

The future of luxury fashion brands through NFTs

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Abstract

The luxury fashion industry has faced multiple new challenges due to the current changes in consumer culture. The current COVID-19 pandemic accelerated the digitalization of the fashion industry even more and hit the luxury segment, which have historically been slow to embrace electronic and digital commerce, with force. There are numerous digital trends, that the 21st-century luxury brands must consider in order to not only survive, but also to succeed. One of these digital trends that has gained the attention amongst the fashion industry and already started to dominate other market environments is the rise of the metaverses and moreover the adoption of NFTs. Having multiple shared characteristics with the luxury fashion, NFTs have been proposed as the solution to win over the hearts of the growing consumer base of young high-net-worth individuals. This research aims to understand how the luxury fashion industry can benefit from NFTs and, moreover, what should be taken into consideration when implementing these digital assets into their current business model. Thus, study applies theoretical models from both NFT and luxury fashion industry and deals with concepts of luxury fashion consumption, changes in consumer behavior and needs as well as the metaverse, in order to provide both theoretical as well as managerial implications on luxury fashion NFTs.

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1. Introduction

1.1 Luxury fashion consumption in the age of Metaverse through NFTs

The luxury fashion industry has faced multiple new challenges due to the current changes in consumer culture (Giovanni et al., 2015; Duma et al., 2015; Moore & Doyle, 2010). As the name suggests, luxury goods are majorly enjoyed by the high-income group of the population (Fionda et al., 2009). A rising number of wealthy people, today consisting of the millennial and Gen Z population, are responsible for an increasing amount of luxury sales (Giovanni et al., 2015; Wu et al., 2015). These rising generations of younger affluent consumers are the ones driving the change in the luxury industry, with their new consumption behaviors, new needs and most importantly, digital-first approach (Duma et

al., 2015). The extremely competitive landscape of the luxury fashion industry, combined with these changing consumer demands, make it necessary for luxury brands to understand how to relate to and to engage with the new luxury consumers and to differentiate them as a brand from other players in the industry.

The current COVID-19 pandemic accelerated the digitalization of the fashion industry even more and hit the luxury segment, which have historically been slow to embrace electronic and digital commerce, with force (Pang et al., 2021; McKinsey, 2021). This digital adoption has soared during the recent years, forcing luxury brands to go online and to embrace technological innovations in order to stay relevant to the new consumers of luxury. While brick-and-mortar, as well as traditional offline experiences still hold a significant market share for luxury fashion brands, there is no question, that the future undeniably includes a significant digital component (Jung et al., 2021; Okonkwo, 2009; Hennigs et al., 2012, Ramadan et al., 2021, Arribas et al., 2018; Martin et al., 2018). For this purpose, there are numerous digital trends, that the 21st-century luxury brands must consider. One of these digital trends, that has gained the attention amongst the fashion industry and already started to dominate other market environments, is the rise of the metaverses and moreover the adoption of NFTs. Having multiple shared characteristics with the luxury fashion, NFTs have been proposed as the solution to win over the hearts of these young high-net-worth individuals (Vogue Business, 2021a & d; Forbes, 2021a & b). By using NFTs, luxury fashion brands can produce unique digital assets and experiences, this way encouraging interactions with the desired Gen Z and millennials, increase brand awareness and ultimately drive interest and sales in their brand.

The focus in this paper is on the Non-fungible tokens (NFT), that have become the dominating asset in the crypto market (Dowling, 2021a & b; Ante, 2021). This booming digital asset has already generated in the third quarter of 2021 \$10.3B across multiple blockchains (DappRadar, 2021). The sales and marketing power of NFTs present unheard-of financial, as well as visibility, gains for artists, designers and brands across the world. The rise of metaverses and NFTs show, that the world is constantly moving towards a marketplace that is defined by augmented reality and powered by digital assets (Dowling, 2021a & b; Ante, 2021; Chohan, 2018, Shi et al, 2021). The ever growing demand of NFTs is a clear indicator of the current trend that is impacting number of industries: the convergence of culture with technology. It is therefore no surprise that the multimillion-

dollar luxury fashion sector has also started taking interest in NFTs. Rebecca Minkoff was one of the first designers to launch and present her own NFT collection during the New York Fashion Week 2021 (Rebecca Minkoff, 2021) and paved the way for other traditional luxury brands that later created their own collections, such as Dolce & Gabbana, Gucci and Jimmy Choo and many more to come.

Non-fungible tokens provide endless opportunities for luxury brands and can be seen as a savior for especially the traditional luxury fashion houses, that today are struggling to find novel ways to interact with the digital-first consumers. The shift to virtual fashion still seems risky for many brands, but luxury brand managers and designer should realize the underlying opportunities NFTs offer for luxury fashion. Customers acquire expensive luxury items not because they need them desperately, but rather because they want to be part of the luxury culture, heritage and the unique brand story (Bian & Forsythe, 2012; Hudders, 2012; Kasen & Lee, 2002). Just like the physical luxury fashion items, NFTs can be seen as social assets, offering consumers specific status and a way to differentiate themselves from the masses and simultaneously mark their spot in the desired luxury brand community. Thus, the very way NFTs are built as crypto assets already in its purest form serves the same purpose as the luxury fashion for their consumers, making it a natural shift for today's high-end brands.

1.2 Research objective and questions

This research aims to understand how the luxury fashion industry can benefit from implementing NFTs into their current business model. Thus, study applies theoretical models from both NFT and luxury fashion industry and deals with concepts of luxury fashion consumption, changes in consumer behavior and needs as well as the metaverse.

Research is guided by two main questions:

- How NFTs can help luxury fashion brands reach new generations of younger affluent consumers and stay relevant?
- What should be considered in order to successfully implement NFTs in the luxury brand's business model?

2. Theoretical background

2.1 Reasons behind luxury consumption

The scientific community have throughout history identified multiple motivations to consume luxury goods. Some scholars differentiate motivations through a rather simple dichotomy: dividing motivations into two different types, which are extrinsic and intrinsic (Shao et al. 2019). Simply put, intrinsic motivation refers to the act of doing something purely for person's own pleasure and not because of any outside incentive or pressure. Extrinsic motivation, on the other hand, refers to the behavior of an individual to act in a certain way, because of external rewards or avoidance of punishment or other unpleasantries (Shao et al., 2019). In other words, extrinsic motivation are often guided by wealth as means of obtaining rewards, that in the case of luxury, often include social approval and desirability. Research shows that consumers primarily follow extrinsic motivations, when consuming luxury goods, rather than intrinsic (Shao et al. 2019). This shows how social comparison and other's influence are strong motivations for consumer when purchasing luxury (Wang et al. 2010).

Despite extrinsic motivation being the dominating force behind the majority of luxury related purchasing decisions, consumers with intrinsic motivations are also turned towards luxury goods. However, consumers with intrinsic motivations prefer inconspicuous luxury goods, as they are more focused on the uniqueness of the product itself (Chu et al. 2019), proving that the type of motivation has also an impact on customers' preferences for loud versus quiet luxury goods. Especially during the recent years, consumers' motivations have been bending towards inconspicuous consumption, to subtle cues, which they are aiming to use to distinguish themselves from the mass market (Chu et al., 2019, Kautish et al., 2020; Pang et al., 2021). This again highlights the classic key motivation of buying luxury-gaining social status and belonging to a desired group of people.

Even though, this basic dichotomy approach, differentiating the base motivation into two main groups, is used a lot to explain the luxury consumption, it needs to be deepened in order to rigorously explain and study the customer behaviors and attitudes in the field of luxury fashion. This is especially important for this paper, as the objective is to understand how the luxury fashion industry can benefit from implementing NFTs into their current business model. In order to do this, studying luxury consumption theories and especially

motives behind the consumption and then bridging the information with NFT consumption motives is necessary. For this purpose, this thesis utilizes framework of the BLI scale, Brand Luxury Index. From this scale, five subcategories of reasons to buy luxury brands can be identified: quality, hedonic, extended self, conspicuousness and uniqueness (Vigneron & Johnson, 2004).

2.11 Quality

Quality has always been closely tied together with the concept of luxury fashion and still today, the consumers expect a premium quality with spending so much price premium compared to mass fashion (Berthon et al., 2009). When quality is the leading motivation for consumer, the focus is on the product itself, mainly on its tailored details as well as exceptional use of materials. Some scholars call this quality dimension as the Perfectionism effect (Vigneron & Johnson, 1999). These perfectionist, quality-first, consumers are typically more consistent with their perception of the products longevity and have the tendency to rely on the price as the reference for the judgement (Husic & Cicic, 2009).

2.12 Hedonic

Studies have identified that the pleasure of the purchasing experiences of the luxury items itself is a heavy reason to buy luxury (Dall'Omo Riley & Lacroix, 2003). Most, if not all, consumers intrinsically possess emotional need that differ from person to person (Hennigs et al. 2012). Luxury brands' offerings are considered positive or negative emotional stimuli (Pozharliev et al., 2015), giving luxury consumption its characteristics as a more of an art of living instead of simple collection of products and services (Vigneron & Johnson, 1999). Thus, luxury consumption can be motivated by the fact that the brand's offering of the hedonic functions, that provide an experiential pleasure, satisfies the very emotional need of a specific consumer (Schade et al., 2016).

This hedonic reason to buy luxury stems from the emotional, personal values of the consumers. Customers, who have a strong hedonic motivation behind their purchasing decision for luxury fashion emphasize their inner thoughts and feelings about the luxury commodities. For this reason, the purchase goal is thus to fulfil consumer's own pleasure through the sensory benefits derived from the products and services: visual impression,

texture, atmosphere etc. (Cavender & H. Kincaide, 2014). In addition, the hedonic motivation is typically influenced more by the inner preferences instead of the interpersonal needs of the consumers (Vigneron & Johnson 1999; Thomson et al. 2005). Thomson, MacInnis and Park (2005) also link hedonic motivation with the materialist reason for luxury commodities consumption, since materialism regards the possession of luxury goods as an indicator of success of life, well-being and even happiness as a whole, which all is derived from the individual's own perception of luxury products.

Of course, it is worth noting that not all consumers desire luxury products more than normal products, showing that the emotions that luxury goods confer, may not always be positive and differs greatly from person to person. But since this thesis studies luxury segment and aims to provide implications to, how to reach desired luxury consumer targets and to utilize NFTs to do so, the focus is on the customers that have the emotional or social traits that attracts them to luxury.

2.13 Extended self

Several researchers argue that another motivation to luxury consumption lays in a thoroughly individualistic reason, in the pursuit of personal goals and that the external reasons are not sufficient enough to analyze luxury buying reasons (Aiello et al. 2009; Saho et al., 2019). Customers buying luxury fashion or any luxury items, can be motivated by a specific chase after intimate motivations- the creation or reforming of the extended self. Thus, this motivation can be explained by the social comparison theory consisting in the self-judgmental comparison of the consumer's real and the target identity- me versus the ideal me (Ko et al., 2017). This further showcases that the goods consumed are an extension of the customer's personality and thus, different personal goals lead to different consumption patterns (Hill et al., 2007; Ahuvia et al, 2005; Sivadas et al., 1994 & 1995; Belk, 1988 & 1990). In the case of luxury fashion, these types of luxury products can therefore be considered as a way of self-expression to materialize consumer's values, uniqueness and beliefs (Stokburger-Sauer & Teichmann 2013)- further supporting the creation of the extended self.

