

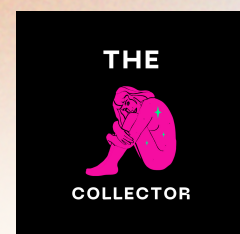
FASHION IN WEB3

INDUSTRY REPORT

How Web2 Brands Are Navigating the NFT Landscape and What the Data Reveals

By

The Naked Collector



OVERVIEW

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SUMMARY

Fashion companies have ventured into the Web3 space for several years, employing diverse strategies with varying degrees of success.

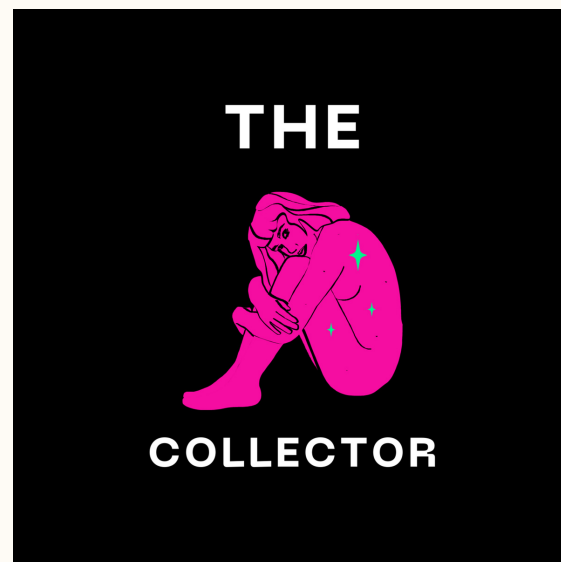
In this industry report, I explore how traditional fashion brands (often referred to as Web2 brands) have approached Web3. I conduct a quantitative analysis of the general NFT market, emphasizing the intersection between traditional fashion entities and the NFT space, along with consumer engagement in this realm.

Leveraging extensive data and deriving additional insights, I delve into the potential opportunities that Web3 unfolds for traditional fashion brands.

All NFT data referenced in this report was retrieved by me using the Flipside Crypto platform, unless stated otherwise. The dataset encompasses 40 fashion NFT collections released by traditional fashion brands.

The Naked Collector

Find your Web3 Fashion edge in weeks not years.



About Me

- Engaged in the cryptocurrency space since 2017 and recognized as a leading authority in fashion NFT commentary and analysis
- Dedicated to providing Web3 data-centric insights, with a specific emphasis on fashion-oriented blockchain research in 2021
- Member of over 100 NFT communities, cultivating a vast understanding within the ecosystem
- Creator of the premier Web3 fashion research newsletter; readership includes executives from industry giants such as Coinbase, Adidas, H&M, JP Morgan, Prada, Warner Music and many more
- Discover more insights by following [@NakedCollector](#) on Twitter or [The Naked Collector Substack](#)
- For enquiries or consultation requests, please contact me at enquiries@nakedcollector.xyz



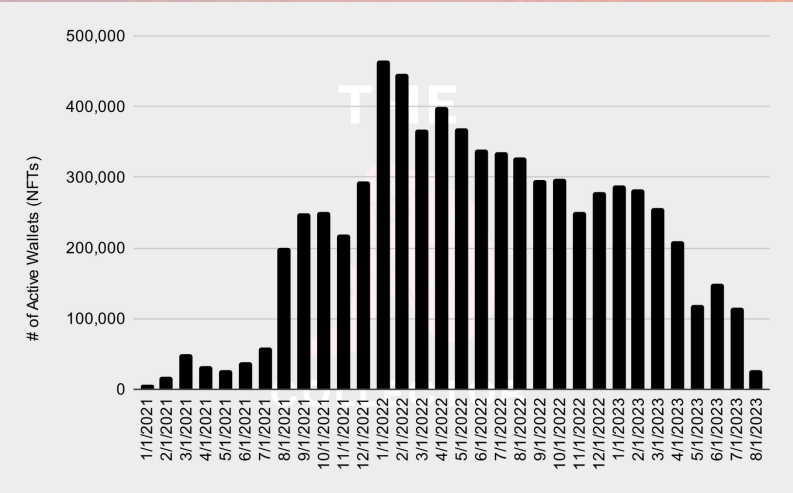
INDUSTRY ANALYSIS

Exploring NFT markets, Web3 integrations, and brand strategies in fashion

ETHEREUM NFT MARKET OVERVIEW (1/3)

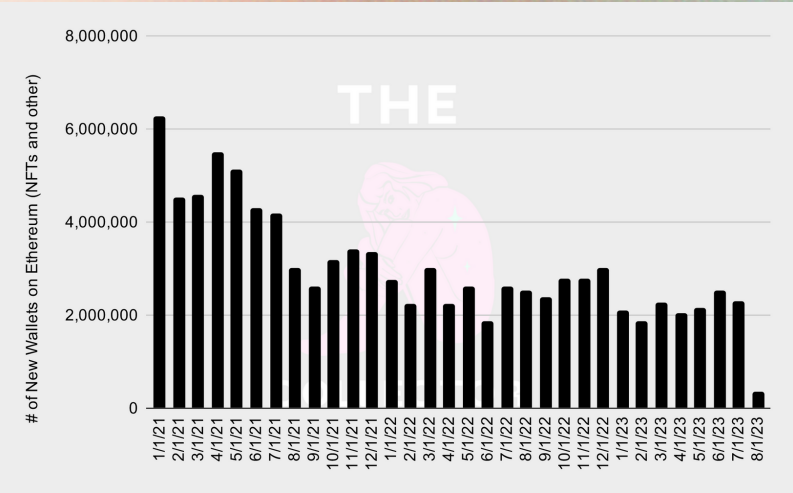
THE NAKED COLLECTOR

Active NFT Wallets



The number of active NFT wallets has fallen to 2021 levels, after peaking in January 2022.

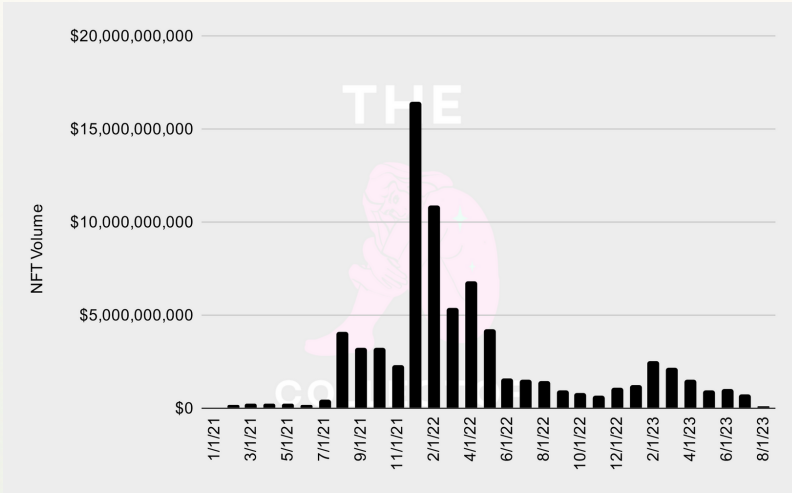
New Ethereum Wallets



The number of new Ethereum wallets has been trending downward after a peak in January 2021.

However, the trend has recovered since the lows of February 2023.

NFT Volume



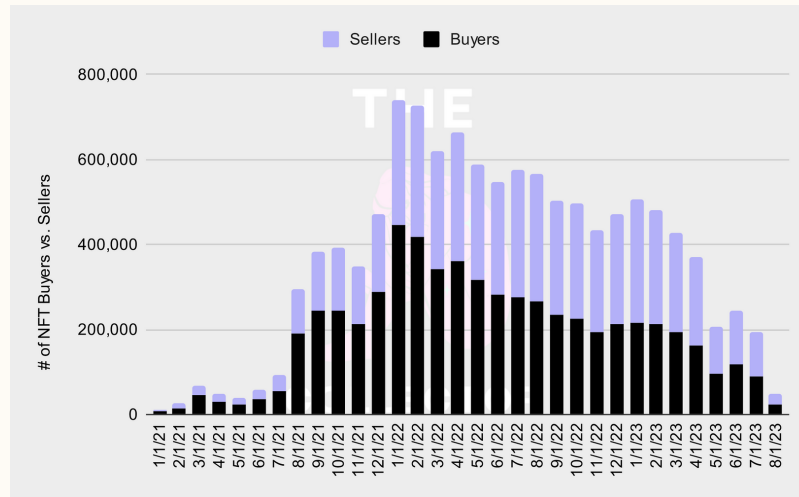
NFT aggregate volume has seen a drastic drop since its peak in January 2022.

However, the volume has experienced a slight uptick since reaching its lows.

ETHEREUM NFT MARKET OVERVIEW (2/3)

THE NAKED COLLECTOR

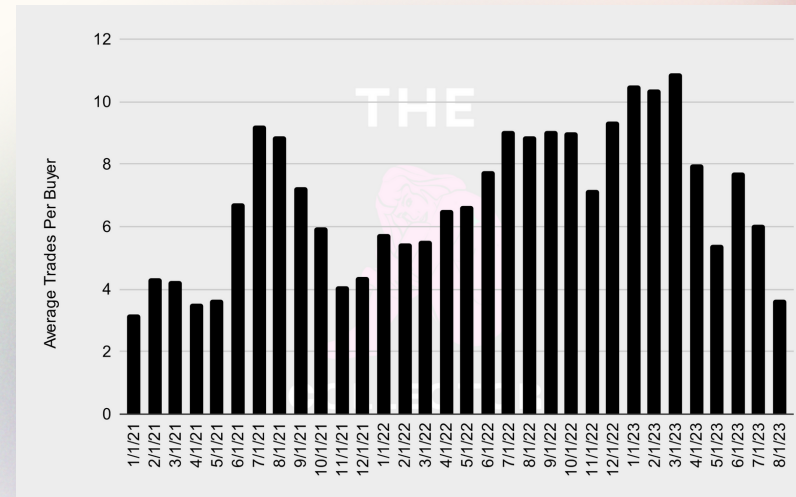
NFT Buyers vs. Sellers (#)



In the aggregate, the number of NFT buyers and sellers has declined.

The peak in absolute numbers for both buyers and sellers was observed in early 2022.

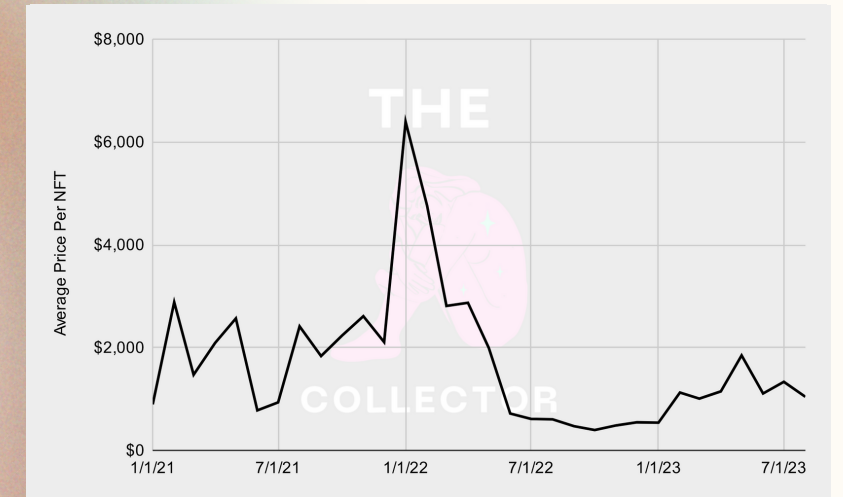
NFT Trades Per Buyer



The trades per buyer is a proxy for the participant diversity as well as whale activity in the market. We saw trades per buyer increase to its highest point (since 2021) in April 2023, coinciding with the unhealthiest recent point in the NFT market.

However, we've recently seen a steady decline in trades per buyer to early 2022 levels.

