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Vox Populi, Vox Dei
The re-democratisation of the Internet

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Abstract

The transformational effects of digitalisation on contemporary luxury goods consumption have been thoroughly scrutinised by academia and utilised by brands and marketers as powerful tools to engage with their customers. *A fortiori*, this holds true against the most recent advent of Web3 applications. Web3 technologies enable users to regain control over digital content and introduce new possibilities for monetisation. They reshape the notion of digital ownership and offer access to disruptive ways for luxury goods brands to foster consumers' engagement and loyalty. In this paper, I examine how NFTs, metaverses, and decentralised platforms can be employed to appeal to changing consumer preferences. While digital *liquid* consumption is delimited from *solid* physical possession by its inherent virtues of ephemerality, dematerialisation, and accessibility, Web3 applications have the potential to de-liquify the latter and re-attribute the notions of ownership, longevity, and materiality to digital goods. The paper concludes with a discussion of the theoretical and practical implications arising from these findings.

Keywords: Web3, digital ownership, luxury goods consumer behaviour, brand engagement

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Vox Populi, Vox Dei
The re-democratisation of the Internet

The pivotal rationale in the early days of the Internet was a libertarian idea, entailing the promise of ubiquitarian and free access to information to its users. This august ideal was quickly turned into pecuniary models, legitimised by the investments companies had made in the development of their online ventures. And even though early online businesses struggled to find a sustainable way to monetise their digital offerings, which in turn led to the dot-com bubble, Web 2.0 emerged, where ownership of digital assets and the rights of disposal were, and still are, concentrated in the hands of relatively few incumbents. Consumers get the mere right of utilisation of such through subscription or pay-per-use patterns. At the same time, users create content, in particular on social media, mostly without any compensation but rather pay for premium functionalities in freemium models. The advent of Web3 heralds a renaissance of the libertarian idea of the Internet by laying the ground for decentralised applications, thereby empowering users in terms of content ownership and giving them opportunities to capitalise on it.

Web3, the decentralised web, is rooted in various technologies, first and foremost the decentralised ledger or block chain, where transactions are recorded and information is not stored on a central server but on each and every computer/server in the network located in multifold geographical locations across the world. This structure fosters security and transparency as information cannot be manipulated unilaterally and makes data mishaps and censorship less likely. In addition, Web3 incorporates smart contracts that execute automatically when stipulatory prerequisites under the respective terms and conditions are met. Consequently, intermediaries, who validate or enforce a transaction become obsolete. Lawyers, banks, brokers, or experts are not required to authenticate and facilitate a smart contract-empowered transaction in fields like financial operations, supply chain management, digital identity verification, art, gaming, and many others. Therefore, block chain-based Web3 is oftentimes depicted as *trust-free* (Belk et al., 2022). Web3 entails the promise of a decentralised digital experience, *allowing individuals to regain control over their data and information, monetise the content they create, and easily organise with those who share common interests and objectives* (Murray et al., 2023).

One particular instance of Web3 are Non-Fungible Tokens (NFTs), unique digital assets stored on a block chain. Each NFT represents a specific piece of content or digital asset and is not limited to visual art, but can represent music, video, gaming items and avatars or even tweets. They can also be attached to a physical item like a car or a watch or exist as a *digital twin*. Unlike fungible assets, such as cryptocurrencies, NFTs are singular and cannot be exchanged for other tokens on a one-to-one basis because they have different values and properties. Every NFT has a unique identifier and can be owned by only one person at a time, although fractional ownership is possible. NFTs are created using smart contracts and can be bought, sold, and traded on various online marketplaces, e.g. OpenSea, primarily based on the Ethereum network and its currency Ether.

This paper aims to explore the impact of Web3 on digital consumption, focusing on the concepts of digital ownership, brand engagement, the extended self, and liquid consumption theory. It concludes that Web3 has the potential to transform consumption by enabling a decentralised and democratic approach to digital transactions.

