

The rise of NFT

How NFTs are used by marketers?

October 2022

SLINGSHOT.

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Hello World!

Ready to change?

01 **NFT Introduction**

NFT : What is it ?

Definition

NFTs, which stands for Non-Fungible-Token (非同质化货币), are non-interchangeable digital assets stored on blockchain¹ that can be sold or traded.

A NFT can be anything digital that represents Internet collectibles including art, music, videos, games, or even a tweet. Each individual NFT is completely unique and cannot be replicated, representing ownership of unique items.

1. Blockchain: a public digital ledger that records transaction and track assets on the decentralized web.





NFTs in crypto-less China

Regulations & policies in China

Unlike overseas markets where most NFTs are sold and bought with cryptocurrency, buyers can only purchase NFTs in local currency, the yuan, in China.

In late September 2021, the People's Bank of China (PBOC) and the National Development and Reform Commission announced the ban on all cryptocurrency transactions to curtail financial crime and prevent economy instability. Yet, despite the official hostility toward cryptocurrencies, Chinese government does not intend to hinder NFTs - as long as NFT technology does not facilitate crypto trading.

01 NFT introduction

Policies & regulations

Regulations & policies in China

- To further downplay the links to cryptocurrency, China Tech Industry Giants, including Alibaba & Tencent, have changed the name for NFTs on their platforms to **“digital collectibles”** (数字藏品).
- Once buyers purchase a NFT on platforms, **the digital artwork cannot be resold (but can be transferred under certain conditions)**, as opposed to the overseas counterparts where NFTs can be traded back and forth. Therefore, blockchain developers, content creators and retail platforms can only monetize the primary market from collectors.
- In June 2022, WeChat updated its term of use, announcing that **WeChat public accounts which involved in the issuance, trading and financing of crypto and NFTs will have limited functions until it is banned.**

Rather than tradable assets, NFTs are viewed more as a derivative of cryptography and blockchain technology in China.

How is China supporting the growth of NFTs?

Regulations & policies in China

China introduces its own state-backed Blockchain Services Network (BSN – 区块链服务网络) – a national wide infrastructure unlinked to cryptocurrencies – to support Chinese NFTs, creating a domestic NFT economy separated from the global market.

The Blockchain Services Network is planning on launching the BSN-Distributed Digital Certificate infrastructure via a permissioned network separated from public blockchains, which will enable businesses to build their own apps and portals to manage NFTs.



The BSN was founded by Red Date along with state-owned China Mobile, China Union Pay and the State Information Centre

Policies & regulations in 2022

Regulations & policies in China

National Internet Finance Association of China, China Banking Association and Securities Association of China jointly released *"the Proposal on Preventing NFT related Financial Risks"*.

June 12th

April

"The 14th Five-year Plan for the Development of Shanghai Digital Economy" issued by the **Shanghai Government** clearly stating to "support leading enterprises to explore the construction of NFT trading platforms".

June 30th

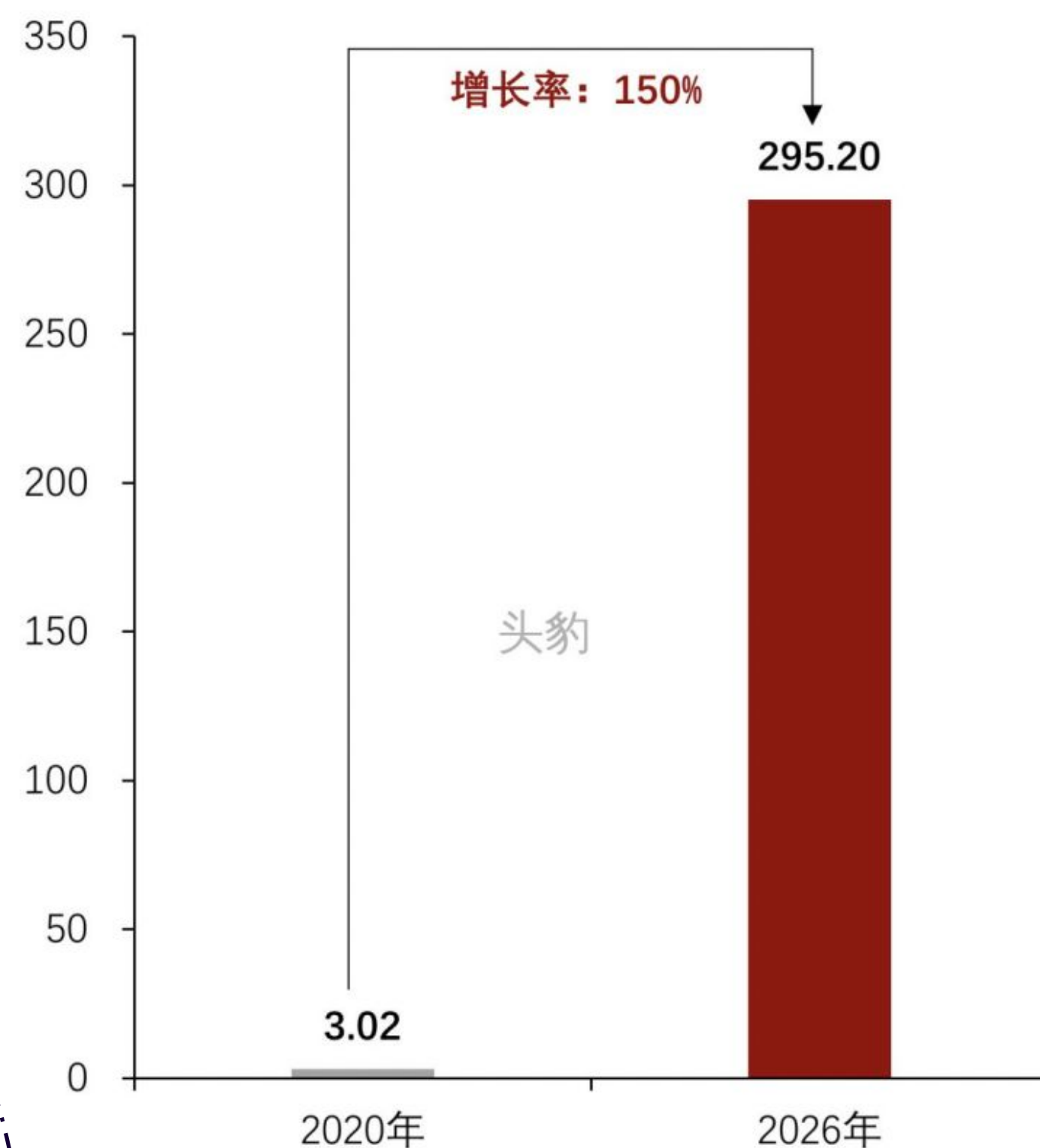
Under the leadership of **China Cultural Industry Association**, nearly 30 institutions (including Internet technology companies and professional institutions & associations of cultural tourism industry) jointly launched *"the Self-discipline Development Initiative for Digital Collectible Industry"*, expressing the opposition of secondary trading and speculation, and the improvement of entry standards have become the core consensus for high-quality development of the industry".