The idea of extended-self has long been studied as one of the main motivations for luxury fashion consumption (Belk 1988; Ahuvia 2005; Saren 2007). The consumption of luxury goods helps define people's sense of who they are and, perhaps even more importantly,

who they desire to be. People see luxury fashion products as a method to display their identity. By appropriating and incorporating the high-end objects and symbol they are creating an extended self. This concept of extended self is today perhaps more relevant than ever, as through digitalization, the creations of avatars and virtual selves, one's identity is more widespread than ever in history. Human nature seeks to make sense of situations, experiences and emotions and consumption helps define people's sense of who they are (Saren 2007). This is where luxury brands products and stories come as a "solution" to satisfy the sensemaking process for consumers- they offer a possibility to express his or her own self, ideal self or a specific dimension of self through the use of the very brand (Vigneron & Johnson 2004).

2.14 Conspicuousness

The continuously increasing demand for luxury fashion has correlated with the academic increase in disentangling the rather complex nature of conspicuous consumption. The Theory of the Leisure Class (Veblen, 1899) defines the term "conspicuous consumption" as the acquisition of goods in order to show off to others. Despite luxury being today purchased by most income groups, there is still a clear association between income and purchase expenditure (Husic & Cicic, 2009). Indeed, one big motivation behind consuming luxury goods is the desire to emulate the lifestyle of the wealthy people (Amaldoss & Jain, 2005). This style of luxury consumption is especially common for those at a more modest socioeconomic class (Yeoman & McMahon-Beattie, 2006).

For this very reason, the role of luxury items as markers of success and status have been emphasized by multiple scholars (Cavender & Rein, 2009; Li & Su 2006; Kastanakis & Balabanis 2012). Typically for a conspicuous luxury consumer the ability to display the luxury brand's logo overtly is a key and even a necessary part of purchasing luxury products, as they see it as a way to elevate their status in the eyes of desired third parties. Indeed, these consumers are motivated by the idea, that the luxury products signal their wealth and allows them to enter higher social spheres with the help of this created "illusion" of material wealth (Hung et al. 2011; Keng et al. 2000; Eastman et al. 1997 & 2012; Yang & Mattila 2013 & 2014). This desire to seek for status, and maintaining it, is a natural human desire and is also the main motivator for consuming luxury fashion especially for the newly wealthy people (Dubois, 2020 Berthon et al. 2009). On the

contrary, for luxury consumers, who are instead motivated by quality aspect for example, more subtlety is sought.

2.15 Uniqueness

Since luxury fashion is today increasingly purchased by all kinds of consumer, individuals belonging to higher social classes or the top level of the fashion hierarchy avoid widely purchased luxury brands and instead favor more exclusive options. Indeed, this search for uniqueness has always been one of the key motivators for luxury consumption (Dubois et al. 2005), and most likely will be even more highlighted in the future due the continuously growing number of luxury brands and customers. Some high-end brands, such as Burberry and Gucci, have even been victims of over distributing their products, eventually leading to diluting their brand value (Ritson 2002; Heller 2000; Nueno & Quelch 1998). In order to rebrand and to change their image back to being an exclusive luxury brands, both fashion houses reduced the number of stores selling their products and even the amount of collections being created (Nueno & Quelch 1998). Gucci and Burberry haven't been the only brands that have been playing with the scarcity aspect. Indeed, given that uniqueness and scarcity are key attractions for luxury brands' clients, almost every single luxury fashion house has at some point introduced limited edition collections with the aim of delivering the desired exclusivity status that this particular segment of luxury consumers are looking for (Park et al. 2008).

The high prices and limited production, constantly offered by certain top luxury fashion brands, such as Hermès and Chanel, ensure the ongoing exclusivity and uniqueness that motivates consumers to purchase these pieces (Kim, 2018; Fionda & Moore, 2009). These individuals typically pay more attention to the exclusive identity of the luxury brand and aim to fulfil their personal need for being different from the mass. In fact, Ko et al. (2017) define the theory of uniqueness as “the need to differentiate from others when there is too much similarity in social environment”. When possessing pricy luxury fashion, that not everyone can afford, consumer can this way signal their uniqueness and distinction from the majority (Okonkwo 2009; Park et al. 2008 & 2009). Moreover, with luxury goods, as the supply of the products diminishes, the number of interested buyers increases in a quest for uniqueness- showcasing that uniqueness is a key reason for luxury consumption (Ko & Megehee 2012; Tynan et al. 2010).

3. Context

3.1 Non-Fungible Tokens

3.11 What is NFT?

NFTs stand for non-fungible tokens. This means that they are one-of-a-kind unique asset that cannot be exchanged for an equal value or replicated (Dowling 2021a). NFTs are cryptographic assets that are created using blockchain technology. This blockchain technology is indeed what makes it almost impossible to change or cheat the data, giving cryptographic assets their secured authenticity. What makes NFTs different from cryptocurrencies, such as Bitcoin or Ethereum, is that whereas cryptocurrencies can be exchanged for equivalent values, i.e.- they are fungible, NFTs each have their own identification codes and metadata built into them to distinguish them from another (Dowling 2021a; 2021b; Ante, 2021). NFT can be anything digital: a song, a virtual character, an image, a video, or virtual fashion and these NFTs trade through online, decentralized marketplaces. The decentralands, popularly referred to as metaverses, are virtual platforms, that are owned by no-one person. Instead, they are an even playfield for all the users and one can own a piece of the decentralands thorough NFTs (Dowling 2021a).

The non-fungibility is exactly what makes NFTs so capturing to many and encourages numerous industries to join the market (Ante, 2021). The one-of-a-kind characteristic of NFT offers great investment potential, making it an eternal digital form of a unique artwork. It is still debatable, what the role of NFTs will be in the future: Are NFTs the future or just a fad? Some scholarships argue that NFTs current success is simply based on hype, which is understandable since the most successful NFT drops thus far have been created by top level A-list celebrities, such as the Weekend (Billboard, 2021). In addition, the NFT market is extremely volatile at the moment and a NFT collection could rise to success in one day and fall in price heavily the next day (CNBC, 2021). However, NFTs being relatively new, this paper argues we haven't even seen a fraction of its possibilities for the future markets.

This study focuses specifically on the future of NFTs in the luxury fashion, and it is safe to say that there are multiple things luxury marketers could take away from this new industry. Regardless of the heavy price fluctuation, people are still willing to pay large amounts of money for NFTs across industries (Dowling 2021a; 2021b; Ante, 2021). With continuously evolving blockchain technology powering them, the luxury fashion market could benefit greatly from jumping into the market. In addition to their unique and unduplicable nature that the luxury brand and customer crave, the new virtual assets offers novel possibilities for brands to engage with their existing or new audiences in innovative ways, that may suit the modern consumers better than the traditional offerings.

3.12 How does the NFT industry work?

In the beginning of 2021, the rise of NFTs truly began. During that time, they became the first application of blockchain technology to achieve true public prominence, from both individuals as well as companies (Dowling 2021b). The NFT market has seen \$2.5 billion in sales in the first half of 2021 (Reuters, 2021), making it a tempting technology for the Luxury fashion brands to join into. This chapter will cover the current mechanism of the NFT market, from both the perspective of the user and the creator.

As digital assets, NFTs are managed as well as authenticated via blockchains (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). They are held in digital wallets and can be displayed in virtual surroundings as well as physical environment with the help of digital screens for example. The owner of NFT can either use it as a collectible, a valuable trading asset within the digital space, or as a usable commodity, whether in a gaming environment or as a virtual outfit on social media profile picture for example. NFTs mechanism allows almost any type of file to become asset, because of their unique on-chain identity and smart contract component that tracks both authorship and ownership. This very characteristics of NFTs makes them easily integrable tool to be own or traded into almost any virtual environments or metaverse (Dowling 2021a; 2021b; Ante, 2021).

There are almost endless possibilities for NFTs and their usage. In addition, what makes them different from other markets is the fact that the market is both created and run buy the users- making the customers the number one game makers in this market (Dowling 2021a;

2021b; Ante, 2021). There are already number of NFT marketplaces, such as OpenSea, that have sprung up-offering users a platform to buy, sell and display their NFTs. These platforms have already caught the attention of both high profile investors, such as billionaire Mark Cuban as well as celebrities like music mogul Snoop Dogg and content creator Logan Paul (NFT club, 2021). The current NFT marketplaces are capitalizing on the growing demand for trading NFTs across multiple sectors, ranging from music to fashion.

Almost anyone, whether an individual or a brand, can create and upload heir NFT collections to these platforms and sell them to their targeted customers. Unlike with physical items, NFTs don't wear over by time, and can be resold multiple times to the next customer in the exact same quality (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). This characteristics of NFT markets highlight the role of the original artist, as his/her design will remain untouched through its product cycle. In addition, the creator of NFT can choose, if he/she wishes to earn royalties from the upcoming resales of their design. The royalty market model of NFTs enable creators to earn from their creation's ad infinitum (Dowling 2021a; 2021b; Ante, 2021).

Another feature of NFTs is the unlock value option. This means, as the name suggest, that the creator of the very NFT can decide, whether he/she wants to give some unique value offerings besides the NFT itself to the buyer. This can include anything from VIP party invitations to early access advantage to an upcoming physical collection launch. In other words, unlock value allows the NFT creators to form an entire experience out of one NFT. For traditional luxury fashion houses this also gives a great possibility to tie together physical fashion with the virtual and this way ease the transition into the metaverse markets. If, for example, a Chanel customer can get access to a limited edition collection through purchasing a Chanel NFT, they become a much more tempting and also a more wholesome brand experience to the costumer- offering the client new ways to connect with the fashion house and allowing the brands to explore new ways to create new revenue streams as well as to stay relevant for the future generations.

3.13 NFT consumption motives

A few years ago, even the idea of spending money on virtual items or experiences seemed far fetched for the most. However, today the tables have turned and the metaverse has started to gain popularity as a place where individuals not only spend great amount of their time, but also their money (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). Some NFT and metaverse experts even suggest that in the near future people will spend more time and put more effort into their metaverse self than their reality life (ABC news, 2022). There are multiple reasons behind this shift from physical to virtual. Since this paper is focused on the NFT market and especially its influence on the luxury fashion industry, this chapter will focus on the consumption motives of NFTs instead of the entire entity of the metaverse.