Average NFT Prices

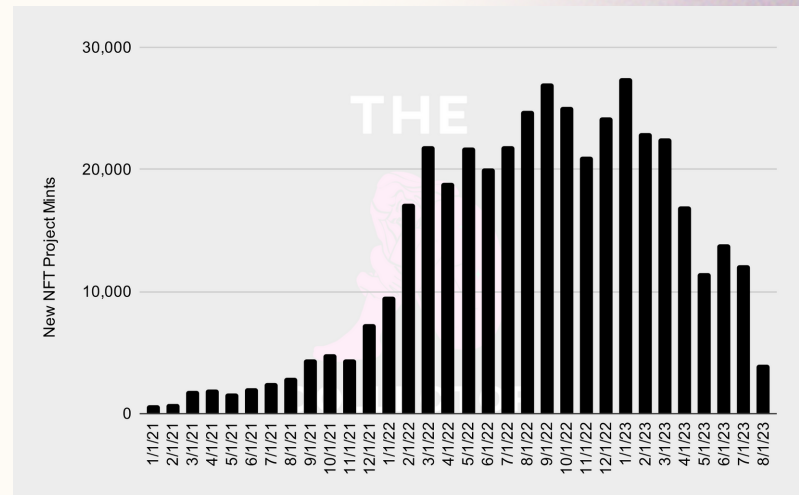


While the average price per NFT is a relatively crude metric, it corroborates previous data insights i.e. a peak in early 2022 and an extended lull after that.

We've been experiencing a positive trend in average price per NFT price movement in 2023.

ETHEREUM NFT MARKET OVERVIEW (3/3)

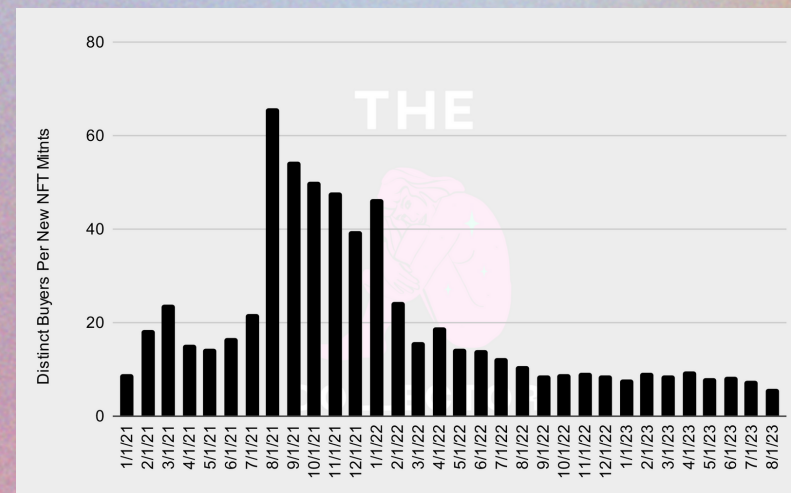
New NFT Projects



The number of new NFT projects have taken a drastic dive since April 2023.

June and July 2023 saw a slight uptick in new NFT projects.

Unique Buyers Per New Project



This Naked Collector proprietary metric shows a drastic decrease in number of unique buyers per new NFT projects since late 2021 and early 2022.

A low number of unique buyers per new NFT projects may indicate oversupply of NFT projects from a price standpoint.

Summary

- Early 2022 marked a peak in on-chain metrics across the board.
- We've since regressed to levels reminiscent of late 2021 in most metrics.
- Although there were signs of recovery after the lows in spring 2023, June and July 2023 showed only a slight reversal. We'll need more months of positive activity to substantiate this trend.
- There has been a moderate recovery in metrics such as the number of new Ethereum wallets, average price per NFT, number of new projects and the percentage of real versus wash trading transactions.

FASHION BRANDS IN WEB3

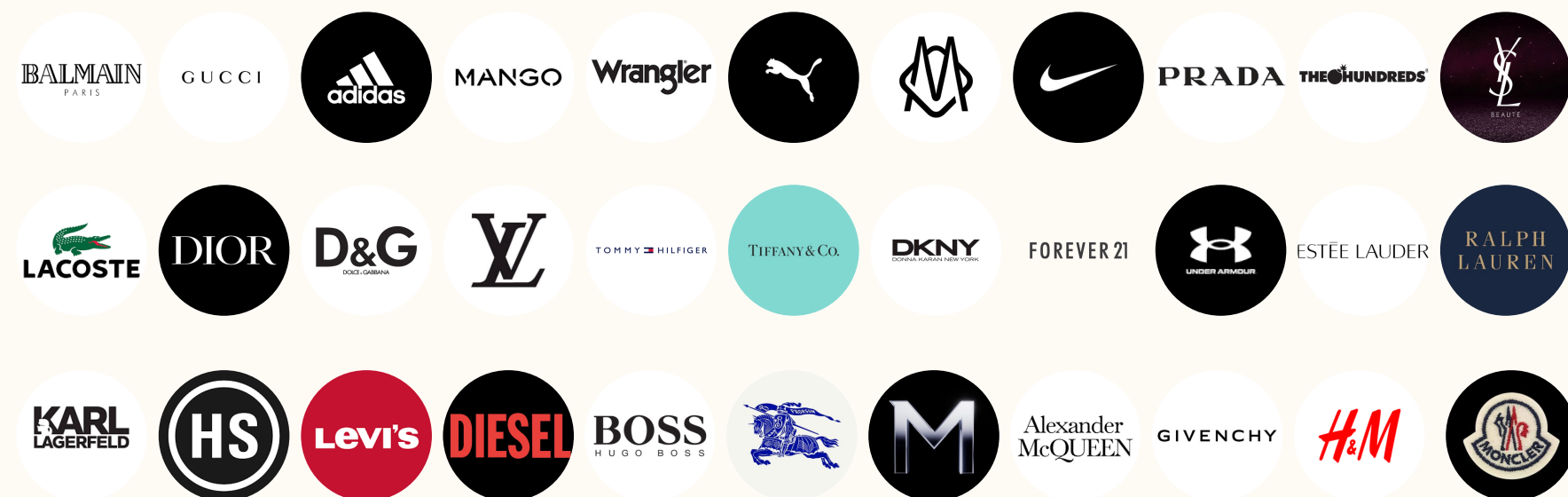
While several traditional brands have entered Web3, the activity has been mixed.

Short vs. Long-Term

There exists a significant dichotomy in brand approaches towards Web3. Some brands are envisioning long-term roadmaps and forming partnerships with Web3 communities, while others have adopted a more tentative stance, opting for one-off activations. Notably, larger fashion brands like Nike, Adidas, Gucci and Puma have shown a tendency towards long-term engagement. This distinction is reflected in consumer adoption rates and trading volumes.

The Hype Cycle

The period spanning late 2021 to early 2022 marked a peak in fashion NFT volume, with notable launches like D&G Collezione Genesi in September 2021, which generated \$6 million in primary volume and Adidas Into the Metaverse in December 2021, with a remarkable \$23 million in primary volume and nearly \$60 million in trading volume (generating ~\$6 million in royalties during its first month). Additionally, RTFKT's Clone X collection, pre-Nike acquisition, in November 2021 amassed over \$180 million in trading volume during its initial month. These launches coincided with the peak of the NFT market hype cycle, illustrating a trend where many brands launched their offerings during this high-point, only to encounter lower trading volumes subsequently.



\$1.6B+

in all-time Web2 brand NFT volume (mint + secondary)

60+

NFT collections launched by traditional fashion brands

180K+

fashion NFTs minted by traditional fashion brands

\$233.5M

in all-time Web2 brand phygital* NFT volume (mint + secondary)

THE NAKED COLLECTOR

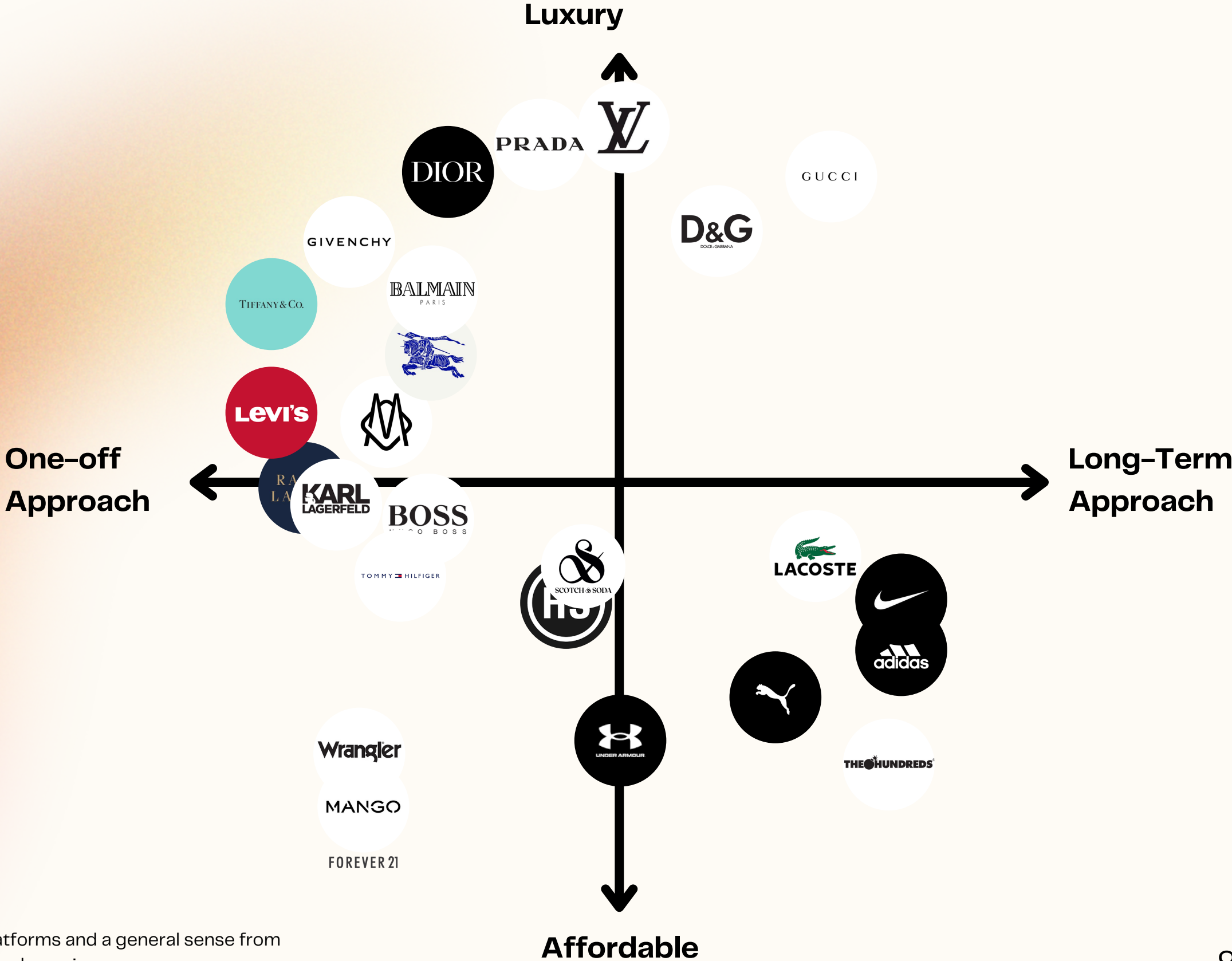
*Phygital = an NFT with a physical component e.g. NFC chip linked to NFT, digital twin or physical merchandise redeemed for an NFT

BRAND APPROACH: THE LUXURY DIMENSION

Based on a qualitative study examining the approaches of select brands to Web3, there isn't a discernible trend relating brand luxury status to long versus short-term strategies.

Notably many fast-fashion brands have been relatively modest in their participation in Web3 so far despite their significant resources. Naturally, blockchain's immediate benefits like authentication, provenance and collectability are more tailored toward high fashion brands.

A long-term approach reflects not only the duration of activity in the market but also considers the quality and overall sustainability of the existing initiatives or collections.



*Long-term approach could mean extended Web3 partnerships, multiple NFT drops, native Web3 platforms and a general sense from communications. The long vs. short-term approach axis represents the brand activity as of now but is dynamic.

BRAND APPROACH: THE SIZE DIMENSION

Bigger Brands and Long-term Approach

Based on a qualitative study of select brand approaches to Web3, there seems to be a general correlation between company size and a longer term approach to Web3 strategy.

Naturally, bigger brands have larger budgets which enables stronger experimentation in the space. However, some big brands like Chanel, Hermès and ZARA are still missing from the landscape.