July

Digital Collectible Application Reference, the first domestic application reference book for digital collectibles, led by **National Press and Publication Administration**, was released. It is based on existing laws and regulations, actively explore the compliance, health and sustainable development of blockchain digital cultural products.

中国NFT市场规模：预计在2026年将达到295.2亿元

单位：【亿元】



China's NFT market

Industry analysis

On a global scale, trading in NFTs hit approximately 17.6 billion dollars in 2021, an increase of over 21,000% from 2020¹.

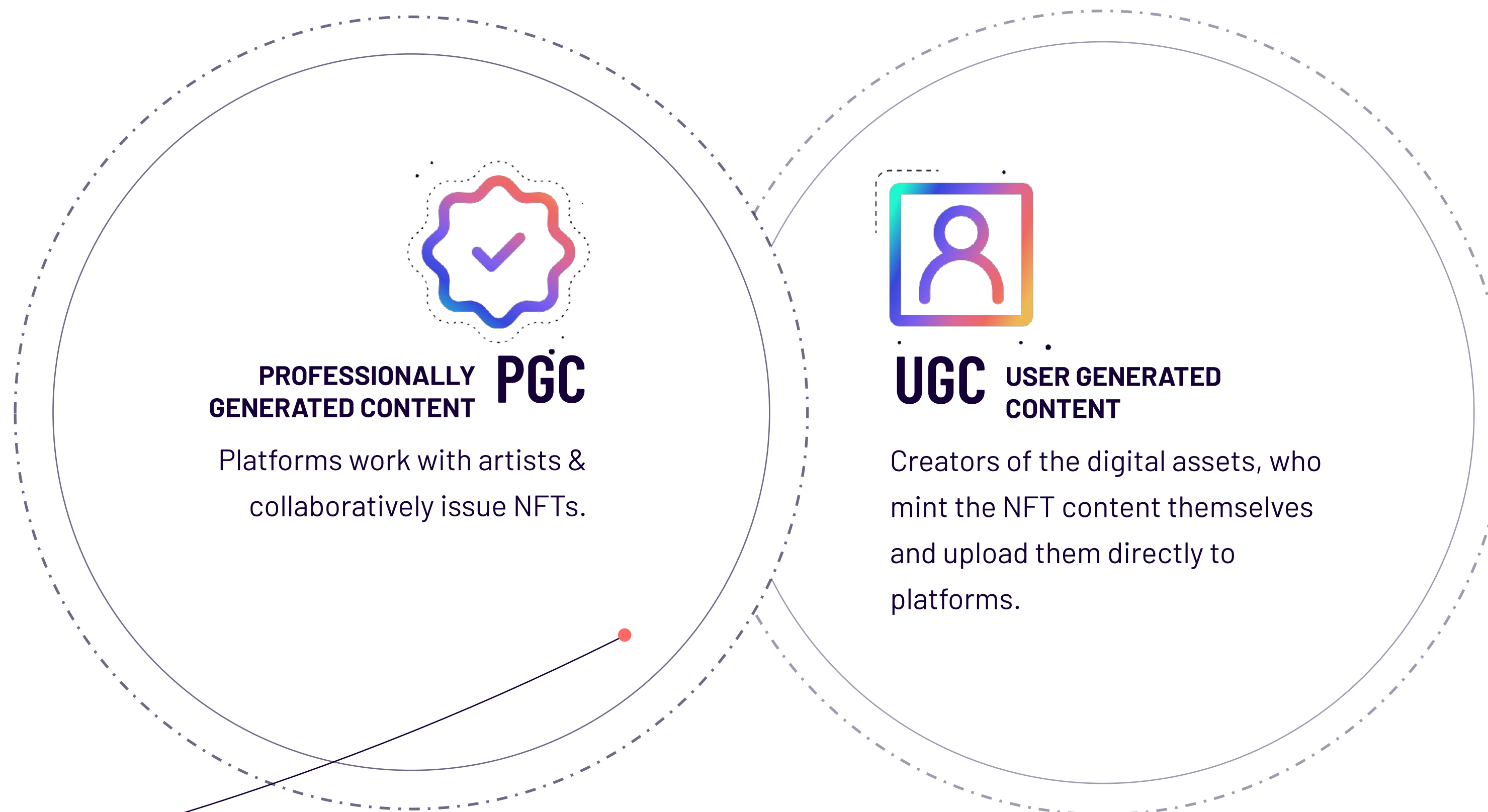
Based on AntChain's sales in 2021 and global NFT market growth rate, it is predicted that China's NFT market will grow at a rate of 150% and reach 29.52 billion yuan by 2026 as it is currently still in its infancy.

1. The 2021 NFT Market Report by NonFungible.com and L'Atelier BNP Paribas.
2. 2021 China NFT Platform Research Report by LeadLeo (www.leadleo.com).