Rarity

Humans have a fundamental desire to own something that is rare, explaining the popularity and quick sell out of limited edition collections (Husic & Cicic, 2009; Bian et al., 2012). It is therefore no wonder, that NFTs with their one-of-a-kind characteristic are becoming more and more popular amongst people. The fact that each and every NFT is unique is something that very few physical objects can mimic (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). In a world, where individuals want to both belong to a certain group and to differentiate form others, nothing will enable this like a unique NFT. Each one of them is 100 per cent one-of-a-kind and the NFT can belong to bigger collection- creating the desire to belong to this very group of consumers or NFT owners.

In real world, different subcultures or other similar tight groups have one threat: counterfeits and especially unwanted individuals owning a fake version of their desired product, this way diluting the value of that very community. Especially the luxury fashion industry has suffered from them (The Guardian, 2018). NFTs on other hand, cannot be copied, due to their unique blockchain technology. This offers a great relief and solution to multiple brands', and also individual's counterfeit, issues.

Community

As mentioned in the previous chapter, people have a tendency to want to belong to a certain group (O’Cass et al., 2002 & 2004). Consumption has long been a way of doing this. NFTs not only allow one to sense a belonging to some group through the NFT object itself, but also with the help of the unlock value, brands or individual NFT artist can form a unique NFT community. This will further enforce the sense of belonging and make the consumption more desirable in the minds of the consumer. A great example of this effect is the NFT collection, Bored Apes Yacht Club (BAYC, 2022). These, one could say, simple pictures of animated personal apes, started first selling at a minting price of 0.08 ETH and now are sold for at the highest 769 ETH (NFT’s street, 11/2021). The high demand is not explained by the art itself, but mostly due to the collection’s community aspect. The owners of BAYC NFT get invitations to private events, parties and even gaming environments. Not only do these characteristics increase the community aspect amongst the consumers, but it also allows the brand to build deeper relationships and to engage on a different level with their clients.

The beyond universal possibilities for creativity

As the term metaverse, combination of “meta” for beyond and “universe”, suggest, the virtual reality allows creators to go above and beyond what would be possible in the real world. This is especially what differentiates NFT items from their physical “peers”. For example, in the fashion industry, usually the fashion weeks are tied into specific physical places and creating unique surroundings for catwalks is consuming both time and cost wise. However, if held in NFT form, the models could be walking on water or in space, something that could never be done in real life. This would not only give a one-of-a-kind experience for consumers and allow them to engage with the brands in a new way, but also is often easier and cost friendlier to make than the extravagant physical creations.

3.2 Luxury fashion industry

The definition of luxury has changed during the recent years and especially the rise of new luxury fashion brands have brought a new viewpoint on, what makes luxury fashion

(McKinsey, 2022). However, despite the recent new additions and changes to the concept of luxury fashion brand, the key identifiers of luxury still remain the same. What differentiates luxury fashion from mass fashion is these key characteristics: high quality, high price, non-essential products and services that are exclusive, rare, authentic, prestigious and offer symbolic and hedonic values through exceptional customer experiences (Fionda et al., 2009; Duma et al., 2015; Yeoman et al., 2006).

This chapter first discusses the changed meaning of the luxury in the 21st-century. Next, the chapter focuses on the rising younger affluent consumer base of Generation Z and millennials as well as specially their new needs and behaviors when it comes to consuming luxury fashion.

3.21 The changed meaning of luxury in the 21st-century

The terms used to describe luxury fashion today, shows thee drastic shift that is happening in this specific industry. Once described as exclusive, expensive, scarcity, today new terminology, including the entrance of democratization, approachability and accessibility, has come to challenge the traditional meaning of luxury (Wu et al., 2015; Moore & Doyle, 2010; Duma et al., 2015; Giovanni et al., 2015; Campos et al., 2020). These novel characteristics of luxury fashion do not simply compete with the traditional one, but also suggest that the previous associations and the overall snobbishness of the industry have become increasingly irrelevant for the costumers and this way, to the brands too. This shift does not, however, mean that the traditional meanings of luxury cease to be so. Rather, the new era of luxury is a much more wholesome one: including aspects of emotional connections, a sense of inclusivity and a more conscious viewpoint to the entire industry (Wu et al., 2015; Moore & Doyle, 2010; Duma et al., 2015; Giovanni et al., 2015).

This chapter discusses the changed meaning of luxury fashion from three key angles, slow fashion, current approach to accessibility and the overall democratization of luxury. The aim of this chapter is to showcase, that the renewed meaning of luxury does not compromise on the traditional key characteristic of luxury exclusivity, but rather ads a new layer to it.

3.211 The introduction of slow fashion

Fashion tends to change course once the pendulum shifts too far in the one direction. For years the fashion industry, including the luxury segment, has pushed mass production and consumption to the society. Even to the extent where excess clothes have been burned to remain that exclusivity while mass producing new items. (The Guardian, 2018) This fast fashion practice, of overly consuming products, still exists in the industry, but its popularity is in a steep decline.

Slow fashion has emerged as the concept describing the opposite of fast fashion. It is an awareness approach to fashion, a movement of designing, buying and creating garments for quality and longevity (Campos et al., 2020). Since consumers are getting more and more conscious of their shopping choices and taking action to reduce their own impact on environment, brands must act to respond to this demand for an ecological business model (Campos et al., 2020). This steers the narrative towards slowly-made luxury. Since luxury fashion has always been seen as quality over quantity, the aim is perhaps not in this industry to simply reduce the number of garments being made per collection, but rather to change the fast-phased fashion cycle, that still exists today. Some 21st-century luxury fashion houses have already voiced their concern over the current fast-phased trend cycle of fashion and are, publicly at least, ready for the change (WWD, 2020). Slow fashion approach is fitting to luxury fashion brands also in the sense that it adds a new value element to the item or service being sold- the slower process guarantees that everything is of the best quality and standard as well as ensures the ethical and sustainable practices along the way. Since high quality is one of the traditional key elements of luxury industry, adding the sustainability element to it, that the new generation consumers are craving will only create more value to both the brand and the client. In addition, the modern consumers seem to be willing to pay extra for sustainable luxury, making an even higher price task possible (Campos et al., 2020). Given these aspects, the introduction of slow fashion should be welcomed with open arms .

3.212 A renewed approach to accessibility

Modern consumers are less and less valuing the idea of luxury being completely unattainable (Hennigs et al., 2012). The behind the closed door, extremely exclusive world of luxury fashion is frankly outdated and needs a renewal. In the current market climate,

where the fight for representation has gone global, brands that feel unobtainable, remote as well as even make the consumer feel unworthy, simply have no place (McKinsey, 2021 & 2022). It is now, perhaps more than ever, the time, when people want to be seen, heard and also, as a whole, be part of the brand. This rather new consumer attitude has forced high fashion houses to change their brand image into a more inclusive one (Hennigs et al., 2012; Duma et al., 2015). This does not, however, mean completely throwing away the key elements of traditional luxury, exclusivity and scarcity, but rather changing the way this will be marketed. To account for the high prices and the desired feel, scarcity and some element of exclusivity must take place. The difference should be today, that the focus is no longer on just the privilege and products, but instead on the brand story, brand experience as well as the relationship between client and the creator. This allows consumers to feel closer to the brand's core than before, while also maintaining that element of paucity and fantasy status. Rather than marketing luxury fashion as hard to get, it should be marketed as something everyone can enjoy, just in different ways and amounts.

3.213 The democratization of luxury

Gen-Z and millennials are already one of the biggest growing consumers of luxury industry and they are looking for new ways of consuming it (Forbes, 2019). Even though luxury fashion industry has partly been rather slow to adapt to this change, the current covid-19 pandemic has at the latest accelerated the change in the high fashion sector (Pang et al, 2021)- one of the key changes being the democratization of luxury fashion. In addition, the current pandemic has forced, not only stores to go digital, but also the fashion events, like fashion weeks to be presented in a virtual form (France24, 2021). This rise of virtual commerce environment means that no one, not even the legacy brands of fashion, can depend on the old formula.

The internet is a democratic place that not only gathers together consumers from all demographics, but also offers services and products from every category, making it an extremely open and competitive environment (Jung et al., 2021, Okonkwo, 2009; Hennigs et al., 2012; Ramadan et al., 2021; Martin et al., 2018). Since the current and future consumers of luxury fashion prefer to consume through internet, luxury fashion brands must learn to become the haute couture of the metaverse (Vogue Business, 2021a, b & c). This means that simply delivering the offerings digitally won't be enough- tools like customization, the implementation of augmented reality features and virtual fashion,

nurturing personal relationships as well as other ways of delivering the experience with brand's signature aesthetics is needed in this environment more than ever (Javornik et al., 2021; Arribas et al., 2018; Ramdan et al., 2021; Jung et al., 2021).

3.3 The luxury fashion NFT marketplace

3.31 What is in common with NFTs and luxury fashion?

Luxury fashion industry is very fragmented right now in terms of its digital presence (McKinsey & Co, 2022). There are multiple smaller marketplaces that sell high-end fashion pieces, but there is not a clear marketplace in the metaverse that has put its flag down to serve for luxury fashion companies. NFTs stand out as the solution to this issue and not only do they offer a clear marketplace suitable for current luxury fashion houses, they lend themselves very well to luxury due to their shared characteristics and can thus be seen as a way to help most exclusive brands to stay relevant and to reach the sought-after the young high net worth individuals, millennials and Generation Z (Vogue Business, 2021a, b, c, d & e; Forbes, 2021a & b). In addition, NFTs enable the creation of things, that simply could not be possible in the real world. For an industry, like luxury fashion, that is built on creating compelling stories and desirable fantasies, this offers endless new possibilities to communicate their brand story in a novel, engaging way.

Both traditional luxury items and NFTs have one important thing in common, exclusivity. The non-fungibility of these crypto assets make them very similar to the unique designer pieces and is one of the reasons they both can be sold at a very high price premium (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). Scarcity is an important driver in the luxury industry and something that the NFT market relies heavily on. Instead of being known to be worth a certain amount of money, both NFTs and many luxuries items value is set by its demand (Dowling 2021a; 2021b; Ante, 2021). It is the individuality of the product combined with the demand of the target market that pushes its value higher. The less there are something and the more people want it, the more will its value rise (Ballina et al, 2019). One could compare for example the famous Birkin bag by Hermès to some of the top selling NFTs. They both are items that people are desiring to have because they are so highly valued amongst the society and moreover, extremely hard to get. NFTs would be a natural shift for luxury brands, stuck in their old ways. They have provenance, they are

persistent, unique, they don't decay, and they can be safely and innovatively displayed in a native metaverse environment.

Next the paper will discuss both the success factors as well as the possible inhibitors of the future of NFTs in the luxury fashion industry.

3.32 Success factors:

3.321 Fashion as a collectible art, uniqueness, irreplaceable, scarcity

Luxury fashion has long been collaborating with the art world (FastCompany, 2019). The rise of fashion curating has brought apparel to galleries and vice versa: art to the fashion pieces, such as in the case of Louis Vuitton's Takashi Murakami collection. This infusion between art and fashion has provoked an argument about seeing fashion itself as a collectible art form. Just like luxury fashion pieces, NFTs are also collectibles and they both also share the same key identifier- scarcity.

