Brands need to be cautious when it comes to tech trends. Look at what's happening with NFTs

By Sam Spiller, issued by Clockwork

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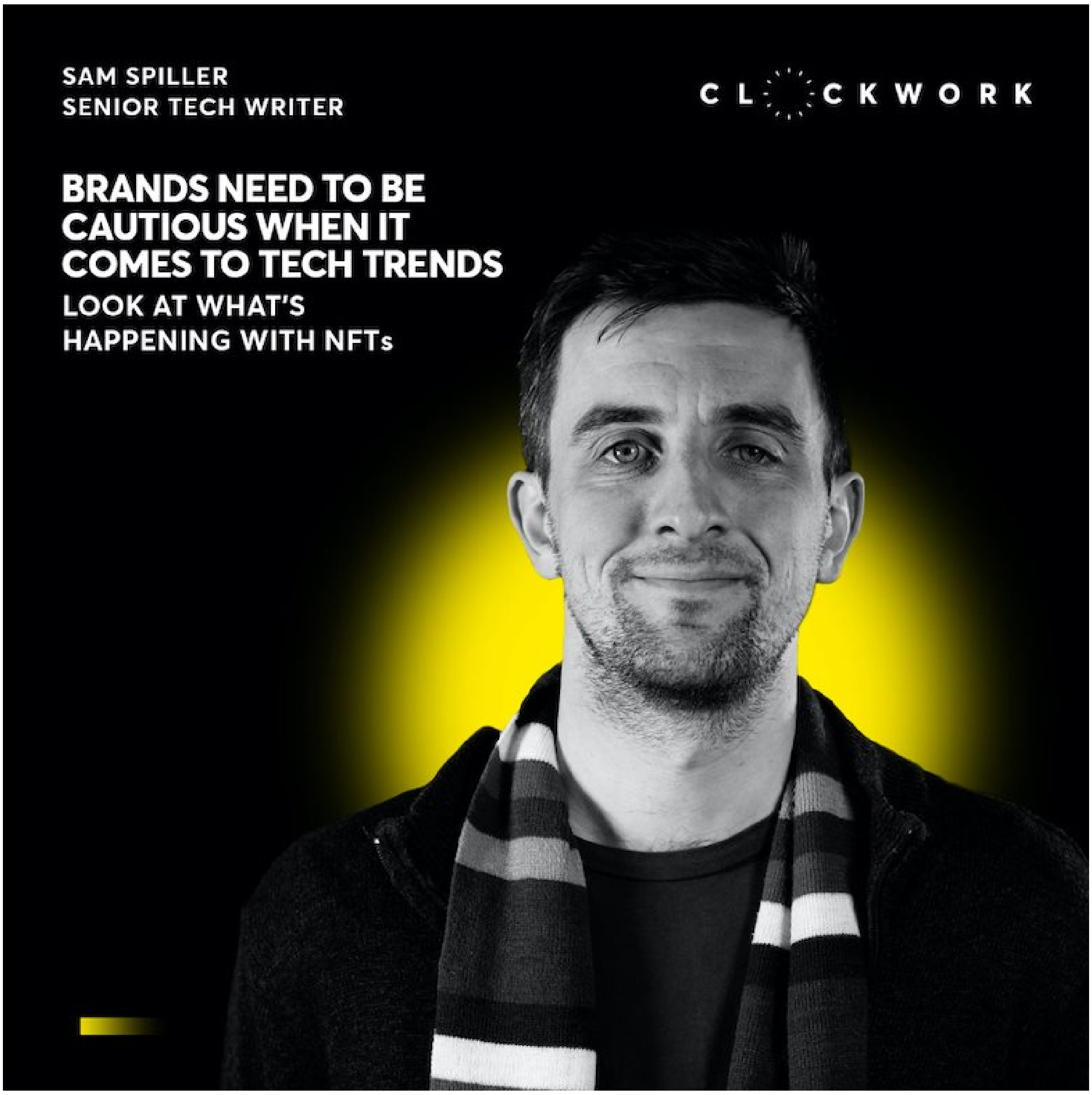
Over the last few years, you've probably heard about how non-fungible tokens, or NFTs, are something you should totally get into. A form of crypto asset that certifies ownership of a digital file like an image or video, NFTs sprung onto the scene with individual tokens selling for millions of dollars and major brands such as Nike, Starbucks, and DC Comics offering collections to fans and customers. The trend was a rocket ship heading "to the moon", as people in crypto circles would say.