CHINA'S NFT
MARKET SCALE:
ESTIMATE TO REACH
29.52 BILLION YUAN
BY 2026²

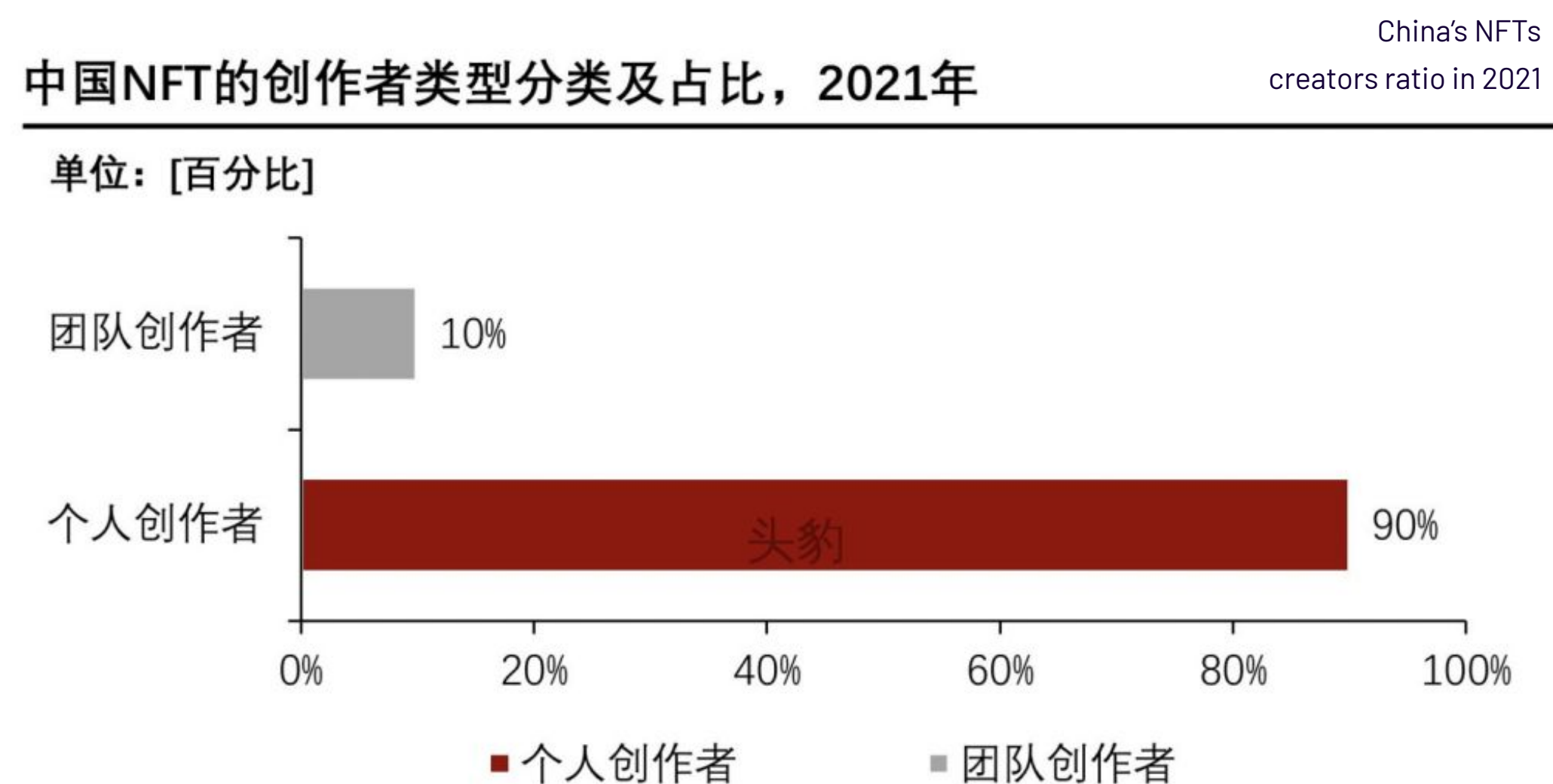
NFT minting & distribution models

At present, the types of minting and distribution in China can be mainly divided into 2 categories :

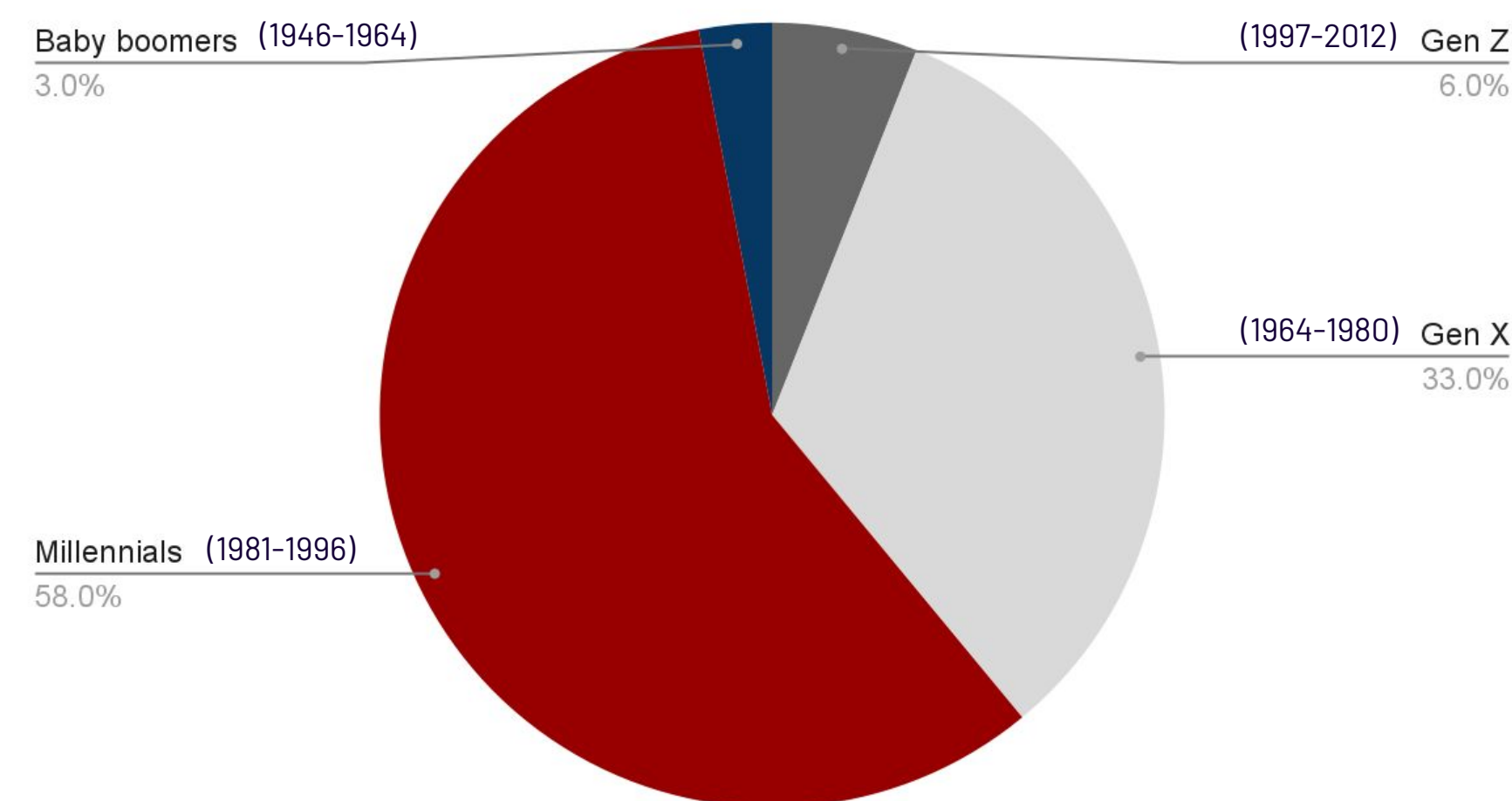


NFTs buyers & creators

NFTs are an innovation shaping the creator economy, providing platforms for creators to monetize digital assets. In China, most NFTs today are user-generated content, with the majority of buyers to be 25-40 years old who have higher spending power.



China's NFT buyers



Resource: 2021 China NFT platform research report

Despite the fact that UGC is at large in China today, it can be expected that PGC may dominate China's NFT market in the near future as more brands are hoping on the NFT bandwagon, issuing series of limited edition NFTs for auction.

02 Case studies

Our methodology when selecting these cases

The current domestic NFT industry chain is composed of consortium blockchain, distribution platforms and project issuers:

CONSORTIUM BLOCKCHAIN

Provides technical support. (This report won't introduce it in depth.)

DISTRIBUTION PLATFORM

Provides blockchain technology and traffic support.

Major Internet companies / social media platforms such as Ant Group, Tencent, JD, RED and Bilibili are the first companies in China to enter the track with soft power (i.e. business smell) and hard power (i.e. infrastructure). NFT (digital collectibles) issued in China are mainly concentrated on these platforms. (In this report, we focused on introducing cases from several top mainstream platforms.)

PROJECT ISSUER

Includes: first, Internet digital content platforms ; second, FMCG, fashion, beauty, automobile and other industries brands; third, Platforms & brands. In this report, we worked on introducing cases of different industries.