The fact that NFTs are by nature created as one-of-a-kind unique pieces, brings a new level of exclusivity and a completely new platform for luxury fashion to utilize. NFTs can be created from the basis of currently existing physical fashion pieces or, they can be designed as virtual fashion from the start. Either way, the NFT platforms allow luxury fashion brands to turn digital designs or entire collections into valuable, highly scarce and unique collector pieces. The way NFTs works, is created to support the collectible markets (Dowling 2021a; 2021b; Ante, 2021; Shi et al., 2021). While physical fashion pieces offer currently more utility than NFT fashion, as they can be worn, however, more and more individuals use virtual platforms, such as social media, as their main mediums to share and explore luxury fashion collectibles (McKinsey, 2022). Displaying luxury collectibles on virtual platforms, is a trend that is already visible and highly likely to become the mainstream way of using luxury fashion.

Like these social media platforms, NFTs aren't tied into a place or time, rather one can carry their collectible piece around the world, showcase it to others and even display it virtually on screens. The possibilities of using NFT fashion is still very much speculative

by nature, since the market is still very new. However, multiple companies has already presented ideas of what future of virtual NFT fashion could look like (Glossy, 2021). Perhaps the most prominent feature for the luxury fashion industry is the possibility of wearing these NFT collectibles on oneself on the metaverse. Not only would this allow users to instead of constantly changing, washing and taking care of their physical outfits, to simply share their NFT fashion collectible to their wanted audience, the digital form also allows designers to create pieces that would never be possible to make in real life- offering almost limitless creative possibilities. In addition to these benefits, whereas physical fashion collectibles show the damage of time, NFTs are timeless, no matter how many times the owner utilizes their NFT or displays it, look wise, it will always remain the same.

3.322 Differentiation factor: hybridization and new platforms

One of the key benefits of NFTs for the luxury fashion industry is their power to refresh the brand image of the traditional luxury houses and meeting the changed luxury consumer demands (Vogue Business, 2021a, b, c, d & e; Forbes, 2021a &b). NFTs offer almost endless possibilities for luxury fashion brands to broaden their collections, create design that physically could not be made and to stay relevant. While customer's self-expression used to be only physical, giving the physical luxury fashion pieces their high value, it is now merging with the virtual at an accelerated pace. This is especially the case with the Millennials and Gen Z, that also are the consumer groups luxury fashion brands today should aim to target (Forbes, 2019; McKinsey, 2021 & 2022). For this very reason, fashion NFTs could be a winner strategy in introducing the prestigious luxury fashion brands to the new, modern affluent consumers.

Rebecca Minkoff was the very first luxury fashion designer, who created an NFT collection (Cointelegraph, 2021). In August 2021, Minkoff entered into a partnership with Yahoo to build a virtual 3D gallery for auctioning physical store products. This innovation would allow Minkoff to include customers wearing NFT products in their 3D gallery with Yahoo. In turn, consumers could share their images on social media. This allows the very important consumption motive of luxury for consumers- to share their fashion pieces to a wide audience on online platforms and in this way to elevate their status and form a desired self-image (Wu et al., 2015; Giovanni et al., 2015; Bagheri, 2014). The virtual world of NFT fashion has raised multiple counter arguments, and one of the most common seems to be: "Why would I buy a fashion piece for a high price, that I can never wear?". To tackle

this question, this paper argues that today, amongst the modern, younger affluent consumers, the common use and purchase motive behind the luxury fashion items does not actually include wearing them in real life, but more commonly to share the possession of the item on social media or other virtual platforms. What do Gen Z and Millennials do with their fashion items? They put it on or display it in preferred way, take a picture of it and share it on social media. After that, the item typically goes back to the closet (The Fashion law, 2021; Medium, 2021b).

This hybridization of fashion does not only enable new ways of displaying and sharing the fashion pieces, it also solves multiple practical issues that fashion houses have to face, when creating physical pieces. Firstly, an NFT can make virtual fashion pieces as, or in some cases even more, unique as tangible products, solving the problems and costs that come with manufacturing and shipping the product. With NFT fashion the value of the luxury fashion item is in its digital cache and the majority of resources for reaching this value won't have to be used for other stages of the supply chain, which would be required with physical items. For this very reason, NFTs would make this entire process of creating and selling fashion for both the consumer and the brand easier. Buyers no longer have to deal with the multistage process of the tangible product cycle, where to buy it, how to get it home and even where to store it. From shipping to the end use, tangible products have multiple downsides, both for the consumer and the company, throughout their journey, including the risk of damaging the tangible item or having practical issues during the shipping stage, for example (Vogue Business, 2021g).

The future of fashion is a highly hybrid future, mixing traditional physical expressions of originality and heritage with highly digitalized ways and means of being creative and selling as well as using the pieces (McKinsey, 2022). Consumers can already buy wearable NFTs modeled after digital designs and vice versa, creating a distinct spill-over effect from the digital to the physical world of fashion (Medium, 2021b). This paper argues that the use of NFTs in the fashion industry has multiple possibilities that have not yet been taken into use. The future of NFTs will most likely be closely linked with augmented reality and, sooner or later, consumers will be able to view their collector luxury fashion piece in their own house or on them in a digital form.

3.323 Authentication and traceability: fighting against counterfeits

While traditional luxury products have the disadvantage of being copied by mass companies and the bought by consumers who want to get the status of ownership without paying the high price, the benefit of NFTs is that they simply cannot be duplicated. As described in chapter 2.11, the blockchain technology provides every single new crypto asset with a digital certificate, which ensures that copyrights cannot be ignored, and the trading will be done in a transparent way. Not only does this preserve the individuality of the product and its market value, but it also protects the creativity of the designer or artist behind the item.

Especially in the light of the ever-growing global market for counterfeits and the rise of secondhand fashion, that too has led to an increased sale of counterfeit luxury goods (Phau & Teach, 2009), NFTs strong authentication and traceability features are a welcomed relief for the luxury fashion brands and a possible long term solution in the fight against fake product market.

One of the promising qualities of NFTs is their ability to record the provenance of associated physical products and this way to aid in authentication efforts. In the market, where counterfeit controversies are becoming mor mainstream than ever, this could potentially restore consumer confidence especially in the luxury resale industry. LVMH, Richemont and Prada has already teamed up to experience with this innovative blockchain venture, aimed at tracing and authenticating their own and other brand's luxury goods. Partnering with blockchain company ConsenSys and Microsoft have enabled LVMH to launch Aura, a platform created to serve the entire luxury industry with effective product tracking and tracing services (LVMH, 2021). In short, to fight against counterfeiting, suppliers, manufacturers as well as designers can join a single blockchain platform and use unique cryptographic identifiers, called smart tags, to track and provenance the location of each item. In addition to the authenticity factors, LVMH launched Aura's digital certificates that will also allow customers to view product's sourcing and sustainability metrics in detail. Features like this that are available in the NFT and blockchain technology could promote trust in brands' increasingly marketed ESG and sustainability credentials.

3.324 NFTs focus on the community building: key to luxury fashion

As all luxury brands and the market as a whole knows, customers are rarely, and almost never, purchasing their expensive products because they desperately need it. Rather luxury consumers acquire these high-end, often overly expensive items, because they want to be part of the luxury culture, a certain community, as well as the heritage and the unique story that a brand has created (O’Cass, 2002 & 2004; Park & Rabolt, 2009; Husic & Cicic, 2019). NFTs are pretty much made to serve these features and highlight the community aspect of brands. NFTs, just like traditional high fashion items, are social assets, that allow the customer to have a certain status and a seat at the specific brand’s desired table.

In additions, NFTs have the ability to boost the brand community building aspect with its inbuilt unlock value feature. This allows brand to create unlock value, linked to the purchasing of their NFTs, that can be anything from invitations to member only events, early access to physical or virtual limited edition collections etc. This not only allows brands to widen their offerings from the physical products to much more wholesome and engaging services, such as virtual community events, live streaming fashion shows and the ability to showcase brand’s NFT’s on one’s social media platforms, it also boosts the community feeling the luxury costumers are searching for in the 21st-century (McKinsey, 2022).

As consumers are becoming more and more curious about the stories behind the brands they buy, another crucial benefit of NFTs is their ability to impact advertising and digital storytelling. This ability to, through NFTs, create more vibrant and multi-sensory stories and to share brand stories virtually, allows the building of brand communities around the fashion houses. With the help of NFTs customers will be able to create images of themselves wearing 3D clothing and then share them to social media platforms, whether Instagram or Twitter for example (Arribas et al., 2018). This phenomenon is already happening, but at the moment mostly in 2D form, as people are utilizing tools such as Gucci Snapchat filters to share extend their fashion self to the metaverse environment and to connect with other who share the same virtual brand taste (Snapchat, 2022).

As mentioned earlier, today’s luxury customer is not only interested in the products, rather they are interested in experience and involvement, including the creation of a community-

their own brand community (O’Cass et al, 2002 & 2004). NFTs allow this perhaps better than any traditional marketing tool. A great example of community building and customer involvement in a luxury fashion brand’s NFT project is Prada’s and Adidas’ NFT collaboration. The two collaborators are currently launching a campaign to create user-generated NFTs. For this project, called “Adidas for Prada Re-Source”, 3000 fans will be selected to design and eventually to mint their own tokens (Adidas, 2022). Each one of these unique tokens will then be compiled by coder Zach Lieberman into a composite NFT that will be auctioned for charity cause. This example showcases perfectly one of the many ways NFTs allow brands to deepen their engagement and relationship with their target customers and to build the key groups luxury brand’s need in order to succeed-brand communities.

3.33 Inhibitors:

While NFT’s share and support many existing characteristics of a luxury fashion house and even offers new benefits to them, there still are many inhibitors that need to be considered before implementing NFTs into one’s business model. This section focuses on these cons of this new technology from the perspective of a luxury fashion brand. Since the NFT is a relatively new innovation and is evolving in a fast phase, these inhibitors may change in the near future and could even be avoided if the NFT technology and legal issues advance to a better direction.

3.331 NFT is a direct contrast to all that fashion is revered for — touch and feel.

Despite the clear advantages NFTs has to offer, luxury fashion has yet to figure out the best way to implement them into their business model. One of the key concerns amongst brands and consumers, is the intangible characteristic of NFT’s that is a direct contrast to all that fashion is revered for-touch and feel (Gavilan et al., 2016). The use of quality materials and craftsmanship is one key characteristic of luxury fashion and something that is with today’s technology hard to mimic in virtual environment. In addition, differentiating from non-luxury brands in virtual environment through the quality of the clothes itself is even more difficult if not impossible at the moment. For this reason, the focus should be on the digital design and the quality of the art of coding itself (Amiri, 2011).