In *liquid modernity,* we are no longer what we have but what we experience

Consumption behaviour theory describes current consumption as ephemeral, access-based, and de-materialised, catering to the needs implied by a vivid, ever-changing professional and private social ecosystem most people face, which Bardhi and Eckhardt (2017), with reference to Bauman's concept of *liquid modernity* (Bauman, 2013), label as *liquid consumption*. In contrast, traditional forms of consumption can be described as persistent, ownership-centred, and material, manifested in the behaviours of *accumulation, appropriation and celebration*. *Liquid consumption*, be it streaming on Spotify or Netflix, online gaming or the Metaverse, allow consumers to access digital content or physical goods through digital platforms (e.g., car-sharing) they need merely for the required lapse of time, mitigating or completely removing the otherwise implicit burden of ownership. (Bardhi et al., 2012) The use value becomes the pivotal momentum in customers' decisions, where they seek experimental, intrinsic value catering to the individual self-worth bias and embrace utility over outward demarcation like status-signalling. *We are what we have* (Belk, 1988) has turned into we *are what we experience*.

The most substantial secernment to past research stems from GenZ's coming of age as an emerging consumer group. They are consumers born between the mid-1990s and the mid-2000s as *digital natives*. Unlike the previous generations, i.e., the *digital immigrants*, they have almost wholly substituted computers with mobile devices and embrace fundamentally different values and conceptions. These convictions manifest *inter alia* in the importance GenZ gives to ESG considerations, amplifying the second-hand market and sharing models. In addition, they expect ubiquitous availability and responsiveness from their friends but also from brands they are engaging with. Rather than seeking satisfaction from owning assets, members of GenZ cast for meaningful experiences, described as *less acquisitive – experience first* (Bakir et al., 2020). Various recent studies (e.g. Harris Group, 2023)[1] found that around 75 % of GenZ would rather spend their money on experiences than on material items. In contrast, only 50 % of millennials and approximately 30% of baby boomers prefer experiences over things. According to a 2023 report by McKinsey & Company,[2] Gen Z consumers seek out experiences that are unique, authentic, and shareable. Those need to be personalised to reflect consumers' individuality and values, for which in turn they are willing to pay a premium. This report also found that Gen Z's focus on experiences has led to a decline in traditional retail and an increase in experimental retail, such as pop-up shops, events, and immersive brand experiences. The COVID-19 context has further expedited this generational preference but also increased prudence about in-person encounters and a shift towards virtual and hybrid experiences instead.

Digital consumption caters to these needs through its ephemeral, access-based nature. However, current research is indifferent if digital goods are agents of change substituting physical possessions or complementing the latter with an augmented consumer experience (Morewedge, 2022). It addresses artefacts like instrumental rationality, individualisation, risk and uncertainty, and fragmentation of life and identity (Bauman, 2007). Albeit, the transitory nature of digital consumption leaves some fundamental human desires unappreciated. Those encompass, among others, the notion of physiological ownership, collecting and affiliation to a certain group.

[1] https://theharrispoll.com/insights-news/reports/the-harris-z-tracker/

[2] https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-gen-z

De-liquefication: closing the gap

Decentralised, distributed ledger applications such as NFTs cater to these needs by attributing lasting proof of ownership and product authentication throughout the whole lifecycle, from sourcing of raw materials to different points of sale to reclamation by the producer or third parties. NFTs and metaverses have attracted broad public recognition since 2019 with soaring valuations of digital art such as the Bored Ape Yacht Club and massive acquisitions of virtual land, i.e. the "digital landgrab" (Belk, 2013; Belk et al., 2022). However, very recently in 2022, both markets went through incisive remediation, exacerbated by the emergence of artificial intelligence chatbots, most prominently ChatGPT, reaching 100 million users within just under 2 months and thereby becoming the fastest-growing technology platform in history.