To summarize, this report introduces notable domestic NFT cases in two parts: **NFT issued by platforms and brands.**

Major NFT marketplace

The main current NFT distribution platforms in China

	Alibaba	Tencent	RED	Jingdong	NFTCN / Bigverse
Platform	Jingtan 鲸探	Magic Core 幻核	R-Space	Lingxi 灵稀	NFTCN
Secondary Transaction	Giveaway, no resell	Can't giveaway nor resell <small>*have stopped all distribution since Aug 16, 2022</small>	Giveaway, no resell	Giveaway, no resell	Trade within the marketplace
Ownership	Buyers have the right to use but own no copyright	For collectible, buyers don't own the copyright	For collectible, buyers don't own the copyright	For collectible, buyers don't own the copyright	Buyers claim the ownership

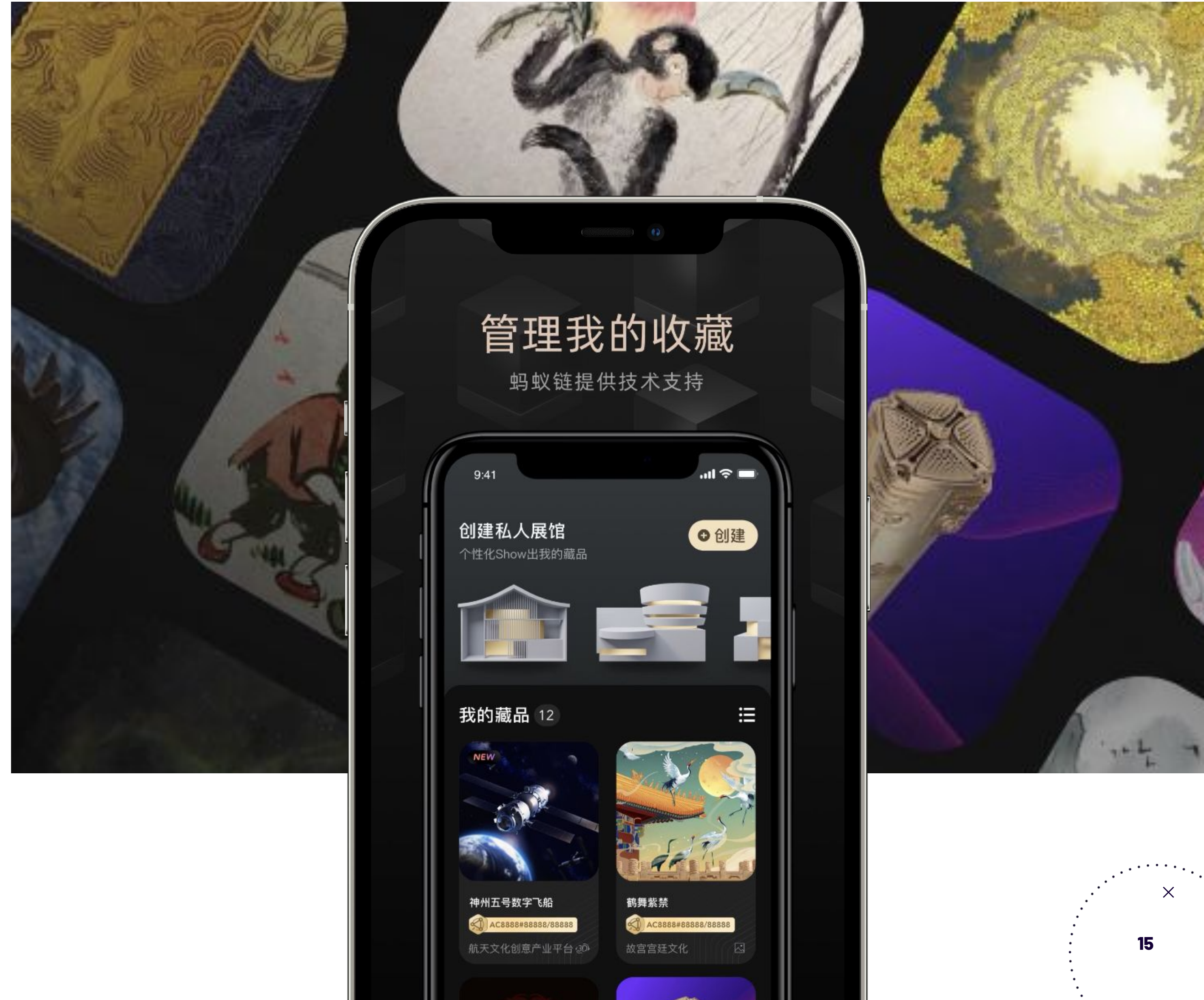
Ant Group Jingtian (鲸探)

Ant Group is the parent company of Alipay.

Digital collectible app, one of the largest digital collectible trading platforms in China now, launched on June 2021, developed by Ant Chain (蚂蚁链).

It is committed to promoting traditional and modern culture through the collectible, appreciation and sharing of digital arts. It has an exclusive function of digital exhibition for users to personalized display their digital collectibles.

It issued digital collectibles of many themes, such as 2022 Spring Festival Alipay Wufu, Treasure Plan, Beautiful Land, Asian Games in China, etc.



Tencent Huanhe (幻核)

Digital collectible APP in China

Huanhe is one of the largest digital collectibles trading platform in China, launched on August 2021 by Tencent. Digital goods are issued based on the NFT technology agreement of Zhixin Chain (至信链). It provides: rich digital goods, authoritative brand guarantee, reliable asset management. The first NFT collectible sold on Magic Core is "Shisanyao (十三邀)" limited vinyl record digital collectible NFT.

On August 16, 2022, Tencent announced that Huanhe will stop all distribution of NFTs, and all users who had purchased digital collectibles through its platform can choose to hold or apply for refunds.