What more, still today the majority of luxury market is based on buying an item and the wearing it on yourself. Therefore, the touch and feel of the product and its material has a big part in the product cycle and affects one's purchasing motivation. Because of this, it is still today hard to predict the success of a luxury fashion product that one cannot smell or feel on their skin. Due to this inhibitor, luxury brands that are now experiencing with NFT have focused more on the community building and experience aspects as well as the combination of physical and digital, rather than selling first and foremost an apparel to wear on oneself (Vogue Business, 2021a, b, c &d).

3.332 Will the fragmented and complicated crypto markets and wallets be too much of a hassle for the affluent NFT consumers?

It is safe to say that the current NFT user experience lacks the elegance expected by the modern luxury customers. The luxury fashion industry today on the metaverse is rather fragmented: luxury brands' NFT experiments can be bought on multiple platforms, such as OpenSea, Binance and UNXD, and already a scroll through these marketplaces reveals a confusing mix of sneakers, pixelated outfits, avatar faces and cartoon like models (OpenSea, 2022; Binance, 2022; UNXD 2022). All this is making the experience of buying an NFT anything but luxurious. There are few fashion-only-marketplaces emerging but none of them have yet redeemed a reputation the "Net a Porter" of NFT marketplaces- one that is definitely needed to fully establish a luxury fashion NFT market.

In addition to today's dispersed fashion NFT market, the process of buying NFTs itself can still be seen as a rather complex and time taking practice compared to one's regular online shopping experience. For the elderly customer base of luxury fashion companies, the implementation of new technologies is harder than for the modern customer base, Millennials and Gen Z that are used to spending the majority of their time online. However, even for the younger and affluent consumer base, the difficulty of setting up crypto wallets could be an inhibition.

Lastly, the majority of luxury fashion clients today are females, whereas the majority of crypto and blockchain users are male (Stokburger-Sauer & Teichmann, 2013; Dazed, 2021). This stark contrast has to be taken into consideration when implementing NFT's into the fashion company's offerings. If the main proportion of the target audience of the

luxury brand is not familiar with NFTs, the customer journey from the brand's websites and stores to the NFT platforms has to be designed so that it feels like a seamless transition to the customers that are not familiar with cryptos but still would be willing to buy luxury NFTs.

3.333 NFTs are still a relatively new type of asset- uncertainty of the usage as well as the potential unexpected legal challenges

NFT use cases in fashion industry are still in their infancy. This being said, today fashion being sold via NFT is fashion as art, and not necessarily fashion as its classic utility (Vogue Business, 2021a, b, c & d). Of course, features like unlock value that can be used for community building, the fact that's NFTs already offer great utility benefits when it comes to authenticity aspects and the possibility of using NFTs as the marketing platform where creativity has almost no limits means that there are many utilities that NFTs bring to the fashion industry. However, NFT fashion still can't mimic the basic utility purpose of fashion: being worn on a person. The technology just hasn't yet reached the point where 3D wearable NFT fashion is created and seamlessly connected to customers virtual self and eventually one's real life persona. The current evolution of technology and especially the growing generalization of augmented reality and virtual fashion, highly indicate that there will definitely be a moment, where NFTs will be worn on a person just like in real life, but only this time virtually and with even more options to be creative (Vogue Business, 2022). However, this, like many other things with NFTs, is still uncertain and it is at this very moment impossible to say when, and how NFT fashion can reach its fullest potential.

Considered as a new type of asset on the mainstream market, the legal issues around NFTs are ambiguous and mostly still in the making (Lexology, 2021 & 2022; JonesDay, 2021; White & Case, 2021). The existing legal and regulatory environment wasn't designed for cryptocurrency and the NFT market as a whole, making key aspects like taxation, intellectual property rights and copyrights equivocal. NFTs can also be linked to multiple different assets and represent numerous rights as well as obligations, making them extremely hard to classify (JonesDay, 2021). Another key issue of NFT regulation, is their inherently cross-border nature which raises issues of applicable law and regulation that could arise in the case where NFTs are sold globally. In this case other jurisdictions

already have regulatory regimes, such as the EU's proposed Markets in Crypto-Assets Regulation, which will be relevant to these specific NFTs and need to be taken into account (European Commission, 2020). Lastly, as a fully digital and often valuable asset, NFTs will most likely be targeted with greater frequency by cybercriminals for financial gains or privacy crimes (JonesDay, 2021). The current landscape of centralized NFT marketplaces that store private keys may prove especially attractive to hackers. Given the decentralized and immutable nature of blockchain-based transactions, once stolen the NFTs aren't easily returned. For these reasons, it is crucial that NFT platforms need at least robust controls to guard these risks and much clearer guidelines when it comes to legal and regulatory issues in order to attract the attention of both luxury brands and customers around the world.

3.334 Is NFT actually a solution to sustainability issues or a creator of new ones?

The customers are today perhaps more environmentally conscious than ever before, making sustainability one of the top priorities for multiple industries, luxury fashion included (Campos et al., 2020). From an environmental stance, today's fashion industry causes some of the most devastating effects globally. Fast fashion has shown to have a much bigger carbon footprint and negative impact on environment than the luxury industry. However, the high end fashion segment as a whole still is considered today as anything but sustainable (Kunz et al. 2020). The generated waste across the entire supply chain of fashion from textile manufacturing, dyeing, often cross-border transportation and even the maintenance of the physical store, is vast. To add, especially when it comes to luxury fashion industry, where scarcity is one of the key-selling points, the afterlife of the old collections is tricky. In the near history, brands, like Burberry, have been caught for burning their excess stock in order to maintain the minimum spread of their items and to also control its price point (The Guardian, 2018). By destroying the apparel surplus, brands have tried to avoid having to sell their items with a discount.

Due to the increase consumer awareness when it comes to sustainability issues, luxury brands have tried to focus on creating more ecological collections and also to better manage their stock and to make the product cycle as well as the entire fashion cycle more environmentally friendly (Campos et al., 2020). However, this transition to sustainable fashion is slow and can also create excess costs for the brands as they have to spend time

and resources to create new kind of fabrics as well as to reform their entire supply chain to better please the sustainability first customers. This sustainability struggle is one of the main reasons, why the digital fashion industry first spawned (McKinsey, 2022). Instead of the environment heavy process of designing prototypes and having to deal with manufacturers and transport issues, digital fashion software applications allow designers a rapid prototyping process that generates very little waste compared to the traditional counterpart (Elle education, 2021). In addition, the intangibility of the virtual fashion also means that the vast negative environmental effect of the production, use and the afterlife of a material fashion items, is avoided.

Despite these clear sustainability advances of digital fashion compared to the traditional form of fashion, there is an ongoing climate controversy swirling around today's NFT market. There are multiple reports and studies that show that the minting process of NFTs is anything but environmentally friendly (Time, 2021; BBC, 2021). This minting of assets on blockchain requires immense amounts of energy, making the sustainability of NFT fashion a rather complicated issue. Some say that the advantages of NFTs outweighs the disadvantages in the long term when it comes to sustainability but giving the quickly changing nature of the crypto market and technology, this is still today hard to argue (Time, 2021; BBC, 2021). For example, annually Ethereum is estimated to generate 62.86 MT CO_2 each year, which is comparable to the carbon footprint of Serbia and Montenegro (Digiconomist, 2022). Since Ethereum is one of most popular cryptos used in the NFT trading, this creates serious sustainability concerns for luxury fashion brands interested in implementing NFTs to their business strategies.

This being said, if luxury brands choose to produce NFTs, further sustainability measures will need to be put in place to make sure the advantages out weight the disadvantages. There are already potential fixes to the climate pollution problem of NFTs that are in the works to varying degree (Time, 2021). In case of crypto currency and assets like NFTs, environmental regulations will most likely have to come from a policy level. Some possible solutions have already been discussed, such as carbon taxation on the machine producers and regulating the use of environment heavy electric grid for mining operations, but until regulations aren't in the place and the technology can't allow for less energy intensive blockchain computing and especially minting, designers have to figure out how to minimize and manage the environmental footprint themselves.

4. Methodology

4.1 Research approach

Since the NFT fashion market is still today rather new and anything but complete, this methodology section could utilize a rather limited selection of data, as not much information is available about, what has been done or studied thus far in the luxury fashion NFT market. In addition, both the fashion industry as well as the NFT marketplace are changing rapidly, highlighting the point that the focus on the chosen case studies in this paper will not be solely on their individual success, but more on investigating the wider possibilities the NFT market has to offer to the luxury fashion industry through the lens of these cases. That being said, the following methodology section focuses on gaining insight from a range of fashion NFT projects that all have a direct connection to a traditional luxury fashion brand. I have chosen three NFT projects as my source of data and analysis that all showcase how NFTs can benefit the key characteristics of luxury fashion, uniqueness, scarcity, hierarchy, status, exclusivity & authenticity, while also introducing new aspects to the field and this way entice modern tech savvy consumers.

Since this research aims to investigate the possibilities the NFT marketplace has to offer for luxury fashion brands, qualitative research, was chosen as the research approach. The focus on the data collection is on identifying relevant themes that reveal both customers' and brands' attitudes and motives towards the 21st-century definition of luxury fashion and its application in the field of NFTs. For this very reason, qualitative research, that offers rich and detailed description of individuals, behaviors and attitudes, is the best research method to answer the research questions.

As this thesis focuses on bridging existing theories from luxury fashion market and NFT market in new ways, it can be seen as a conceptual paper (Jaakkola 2020). This means that the arguments are not derived from the data in a traditional way but instead involve the combination and recontextualization of evidence in the form of previously developed theories and concepts (Hirschheim 2008). For this reason, this conceptual paper is not created without empirical insights but rather builds on existing theories and concepts that have been earlier tested and developed through empirical research. This allows my thesis to ultimately create new knowledge by building on carefully selected sources of information combined according to a set of norms. Since this paper is bridging together the

fragmented fields of Luxury fashion and NFTs through a certain theoretical lens, theory synthesis works as my model for this conceptual paper as it aims to build and notice differences and relationships between different concepts- luxury fashion and NFTs (Jaakkola 2020).

4.2 Data collection

The data for this research is secondary data collected from various online sources ranging from NFT platforms to social media posts and luxury brand's own websites. Since the NFT luxury fashion industry is still in the making and there aren't many traditional luxury brand NFT projects that offer enough data for a rigorous research, for the data collection stage only three case studies were chosen as they offered enough meaningful data that could be used to reach the research objective. The criteria for choosing the cases was that they need to be traditional luxury brands, that have in their own way implemented NFTs into their business model. The aim in the data collection stage was to gather valuable, rich information about these existing NFT projects that traditional luxury brands have created. The focus was especially on data that showcases the implementation process of NFTs into traditional luxury brands business model from both the customer's as well as the brand's viewpoint. This enabled a further rigorous investigation on the attitudes and practices that both brands and customers have when it comes to the coexistence of the new digital asset and the high-end fashion house.