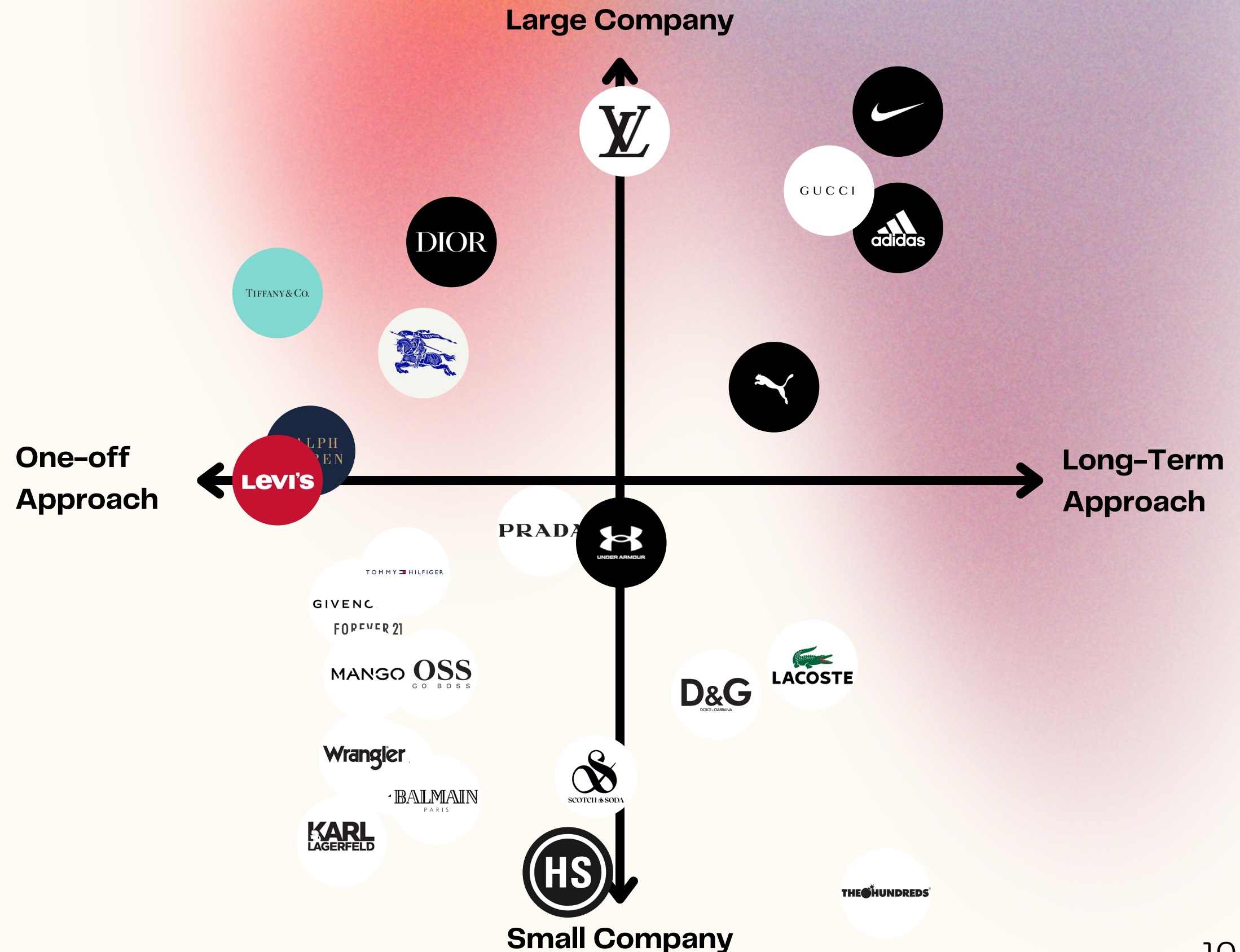
Collaboration With Web3 Companies

Historically, smaller brands have often led the charge in technological innovation and implementation. In the Web3 domain, the pioneers are the Web3-native startups (a deeper dive into some of these startups can be found [here](#)).

This explains the significant number of collaborations between Web2 brands and Web3-native brands (as evidenced by the data available on the Google Sheets table for premium Naked Collector subscribers).

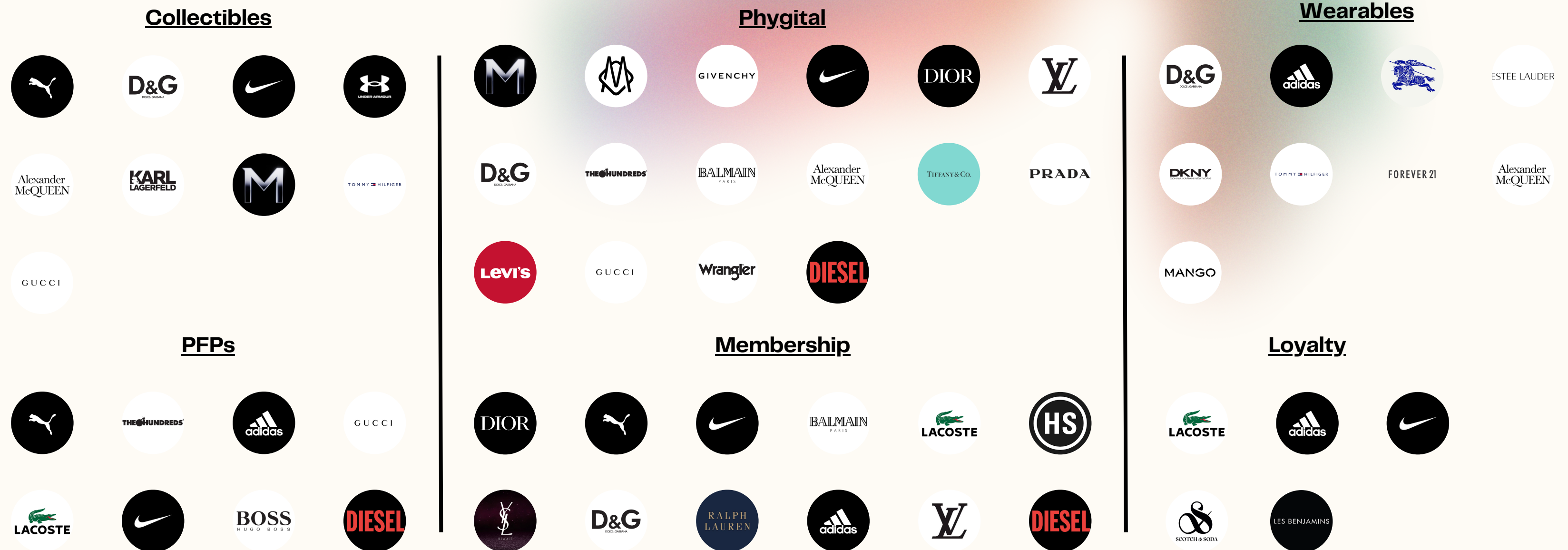
Nike's acquisition of the Web3-native brand RTFKT exemplifies this trend.

If or when Web3 interest resurges, we could see increased M&A activity between traditional and Web3-native startups.



PRODUCT CATEGORY DISTRIBUTION

We observe several trends upon analyzing the Web2 brand NFT product category distribution: 1) The dominant NFT category is phygital NFTs (NFTs accompanied by a physical component). This category represents one of the lowest entry barriers for brands, given the natural demand for physical products. 2) A substantial number of brands employ NFTs as membership tokens, where NFTs either serve as standalone membership tokens or their collectibles double as such. 3) Despite the Profile Picture (PPF) category commanding the highest volume in the general NFT market, a limited number of Web2 brands have ventured into this domain. 4) Many traditional brands have yet to explore Web3 loyalty programs. Among those that have, larger brands like Nike, Adidas and Lacoste are the most active.



FASHION NFT DATA STUDY 2022-2023

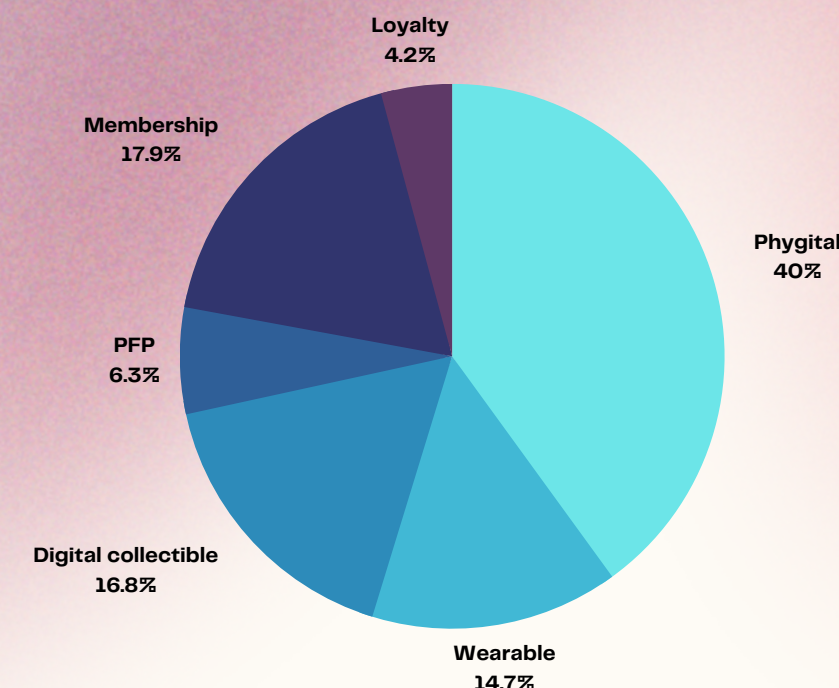
Examining the revenue generated by Web2 brands from Ethereum-based NFTs reveals that fashion brands have emerged as the predominant category. Notably, both Nike and Adidas have secured positions within the top five based on total revenue, despite the minting of their flagship NFT collections having taken place in 2021.

Nike has led all time mint volume at \$112 million. Adidas made around \$23 million from its flagship collection Into the Metaverse primary sales in 2021.

This data not only highlights the importance of timing for NFT drops but also goes to show that fashion collectibles from Web2 brands have notable demand.