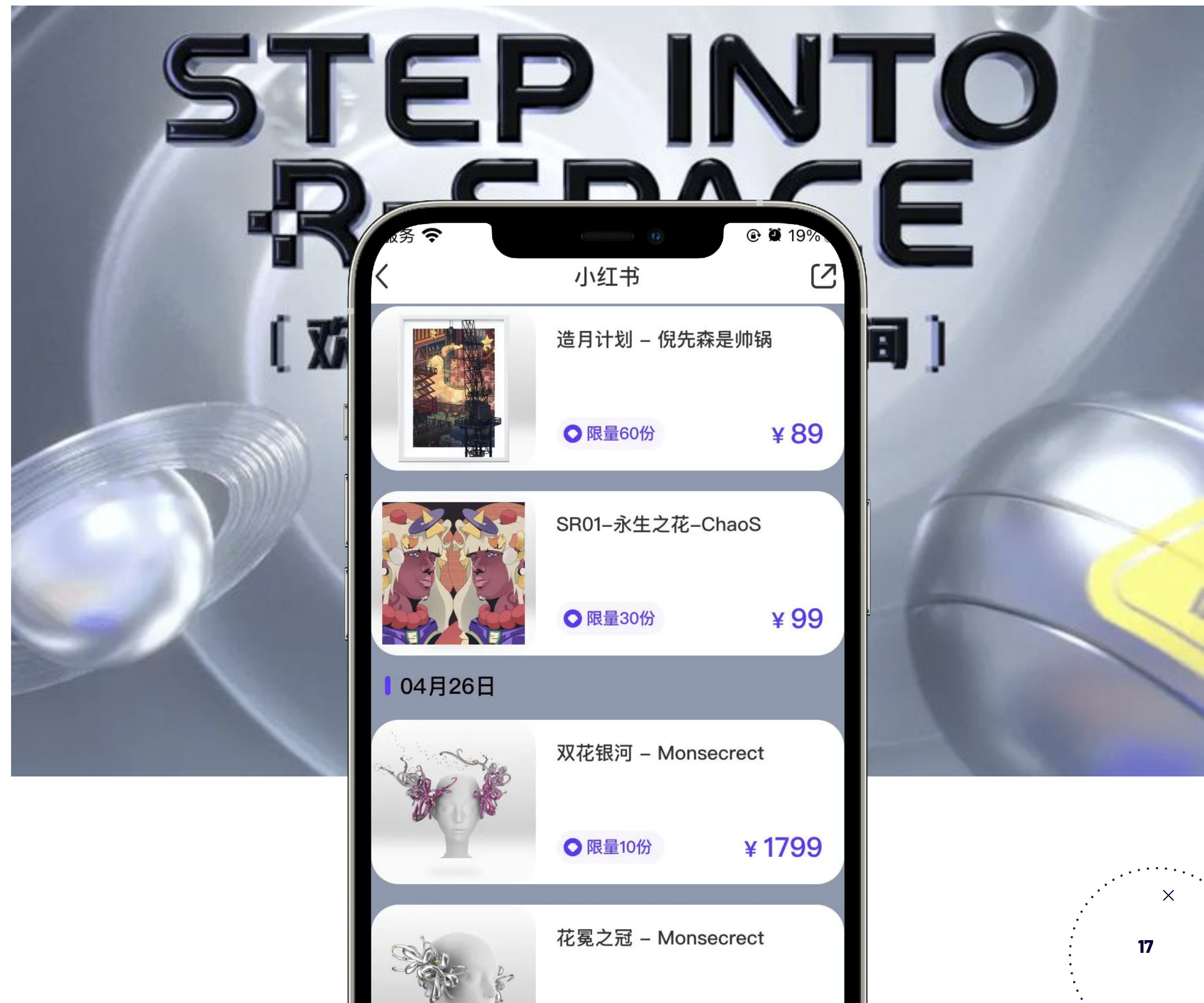
RED R-SPACE

Digital collectible platform

Search NFT in Red app to step into R-SPACE, launched on November 2021, developed by Tencent Zhixin Chain (至信链).

The digital collectibles come from active original artists / designers and various original IP on Red, and have no currency attribute.

In the future, Red will also project digital works to the real world through AR technology to let users share in the community through photos and videos, and more personalized functions are under planning.



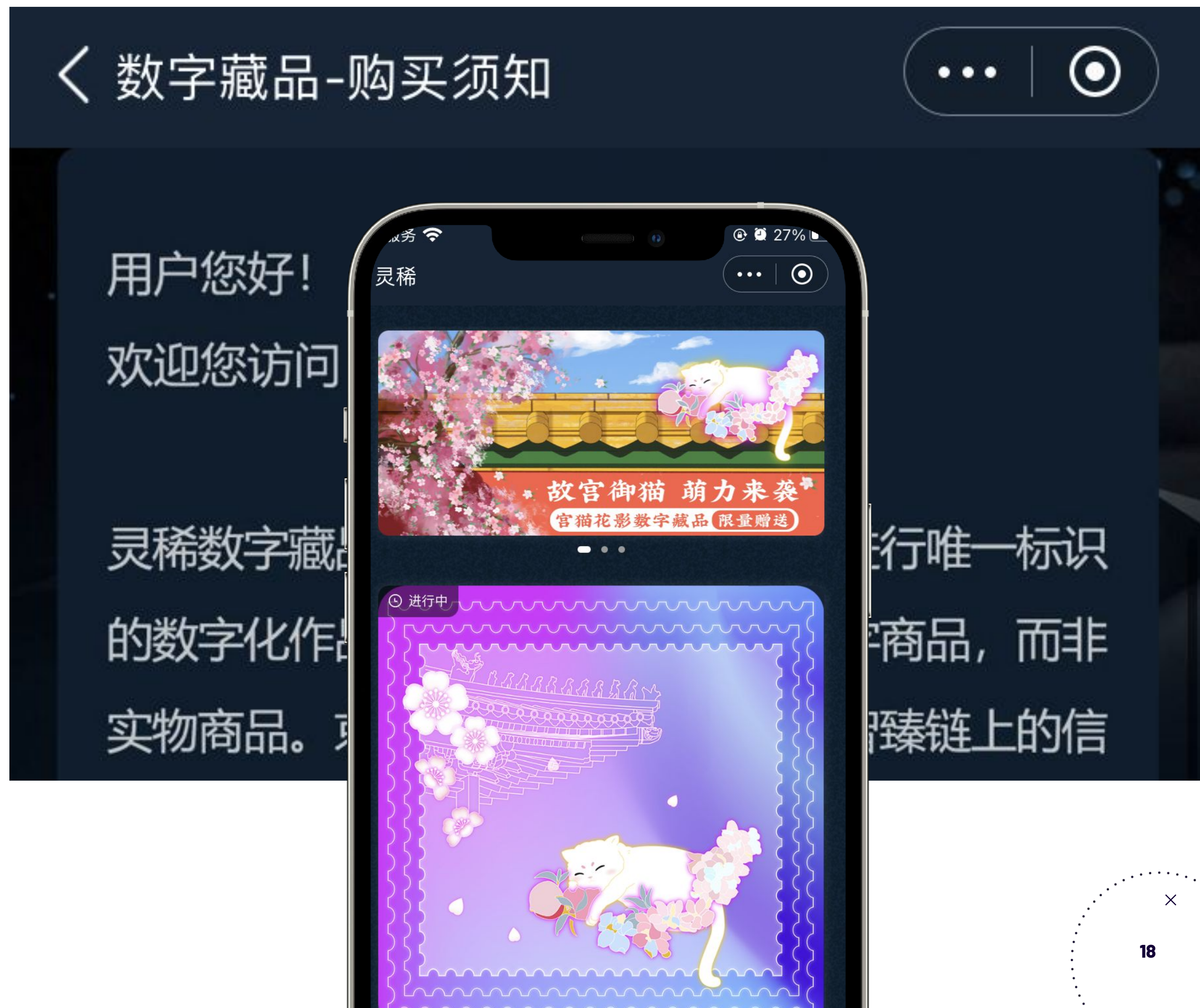
Jingdong Lingxi (灵稀)

Digital collectible platform

Search 灵稀 in Jingdong app to find this mini-program, launched on December 2021, developed by Zhizhen Chain (智臻链).

Users need real name authentication before purchase. For the same digital collectible, only one collectible can be purchased through one real name authentication valid ID card information.

The first NFT collectible sold on Lingxi is NFT designed based on the Jingdong mascot "Joy".



Bigverse NFTCN (NFT中国)

Digital collectible platform

In May 2021, a Hangzhou-based tech company Bigverse launched NFTCN (NFT China) - the only NFT marketplace in China that uses the Ethereum public chain.

Differs from other digital collectible platforms, NFTCN allows collectors and independent artists to mint, buy and sell NFTs, committing to creating an NFT ecosystem where everyone can participate in, and building a metaverse that includes blockchain, content and communities.