It is unclear at this point, which technology will prevail and how consumer behaviour, shaped by technology, will look eventually, however it is evident that Web3 has vast potentialities to benefit the inherent transition. Contrary to many commentators in the leading business press, I take the view that NFTs and metaverses have not just been another digital tulip bubble and are not going extinct because of the ascension of AI chatbots, but their underlying mechanisms imply unprecedented prospects to address the generational shift of paradigm in consumer behaviour. Based on a qualitative study, which I conducted through semi-structured interviews with senior industry experts about the meaning of digital assets, I advocate for novel forms of customer engagement by putting emphasis on the creation of a cross-sector platform consolidating those technological advances.

Web3 de-liquefies digital assets by shaping the notion of digital ownership from liquid back to solid through the attribution of characteristics of material goods to digital ones in four different ways:

Firstly, virtual goods become individualisable. By their nature, they are easily replicable and distributable at marginal costs close to zero. Therefore, critics argue that an NFT artwork remains a picture file that everyone can copy and put on a screen at no cost and in no time. Still, the piece "Everydays: the first 5000 days" by Beeple (Mike Winkelmann) sold for a staggering 69.3 million US$ in spring 2021. This leads to the question, if everyone can have a copy of any digital image on a computer and enjoy the artistry for free, what was the rationale for Singapore-based crypto entrepreneur Vignesh Sundaresan paying the third highest amount ever paid for an art piece of a living artist by? Admittedly, being a vanguard of a technological revolution and speculative considerations might have played a role but do not suffice to explain the transaction entirely. Like the traditional art market, where almost identical copies of masterpieces, created with techniques and materials from the respective period, exist, solely the idea of uniqueness and authenticity of the respective original piece justifies its price. And only through block chain can the attributes of singularity and validity be added to otherwise identical digital clones.

Secondly, the borders between the physical and the digital world amalgamate. Digital items can be displayed in curated off- or online settings, e.g. through hardware screens in the real world or, conversely, be exhibited in metaverse contexts, where digital twins of physical goods can be displayed online by authenticated owners. For instance, watch producers could issue NFT versions of their products to be used on Metaverse avatars by certified collectors only. This aspect is the most underdeveloped one due to the limitations of technological advances. However, hybrid physical-digital products such as wearable devices, augmented reality (AR), smart home applications or 3D printing take on increasing significance, blurring the lines between both spheres.

Thirdly, the democratisation promise of Web3 by re-empowering users redirects legal and economical control over their intellectual property. At the same token, fractional ownership gives access to goods that are otherwise not affordable for consumers, and automated cryptocurrency facilitated transactions cut out intermediaries. For brands, this implies a loss of control not only over information and assets but also over communication with and among stakeholders about the brand as well as its brand value. Notwithstanding, they can use those channels to engage with customers in a much more individualised manner and offer additional services while addressing changing preferences.

Finally, Web3 offers new ways of community building. With reference to Giana Eckhardt, Denegri-Knott et al. conclude that future digital offerings require active participation to create a considerable experience instead of merely simplifying their use. The higher the monetary and emotional investment in digital commodities, the more robust consumers' allegiance (*ensnarement*) with the platform becomes (Denegri-Knott et al., 2020; Molesworth et al., 2016). My research could identify an evident intrinsic need for affiliation with a person's respective peer group(s). The Bored Ape Yacht Club was one of the prominent examples of NFTs granting access to exclusive communities through ownership. While the artistic aspect of it might be of marginal relative importance to buyers, the affiliation with a certain crowd, be it Hollywood celebrities or tech innovators, admission to real-life events, as well as the possibility to support creators did play a significant role in the buying decision - beyond purely speculative considerations.

The range of potential uses is vast. For example, many premium brands generate considerable parts of their income with affordable items like keychains, perfumes, or cosmetics, thereby creating an emotional connection with the brand and permeating some of its allure. Fractional ownership, sharing, and renting models expand the possibilities to provide access to the specific brand community at low entry levels. Furthermore, brands could create their own decentralised loyalty platforms encompassing gamification elements, where users own and control their reward points.