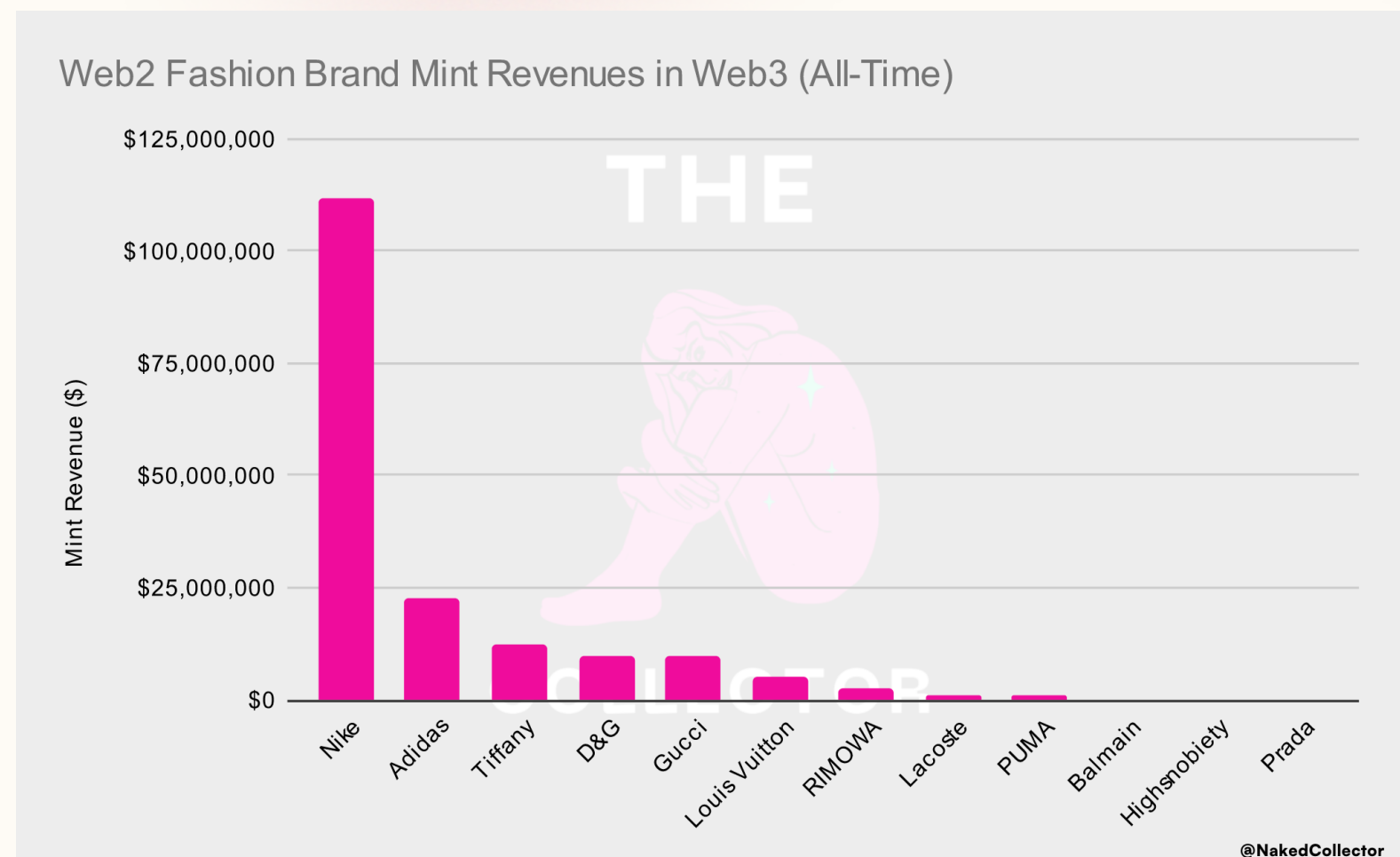
83%

Nike's share of Web2 brand secondary volume

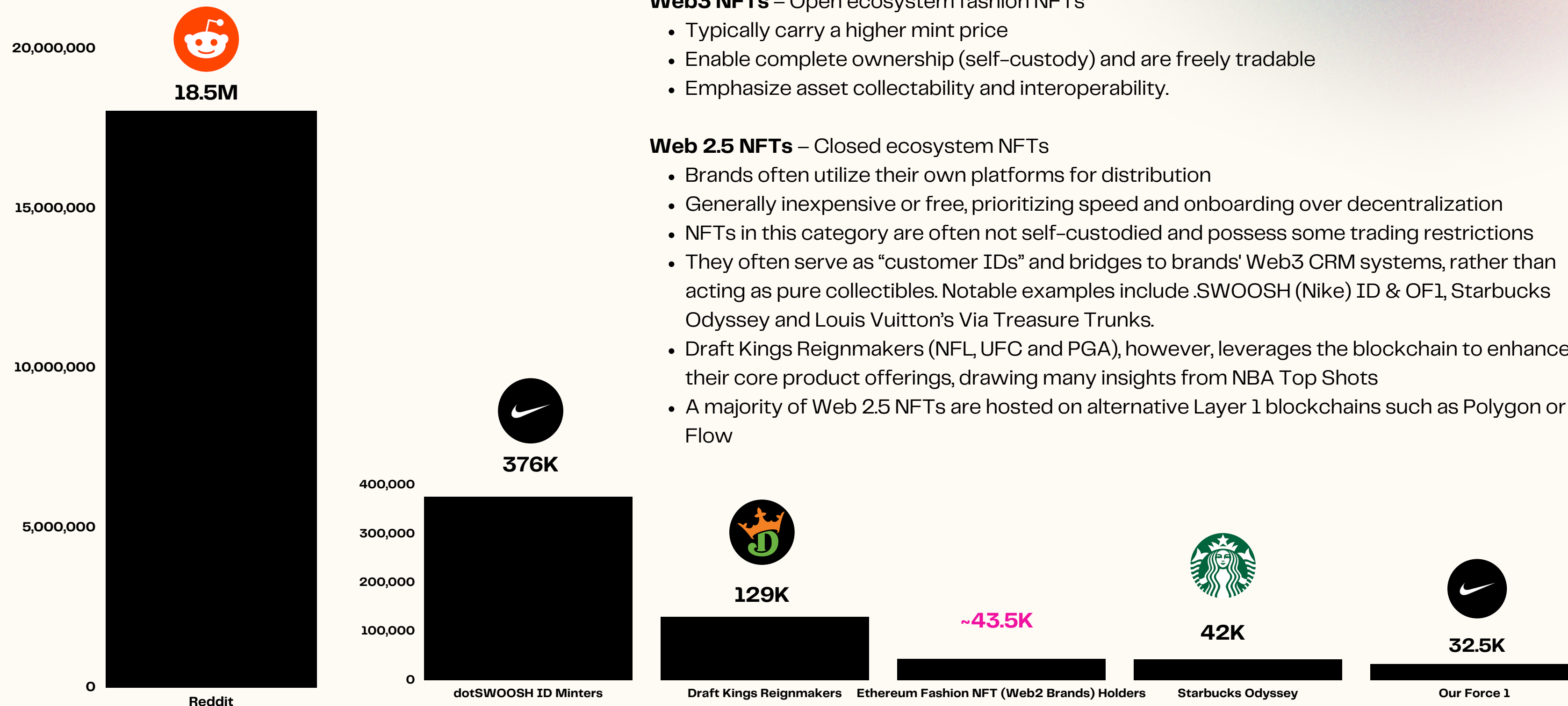


Web2 Brand Revenues in Web3 (January 2022 — July 2023)						
Rank	Name	Secondary TX #	Secondary Volume	Secondary Royalties	Mint Revenue	Total Revenue
1	Nike	128,435	\$1,082,597,052	\$58,551,595	\$26,350,820	\$80,373,592
2	Adidas	44,716	\$97,681,935	\$9,768,193	\$22,659,300	\$32,427,493
3	Tiffany & Co.	92	\$3,664,503	\$0	\$12,613,945	\$12,613,945
4	Gucci	8,587	\$39,077,134	\$1,950,609	\$9,982,493	\$11,933,102
5	Louis Vuitton	0	\$0	0	\$5,100,000	\$5,100,000
6	D&G	11,529	\$13,184,304	\$1,294,698	\$4,309,063	\$5,603,761
7	Bud Light	7,682	\$2,174,947	\$5,108	\$4,000,000	\$4,005,108
8	Porsche	5,886	\$18,242,668	\$18,330	\$3,467,012	\$3,485,342
9	RIMOWA	4,048	\$3,685,631	\$289,596	\$2,592,740	\$2,882,336
10	PUMA	30,587	\$10,372,256	\$427,012	\$2,208,715	\$2,635,727
11	American Open	8,753	\$5,595,770	\$167,465	\$1,493,762	\$1,661,227
12	Lacoste	23,023	\$4,028,515	\$164,659	\$998,469	\$1,163,128
13	Nickelodeon	9,754	\$3,187,220	\$268,721	\$352,150	\$620,871
14	McLaren	1,745	\$1,492,916	\$89,444	\$204,540	\$293,984
15	Balmain	7	\$6,299	\$0	\$157,960	\$157,960
16	Highsnobiety	372	\$96,058	\$6,757	\$36,990	\$43,747
17	Prada	51	\$41,705	\$3,856	\$15,000*	\$18,856
18	Pepsi	1,638	\$4,425,324	\$4,876	\$0	\$4,876
19	Budweiser	2,695	\$2,031,219	\$1,040	\$0	\$1,040

*Estimate



WEB 3 vs. WEB 2.5 NFTs



Web3 NFTs – Open ecosystem fashion NFTs

- Typically carry a higher mint price
- Enable complete ownership (self-custody) and are freely tradable
- Emphasize asset collectability and interoperability.

Web 2.5 NFTs – Closed ecosystem NFTs

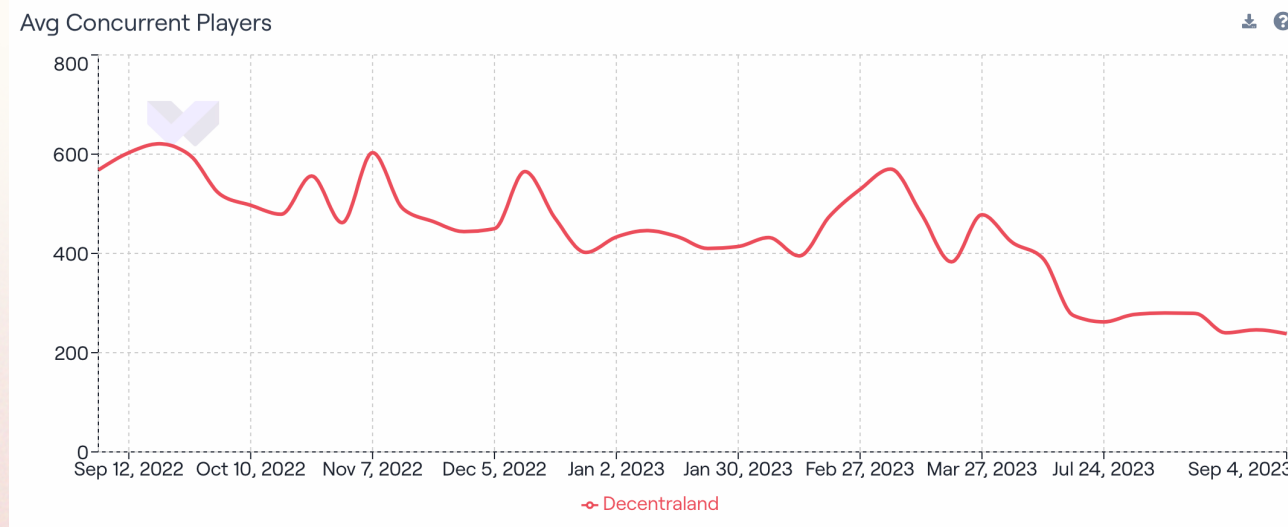
- Brands often utilize their own platforms for distribution
- Generally inexpensive or free, prioritizing speed and onboarding over decentralization
- NFTs in this category are often not self-custodied and possess some trading restrictions
- They often serve as “customer IDs” and bridges to brands' Web3 CRM systems, rather than acting as pure collectibles. Notable examples include .SWOOSH (Nike) ID & OF1, Starbucks Odyssey and Louis Vuitton’s Via Treasure Trunks.
- Draft Kings Reignmakers (NFL, UFC and PGA), however, leverages the blockchain to enhance their core product offerings, drawing many insights from NBA Top Shots
- A majority of Web 2.5 NFTs are hosted on alternative Layer 1 blockchains such as Polygon or Flow

THE DECENTRALAND STRATEGY

The annual Metaverse Fashion Weeks on Decentraland have served as the initial touchpoint for numerous fashion brands entering Web3. However, the active player statistics have not been particularly compelling. Although moderate engagement surges were observed during the digital fashion weeks, the general sense that there's still not a lot to do in Decentraland still prevails.

This may have influenced Gucci's choice to opt for Yuga Labs' still developing metaverse, The Otherside, over the more established Decentraland.

However, Decentraland has been evolving and recently introduced Smart Wearables (digital wearables that turn on a unique experience or ability) and UGC Emotes (or avatar actions) to try to generate more interest.



Source: WeMeta

GAMING

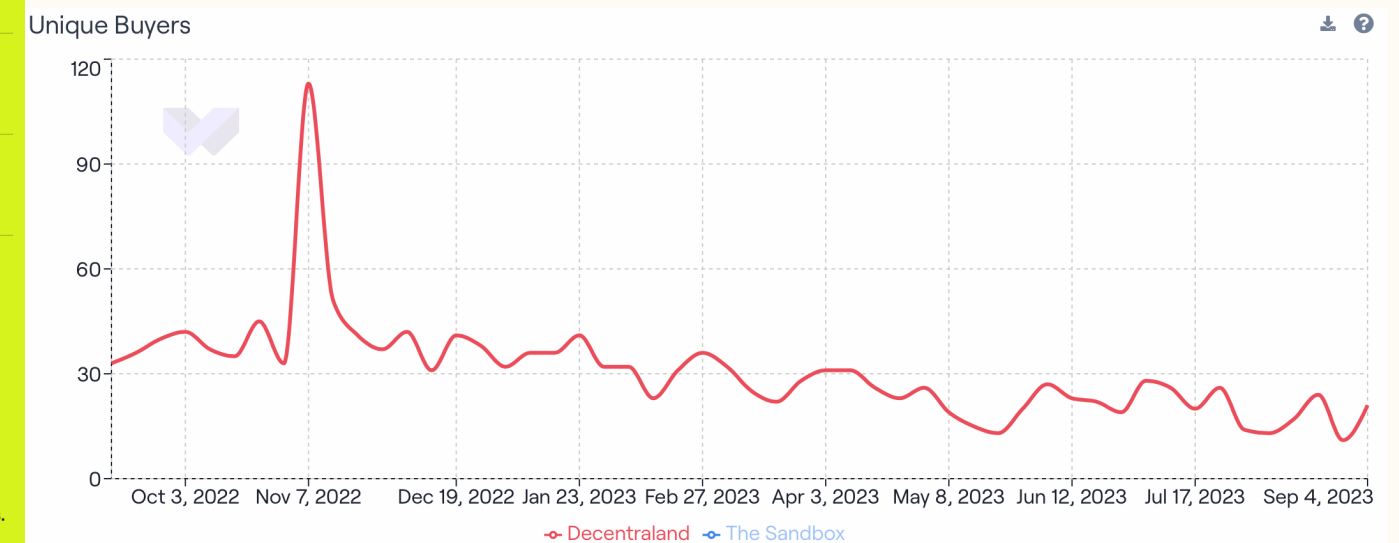
Metaverse Fashion Week had big brands but few people

Decentraland's Metaverse Fashion Week featured virtual clothes and exhibits from some major names in fashion, but it was lonely, difficult to navigate, and pretty boring.