Bilibili Digital Collectible

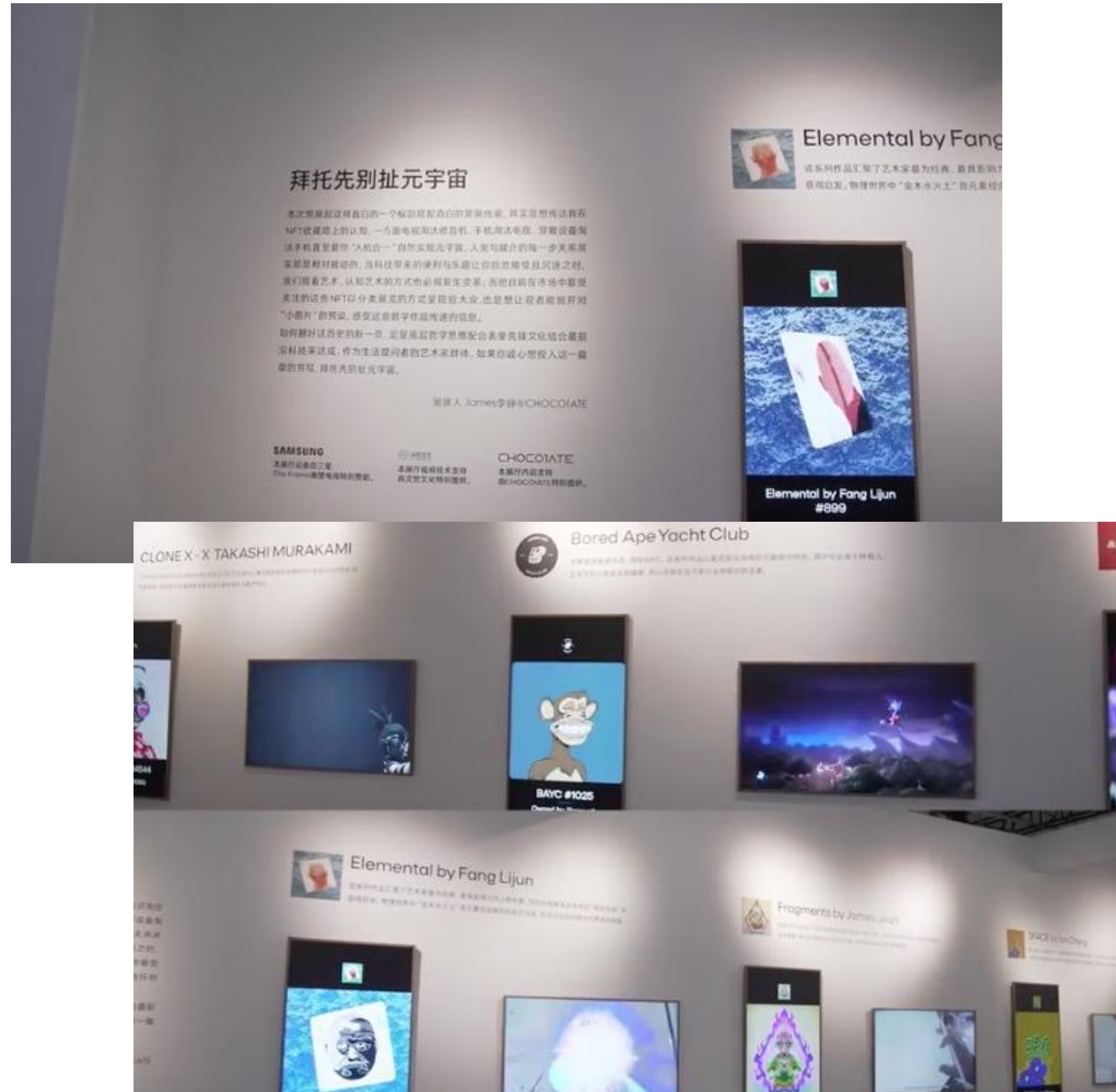
Digital Avatars¹

Bilibili created an official account called Bilibili digital collectible, developed by Gaoneng Chain (高能链), and launched an activity to distribute its first batch of Gede series (鸽德系列) digital avatar NFTs to its loyal users (level 6+ full attendance in 2021) in January 2022.

Later, it launched Buyilehu (不亦乐“虎”) series and “Cheers 2022” (干杯2022) series digital avatar NFTs.

Each avatar reflects the unique commemorative significance and identity symbol, but doesn't have any monetary attributes such as payment function.

1. It's not a NFT/digital collectible platform, but a digital collectible.



Alibaba NFT Exhibition

"Please Don't Talk About the Metaverse Yet (拜托先别扯元宇宙)"¹

In August 2022, the art and design section of Alibaba U Design Week launched an NFT exhibition named "Please Don't Talk About the Metaverse Yet" with co-curator Li Zheng.

The works displayed include: Mfers, Moonbirds, Doodles, Azuki, BAYC, CLONE X - X TAKASHI MURAKAMI, Elemental, Fragments, 3FACE, PeopleInThePlaceTheyLove, Theirsverse, etc.

In addition, the AI decentralized brand 1SHOS, the digital art brand Land Oasis, the encryption art gallery BCA Gallery and other metaverse related projects have also participated.

There were also related discussions such as how to combine design and digitalization, and how digitalization can help the development of each subdivision of design.

1. It's not a NFT/digital collectible platform, but a NFT exhibition.

How are brands using NFTs in China?

NFT market trends in China

- Collectible value - digital art collaborations to excite customers and generate brand buzz
- Adding product value by packaging along with physical items, with the digital offering being a limited edition item
- Cashing in on online shopping day
- Extend customer experience into the virtual world with more immersive interactions

To date, there are more players from luxury/fashion and food & beverage joining the NFT market, utilizing digital collectibles in different means to promote brands and increase sales.

We have picked a few most notable, recent brand cases from various industries in the following slides to exemplify.

OREO

Oreo Ink Scroll

Oreo China launched an 'ink & wash' concept campaign in October 2021 as the brand announced the world's first white Oreo biscuits. Extending the Chinese ink painting exhibition beyond its physical wall, Oreo incorporated blockchain technology and moved the arts into the digital world, releasing its first national 'guo-chao'¹ style NFO (non-fungible oreo) limited to 5,000 pieces.

Each piece of NFO corresponded to a generated artwork, where fans were given an opportunity to claim a 'NFT blind box' of an unique AI dynamic ink scroll.

1. Guo-chao: national trend, refers to products that are infused with Chinese cultural or traditional elements as the selling point.





Burberry x Tmall

Double 11 Metaverse Art Exhibition

Tmall, the digital platform of commerce giant, Alibaba, incorporated the metaverse concept for Singles' Shopping Day in 2021 and launched "Double 11 Metaverse Art Exhibition", inviting brands to create NFTs for the sales period. NFT works were packaged with physical products, and offered to be a limited edition item.

Burberry being one of the brands that participated in the event, sold 1,000 special edition scarves that came with an interactive deer NFT, with each being priced at 2,900rmb. The design concept of the token was ideated from the event spokesperson, digital influencer Ayayi's friendship with the deer, who plays a part in styling her during the campaign.