So far, the most notable foray of how the luxury goods industry addresses the current technological and societal evolution is the Aura Blockchain Consortium, where the leading competitors in the marketplace, LVMH, Richemont, OTB Group, and Prada, unified alongside Mercedes Benz to establish a *single global blockchain solution open to all luxury brands of all industry sectors worldwide. Aura Blockchain Consortium accelerates the transition to a circular business model, trust and transparency for customers, innovation, and sustainability.* The venture encompasses Web3 applications such as centralised and decentralised block chain-actuated fraud-proof authentication employing NFTs, enhanced after-sales services, and traceability of single items like wristwatches or handbags throughout the whole product lifecycle. On the one hand, the rationale of the Aura Block Chain Consortium is a smart strategic move as the inherent democratisation of Web3 implies diminishing ownership and control of producers over their brand equity, which can be counteracted by establishing standards and protocols. Setting rules governing the mounting user proficiency and monetisation of assets mitigates the corresponding shortcomings for companies. On the other hand, most brands lack proficiency in exploiting the full potential of the networks they could tap into through their own customer base. *Eo ipso,* super-premium brands have access to highly affluent and influential individuals but barely proactively build and leverage those communities. For instance, sportscar manufacturers or prime watch brands decide the allotment of eminently sought-after limited editions of their products either by potential buyers' frequent attendance at corporate events such as product launches or the mere amount of previous purchases, which essentially is a pen-and-paper approach to differentiate passionate collectors from speculators.

Building on these insights, future research should further explore the intrinsic benefits of Web3 brand platforms for customers in order to design them accordingly. At the same time the meaning of digital wealth and its motives demand attention to understand future customers fully. My research implies very distinct drivers and attitudes from those of tech-savvy entrepreneurs, which require a targeted marketing approach. This is a fertile and relatively unchartered field of research that is worth further research.

Conclusion

For management practice, the developments outlined above have profound implications. While the shift of paradigm in consumer behaviour supported by Web3 technology is evident, brands need to adopt the latter with care as it is unclear which specific technology will prevail. Investing in every technological hype can quickly become a money pit. So far, many companies have experimented with different ways to create further customer value and engagement, but there is no comprehensive approach except that of the Aura Block chain Consortium. Single brands merely work on silo projects. To mitigate the risk of sunk costs while increasing scalability and scope, incentives would be useful to encourage developing an industry-wide platform using NFTs as a vehicle of brand loyalty and engagement as well as incorporating their own cryptocurrency to reward brand loyalty and enable customers and fans to access events and purchase goods. Such a joint approach would involve significant industry players, creating unified standards and protocols. As much as it is understandable that brands prefer not to dilute their identity by collaborating with rivals, customers will appreciate a unified platform. In particular, as brand loyalty diminishes, and consumers make their buying decision on a case-by-case basis, they tend to value an easy-to-use approach more than a single brand presence. By doing so, brands can re-attribute traits of solid consumption to mounting digital demand.

Managers should focus on:

- Abandoning the traditional brand silo, one-size-fits-all marketing rationale but embracing the generational and technological changes described in this article; thereby:
- Addressing each and every customer on an individual level with Web3 means and
- Engaging the brand's stakeholders, including loyalty platforms and gamification elements.
- Screening the developments in technology and its use with both curiosity and caution.
- The exploitation of the full potential of their client base by creating internal networks.
- Seeking ways of technological and strategic collaboration with competitors:

A unified platform would offer various advantages for brands:

- Reducing the risk of sunk costs for experimenting with different technologies without knowing which one will be adopted eventually on a broad scale.
- Engaging potential future customers early at low entry levels.
- Having a closed system with its own cryptocurrency as a mean of reward and transaction.
- Catering to the need of experience-based consumption by offering off- and online events.
- Mitigating the risk of losing control over brand equity triggered by Web3 re-democratisation by setting universal standards of how consumers regain domain.

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