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Abstract

This paper discusses the challenges and opportunities for marketing managers when using non-fungible tokens (NFTs) as a marketing resource. Focusing on the football industry we provide specific examples that underline both the upsides and downsides of NFT-based marketing campaigns. After a critical reflection of NFTs and the technology they are based on, we conclude the paper by deriving four key strategies for marketing managers to create a unique and novel brand experience through NFTs.

Keywords: non-fungible token, NFT, legitimacy, brand experience

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Introduction

In March 2021, someone paid $69 million for a picture on the Internet. This picture was a work of art called “Everydays: The First 5000 Days” and was sold as a non-fungible token (NFT). Since then, a global market based on NFTs has emerged. It was valued at 15.7 billion in 2021, and people keep spending millions on digital arts and collectibles (Kaczynski & Kominers, 2021). NFTs work as certificates of authenticity: they guarantee ownership, which is registered on a public blockchain network as an immutable piece of data. It is managed by a smart contract, which is a predefined agreement with conditions on what, how, when, and by whom actions can be done (Belk et al., 2022). NFTs provide unprecedented marketing opportunities to many industries besides art. For firms, NFTs have the potential to create meaningful brand experiences and become essential assets as they potentially raise awareness and build loyalty (Hofstetter et al., 2022). However, research on NFTs and their marketing relevance is still in the early stages despite their current acceptance in the arts, broadcasting, and sports industries (Bajde et al., 2022). Likewise, many firms do not know how to approach the new technology and may miss brand-building opportunities. This failure to benefit from NFTs is not only related to firms’ internal lack of knowledge but also to their external stakeholders'. For instance, 90% of the Japanese, 82.6% of Germans, and 78.8% of the population in the UK do not know what an NFT is. In addition, a recent survey showed that a lack of understanding of NFTs is the second most-cited reason people do not invest in them, the first reason being not knowing what it actually is.

This paper addresses this issue by highlighting opportunities and challenges associated with NFTs being implemented as a marketing initiative. To do so, we develop our insights considering the football industry because of its pioneering marketing initiatives, such as LaLiga’s Official Football NFT Collectible Highlights or Visa’s campaign at the World Cup, where participants could create their own NFTs imitating the best moves of their favourite football players. In this vein, the contributions of this study are threefold. First, it explores some contemporary challenges for the legitimation of NFTs as marketing tools and how to cope with eventual adversities. Second, it shows how managers can invest in and rely on NFTs as a viable marketing platform to create value for consumers (fans). Lastly, it critically reflects upon the current approach of implementing NFTs and their technology, concerning their negative externalities.

Challenge: NFTs as digital assets

NFTs were recognized as the Word of the Year in 2021, indicating the hype behind the buzzword. At the same time, there are skeptics who consider NFTs a passing fad and critics who point out the risks associated with NFTs. Some negative consequence of the hype can be seen in cases of financial losses published by news media outlets, investors’ accounts, firms' reports, and many enthusiasts on social media. Undeniably, there is a direct association of NFTs with cryptocurrencies and their complex market dynamics. For example, OpenSea, the biggest NFT marketplace worldwide, reported that the trading volume dropped 195% between May and June 2022. This meant a considerable financial loss for owners of NFTs and the perceived value of some marketing campaigns using the technology.

The popular depiction of NFTs as "digital assets" linked to football club merchandise and their unstable financial value makes their use as a marketing resource risky. The logic is quite simple: If the hype of NFTs stops, then their financial value disappears, and this would generate fan frustration. Although the bear market, a period of prolonged price decline, is a temporary phenomenon, doubt and frustration are part of shared discourses. For example, managers of many football clubs stress that they cannot bet on pure speculation and invest in something as fuzzy as NFTs. The risk of generating brand transgressions and thus anger is too high, as in the case of the player Paul Pogba. In early 2023, he was involved in a failed crypto scheme that led some fans to bankruptcy. Given this complex scenario, many directors mention that football clubs need to be committed to the fans' passion and their sponsors' investments, and only invest in something solid.

The NFTs' hyped, unstable, speculative, and, eventually, questionable status thus creates not only fan-oriented challenges but also institution-oriented ones. In many cases, although the emotional dimension of football drives NFTs' institutional legitimation as a valuable marketing resource, their use in marketing campaigns is restricted, because of managers' and stakeholders' lack of knowledge combined with the absence of market regulations. In this vein, to overcome the challenges connected to the idea of NFTs as digital assets, marketing managers should invest in educational strategies. They must consider both internal stakeholders, such as employees and shareholders, and consumers (fans). Such strategies can be implemented by considering branded content explaining what NFTs are, how they work, and why they are relevant to the business (e.g., a new line of revenue) and consumers (fans) (e.g., a unique souvenir from football clubs). These contents could contribute to framing NFTs as collectibles rather than financial assets, thus avoiding frustrations for all stakeholders.