**Special edition
Burberry scarf sold with
a deer NFT on Tmall.**

Chando (自然堂) x Tmall

Double 11 Metaverse Art Exhibition

Many beauty brands have entered the NFT track, but more of them are facing the foreign market. (M.A.C. launched its first NFT Series in cooperation with Keith Haring Foundation; Guerlain launched the "Reaverse" Project, Estee Lauder launched NFT "Small Brown Bottle", etc.)

In China, Chando became the first domestic beauty brand to create online virtual digital products with Tmall. It cooperated with the popular virtual idol Ayayi to issue its NFT product "Himalaya Ice Sundial" (the NFT product of Tangka Ice water, 100 copies limited, no need to pay extra money beyond the physical product) during 2021 Double 11, which commemorates the nature on which human beings rely for survival in a digital way.





Louis Vuitton (LV)

Digital Louis Vuitton Portrait

Louis Vuitton (LV) has made many NFT attempts worldwide.

From the end of last year to the first half of this year, the LV exhibition tour landed in Shenzhen and Qingdao in China. The exhibition showed Louis Vuitton's portrait created by Chinese artist Cao Fei.

It's a digital work, with the hot NFT concept, using a similar style of cryptopunk (pixel style). It vividly restores the appearance of Louis Vuitton, full of sense of technology.



Roewe (荣威)

“Roewe Metaverse” digital art collectible

In January 2022, "Roewe Metaverse", the first NFT digital art collectible of Roewe automobile was successfully auctioned at the price of 1 million RMB.

It's the first NFT auction of the whole Chinese automobile industry.

In addition, the buyer will also own a real “Yuan-customized” car of Roewe, become the first owner of Roewe Metaverse, enjoy the "advanced customization plus" service for free, and serve as the Metaverse tasting officer of Roewe.



Anta x Tmall

2022 Beijing Winter Olympic Collectibles

As an official partner of the Chinese Olympic Committee, Anta partnered with Tmall Super Brand Day and created an interactive virtual digital space “Anta Ice and Snow Spiritual Realm”, to celebrate 2022 Beijing Winter Olympic while exploring new forms of interaction between technology and sport events.

The brand released a total of 12 digital collectibles, 7,000 pieces, as part of the project, based on the postures of twelve different winter sports, with 2 limited versions regarding the Chinese delegation's clothes at the Beijing Winter Olympics.

Participants were able to unlock 1 collectible for every 2022 points collected on the virtual space.

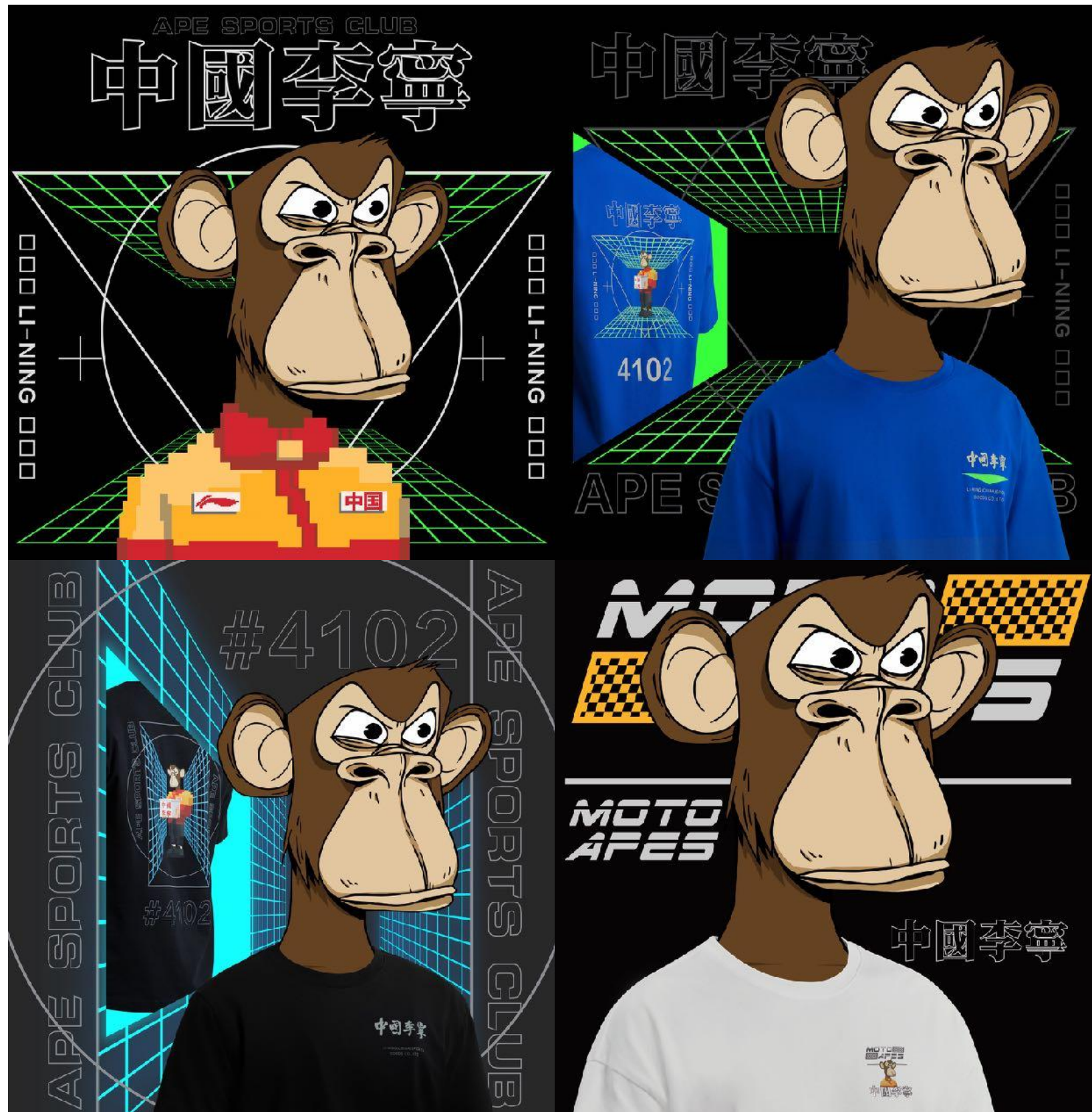
Jiang Xiao Bai (江小白)

IP Limited Digital Collectible

On February 28, 2022, Baijiu brand Jiang Xiao Bai (江小白) released two digital collectibles - BLUE biu biu & RED boom boom - based on its brand IP, and were sold with 6 bottles of 40% Jiang Xiao Bai 401, and 6 bottles of 52% Jiang Xiao Bai 519 separately.

A total of 2,000 tokens were sold out within three minutes after release, in which the brand reached its highest sales conversion rate, exceeding 10% of its average daily sales, with paid users being 34 times more than usual, becoming Tmall's top 4 liquor category turnover of the day.





Li-Ning

Bored Ape Yacht Club #4102

Announced on Sunday, April 29, 2022, on Weibo, Li-Ning has invited Bored Ape YachtClub #4102 as the manager of its new pop-up store in Beijing, being the first brand in China to feature the BAYC - one of the most popular NFTs in the global market.

Along with the announcement, the brand is set to release a new collectible of merchandise containing t-shirts and caps based on the BAYC #4102 design. Through this campaign, Li-Ning will continue to spark curiosity about NFTs in China.