4.3 Case studies

4.3.1 Jimmy Choo x Eric Haze x Poggy

Publisher: NFKings
Quantity Issued: 8888
Issue date: 2021-10-20
Max 4 boxes per individual

Jimmy Choo is a British high fashion house, founded in 1996 by couture shoe designer Jimmy Choo and British Vogue accessories editor Tamara Mellon (Jimmy Choo, 2022). Choo is specializing in luxury shoes, handbags accessories as well as even fragrances. Their shoes have truly left their mark on the industry and have been favorite of celebrities throughout time, from Princess of Wales to Cate Blanchet. "Choo" became almost a pop

culture phenomenon due to appearing consistently in fashion focused shows like “Sex and the City”. Jimmy Choo became synonymous with its sleek, streamlined silhouettes and minimalistic styling throughout its brand image. The brand is still today praised for the luxurious products that are made with the highest quality of craftsmanship.

Jimmy Choo has always been innovative when it comes to new ways to market and also create collections. It was no surprise then that it was one of the first high fashion houses entering the NFT market. In partnership with Eric Haze, Jimmy Choo launched its first NFT collection on Binance’s marketplace on 10th October 2021 (Binance, 2021). This collection is truly an iconic partnership as it combines three creative visionaries, three global capitals and three distinct points-of-view two other creative visionaries: the New York based artist and designer, Eric Haze, and the Japanese fashion icon Poggy and brand’s own London-based Creative Director Sandra Choi. With this crew, Jimmy Choo stepped into the digital art world with the introduction of two type of NFTs: mystery boxes as well as an auction item. The collection is called Chasing stars, the first Jimmy Choo/ Eric Haze curated by Poggy collaboration NFT.

While other luxury fashion brands have taken the opportunity with NFTs to sell a more financially accessible product, such as Louis Vuitton’s and Burberry’s exploration of in-game clothing, Jimmy Choo took another approach and mixes up the luxury fashion supply in NFTs.

The first launch of the collaboration products was through buying a “mystery box”, that each contain a randomly assigned NFT of one of four digital card creations of Jimmy Choo’s signature LOVE. The boxes vary in scarcity from super rare to neutral and the collectable NFTs are only revealed when opening the box after the purchase, giving the launch a more game like and exciting touch. In total, the launch included 8888 boxes with 5333 neutrals, 3109 rares, 445 super-rares and a single super super-rare (Binance, 2021; Jimmy Choo, 2021). The collectors who score either super-rare or super super-rare mystery box were entered further in a draw to receive yet another exclusive NFT, of which only a limited number, 100, have been ever minted.

In addition to the mystery boxes, Jimmy Choo also conducted an auction of an exclusively designed trainer NFT. This trainer is one-of-a-kind and there is only the digital form

available. Profits of the auction will go to The Jimmy Choo Foundation in support of Women for Women International. In addition, to the NFT, the auction's highest bidder will also receive a limited-edition pair of sneakers from the brand. The auction is still today ongoing and is already at a bid of \$4998 (Binance, last checked 30.1.2022).

The Mystery boxes sold out quickly, making the brand's first NFT project a success to say the least. To bring these items to life and to create the hype, that is extremely important especially in the NFT industry, Jimmy Choo revamped designated boutiques and also launched pop-up stores around the world. These limited time events allowed consumers to enjoy the collection's atmosphere in real life and view the collection in a gallery like art space. This also generated impressive social media buzz, thanks to the attendance of high profile celebrities, such as their Asia Brand Ambassador Victoria Song and two Chinese singers, Wag Ziyi and Casper. The celebrities' as well as individual artists' posts helped the hashtag of the collection #JIMMYCHOOxERICHAZE gain over 65 million views in total.

The combination of immersive marketing experiences with the unique collaboration, allowed Jimmy Choo to not only sell out its NFT collection in a blink of an eye, but also to showcase its brand culture and cultivate deeper connection with the, often younger, customers. In addition, the combination of digital fashion with the physical store experience, enabled the brand to give consumers personalized interactions, sense of status and something to post about online, expanding the brand's awareness even more.

4.32 Dolce & Gabbana Collezione Genesi

Dolce & Gabbana is a quintessential Italian high fashion brand. Created by Domenico Dolce and Stefano Gabbana in 1985, the brand today is an international leader in the luxury fashion goods sector (Dolce & Gabbana, 2022). The fashion house is known for elaborate animal prints, black lace, florals, detailed embroidery and the usage of other Italian staples across their designs. Dolce & Gabbana's product lines include apparel, footwear, handbags, jewelry, cosmetics and other accessories as well as even grocery items. In 2021 the creative pair decided to push their brand to the digital world with the launch of their first NFT couture collections, which was featured at their show in Venice.

Dolce & Gabbana's NFT collection, Collezione Genesi, truly was a historic moment for both the NFT and also luxury fashion ecosystem, since it is the first luxury NFT collection, involving both digital and physical works- bridging of physical and the metaphysical (UNXD, 2021). The 9-piece, one-of-a-kind NFT collection, was personally designed by the founders and creative directors of the brand themselves, Domenico Dolce and Stefano Gabbana. Collezione Genesis's fashion NFTs feature hand-made, museum-grade items across Alta Moda (women), Alta Sartoria (men) and Alta Gioielleria (high jewelry). The brand partnered with UNXD to bring their ideas and fashion into NFTs. UNXD is a creator and curator platform, that designed all nine of the digital assets for Collezione Genesi. They approached Dolce & Gabbana in April 2021 with the idea of launching an NFT collection (New York Times, 2021).

This collaboration is a great example of the success than can be reached when combining a deep understanding of both the luxury fashion sector and crypto world. Since both fashion and NFTs are ultimately forms of cultural expression, the combination of the prestige traditional luxury brand with the cutting edge modern NFT curator platform UNXD was deeply enticing for customers and created a major hype, boosting the brand's awareness and eventually also value even further. The collection eventually sold out on September 30th, 2021 for 1885.719 Ether, which at the time was equivalent to nearly \$5.7M (UNXD, 2021) The items sold in an auction form. Collezione Genesi prove that although the concept remains futuristic, the sales can already in today's markets be impressive.

Dolce & Gabbana's NFT was historic and successful for a number of reasons. Firstly, there is a deep provenance, since the collection was not only an iconic luxury brand's debut NFT collection, but it was also personally designed by the founders themselves. Second, as the collection only featured nine items, there's is an extreme rarity element in play- the pieces were made once and will ever be made again. Thirdly, the materials and craftsmanship used in the physical creations were exquisite, which also meant that the the digital artwork also required a lot of time and detail. The smallest details of texturing, lighting, shadows, physics, reflections and fabrics had to be on point to achieve the intensely photorealistic results as seen on their end results. The attention to detailed, including dresses with Murano glass and crowns with diamonds, guaranteed the NFT collection to support the luxury status of Dolce & Gabbana as well as their core brand aesthetic. What also added an exclusivity factor that made this collection even more desirable for customers, was the fact

that the company was only letting approved bidders to participate (New York Times, 2021).

However, while culture and especially the looks are one of the most important elements from brand's perspective in these collections, the blockchain technology itself plays an extremely critical role in ensuring the unique benefits achieved by NFTs to reach their fullest potential, such as immutability as well as the personalized unlock values. Indeed, one of the main benefits of NFT fashion is the experience they can bring to both virtual and physical world. The Genesis collection is a prime example of successfully bridging the digital and physical worlds in a way not previously done before. Dolce & Gabbana's NFTs provide not only digital utility and collectible value through metaverse wearables, but also physical utility with the tangible products as well as exclusive access and brand experiences. Buyers of the NFTs also get an invitation to all the shows of Haute Couture and High Jewelry of Dolce & Gabbana in Italy, ranging from one to two years, depending on the token. In addition, the customer gets access to the atelier of the designers as well as their name within the exhibitions that Dolce & Gabbana will make (UNXD, 2021). To add to the already tempting offering, along with the digital and physical apparel, the buyer of the NFT also got the original preparatory sketches of the designers.

This being said, the Collection Genesi represents the first of its kind in the field of luxury fashion and also in the NFT market and will most likely have an important role in the future indicating a possible uses of NFTs for high fashion brands, in which the physical and experiential side can be connected.

4.33 Louis Vuitton and NFTs collecting game

Founded in Paris in 1854, Louis Vuitton today is one of the most valuable luxury fashion houses and is a division of LVMH (LVMH, 2022). Louis Vuitton started the brand's successful journey by making trunks for the socialites in Paris. The fashion house is still today known for their flat-top trunks, light weight canvas, signature patterns such as the Monogram canvas as well as the tumbler lock. In addition to their own designer handbags and fashion, the LV collection also includes a state-of-art fragrance factory as well as multiple collaborations with artists such as Beeple, Jeff Koons and Yayoi Kusamo.

Louis Vuitton is already well-acquainted with virtual space and especially the gaming space- it first launched a partnership with a multiplayer online game, League of Legends, in 2019 (Vogue, 2019). For this partnership, the former Creative Director of Louis Vuitton, Nicolas Ghesquière designed a skin for one of the in-game characters and a capsule collection. On August 4th, 2021, the brand decided to continue its digital journey through a collection of 30 NFTs that can only be collected in its game. The game is called 200 Anecdotes- named to celebrate the brand's 200 years anniversary. Once again tying into the art space, the American digital artist, Beeple, joined forces, with Louis Vuitton to create 10 of the NFTs (Highsnobiety, 2021; Google Play, 2022).

Differentiating from other luxury fashion houses NFT projects, the items in Louis Vuitton's game are not sellable or exchangeable, existing only in-game. The game allows the player to customize their character with different Louis Vuitton monogram print and colorways. In addition, it teaches the user the history of the fashion house through post cards and old memorabilia (Highsnobiety, 2021; Google Play, 2022).

After launching this game, it is safe to say, that Louis Vuitton is venturing way beyond traditional tangible fashion and is turning its focus on the metaverse. The game platforms is also a way for the brand to target its younger audience. It allows the hard to impress Gen-Z consumers to get hooked into a challenging game and being part of the brand culture without having to purchase anything. Louis Vuitton's NFT game is a perfect example of combining the traditional exclusive brand heritage with a more inclusive act that allows the brand to introduce itself to new, growing customer base.

4.4 Data analysis

Due to the lack of existing luxury fashion NFT projects, the data analyzing part focused on getting the most out of the three cases. This meant that the data collected included vast amounts of unstructured text-based data, collected from multiple platforms online. The data analyzing process for this paper was a creative process of inductive reasoning, theorizing and moreover bridging different concepts and theories together in order to form a valuable conclusion. The collected data was systematically arranged into different categories and the information was coded throughout. This enabled the identification of

significant patterns and themes as well as drawing meaning from raw data, thus building a logical chain of evidence.

Since the research objective of this paper is to understand how the luxury fashion industry can benefit from implementing NFTs into their current business model, in order to answer this question, the focus on the analyzing was on the exploration of values, beliefs, meanings, thoughts, experiences and feelings characteristic of the phenomenon under investigation. The following section, findings, present the four main themes, that were identified as a result of the data analyzing.

