provider of such platforms, they also do the platform for Lamborghini, for example, and I think they offer us that they convert the crypto and pay it out in fiat at the end to the account. That's what the process is supposed to look like, are we getting into trouble there?

Oliver:

- So there are there are different providers that do that.
- Web3 Pro does it, but Ledger also does similar solutions, precisely in order to circumvent the compliance problems of the large companies, so that not just anyone can hold the wallet, not just anyone can sit on the seed phrase and, in the worst case, dispose of the assets.
- In fact, it is a relatively common solution that companies do not hold cryptowallets themselves, but use such service providers, and I am sure that these service providers are fully regulated, audited and certified.

- That means they also have to comply with the corresponding financial regulation, so they don't have to deal with money laundering, they have to go through their KYC and AML processes, so new customer and money laundering processes and so on.
- To use this service is recommended and usually you would get less risks and problems because of that.

Tim J.:

- Very good. A second quick question. You mentioned Anti Money Laundering and KYC, which we also looked at. It is applied in many cases to financial products. Do we come into contact with KYC in any way that we might have to include an identity verification procedure?

Oliver:

- You shouldn't, but it has to be said that every country has its own regulations and it is quite conceivable that there are one or two countries where this could be legally problematic.

Tim F.:

- Is there any other legal aspect of these eight points that you would like to mention here? Financial or the key competencies or the customer segments, where you still have concerns?

Oliver:

- Well, I'm just thinking about where you're most likely to get into trouble. The most difficult is actually probably the question of processing, the allocation of the white lists, the terms and conditions, where you try to somehow accommodate this linking of real and digital.
- In which you might also somehow accommodate additional commercial use rights for the IP of the NFT separately from the bag.

- Ultimately, this is something that you would have to do anyway, i.e. the mining terms and conditions on the website with which the project is coordinated.
- But that's something that can't be properly depicted here and ultimately has to be kept in mind. These are the project terms and conditions that still have to be included here somehow in the case of Legal. Just as an example, links, keys, physical and digital.

Interview 5 (I9)

Summary of Expert Interview with Jürgen Alker (Web3 Consultant and Head of NFT at High Snobiety)

Q1 | After having presented you our case in detail, do you have any feedback to one of the dimensions, something that we should further work on, erase, or add to the case?

- Few feedback points regarding the pitch:
 - At the beginning, you need to structure the case very clear and start with the why behind the case. Why are you doing this? Why should Louis Vuitton conquer this new market?
- Also wouldn't suggest Off White as a design partner for this project, since there are better options within the LVMH group.
- An area to dig a little deeper is how to reach the new target groups and how to onboard existing customers into Web3. What benefit do they have to be part of this? How does the existing Web3 community perceive your project and how do you build credibility in this space?
- What is your long-term financial goal with the project and how can the platform further be leveraged?
- Legal topics can be deprioritized first but need to be done after finishing the whole planning like writing terms and conditions.
- Another advantage in your project is the chances that Web3 and NFTs bear for LV like earning royalty fees on the secondary market for the first time and offer a circular fashion model. LV can offer an own secondary marketplace where pieces are verified, customers have transparency regarding the number of owners.

- When talking about the choice of blockchain, this topic is also less relevant whether you choose Polygon or Ethereum. Both blockchains are very energy efficient since the merge to proof of stake. Polygon has the advantage of very little transaction cost compared to Ethereum.
- I would suggest using storytelling in your case to better pitch the ideas. Your idea is good, though not completely new, but has great potential.

Q2 | Our goal is to build a great marketing case for LV but we are still struggling with keeping the physical good and NFT together when selling it on the secondary market. Do you have an idea on how to solve that?

- There are different technologies for NFC tags that are working pretty well.
 - Azuki uses this technology in their clothing.
 - IYK is good technology provider to offer these chips.
 - ARC is a good provider for utilities when scanning an NFT chip.
- Those technologies have the benefit that the NFT always stays with the physical item since owners can scan the NFT tag and transfer it from the wallet of the previous owner into their wallet.

Q3 | Is it possible to see the pre-owners and prices for which the item was sold in the past when using this technology?

- Yes, this is possible and happens automatically on the blockchain.
- Azuki already does this. The technology is very flexible and can be programmed to your individual needs.

- When talking about the secondary market, you need to evaluate whether you want to build an own secondary market or use an existing platform like misa.art that also have a BAFIN license.

Q4 | After having talked to a Web3 project manager of Louis Vuitton that is working on a similar project, he told us that LV does not want to be connected to the secondary market. What do you think of that?

- Everyone has their own opinion. I think this is a good use case and you should use your thesis to show possibilities when launching an NFT journey like that and not focus on what would really happen.
- I would also suggest increasing secondary market fees to 10% instead of 5% as RTFKT does it as well. For a luxury brand like LV, 10% are not a lot of royalty fee. In return LV offers the platform, customer service and trust to their customers.

Q5 | You mentioned the Off White partnership as not being perfect for Louis Vuitton. Why do you think so?

- This is just my opinion and it doesn't really matter. I would suggest a collaboration with a famous artist like Travis Scott to conquer new target groups and let him design the bag collection. But Off White is also a reasonable choice.