



Why Blockchain Tokenization & Physical-Digital Hybrid Products are the Future of Luxury

A Qliktag White Paper

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Why tokenize & digitally enable products like luxury goods, art, collectibles, fashion, fan merchandise & high value or personalized items?

What is in it for creators & brands of these types of products? How does it benefit buyers or consumers?



INTRODUCTION

Tokenization on the blockchain and the rise of physical-digital hybrid products signal a groundbreaking shift in the luxury landscape. By leveraging blockchain technology, luxury items can be uniquely represented as digital tokens or NFT, ensuring authenticity and traceability while creating a digital identity and twin for the item in the digital world. This not only combats counterfeiting but also enhances the exclusivity of these goods.

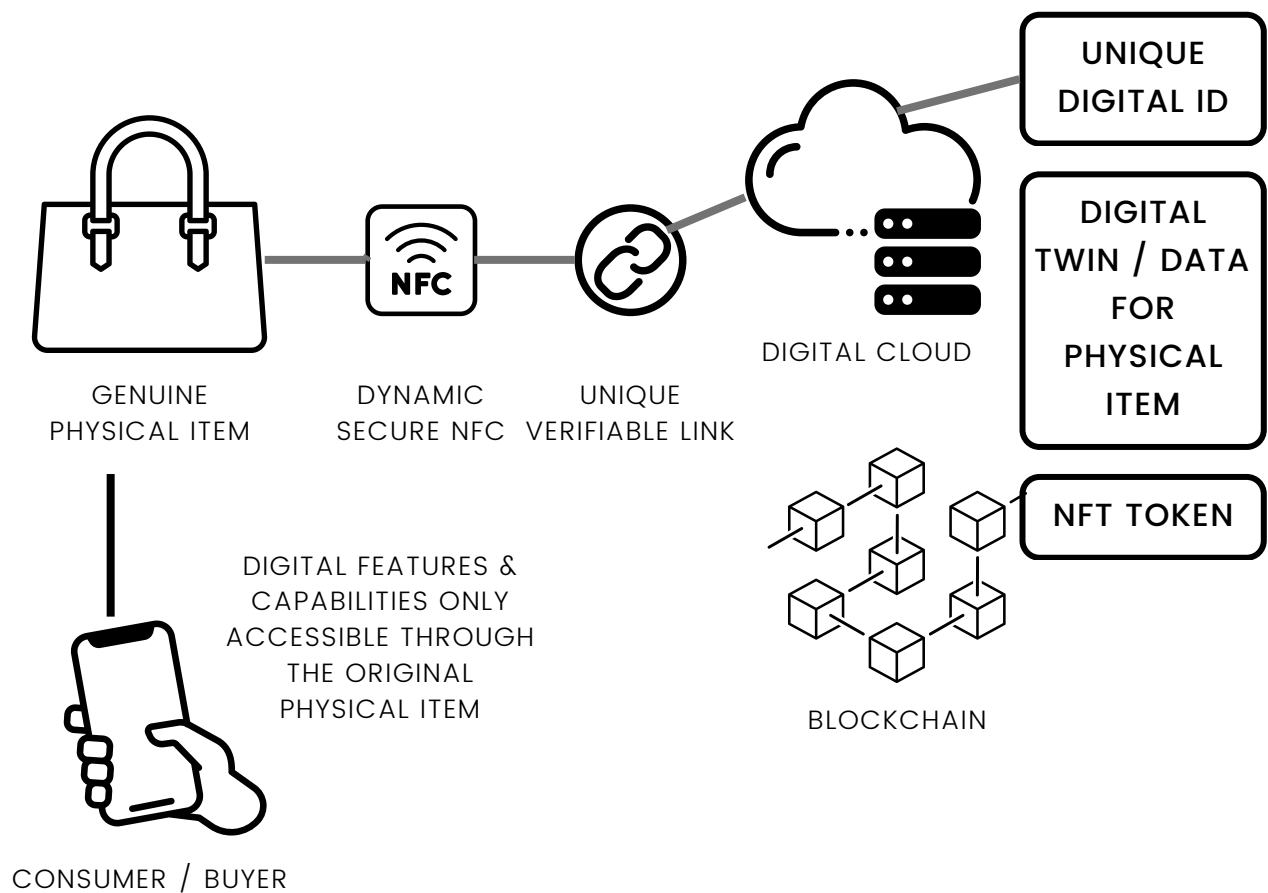


The fusion of physical and digital realms creates immersive experiences, allowing consumers to interact with their possessions in novel ways that go beyond the experience of just a physical product. This convergence not only embraces technological advancements but also preserves the tangible allure of luxury. As the digital and physical worlds intertwine, the future of luxury lies in the seamless integration of blockchain tokenization and hybrid product experiences.



WHAT DO WE MEAN BY TOKENIZATION & PHYSICAL-DIGITAL HYBRID PRODUCTS?

Qliktag Solution Architecture for Tokenized Physical-Digital Hybrid Products





WHY TOKENIZE?

Why tokenize products like luxury goods, art, collectibles, fashion, fan merchandise & personalized items?

Brands and creators find empowerment through tokenization as it enables them to directly connect with their audience, cutting out intermediaries, elevating the value of the product in the eyes of the consumer, being able to get better prices and ensuring fair compensation. NFTs, acting as digital certificates of authenticity, add a layer of uniqueness to each item, creating a digital aura around tangible objects. Buyers, fans and collectors, drawn to the exclusivity and transparency of blockchain-based ownership, are more likely to engage with and invest in these products. The technology is a win-win for both parties.





WHAT ARE THE BENEFITS FOR THE BRAND / OR CREATOR?

Receive Fair Compensation on Future Value & Transactions

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Example

