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## Why Big Brands Are Spending Millions On NFTs

*By Robert Farrington  
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When it comes to alternative investing options, NFTs (also called non-fungible tokens) are one of the most unusual choices out there. An NFT is a [digital asset of some kind](#) that is part of the Ethereum blockchain. When you invest in an NFT, you could be purchasing a digital piece of art, the rights to a tweet or logo, or even a character you can use for [play-to-earn gaming](#).

While investing into a digital **anything** might seem strange, NFTs are currently on a wild trajectory that appears to be heading “to the moon,” as they often say. As an example, CNBC reported that an investor paid [\\$1.3 million for a digital picture of a rock](#) in August. Further, big brands are getting in the game, with companies like Taco Bell, Pizza Hut, and Pringles coming out with their own NFTs. Even [Visa bought an NFT for \\$150,000 this year](#), and Adidas forked over another \$156,000 for a digital piece of art.

Why are all these companies spending millions buying or conceptualizing digital “assets” nobody will ever touch or feel? We asked some of the top experts in this space, and here’s what they said.

## **Companies Are Riding The Wave**

According to attorney Tal Lifshitz, a partner and co-chair of the cryptocurrency, digital asset, and blockchain group at Miami-based [Kozyak Tropin & Throckmorton \(KTT\)](#), it's easy to see why big brands are spending big money on NFTs.

"It's trendy, it's fun, and it's cutting edge technology that actually has the potential to redefine the way these brands do business and engage with their consumers," he says. "The more important question is, why are big brands *not* spending big money on NFTs?"

The reality is that increased adoption tends to take on a life of its own, and NFTs are currently in the early stages of becoming a major part of our lives.

"Increased adoption means exponentially increased value and utility," said Lifshitz. "If you're the only person who owns a cell phone, it's useless. If two people own cell phones, there's some value. If billions of people have cell phones, you need a cell phone. That's the impact of increased adoption. That's the potential future of NFTs."

## **Companies Are Looking For Ways To Boost Earnings**

Lydia Hylton, an investor at [Redpoint Ventures](#), also points out that companies are ultimately driven by the potential for earnings, and NFTs are a new revenue stream and engagement tool for brands.

"Exclusive brands like Louis Vuitton thrive on scarcity and are exploring LV-branded NFTs for the metaverse," says Hylton. "Brands are also constantly looking for ways to increase engagement with customers."

Ultimately, NFTs can be used to reward and incentivize consumers through innovative gifts, exclusive access, and more, says the investor.

## **Businesses Follow Trends**

Dr. Dustin York, who serves as an associate professor of communication at [Maryville University](#), says companies are jumping on board based on the simple fact people are spending more of their lives in virtual worlds.

“When customers gravitated toward malls, brands followed. When customers gravitated toward e-commerce, brands followed,” he says. “And when customers are now gravitating toward Web 3.0, digitally native brands are following, giving even more legitimacy to NFTs.”

With that being said, York says consumers should prepare for an NFT hype cycle, and that we’re currently in the fast growing hype stage. At some point, he says, there will be a dramatic drop in the demand for standard NFT art.

“Critics will then call NFTs a fad, just like they called e-commerce a fad during the dot-com bubble,” he says. “NFTs will then rise back up and be part of our everyday lives.”

## **The Metaverse Is The Future**

[NFT investor Andrew Lokenauth](#) says that, by and large, big brands are spending cash on NFTs because the digital world is the future.

We already have large amounts of people who spend several hours in virtual worlds daily, he says, and those numbers will continue to increase. This is ultimately why brands see the benefits of marketing in the metaverse and have already done so.

Lokenauth points out that we have already had many popular artists perform concerts in the Metaverse, such as Justin Bieber, Travis Scott, the Weeknd, and Ariana Grande.

“Perhaps high fashion companies will be next, and hold fashion shows in the metaverse,” he says. “The possibilities are endless and this is why brands are spending big.”

## **What Consumers Need To Know About NFTs**

While big brands are spending millions on digital assets, there are plenty of reasons for newer investors to approach NFTs with caution. For starters, the virtual aspect of NFTs means this industry is ripe for scams. For example, it’s not uncommon for fake NFTs to be marketed to unsuspecting investors.

“You need to make sure the person selling you the token actually owns the rights to the token they’re selling,” said Lifshitz. “The IP issues associated with

NFTs are being worked out as we speak, but they all boil down to that — a seller can't sell you something they don't own."

Justin Giudici, Head of Product at [Telos Foundation](#), says that this shouldn't necessarily be a cause for alarm since every marketplace has its share of scammers.

"Before purchasing any NFT, research the asset and ensure that the person/brand isn't scamming you, or selling assets that aren't theirs to sell," says Giudici. "With mainstream brands joining the fray, there is an opportunity for scammers to take advantage of the hype."

He also adds that many platforms don't have the best verification methods set up quite yet, so there is always a risk involved.

Akbar Hamid, Founder & CEO [5CRYPTO by 5th Column](#), a unique cryptocurrency, blockchain and NFT practice, also says consumers need to educate themselves on the utility of NFTs and crypto 101 before they dive in. In addition to learning more about blockchain technology, potential investors also need to learn how to open and use a wallet.

Hamid points out that there are countless NFT communities popping up, and that it's important to immerse yourself in discourse and ask questions. At the end of the day, asking questions and speaking to other investors is the best way to learn.

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