By Jay Peters, a news editor who writes about technology, video games, and virtual worlds. He's submitted several accepted emoji proposals to the Unicode Consortium.
Apr 5, 2023 at 3:00 PM GMT+3 | 15 Comments / 15 New

Twitter Facebook Link

Source: The Verge



Source: WeMeta

Case Study:

ADIDAS

Adidas' NFT journey has been dynamic. From a successful mint that generated over \$20 million to pivoting to a native PFP collection and membership program. The journey has included Web3 partnerships, physical asset claim, digital fashion and most recently a membership/loyalty program. With a dedicated Web3 studio, Three Stripes Studio, the brand seems to have embraced Web3 full force.

5%

First-time minters

\$155M

in total secondary trading volume across all Adidas NFT collections

December 2021

Into the Metaverse Phase 1 – Journey begins

April 2022

Into the Metaverse Phase 2 – Physical claim

April 2022

Virtual Gear NFTs – Digital fashion airdrop

March – April 2023

ALTS by Adidas – A pivot to native IP

Adidas minted 30,000 **Into the Metaverse NFTs** for 0.2 ETH (~\$775 at the time).

The collection collaborated with NFT pioneers like Bored Ape Yacht Club, Pixel Vault and G Money.

Into the Metaverse holders could claim exclusive Adidas gear for free.

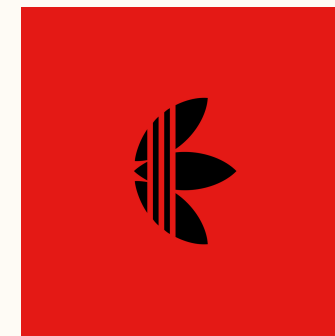
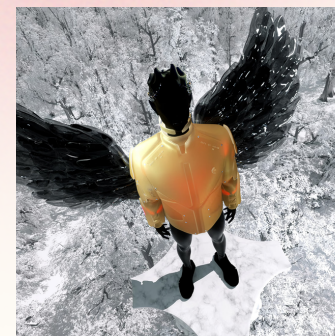
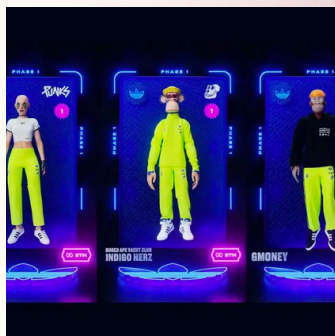
The Phase 1 NFTs were automatically upgraded to Phase 2 NFTs upon claim.

Into the Metaverse Phase 2 holders were airdropped digital fashion NFTs called Virtual Gear.

This digital attire could be integrated with select Profile Picture (PFP) projects and showcased on social media channels like Twitter.

Holders of Into the Metaverse Phase 1 and 2 NFTs were prompted to burn their NFTs in return for an ALTS by Adidas NFT. The NFTs act as PFPs but will also unlock exclusive perks based on their metadata.

The collection roadmap is divided into chapters. Chapter 1 of the collection allowed users to choose their ALT[er] egos i.e. PFP category.



Case Study:

ADIDAS

Adidas leverages the appeal of its physical products through Web3-native physical designs. Moreover, by establishing a digital artist residency program, Adidas aims to create Web3-native digital IP in the near future. This initiative will broaden Adidas' product categories beyond merely "sports and lifestyle" to encompass "sports, lifestyle, gaming and Web3". For a more in-depth exploration of Adidas' Web3 strategy, refer to [this article](#).

ALTS by adidas [UTILITY OVERVIEW]

[UNIVERSAL UTILITY FOR ALL ALTS BY ADIDAS]

- ✓ A STAKE AND A VOICE WITHIN THE ALTS BY ADIDAS ECOSYSTEM
- ✓ PRIVATE USE AND SPECIFIC COMMERCIAL IP RIGHTS FOR YOUR ALT
- ✓ ACCESS TO 3D FILES WITH THE ALT AND DIFFERENT ARTWORKS RELATED TO IT (E.G. ALT[ER] EGO BACKGROUNDS)
- ✓ ABILITY TO ENHANCE AND PERSONALIZE YOUR ALTS WITH VIRTUAL WEARABLES
- ✓ PARTICIPATION OF YOUR ALT INTO THE ALTS BY ADIDAS NARRATIVE
- ✓ ACCESS TO HOLDER ONLY COMMUNITY GATHERINGS
- ✓ EXCLUSIVE PARTNER OFFERINGS
- ✓ PREMIUM ACCESS TO THE ADIDAS COLLECT PLATFORM
- ✓ EXCLUSIVE ACCESS TO BESPOKE ALTS BY ADIDAS PHYSICAL AND VIRTUAL PRODUCTS VIA ADIDAS ONLINE AND RETAIL TOUCHPOINTS (I.E., ADIDAS CONFIRMED APP)
- ✓ EXCLUSIVE ADICLUB REWARDS AND BENEFITS AND ABILITY TO EARN AND USE ADICLUB POINTS WITH AND FOR YOUR ALT
- ✓ EXCLUSIVE ACCESS TO PHYSICAL (I.E., AND VIRTUAL (E.G., METAVESSE AND GAMING) EXPERIENCES
- ✓ CO-CREATION OPPORTUNITIES FOR ADIDAS PRODUCTS AND EXPERIENCES
- ✓ ACCESS TO A TOKEN-GATED CHAT IN DISCORD AND IN FUTURE PLATFORMS

EXCLUSIVE UTILITY SPECIFIC TO YOUR ALT[ER] EGO

STRIKES	SPRINTS	HOOPS	THRILLS	AMPS	SOLES	DECOS	DRIPS
RARITY: 17,5%	RARITY: 16,5%	RARITY: 16,5%	RARITY: 16%	RARITY: 15%	RARITY: 12,5%	RARITY: 3%	RARITY: 3%

- ✓ EXCLUSIVE OR EARLY ACCESS TO PHYSICAL AND VIRTUAL PRODUCTS SPECIFIC TO YOUR ALT[ER] EGO VIA THE ADIDAS ONLINE AND RETAIL TOUCHPOINTS
- ✓ ACCESS TO TICKETS FOR EVENTS AND PERFORMANCES SPECIFIC TO YOUR ALT[ER] EGO

ADIDAS HOOPER ATHLETE EXPERIENCES | ADIDAS RUNNING APP EXPERIENCES | ADIDAS BASKETBALL & STREETBALL HOOPER ATHLETE EXPERIENCES | TR-ONE AND HELYUTERRE SPECIFIC BENEFITS | RIDE AND FLY EXPERIENCES | BREAKTHROUGH & HEAT SPECIFIC ACCESS CONCEPT APP EXPERIENCES | CO-CREATOR OPPORTUNITIES WITH IP AND CONING ARTISTS | SPECIFIC PARTNER EXPERIENCES

Source: Adidas

April 2023

“Into the Metaverse” fashion

May – July 2023

ALTS by Adidas Chapter 2

August 2023

Adidas Originals x BAPE collaboration

August 2023

Residency by Adidas

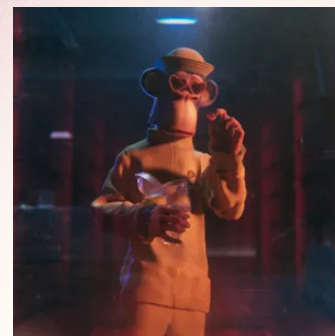
2,145 pairs of physical Superstar shoes and 2,195 printed hoodies inspired by Adidas' BAYC PFP, Indigo Herz, were released.

Token-gated access for ALTS by Adidas holders.



3x Rift Valley Motel Coins were airdropped to each ALTS by Adidas NFT holder in May 2023.

The coins could be burned to redeem a facial trait for the ALTS PFP. Users could choose from 9 facial traits, however, the rarity assigned was random. Users will be able to swap traits.

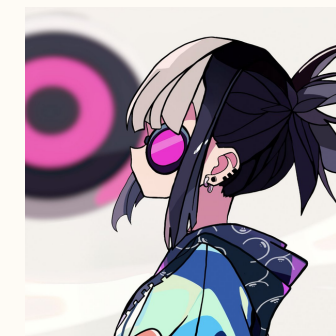


Adidas Originals and BAPE launched 100 limited-edition sneaker collaboration.

The mint for the access pass took place via a 72h auction. The sneaker has an NFC chip and is paired with a digital twin. Holders of the NFT will be able to claim the physical sneaker on September 26th 2023.



Adidas launches Residency by Adidas, the brand's first digital artist-in-residence program.

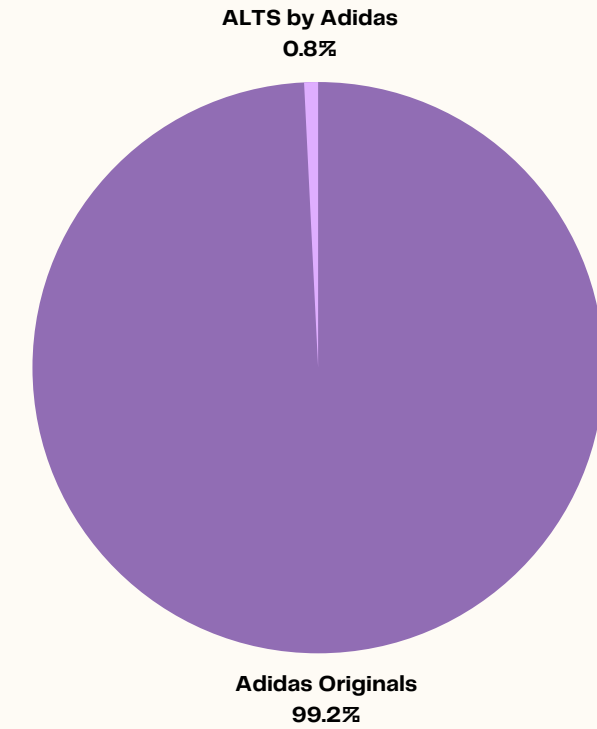


Case Study:

ADIDAS – Twitter Performance

Twitter is the main social media hub for Web3 activity, thus acts as a good proxy for consumer attention. Adidas' main communication channel shifted away from the official Adidas Originals account to the Web3 dedicated account, ALTS by Adidas. While especially Adidas' first NFT collections brought significant increases in social media following, the hype has died down which can be seen in the social media growth numbers.

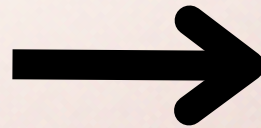
Twitter follower distribution



2022

December 2021

Into the Metaverse Phase 1 – Journey begins



550% MoM Twitter follower growth (@AdidasOriginals)

April 2022

Into the Metaverse Phase 2 – Physical claim



190% MoM Twitter follower growth (@AdidasOriginals)

April 2022

Virtual Gear NFTs – Digital fashion airdrop

2023

March – April 2023

ALTS by Adidas – A pivot to native IP



200% MoM Twitter follower growth (@ALTSbyAdidas)

April 2023

Into the Metaverse fashion

May – July 2023

ALTS by Adidas Chapter 2



-66% MoM Twitter follower growth (@ALTSbyAdidas)

August 2023

Adidas Originals x BAPE collaboration



-26% MoM Twitter follower growth (@ALTSbyAdidas)