The original Beanie Babies' limited edition collectibles were sold for a few dollars each and the company Ty Toys made royalties and profits on their initial sales. However, the buyers of these collectibles would often resell these sought after collectible plushies for hundreds or thousands of dollars while transferring to new owners on the secondary market leaving the original creator unable to participate in the profits or collect royalties on the future value of these collectibles. Tokenization through NFT and smart contracts can enable this, allowing the original creator or brand to collect a share in royalties or future ownership transfers throughout the lifetime of the physical product. Effectively, a small investment in tokenizing the items can lead to large long term sources of revenue through future value and change in ownership of items.





Command a Higher Price for Products

Tokenization of products or enabling them as phygital products increases its value and allows the brand to command a higher price than possible with just the physical item on its own.

Example

Consider a football / soccer jersey for the England national team. It has value on its own and can be sold at X price. Now let's say that same jersey is augmented with digital data tied to it which says it is 1/10,000 limited run, issued for the Euro Cup Finals game at Wembley Stadium on this date against the Netherlands, where these players were in the squad and England won the game 3-1 with these players scoring allowing the national team to lift the trophy after 16 years. This jersey is now tokenized with an NFT token, and is easily transferable digitally to anyone in the world online with the immutable data of the event data it has been linked to. The price of the jersey + data can now significantly more than just X on its own. This is made possible by tokenization and inextricably linking physical and digital to create added value.





Accurate Demand Forecasting & Manufacture on Demand

Tokenization by pairing physical products with NFTs and setting digital representations first can help enable precise forecasting of demand for an item, on-demand production, efficiencies in production and reduce waste.

Example

Let's assume a manufacturer of hand crafted shoes has a line of limited edition design sneakers offered for sale online as NFTs and receives 26 orders. As they are purchased and transferred digitally as NFTs first to the buyers, the manufacturer knows in advance, they would have to create and ship out exactly 26 pairs of these shoes. Not more, not less. No additional inventory required, no waste, no need for additional upfront investments, costs or stocks. Tokenization and transfer of physical goods through digital ownership transfers can lead to a whole new level of demand prediction, efficiency and profitability for brands.





Increase Brand & Product Trust

Tokenizing products and pairing them with secure NFC makes them unique, verifiable, inherently trustable, tougher to replicate or counterfeit.