Opportunity: NFTs as the future of brand experiences

Crypto enthusiasts predict that NFTs will play an important role in shaping market dynamics and brand experiences soon, especially considering extended realities such as emerging metaverses. For example, the trend among many football players creating or acquiring NFTs as digital collectibles have been influencing the early framing of NFTs as the future of art collecting. In this scenario, Lionel Messi, who currently plays for Paris Saint-Germain (PSG) in France, created one of the first NFT collections, a noteworthy example of crypto innovation. In an interview in 2021, Messi said: "Art, like football, is eternal." This somewhat poetic statement hints at a key element in both the football industry and the institutional legitimation process of business resources: emotions. Emotions are essential in brand experiences that, consequently, help to legitimize new technologies as marketing resources (Mimoun et al., 2022). Another example of such an emotional dimension of technology use is Neymar Jr.'s case. The player who also plays for PSG is now part of the elite "Bored Ape Yacht Club." For the purchase of the Bored Ape 6633 NFT—a pink ape wearing futuristic glasses - he paid approximately US$500,000 in 2021.

The idea of NFTs as pieces of art combined with fans' emotional connections with players and clubs seems to significantly influence managers' decisions to work with them. For some, they are a unique source of income and positive brand perception (Colicev, 2023). And this is of high relevance because to institutionalize is to imbue something with value, which, in the case of football clubs, is their history full of passionate moments. A relevant example of this vision is the traditional Brazilian football club Santos. In late 2021, it announced its first initiatives with NFTs by launching a marketing campaign called "Santos of the World" in celebration of its 110th anniversary. The club's goal was to reach national and international audiences by offering exclusive NFTs on a future platform.

In this scenario, by investing in an optimistic technological future based on digital arts, football players have been helping their clubs to legitimate NFTs as marketing tools. On the one hand, these athletes are what Scott (1995) calls "agents of legitimacy." On the other hand, from the marketing management perspective, they are also brand influencers. Therefore, to capitalize on such dynamics, marketing managers should invest in influencer marketing strategies (Leung et al., 2022) aiming at, first, to strengthen positive associations between the football clubs and their players; and second, further fan interest and increase the chances of success in future initiatives.

Critique: do NFTs provide any societal value?

NFTs altogether with crypto technology have been heavily criticized, and criticism goes far beyond questions and issues of technology, such as clarification of ownership and data integrity. One of the most critical voices is Jacob Silverman's. In a co-authored article, he claims that NFTs are a multi-level marketing scheme (McKenzie & Silverman, 2022). This critique is based on the understanding that NFTs are designed in such a way, that in order to make any profit with them, you will need to find someone who will be willing to pay more for the NFT than you initially paid for it. Recent charges against celebrities like Lindsay Lohan and Jake Paul, who got paid to promote cryptos and NFTs without disclosing it in their tweets, support that critique of multi-level marketing schemes. When cases like these are brought to the public's attention, these paid "agents of legitimacy" may rather deteriorate the legitimacy of these new technologies than increase it.

A second objection raised against NFTs is their energy-intensity in minting them (registering each one on the blockchain) and bidding on them (similar to an auction). Although it is near-impossible to correctly estimate the energy intensity of an NFT or the whole industry, due to too many variables, it is considered to be somewhere around 130 kWh or 80 $KgCO_2$ for a single mouse click to mint a single edition NFT (for comparison: on average, a German produces 10.8 tonnes of CO_2 per year, which equals around 30 $KgCO_2$ per day). Altogether, the whole bitcoin network is supposed to have an average annual energy consumption equal to that of Argentina (Silverman, 2021). This enormous (even if overestimated) energy consumption, paired with the realization that there is a low-to-no societal value that is created by NFTs, raises the question of their existence. As many critiques highlight, we find ourselves in the rare situation of having a chance to look at a harmful technology before it is deeply embedded in societal systems and simply say: no.

Conclusion

For better or for worse, NFTs seem to be here for the long haul. Consequently, managers and change-makers need to be equipped with the relevant knowledge to adopt NFTs in a beneficial way. Therefore, based on the previous discussion we derive four key strategies:

#1 Education: The major challenge regarding NFT's legitimation and adoption in business and beyond seems not to be technological but sociocultural. Thus, all actors including internal and external stakeholders need more information about what NFTs are and how their technology can be used to create value.

#2 Collectibles: Framing NFTs as collectibles, similar to an NFT Panini sticker album, rather than as financial assets and detaching them from the volatility of the speculative market.

This could create unique brand experiences and thus help avoiding frustrations for fans (consumers) who might lose their money and eventually for all stakeholders.

#3 Legitimacy agents: Working with legitimacy agents, or influencers, can help to strengthen the positive associations between football clubs and their players on the one side and fans (consumers) on the other side. Particularly, the example of football players as influencers shows that fan interest can be enhanced and the likelihood of success in future initiatives can be increased.

#4 NFT 2.0: Today, hardly any product or technology remains unquestioned in terms of its environmental and societal impact. Managers drawing on NFTs to create unique and especially novel brand experiences need to think beyond their current scope and aim for a reduction of environmental harm or create an additional societal value through them. Such NFTs 2.0, which go beyond the monetary value for the consumer, are more likely to receive societal legitimization too.

Far from providing definite answers, we hope this conceptual work contributes to further discussions on the adoption of NFTs in marketing strategies while considering the ethical trade-off of doing so. Managers thus interested in creating meaningful brand experiences using NFTs must take into consideration not only their potential beneficial aspects but also the potentially harmful ones, such as pollution and consumer deception. The use of NFTs must be strategically and critically assessed to create a (societal) value beyond a highly energy-intensive Panini sticker album. To conclude, future work can explore consumer acceptance of NFTs and their associations with products and services, the market dynamics of NFTs as crypto digital assets, and consumer perception of the environmental responsibility of companies using NFTs.

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