August 2023

Residency by Adidas

USER ANALYTICS

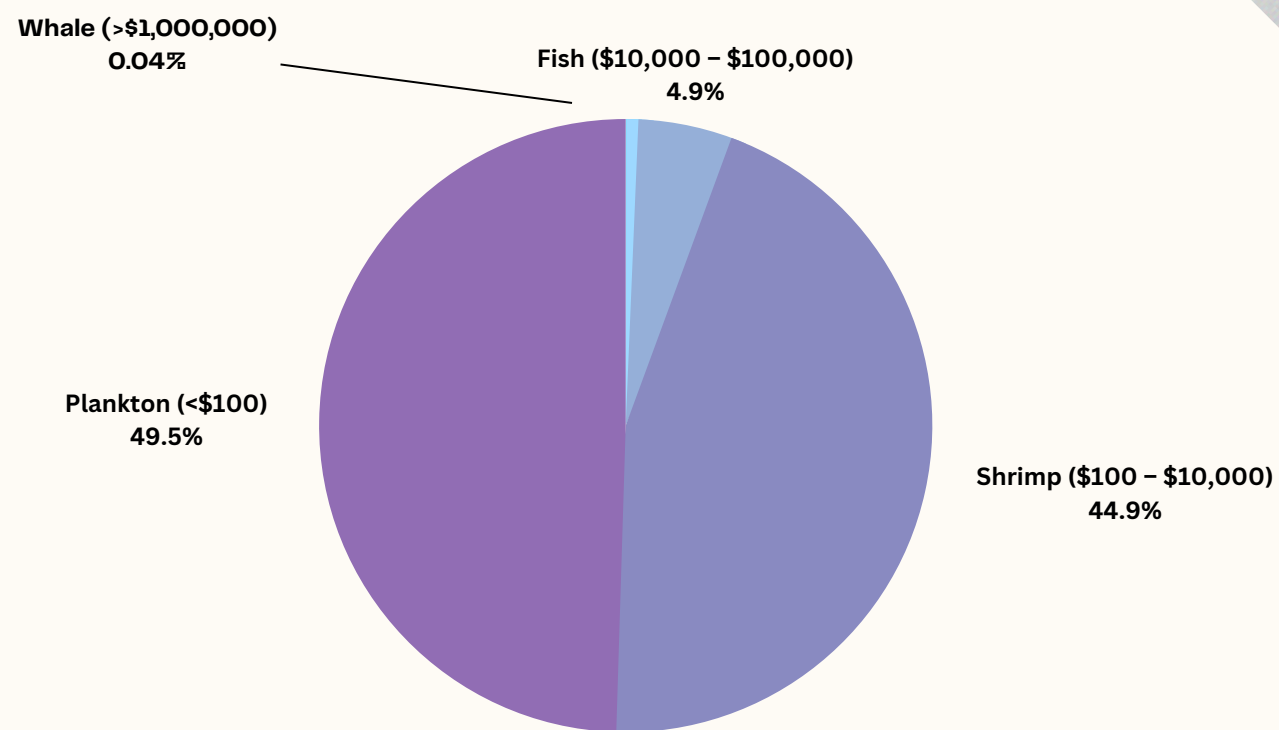
Uncovering fashion NFT trends through user data

FASHION NFT HOLDER WEALTH

Upon analyzing the 40 primary Web2 fashion brand NFT collections on Ethereum, it emerges that approximately 43,500 unique wallets holding these collections. The aggregate value held within these wallets is more than \$235 million, encompassing both ERC-20 and ERC-721 tokens. As of September 2023, the average wallet holds a value close to \$5,400.

A significant portion of these holders are categorized as small holders, each with a value less than \$100. This trend may be attributed partly to the ongoing NFT price correction, coupled with the fact that more affordable collections tend to have a larger volume.

The biggest single wallet among them currently holds around \$13 million in assets.



40

main NFT collections by Web2 fashion brands

~43,500

unique addresses hold the NFT

\$5,400

held on average by fashion NFT owners

\$235M+

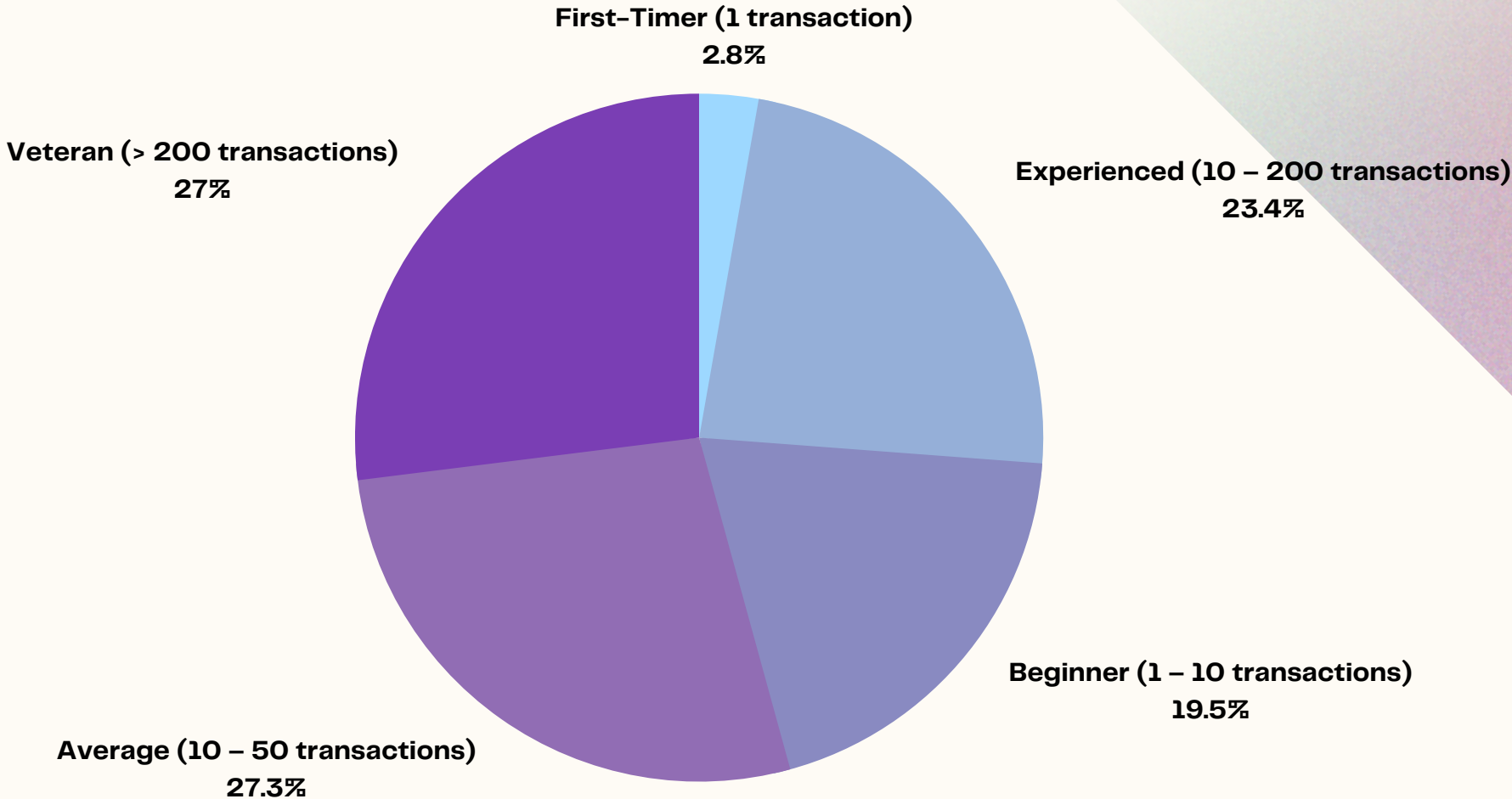
held in assets in total by fashion NFT owners

DISTRIBUTION NFT MINTING ACTIVITY

By analyzing the transaction counts of user wallets, we can deduce a wallet's level of engagement with Web3.

Upon examining the data, the participants categorized as "Experienced" and above constitute around 50% of the wallets involved in minting Web2 fashion NFTs.

Interestingly, the "Average" wallet category emerged as the largest cohort, while the "First-Timer" category was the smallest, encompassing just 2.8% of the total. However, it's worth noting that both the "First-Time" and "Beginner" categories capture first-time users, as initializing a wallet may require more than a single transaction.



8.7%

of the wallets holding Web2 fashion NFTs have purchased an NFT in the last 30 days (as of September 2023)

CONSUMER DATA TAKEAWAYS

Takeaway #1: Entry of Luxury Consumers Could Significantly Impact the Fashion NFT Landscape

The average fashion NFT holder has approximately \$5.4K of assets in their wallets, which is less than the cost of most Chanel bags. On the higher end, the largest wallet holds "just" around \$13M in value. Although it's common for users to distribute their holdings across multiple wallets, these figures suggest a few possible scenarios:

- a) **The perception of current fashion NFTs may not align with "luxury" standards yet**
- b) **Fashion NFTs haven't reached the consciousness of luxury consumers**
- c) **Individuals are distributing NFT holdings across numerous wallets**

These figures are relatively modest considering the global fashion and luxury market. It wouldn't take a significant number of Web2 collectors transitioning to the Web3 market to create a noticeable impact on overall fashion NFT prices.

Takeaway# 2: There is a lot of room to attract new users to the space.

The current market is predominantly driven by Web3-native users. This trend can be attributed partly to companies actively targeting these users and partly to a level of apathy among traditional consumers towards Web3. There's a substantial opportunity to attract new or traditional consumers to this evolving market space, hinting at a potential for growth and broader adoption.

\$111.5B

estimated size of the luxury fashion market in 2023*

THE NAKED COLLECTOR

*Based on to Statista data

THE FUTURE

Identifying key Web3 fashion trends and future projections

Timeline



*Read more at: <https://thenakedcollector.substack.com/p/the-future-of-web3-fashion-part-1>
 †Read more at: <https://thenakedcollector.substack.com/p/the-future-of-web3-fashion-part-2>

.SWOOSH = FUTURE?

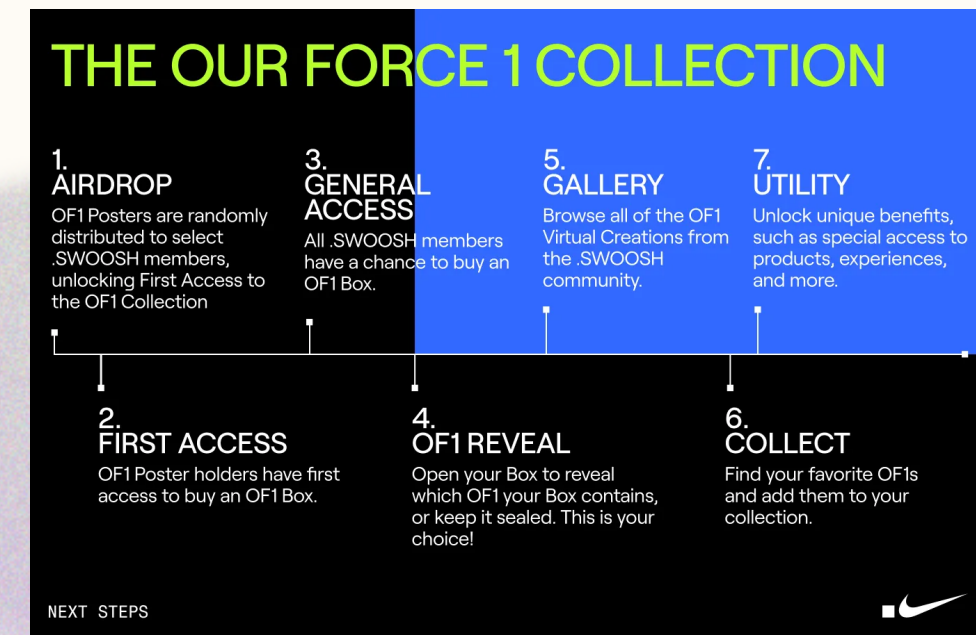
Nike's Web3 initiative, .SWOOSH, seeks to be the metaverse loyalty hub for Nike assets.

The platform will include the more obvious categories of marketplace and gallery, but is also building out token gated access to exclusive collections and experiences, a community co-creation hub, an in-house residency program for digital artists and a Web2 game loyalty program. It will also be releasing 3D files to the community (mostly for non-commercial use).

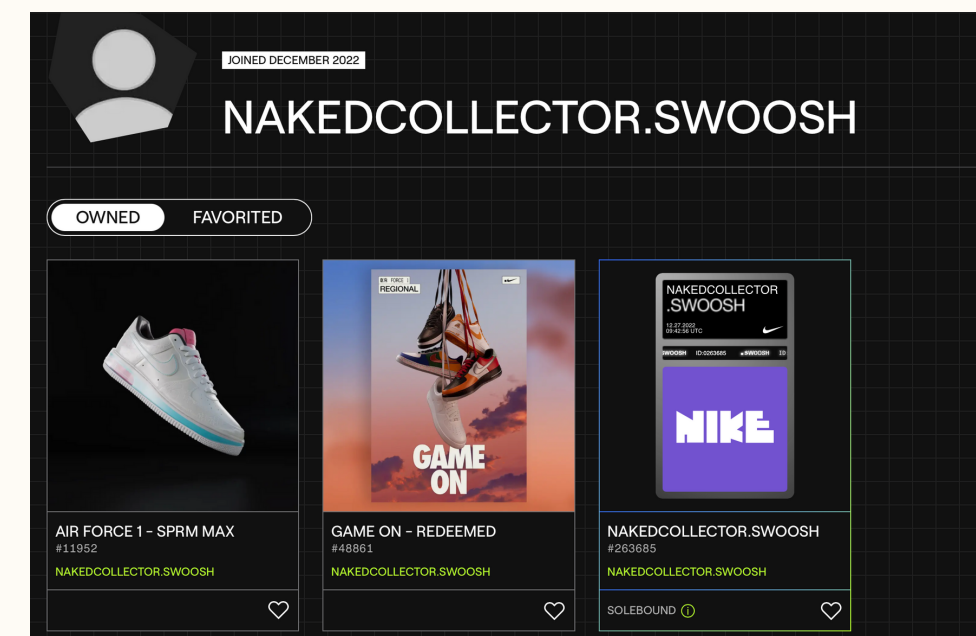
The long-term use case will be to utilize .SWOOSH's virtual creations within games and AR assets. Their partnership with EA SPORTS is a clear indication of this. It will be interesting to see how they may integrate with the Apple Vision Pro asset marketplace in the future.