But, it seems the rocket is heading back to Earth and nosediving fast. According to a report by DappGambl that analysed data from NFT Scan and CoinMarketCap, 69,795 out of 73,257 NFT collections have a market cap of 0 Ether, the native currency of the popular Ethereum blockchain. What this means is that 95% of people's NFT collections are completely worthless. The market for NFTs has also evaporated, with a weekly traded value of around $80m in July 2023, just 3% of the market's recorded peak of $2.8bn in August 2021.

I've witnessed the rise of NFTs during my time at Clockwork and have, for the most part, refrained from talking about them due to the fundamentals. NFTs are grafted to the side of cryptocurrency. They're digital collectibles sold for astronomical prices with the promise that they'll be worth even more as time goes on. They also play an important role in discussions about the Metaverse – the supposed evolution of the global online experience and another trend that's caught on in a big way.

Given the state of NFTs and the decreasing demand for them, there's a lesson to be learnt. Specifically, a lesson about focusing on tech trends and the hype that drives them.

It's all about the money

While NFTs have existed for some time, the trend fully manifested in early 2021 when an NFT created by digital artist Beeple was sold at Christie's auction house for an eye-popping $69m. The sale set off a gold rush, with consumers and organisations rushing into the space. Here, in South Africa, brands were launching their own NFT advertising campaigns and offering tokens that represented everything from digital art to Krugerrands. NFTs also represented a new product with new marketing opportunities. In some specific use cases, they still do.

However, because NFTs are popularly positioned as vehicles for financial investment, they attracted groups that aim to exploit them. NFTs became a popular tool for scammers, using them to lure victims in by posing as legitimate ventures or projects. This extends to exploiting well-known brands and platforms. Just a few months ago, two Twitter (now X) accounts belonging to MultiChoice were used to promote a crypto scam, with the posts creating the impression that the company was getting into the business of decentralised finance.

The financial incentive of NFTs and their inherent risks can backfire on brands that leverage them for marketing or consumer engagement. If a customer engages with your NFT, hoping it will be a lot more valuable in the future, how would they feel when that investment never appears?

We see this happening now with the most famous collection of NFTs in the world. Investors are currently suing Sotheby's over the auction and promotion of Bored Ape Yacht Club NFTs after prices for the NFTs collapsed. Defendants in the case include Justin Bieber and Paris Hilton, celebrities who are accused of promoting the collection without disclosing their financial links to it.

The right attention for the right tech

The lesson to be learnt here is not to be fooled by hype. With the potential for so many promises never fulfilled, brands and marketers should approach new consumer and technology trends with caution and due diligence. While there may still be a place for NFTs as digital collectibles (something that's existed in video games for many years, by the way), the industry does little to help position a company as being forward-thinking or technologically savvy. Even Meta, a company that staked its future on the Metaverse coming to fruition, backed off from its work with NFTs on Facebook and Instagram earlier this year. Meta putting their efforts on the backburner also shows the problem with NFTs not being present in or compatible with today's popular digital ecosystems.

To be clear, this is not to say brands should back away from embracing any technological trends. Innovations such as artificial intelligence (AI) and 3D printing are being utilised in exciting ways. Generative AI, in particular, can be used to develop personalised marketing campaigns and can offer customers new levels of brand interactivity. Given the hype that's already surrounding generative AI, many customers expect it to form part of their daily interactions and are willing to engage with it. Just look at the attention ChatGPT has been getting.

Technology can play a leading role in how customers see and interact with your brand, but it has to be technology that plays well with them. And, while no one can determine the longevity or the long-term relevance of that technology, NFTs show that hype can be a great deceiver.

ABOUT THE AUTHOR

Sam Spiller is senior tech copywriter at Clockwork.

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