Example

With trust and authenticity being among the most significant factors in the value of a brand or high value product, the trust gained from buyers being able to verify the authenticity of the item is invaluable. Think about a Parmigiano Reggiano Wheel of cheese produced in Parma and Reggio Emilia provinces in Italy and shipped worldwide. How do you protect the legacy of the region and enable buyers to ascertain the wheel they have purchased is the authentic thing? Through tokenization and pairing with secure unclonable NFC chips embedded in the wheel, it can be authenticated, verified and also traced back to the source if events are recorded against the wheel by authorized stakeholders within the supply chain. The cost of doing this is miniscule in comparison to the trust lost when consumers are unable to verify the authentic cheese from substitute varieties that do not originate from the region and lose trust in the product.



WHAT ARE THE BENEFITS FOR THE CONSUMER / OR BUYER?



Convenience of Digital Ownership of Physical Items

Tokenization enables digital ownership through the NFT token and smart contract. It enables a claim on a physical product or item through its digital token which opens up a lot of possibilities. The item can be easily traded online, easily transferable on the secondary market which is vast, global, online and, transactions become simpler.

Example

A designer handbag combined with an NFT token would be easier to sell to a new owner in 2 years to the secondary market in an online auction. The buyers can be anywhere in the world and if the value has increased since it is no longer manufactured, even having the token without taking physical custody could be held as an investment in its future value.





Benefits of Built-in Smart Contracts

Pairing items with NFT tokens and incorporating smart contracts into the physical products can have significant benefits as a buyer as well.

Example

As a buyer, consider purchasing a rare collectible vintage luxury car auctioned online as an NFT token paired with a Qliktag secure NFC chip. On winning the bid, the amount for the car is paid using a smart contract to an escrow account where the money is held. The NFT token is then transferred to my digital wallet on my smartphone. The car is then shipped and delivered. I tap the NFC chip embedded in the car which authenticates I have ownership through the NFT and have now have physical custody of the car releasing the payment from escrow to the seller. In future, if I wish to sell the car, I can use the same process and the next buyer is protected as I was. Smart contracts can also enable fractional ownership, share in a physical item without requiring physical custody, exclusive access to owner-only content features tied to the product and more.





Increased Trust & Perceived Value Through Authentication

Physical products paired with NFT combined with unclonable links NFC ensure authenticity, ability to verify an item's origins, history, maintain trust and value.

Example

Consider a luxury watch. How can a prospective buyer authenticate the item is genuine and also know for sure who they are buying from, whether it's being sold by the actual owner and be assured in their purchase? Or, an art sculpture? The combination of NFT tokens for ownership transactions combined with secure unclonable NFC chips offer that security, ability to authenticate and have access to ownership verification which is critical to high value and luxury items.





CONTACT US

QLIKTAG OFFICE

120 Newport Center Drive,
Suite 100,
Newport Beach, CA 92660

CONNECT

- Phone - +1 949-760-3888
- Email - info@qliktag.com
- Website - www.qliktag.com



CONCLUSION

Physical + Digital > Physical

In conclusion, the convergence of blockchain tokenization and physical-digital hybrid products emerges as the unequivocal future of luxury. This innovative synergy not only addresses the perennial challenge of counterfeiting, preserving the integrity of prestigious brands, but also redefines the very essence of ownership, exclusivity and personalization. Blockchain's incorruptible ledger ensures authenticity, traceability, and transparent transactions, assuring consumers of the genuine nature of their coveted possessions. The inextricable linking of physical and digital realms through unclonable digital links and secure NFC chips unleashes a new dimension of consumer engagement, offering immersive experiences that go beyond the tangible.

Luxury isn't just about possession; it's about the story, the journey, and the unique connection one forges with the items they own. The digital representation through tokenization enhances this narrative, creating a dynamic and exclusive aura around each product as well as digital capabilities and features layered onto the product itself. As we navigate the evolving landscape of luxury, embracing technology without compromising on the tangible allure of high quality physical items, it becomes evident that the harmonious blend of blockchain tokenization and physical-digital hybridity paves the way for a more secure, authentic, and enchanting future for the world of luxury and high value items.