What This Indicates About the Future of Fashion:

- **New economies** will be created via monetization of in-game wearables (e.g. in-game virtual gear sponsorship ads – see Nike Patents section)
- **3D + AR files** will act as key promotional material and will act as a new vector of brand competition
- **Digital designers** and influencers will be fought over like athletes and celebrities were in the past
- **Crowdsourced IP** will become increasingly important and blockchain could enable IP storage and enforcement through protocols like Story Protocol
- **Dual digital collectible system** will render NFTs optional, however, Web3 collectibles will accumulate greater and separate ecosystem rewards
- **Physical apparel drops** will likely utilize Web3 identity properties to counteract bots (Adidas already experimented with this in their BAPE collaboration)



Source: .SWOOSH



Source: .SWOOSH

PATENT APPLICATIONS:

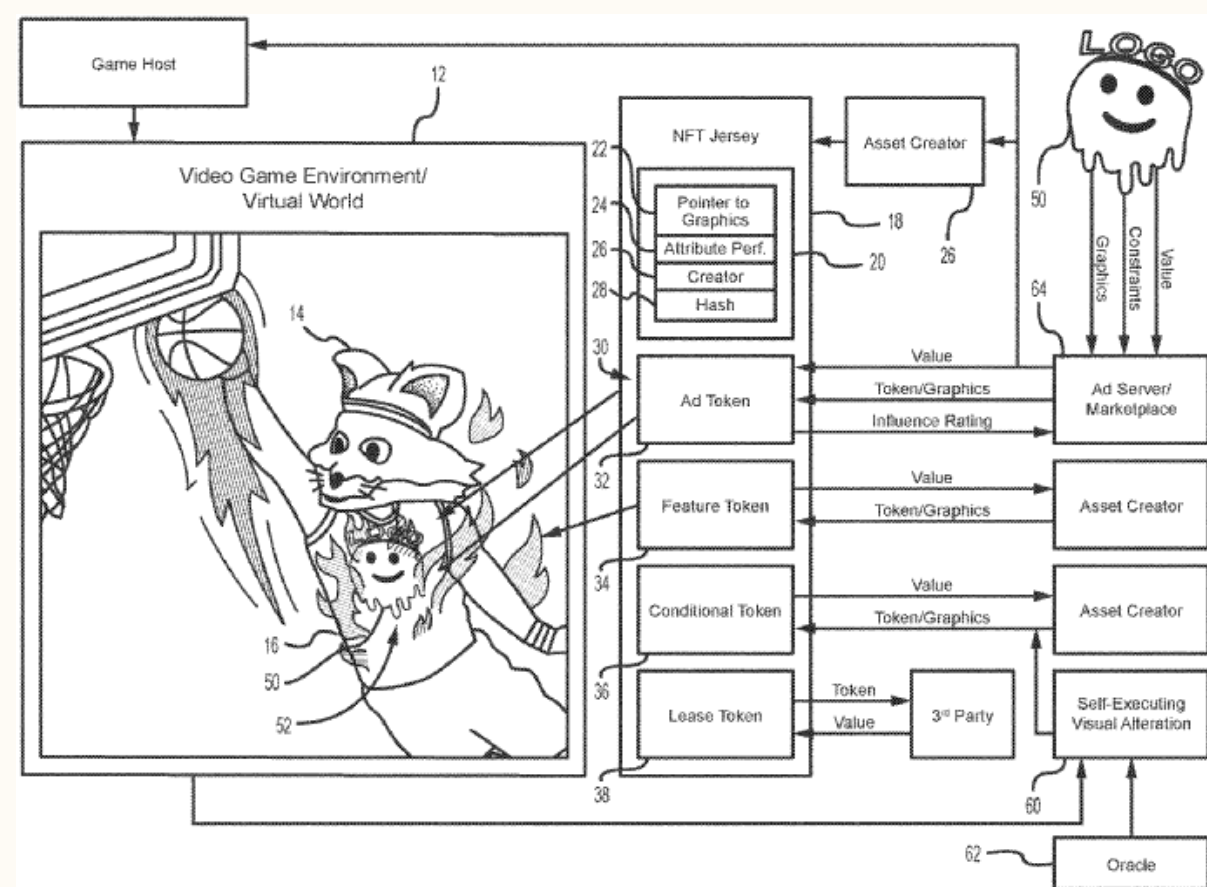


Nike has filed NFT-related 19 patent applications in total. The latest and most prominent filing being the “Multi-layer digital asset architecture for virtual and mixed reality environments”.

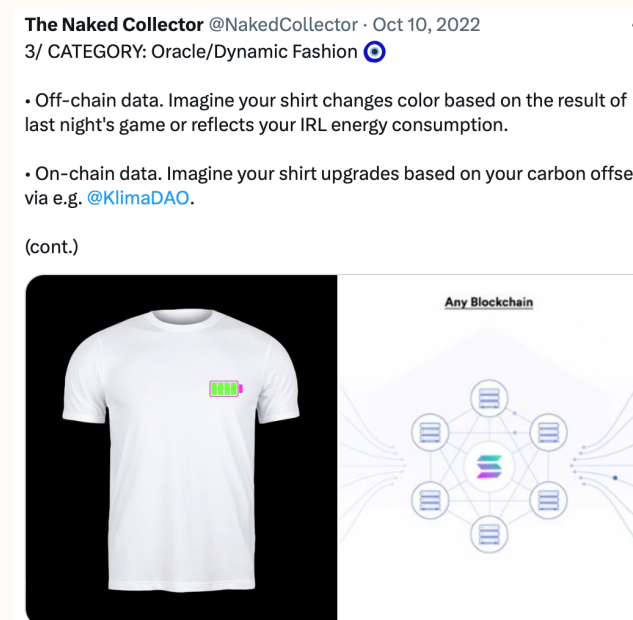
This patent application discusses a nested NFT structure that allows for secondary attributes (like advertising content, appearance modifications) to be added to the primary asset, forming a more complex, layered asset. In other words, digital assets (primary NFTs) that can be layered with additional functionalities, appearances, or attributes through the nesting of additional NFTs (sub-assets).

How the patent could be applied:

- **Advertising:** Sub-asset NFTs that can carry advertising logos or symbols to be displayed on the primary digital asset. Users can select advertising content from a marketplace. When users display the advertising content, they can receive compensation through self-executing contracts within the NFTs. The compensation amount can vary based on factors like user influence, gaming rating and others.
- **Gaming:** Sub-asset NFTs that can modify primary NFT visual and performance (e.g. speed or strength). Sub-assets could also be leased out.
- **Oracle fashion:** Sub-asset NFTs with visuals influenced by real or digital world events (see example below)



Source: Nike



Source: The Naked Collector

PATENT APPLICATIONS:

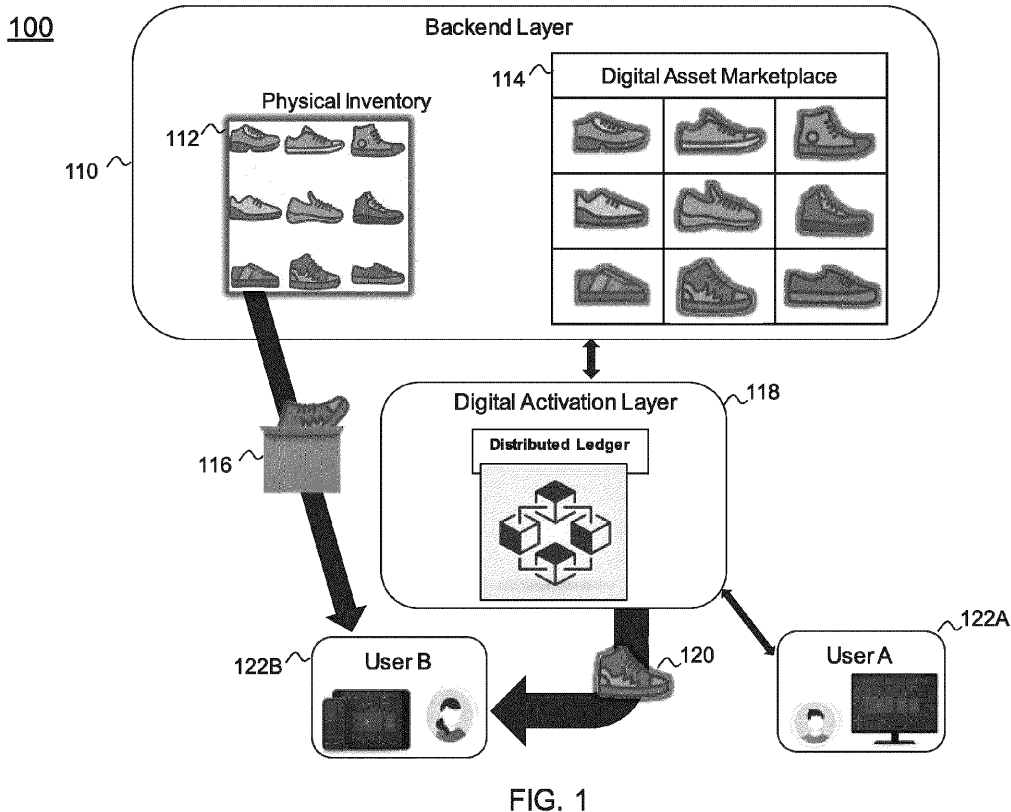


Adidas has submitted three patent applications concerning the “Activation Architecture for Processing Digital Assets and Related Physical Products.”

These patents propose utilizing blockchain technology to create a digital activation layer, fostering interactions between digital assets and physical products to enhance user engagement and loyalty.

The digital activation layer can modify the ownership attributes of the digital asset based on user actions and trigger corresponding reactions in the physical world via the backend system.

This layer facilitates the association of digital asset ownership with physical products.



Source: Adidas

How the patent could be applied:

- **Gaming:** Gamers could purchase physical assets that provide them with digital assets in the virtual gaming environment, granting special in-game abilities
- **Loyalty Program:** A dynamic loyalty program where buying a physical product awards customers a digital asset, which could appreciate in value or offer exclusive digital rewards over time
- **Interactive Marketing Campaigns:** Companies could conduct interactive marketing campaigns, enabling customers to affect real-world events through digital actions (e.g. speeding up the release of a new physical product)

In a [Twitter post](#), I explored the potential of combining physical and digital in-game assets five months before Adidas’ initial patent application.