5. Findings

The data collected, revealed multiple motivators and reasons to, why luxury fashion brands should start experimenting with NFTs. It also showed the different options there are for utilizing these digital assets to improve one's brand image and to further reach the growing target audience of the younger affluent clientele. The data collected, showcasing how the luxury fashion industry can benefit from implementing NFTs into their current business model, was categorized to four broader themes: 1) Uniqueness and rarity, 2) Cultural expression, 3) Combination of the virtual, experiential as well as physical side 4) Community building. These themes do not follow in any specific order and can in, some cases, be intertwined.

In conclusion, this research shows, through these case studies, how the luxury fashion industry can benefit from implementing NFTs into their current business model. Moreover, it introduces the aspects that should be considered before successfully implementing NFTs into one's business plan.

5.1 Rarity and uniqueness

Both, NFTs as well as luxury fashion pieces, share the same key characteristics that allow the building of the hype and eventually them to sell out for high price premiums: uniqueness and rarity. This theme was easily identified in each and every one of the cases. Indeed, the high prices of sold luxury fashion NFTs, are not surprising for this very reason. The combination of having a world-renowned fashion designer creating something virtual, that is absolutely unique, with attention to detail and, often, coming with added value

through combined experiences and physical parts is beyond any other digital rendering. As the cases show with their quickly sold out collections, there truly is a quest for these unique digital fashion assets.

There is a deep provenance in each case- they all are the debut NFT collections of the world's iconic luxury brands and they all feature limited number of items. The uniqueness and rarity aspect is clear in the NFT luxury fashion collaborations as these pieces were all made once and will never be made again. In addition, whereas physical fashion can be copied, and counterfeits could dilute the value of the original piece, in the case of NFT technology this is not possible- increasing the uniqueness level even more.

Dolce Gabbana's NFT collection was personally designed by the founders themselves and as the collection only featured nine items, there's is an extreme rarity element in play. This was one key reason, the Collezione Genesi sold out in less than a month for extremely high price, compared to any of their products. Louis Vuitton's collection also played with the uniqueness element, as their NFTs were only available on their own platform and couldn't be traded or sold later- giving them one-of-a-kind collectible status. Jimmy Choo and Eric Haze's NFT collaboration was also a perfect example of, how NFT and luxury fashion together create a level of rarity and uniqueness that would otherwise be hard or impossible to achieve. In addition to the unique combination of artists and an iconic fashion designer, Choo's NFT also succeeded based on their gamified rarity levels. As mentioned earlier, the boxes varied in scarcity from super rare to neutral and the collectors who score either super-rare or super super-rare mystery box were entered further in a draw to receive yet another exclusive NFT, of which only a limited number, 100, have been ever minted.

5.2 Cultural expression

The story of NFTs and fashion is not solely one of technology but rather about culture, remarking that both Fts and fashion ultimately are forms of cultural expression. Each case study supported this view as they all included multiple cultural symbols, expressions and one could even argue the collections, themselves as a whole, to be entirely new form of culture.

In the case of Dolce Gabbana, one bidder, Danny Maegaard, paid 292.82 ETH for the Lion Crown, which the brand based on the Venetian flag. He later said that the item invoked his deep love for the city of Venice, increasing his willingness to purchase the piece. In addition, he saw the value in buying the crown as it was part of one of the first NFT collection by any major fashion house (New York Times, 2021). Both reasons are heavily based on cultural value and show, how the NFT could support the already strong cultural characteristic of traditional fashion brand, by bringing it to the next level and also introducing it to new generations in an engaging way.

Jimmy Choo and Eric Haze both share a common design element: the star motif. This helped them in creating a collection that was true to their original brand cultures while still putting a fresh spin on their graphics. The end result was a combination of being sophisticated on a luxury level, while still being historically authentic on a street level-bridging together two key cultures and this way reaching out to the targeted audience of affluent trendy consumers (Law, 2021). The entire idea behind the collection was indeed to combine the branding of Jimmy Choo, the artistic-creative status of Eric Haze and Poggy as well as the cultisic-collecting side of the BE@RBRICK in order to create a higher cultural product instead of a simple luxury shoe.

Louis Vuitton's NFTs also leaned heavily on the cultural side, as it allowed players to customize their character with their iconic prints as well as taught the user the history of the brand through post cards and old memorabilia. Once again, the combination of the traditional brand heritage with the modern environment of digital playground and innovative technology, proved to be a success that not only increased the brand awareness but also enticed new customer base. The chief digital officer of LVHM, Ian Rogers, said that Louis Vuitton's NFT game was, for the brand, more valuable as a cultural zeitgeist instead of just immediate monetary gains (Jing Daily, 2021b). This shows, that for traditional luxury brands, participating in NFT is today mostly about culture itself. What all these three cases succeeded with, is exactly this: being aware of the culture and the conversation around the brand and NFTs, as well as the technology.

5.3 Combination of the virtual, experiential as well as physical side

Despite the increased demand for intangible fashion pieces, the importance of combining the virtual with the physical piece as well as an experience seems to be the winning combination in today's, still developing, new market, of NFT fashion. The unlock value that is typically tied with the NFRT allows the creator of the digital asset to easily combine the virtual piece with either an experience or a physical item. For the traditional luxury fashion brands that still rely heavily on the material aspect, this seems like the natural next step.

The Louis Vuitton case was an exception in this theme, as it didn't sell their NFTs and directly combine them with physical items. However, they did add the experience aspect to the offering- the entire journey of getting the NFT was gamified into a full on virtual brand experience. This being said, the fashion house didn't rely on NFTs as themselves to be the wow-factor, but instead the virtual world they created around them instead.

For Jimmy Choo, the double release of the collection, physical and digital, clearly maximized the impact of the release, that sold out fast. In addition, the added experience factor, that on a digital level, due to the format of the draw and the prizes, was more compelling to the customers than on that of retail, which typically runs out as soon as one completes the checkout and leaves the store.

Dolce and Gabbana's NFT collection was the clearest example of the power combination of the three: the virtual NFT, the physical fashion piece and the luxury brand experience. On the experience side, the buyer of the Collezione Genesi NFT received something, one could call an experience that every Haute Couture customer will want to live. From the fitting the Haute Couture item with the designers and the visits to the atelier, the buyer also got an invitation to Dolce and Gabbana's runway shows. In the highly hierarchical world of high fashion, the fashion show seats themselves are worth from thousands of dollars and sometimes can't even be bought without having a certain status in the fashion community (The Guardian, 2013).

The customer of the NFT also got a physical drawing of the fashion item as well as the physical piece of the NFT itself. An anonym client of the Collezione Genesi, “Pranksy”, said that he thinks NFTs in fashion has a huge potential, especially linked- as Dolce and Gabbana has- to the physical. He bought two virtual-only items for 99.99 ETH each as well as two dresses that were sold as the combination of physical as well as digital for 188.1 ETH and 225.5 ETH (New York Times, 2021).

5.4 Building communities

As the previous themes already show, NFT fashion isn’t about replacing the existing physical garments with digital ones, but instead is an opportunity for the traditional luxury brands to engage with the digital space as well as tap into a new commodity market. Another key element that further supports this view, is the community building element the NFT marketplace has to offer for luxury brands. Indeed, the virtual environment has long been seen as a place where especially younger target customers can be reached and where new online communities can be built.

Unlike tangible fashion pieces, digital items can be used as a collateral for both client retention as well as community engagement. High-end designers in today’s digital, as well as more inclusivity-first age, have limited engagement with consumers. NFTs offer a great way to bridge this communication gap: the designer are able to communicate with the customers of the NFTs directly through digital wallets, almost like emails. In addition, the buyer of the NFT in many successful NFT drops, get invitations to member only events, discussion groups or even game platforms, further proving the community building power of NFTs. This adds desirability and this way, value, to the digital assets as well as a longer term relationship with the clients compared to typical purchasing situation with physical item that usually ends at the checkout.

The well-succeeded fashion NFT collections all have a thing in common: they have created something that resonates with the tight-knit crypto communities that have an eye for fashion, who chat about them on social media and platforms like Clubhouse rooms or on

Discord. However, the crypto community itself is still today mostly male users, that are more into the game world and other collectibles rather than the traditional luxury fashion NFTs (Dazed, 2021). Therefore, in order to succeed, the traditional luxury brands need to create circumstances, where new communities can flourish. These communities typically are outside the typical crypto communities and rather younger affluent fashionistas that are interested in the new digital playground and want to take part. Each case study had taken this into account and were able to reach the desired target audience. In order to do so, the collections could be bought through easy transactions- the buyer didn't need to be heavily invested in solely cryptos but could instead use fiat money and the company itself then helped to convert this into Ether, for example, to complete the purchase.

The strategy for traditional luxury brands should, indeed, explore how they can use digital tools to curate experiences and ultimately connect the traditional physical with the tech savvy new generation luxury clients. It is clear that the. NFTs won't integrate with all generations so fashion houses must strategize with the targeted customer in mind. In the case of Louis Vuitton and Jimmy Choo, the audience was clearly the younger affluent consumer base, whereas in the case of Dolce & Gabbana, the clientele included most their already existing VIP customers. However, all three had a strong brand community behind their collection uncreated the much desired hype from their united audience, both off and online that was key to their success.

Already, before the launch of Dolce and Gabbana's first NFT collection launch, it got widespread visibility and sparked conversation across multiple platforms where Dolce Gabbana's fan created online communities (New York Times, 2021; UNXD, 2021). Especially the brand's own social media platforms, Twitter and Instagram, were places where Dolce Gabbana fan communities could discuss the upcoming collection. In addition, the sneak-peaks of the upcoming designs were a way to give material for the word of mouth and eventually the building of the hype. Of course, the brand itself has a loyal community of luxury fashion lovers, but this very collection allowed the brand to reach the younger generations and this way to also invite them into a restructured community of the brand: the NFT fashion community, that identifies as a group of fashionistas willing to be part of the innovative wave of virtual fashion.

The community building discussions around the collection didn't only achieve an increase in visibility for the brand and had the community building aspect, but also eventually increased revenues: Collezione Genesi received \$2M+ bids already for their items during the first 28 days on the market (De Gray 2021), proving the widespread visibility they reached with the launch of an NFT. In addition, the huge number of bids also suggests that there truly are customers that are willing to pay for virtual fashion, when the package is designed well. The Dolce and Gabbana fashion NFT customer also gets his/her name exhibited together with the works all over the world. This, combined with the entry into the NFT community of the brand, further exploits digital fashion and collecting as a community building tool in the luxury market.

This same community building aspect was visible with Jimmy Choo's NFT experiment. For the launch of their collaboration brand launched pop-up stores across China, that offered personalized interactions with the brand community as well as a sense of status. In addition, the events designed to advertise the NFT collection brought the items to life and, perhaps even more importantly, the community of Jimmy Choo fans together. These widespread marketing tactics also generated impressive social media buzz and with the added support from high profile individuals, the Jimmy Choo NFT fan club started to become an increasingly desired community to belong to. The hashtag, designed for the collaboration, #JIMMYCHOOxERICHAZE, helped the NFT collection to gain over 65 million views in total, as well as to generate discussion on multiple platforms (Jing Daily, 2021a; Binance, 2021). This all together, the combination of the digital fashion and physical events with the social media discussion enabled Jimmy Choo to share their brand culture to new generations and allowed them to not only engage with the brand, but together as a community.