OPPORTUNITIES: OVERVIEW

Status Quo

Web3 Opportunity

LOYALTY PROGRAMS

- Static, impersonal and non-tradable programs that lack great usage*

- Tradable points, digital memorabilia and cross-brand loyalty programs that increase program utility

**CO-CREATION/
SELF-EXPRESSION**

- Consumers disengaged due to traditional advertising
- Global shift to UGC (user-generated content)
- Brand narratives diluted by third-party review sites

- A brand **with** community instead of brand **to** community production model
- "Earn-to-vote" on products or reviews
- New IP at scale via audience creations and remixing brand assets
- New forms of fashion (e.g. digital fashion) that let consumers express themselves in new ways

SECOND-HAND

- Brands missing out on the burgeoning second-hand market, projected to reach \$350B by 2027†

- P2P second hand marketplaces (native integration or decentralized custodian)‡
- NFC chip and blockchain for decentralized authentication

MEMBERSHIP

- Dependency on third-party community aggregation platforms, limiting deeper brand connections

- Proprietary community platforms with proof of investment (monetary or activity-based)
- Unique experiences at scale
- Global-local events
- Organic brand ambassadorship

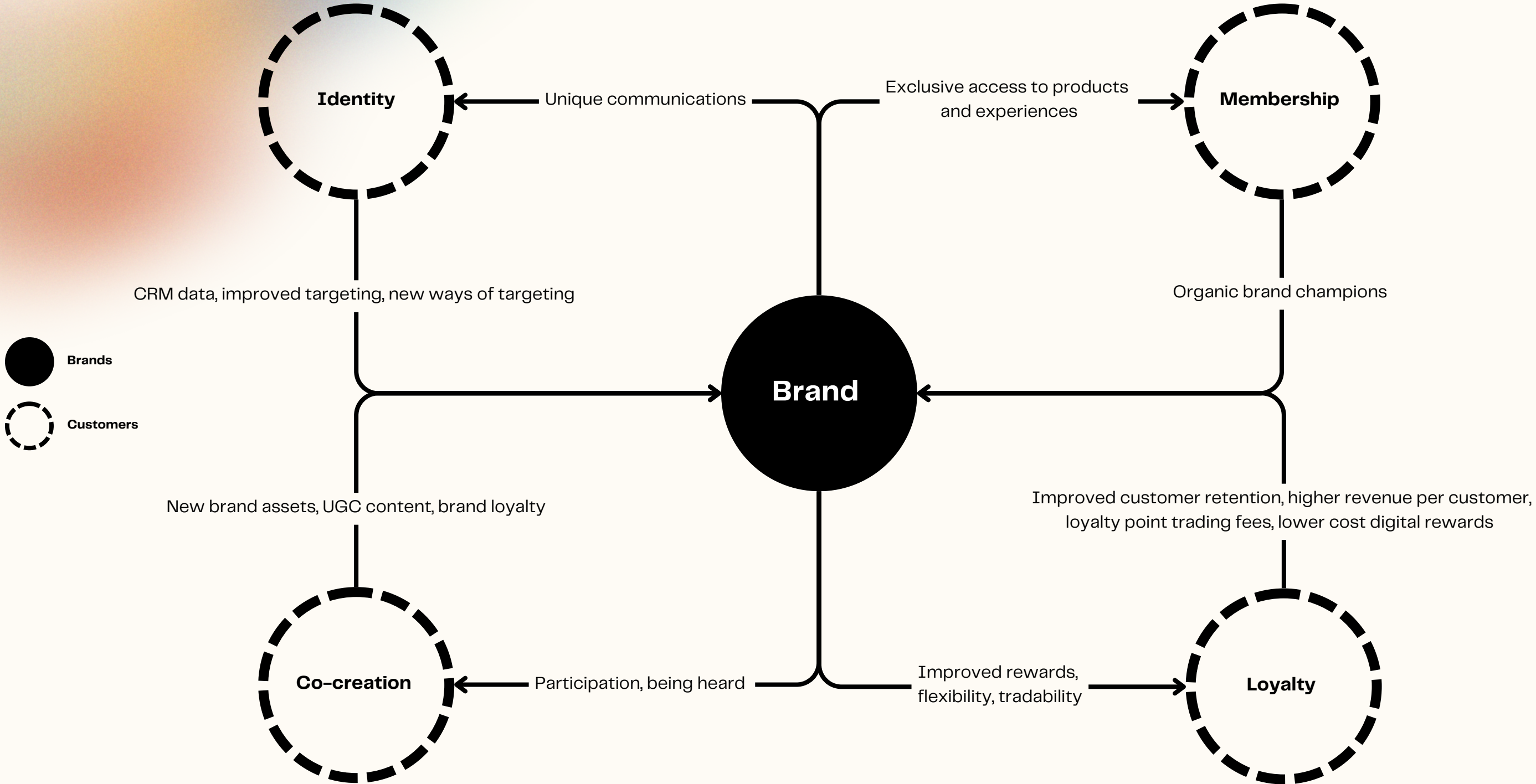
*in the U.S. 16.6% part of loyalty program but only 7.6% use them (Statista)

†thredUP's 11th annual resale report

‡Read more about this at: <https://thenakedcollector.substack.com/p/how-blockchain-can-further-circular>

OPPORTUNITIES: OVERVIEW

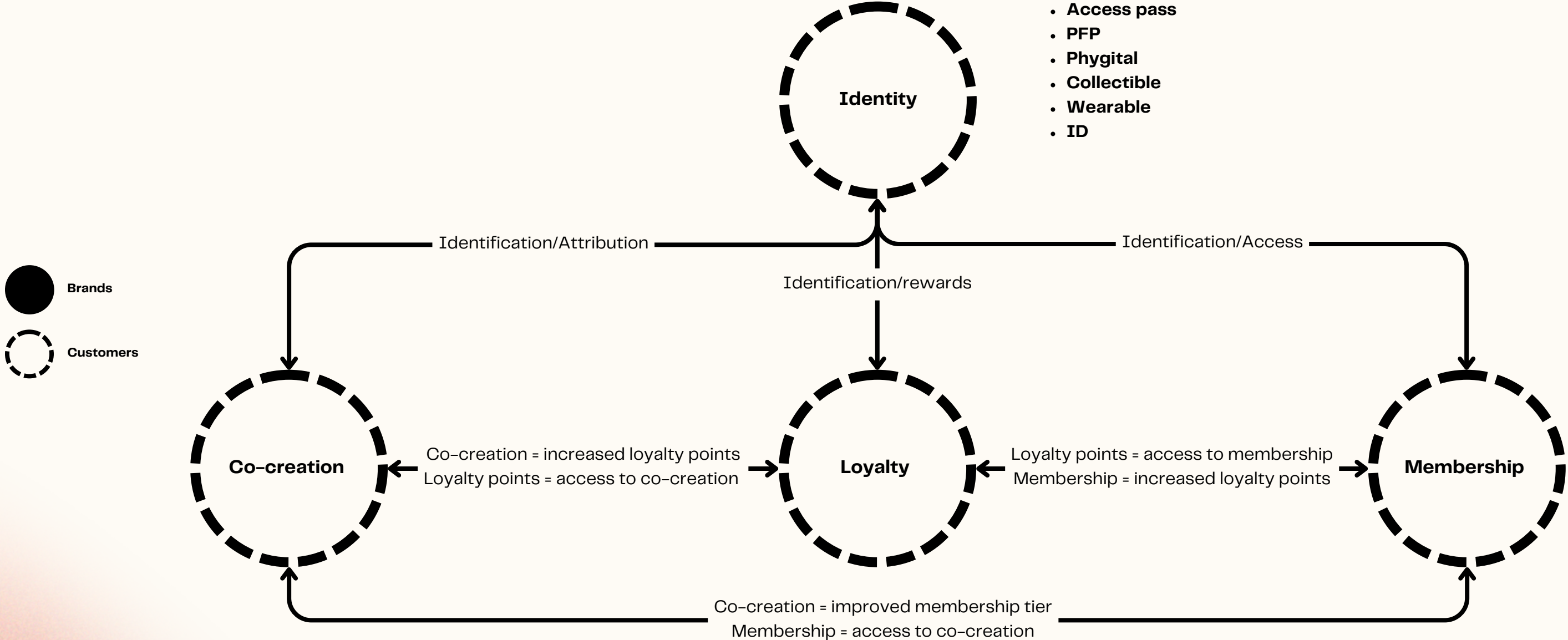
Besides the collectability aspect of NFTs, incorporating utility is increasingly important in generating demand for NFTs. Utility can be examined through four broad categories: Identity, Membership, Co-Creation and Loyalty. Below is a visualization illustrating this utility from both a brand and consumer perspective.



OPPORTUNITIES: OVERVIEW

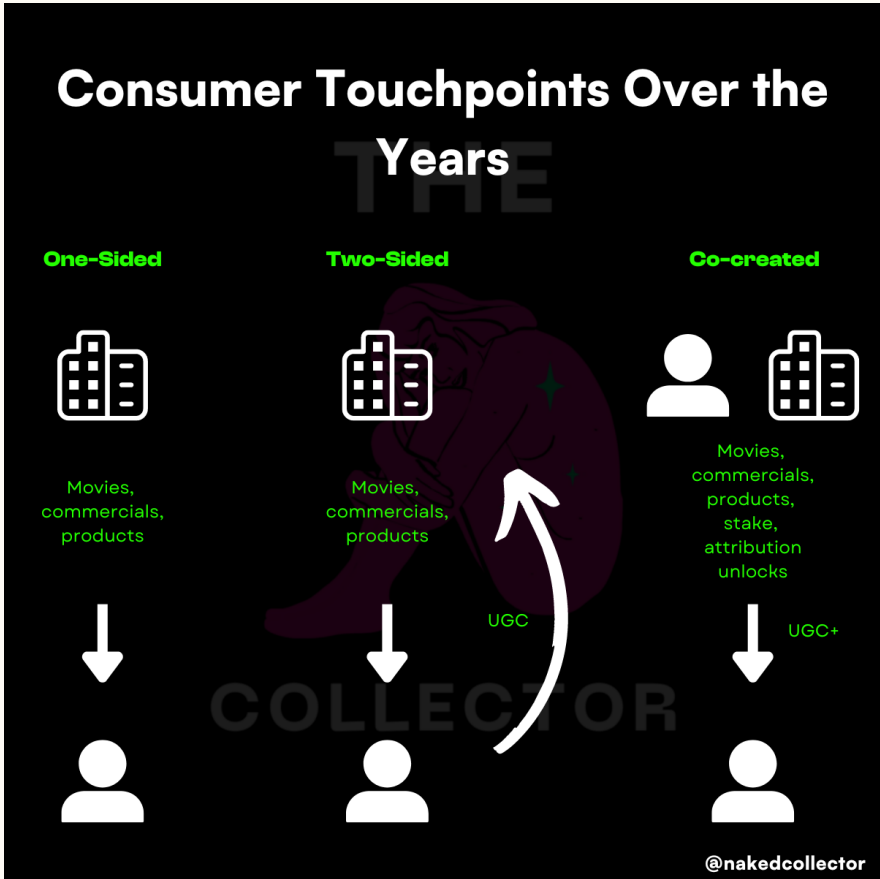
While Identity, Co-Creation, Loyalty and Membership can be thought of as separate categories, Identity serves as the central element among them.

All NFTs, are currently a representation of identity in one way or another. Below is visualization the relationship between the utility categories and how they could be combined.



FUTURE TRENDS TO LOOK OUT FOR

THE NAKED COLLECTOR



NEW PLATFORMS

- Vertical integration of Metaverse services: asset creation to marketplaces via incubators like RESIDENCY (Adidas), La Maison des Startups (LVMH), .SWOOSH (Nike)
- Community and AI stepping into the designer role
- Improving AR/VR infrastructure*

NEW ASSETS

- Rise of ownable in-game wearables
- Generative fashion designs**
- New avenues for collecting/investing in culture and IP
- Community created or curated fashion
- In-store POAPs or NFTs
- Web3 closets and NFTs owning other NFTs (ERC-6551)†

IMPROVED ONBORADING

- Account abstraction creates Web2-like onboarding experiences
- Improved user (and brand) privacy via zk technology‡

NEW KPIs

- Transition active, non-transactional loyalty programs (e.g. move to earn)
- Loyalty programs = the next frontier of entertainment

NEW MARKETPLACES

- Native marketplaces enforcing royalties like Sound.xyz and Mattel
- Hybrid physical/digital marketplaces, e.g., 4K Protocol

NEW PAYMENT METHODS

- Traditional platforms integrating crypto (e.g., PayPal)
- New platforms enabling crypto transactions (e.g. Solana Pay, Twitter/X)
- Self-custodial debit card (e.g. Gnosis Pay)

TRADITIONAL INSTITUTIONS INNOVATE

- **IBM:** Patent application for a fractional NFT marketplace enabling organizations to raise capital as an alternative to IPOs on stock exchanges
- **Bank of America:** Patent application for machine learning-based techniques employing NFTs to enhance efficiency and quality of an enterprise's integrated access to third-party subscription data sources
- **Amex:** New in-app NFT platform for Amex NFT collectibles
- **JPM and LSEG:** Onyx by JPM processes one to two billion dollars of tokenized assets daily, while LSEG plans a blockchain digital asset exchange
- **Google Cloud:** Is set to become an oracle provider for the LayerZero protocol

*To read more about the importance of AR/VR in fashion: <https://thenakedcollector.substack.com/p/the-evolution-of-digital-assets-the>

**To read more about generative fashion: <https://thenakedcollector.substack.com/p/the-future-of-web3-fashion-part-2>

†To read more about ERC-6551 in fashion: <https://thenakedcollector.substack.com/p/how-erc-6551-will-change-digital>

‡To read more about zk technology in fashion: <https://thenakedcollector.substack.com/p/unlocking-next-gen-privacy-how-zk>

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