Louis Vuitton's NFT game is also a show of the possibilities NFT offer to traditional luxury brands from the community point of view. The gamification of the traditional luxury house's collection showed that the fashion house is willing to go down a new digital path in order to appeal to young tech-savvy individuals- thus reach younger generation of luxury fashion enthusiasts. The NFT collecting game was not about selling physical fashion or even trading the NFTs for monetary

purposes, but instead the game itself brought people together to have fun, learn about the brand culture, as well as enjoy the Louis Vuitton aesthetic. The player could enjoy moving around the virtual world and presenting oneself top styled with the Louis Vuitton fashion to other like-minded individuals (Highsnobiety, 2021; Google Play, 2022). In other words, the fashion NFT game allowed one not only to present their digital status image, but to also connect with others- building the new generation luxury brand community.

Discussion

6.1 Theoretical implications

The conclusion, that this paper comes to using literature review as well as the research on the case studies, support the view that NFTs help luxury brands to respond to the modern consumer demands and to stay relevant as well as to reach new markets in the 21st-century. The findings in the section 5 fill an existing research gap by offering managerial implications as suggestions, on how NFTs could be used to benefit the businesses of the traditional luxury brands as well as to improve their customer engagement. The findings suggest, that NFTs must be used in a very planned way and still today should be combined with physical products as well as experiments in order to become desirable offerings in the eyes of the modern luxury fashion consumer. In addition, since the NFT market is still rather new and the luxury fashion industry is also constantly changing, a constant research on the topic of the luxury fashion NFTs must be done to keep up to date on the latest legislations as well as benefits this new technology offers to the traditional luxury fashion industry.

The findings complement and extends the research done in the past by topics related to luxury fashion marketing as well as virtual reality and NFT markets. In the field of luxury fashion, this paper aims to further provide up-to-date information by complimenting research on luxury customer behavior attitudes as well as the future views and especially challenges that traditional luxury fashion houses are facing. The theoretical background of this research focuses on the fundamental consumption motives customers have for luxury fashion. This further helps developing the findings as well as further suggestions for brand in how to utilize this theoretical background and together, combined with the information provided with the NFTs use it to implement NFTs into one's own luxury fashion brand

strategy. The theoretical background extends the research of, Noble et al (1997), O’Cass et al. (2002 & 2004), Park et al. (2008 & 2009), Brian et al. (2012), Hudders et al. (2012), Husic et al. (2009), Kacen et al. (2002), Leibenstein (1950), Leigh et al. (1992), Li et al. (2006 & 2008), Liao et al. (2009), Lichtenstein et al. (1993), Zhan et al. (2012), Silverstein et al. (2003), Shao et al. (2019), Wang et al (2010), Chu et al. (2019), Wood (2014), Kautish et al. (2020), Pang et al (2021), Woodside et al. (2013), Wong et al. (1998 & 2010), Smith & Snipes (2009), Soucy (2004), Sun et al (2004), Thorniley (2010), Trigg (2001), Truong (2010), Vigneron & Johnson (1999), Wallendorf & Arnould (1988), Watson et l (2002), Wattanasuwan (2005), Auty & Elliot (1998), Bagheri (2014), Bao et al (2003), Bargiela- Chiappini (2003). Papers focusing especially on conspicuous consumption motives as well as the concept of extended-self provides similar findings and understanding on the motivations behind individual’s purchasing decisions as discussed in the section 2.1 (Sirgy et al, 2012 & 2013; Hill et al., 2007; Ahuvia, 2005; Sivadas & Machleit, 1994; Sivadas & Venkatesh, 1995), Belk (1988 & 1990); Berger & Ward, 2010). The consensus among studies done in the 21st-century emphasize the importance of five different motivators as the main influencing reasons for modern consumers luxury motivations: quality, hedonic, extended self, conspicuousness and uniqueness (Vigneron & Johnson 2004).

The literature review on NFTs increases the understanding of the technical aspect as well as the possibilities of these digital assets and the underlying cryptocurrencies used in their trading (Chohan, 2018; Dowling, 2021a & b; Ante, 2021; Shi et al., 2021). By drawing information from both the luxury fashion marketing and NFT papers, the research forms consensus, in the section 5.1, on how and, furthermore why, NFTs are a useful tool for traditional luxury fashion brands in targeting the growing, younger affluent consumer base as well as keeping themselves relevant in the fast phased digitalizing industry of luxury fashion (Vogue Business, 2021a,b,c,d,e & f; Jung et al., 2012; Okonkwo, 2009; Hennigs et al., 2012, Ramadan et al., 2021, Arribas et al., 2018, Martin 2018, Javornik et al., 2021). In addition, the case studies of Dolce and Gabbana’s, Jimmy Choo’s and Louis Vuitton’s, in the section 4.3, NFT experiences further supports the findings: showcasing that the luxury fashion industry can benefit from implementing NFTs into their current business model.

Both the literature review as well as the data analyzed from the case studies helped to reach the research objective and to identify the areas where and how NFTs can best benefit

luxury fashion industry, as presented in the section 3.32 as suggestions and then further clarified as the final findings in section 5 as four themes: 1) Uniqueness and rarity, 2) Cultural expression, 3) Combination of the virtual, experiential as well as physical side 4) Community building.

6.2 Limitations and directions for future research

It is worth noticing, that this paper has limitations which should be taken into consideration, when evaluating the universality and credibility of these results. In addition, the practical implications should always be kept up to date and assessed according to the current time, especially since the market of NFTs and Fashion both are constantly changing.

Firstly, as the luxury fashion industry has only in the past few years started to experiment with NFTs, the number of fitting cases to be studied is rather limited. Greater amount of literature and cases should be included in order to better generalize the findings to traditional luxury fashion brands. Also, the aftermath of these luxury fashion NFT projects is still ongoing: the long-term impacts, both the financial as well as image-related, should be critically re-evaluated again some time has passed. By then combining the updated long-term implications of implementing NFTs into brand's business model as well as gathering data from multiple studies, more comprehensive results could be reached.

Second, the entire market of NFT is still in progress and will most likely keep evolving both technically as well as become more common as time passes- changing its entire status as a digital asset. In addition, being a relatively new type of asset, NFTs could introduce unexpected challenges for both fashion brands and consumers. Therefore, further research should focus on the changing legal aspects as well as innovations that are happening in this landscape and update the findings accordingly.

Thirdly, both luxury fashion consumption as well as NFTs are complex topics and the variety of variables and conditions within both industries should be taken into consideration as it creates barriers for the research. Despite this paper focusing mainly on the luxury fashion consumption of the growing younger affluent consumer base, further research should also divide the current consumers into multiple segments amongst luxury fashion industry. Then, the motivations as well as behaviors for buying fashion NFTs

amongst each of these different segments could be investigated individually. For example, the elderly consumer groups could potentially be interested in buying digital fashion, but to know how this could be marketed to them and implemented successfully for fashion brands so that they could reach not only new but also existing consumer groups, further research is needed. Due to the complexity and ongoing development of the concepts of NFT and luxury fashion, the terminology throughout both topics are still rather inconsistent, creating difficulties of interpretations of the papers used in literature research as well as the theoretical background section.

Lastly, the road of fashion NFTs is still a long journey. The main focus in virtual fashion tends to be NFTs related to 3D garments that, still today, have limited utility inside the virtual world and are not yet ready for the use of the mainstream of fashion customers. The day that virtual reality and the entire metaverse becomes more common, the usage of NFTs will be greatly differing from the cases shown and studied in this paper. These cases utilize mainly the combination of physical, virtual and experimental luxury fashion NFT and today, as the findings section argues, this seems to be the best strategy for implementing and marketing these digital assets. In the future the emphasis could greatly shift into the virtual features only and the role of physical experiments as well as offerings could and probably will become less and less relevant.

Conclusions

During the past years, the luxury fashion industry has faced multiple new challenges due to recent strong changes in consumer culture, making it necessary for traditional luxury fashion brands to understand how to relate to and to engage with the modern luxury consumers and to differentiate them as a brand from other players in the industry. Having multiple shared characteristics with the luxury fashion, NFTs have been proposed as the solution to win over the hearts of these young high net worth individuals. The continuously growing younger, affluent client of millennials and Gen Z, spend increasing amount of time in the metaverse, creating demand for virtual Fashion, NFTs. By using NFTs, luxury fashion brands can produce unique digital assets and experiences, this way encouraging interactions with the desired consumer base, increase brand awareness and ultimately drive interest and sales in their brand. However, the notion of access to the digital space has been, and still is, difficult for the traditional luxury fashion brands, making growth and

innovation in the space slower than the demand for the industry. After observing the space of luxury fashion NFTs as well as researching supporting literature and theories, this paper helps to understand, how the luxury fashion industry can benefit from NFTs as well as offers suggestion to, how to successfully implement NFTs in the brand's business model in the 21st-century.

Digital fashion, cryptocurrency and NFTs have given a way for fashion houses to transform their universe, previously limited to the physical offerings and the brand culture that surrounds them, into the metaverse. This enables the traditional luxury fashion brands to realize and express creative work on a multiplicity of platforms, including digital ones and this way, through new categories of offerings that connect the physical and the digital in all its possible variations. Not only does this help to fight the counterfeit issues and help the brand to stay relevant in the eyes of the. Modern luxury consumers, the implementation of NFTs into one's business model, can help fashion houses to reach entirely new customer bases and to broaden their universe beyond physical, giving them endless possibilities on the creativity aspect. It is obvious, that still today as the NFT fashion market is still new and in the making, that the NFT fashion isn't about replacing a physical garment with a digital one- it instead is an opportunity for traditional luxury fashion brands to represent themselves in the virtual space and tap into a new commodity market as well as clientele.

Given the early nature of fashion NFTs, this opportunity comes with an educational component: brands must create a digital strategy that explores how they can best use NFTs to curate experiences and ultimately connect the physical with the digital. The cases presented in this paper show examples of luxury brands that have done something progressive in the NFT fashion environment and will most likely lead the way for other brands. It may be safe to say that more and more luxury fashion brands will want to eventually create NFTs to stay current and to survive the competition over the younger affluent consumer base. However, a trend can also be witnessed, where fashion brands are jumping in on the NFT hype only to capture the share of their market. This being said, it is highly possible that most brands today still do not fully understand the power of wearable digital fashion and the full range of other features, such as unlock values, that NFTs can provide. Therefore, further research and most likely also, more time, is needed for the majority of luxury fashion brand before fashion NFTs can become the new normal for

them- we are still just scratching the surface of what NFTs will be able to unlock for fashion.

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