The BAYC #4102 series of
product released by
Li-Ning on Weibo

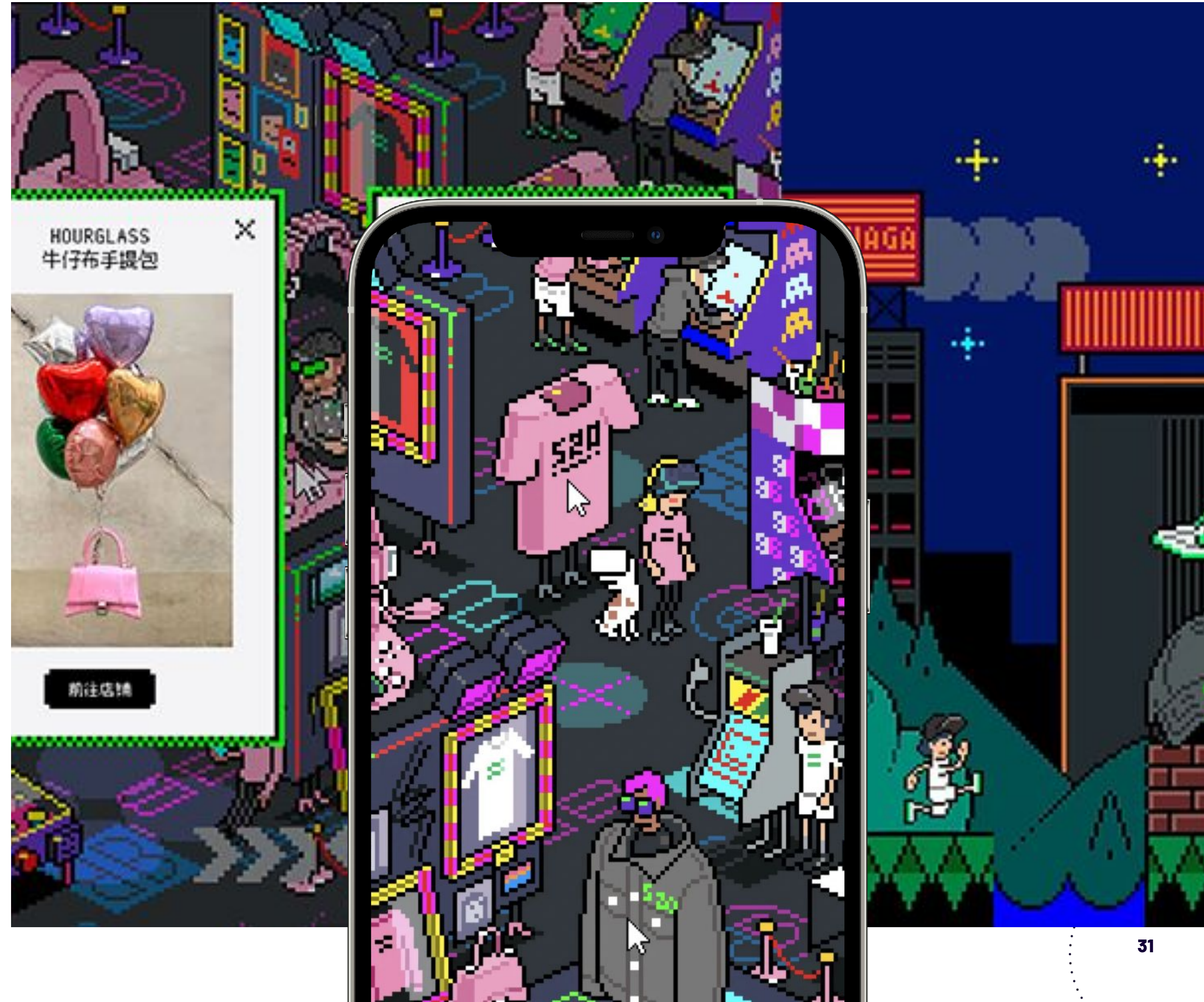


Balenciaga

5:20 Arcade

Catering to the tastes of urban youth, this year, the Balenciaga 520 holiday limited-edition series embrace gamification and the virtualization of fashion, launching retro pixel mini-games and NFT avatar on WeChat mini-program as part of its 520 festival campaign. In 5:20 Arcade, players could collect exclusive Balenciaga digital items and WeChat emoticons by exploring rooms in the game.

Using the 8-bit graphics art, Balenciaga hopes to touch existing consumers with retro nostalgia while reaching more younger audiences through metaverse futurism.



Nongfu Spring (农夫山泉)

"Unique Affection for You" NFT

On June 18th 2022, Nongfu Spring launched a digital collectible with the theme of "Unique Affection for You" and a limited number of 1000. They are lovely illustrations inspired by natural elements such as mountains, lakes, Siberian tigers and owls.

The action aims to drive members of the online flagship store and attract young users. Users who register as members of the online flagship store can get the lucky draw opportunity to win these digital collectibles.



Midea (美的)

618 Old for New Service

Midea launched an "Old for New" activity during 618 this year. They used old air conditioners to put together a QR code. People can scan the QR code to enter the activity home page, upload photos and stories of old home appliances to get limited NFT digital collectibles and coupons.

Midea combined creativity with the new digital tool NFT. The five pictures on the home page of the activity in pixel style also seem to pay tribute to the famous NFT project Cryptopunks.



McDonald's

McCrunch Burger Launch

This summer, McDonald's China issued its first-ever NFT collectible that is available to the public as part of its marketing efforts to promote the launch of new flavor chicken burger - McCrunch, limited to 100,000 copies.

Starting from July 13th, anyone who purchases a McCrunch choosing the "indoor pick-up" option through McDonald's China APP, WeChat mini-program or Alipay applet, would have a chance to receive a limited McCrunch NFT.





Tmall x Chinese National Geography

NF TMALL CAT Digital Collectible

In August 2022, Tmall & Chinese National Geography released NF TMALL CAT (猫天天数字藏品发行计划) with the theme of “Collecting 9.6 million square kilometers of summer”, including 5 digital collectibles, each with a limit of 500 copies.

This series is based on Maotiantian (the mascot/avatar/IP of Tmall) and summer elements of 9.6 million square kilometers (the land area of China).

When people purchase the physical peripheral products designated by Tmall (woven bag, mask, etc), they will have the opportunity to obtain the corresponding NF TMALL CAT digital collectibles.

03 Summary and suggestions

NFTs: fad or future?

Become prime assets in the virtual world – the latest hype worldwide within the business community, the digital collectible market is offered growth and opportunities, where people are allowed to own virtual goods in the form of real-estate, as well as items like cars, accessories and arts – all possible through NFTs, and clarify the property relationship. It also provides a new idea of understanding the world that may completely change human life in the future.

However, as a relatively new concept, the public does not yet have a clear understanding, nor does the government have established complete supervision surrounding the topic, which could result in chaos in the NFT marketplace, including bamboozling or platforms making off money from users. While platforms allow users to create and sell their personal works, yet, most works created by retail investors have no premium values. In order to create buzz, oftentimes artworks need celebrities or IP's endorsement to generate the halo effect.

Whether or not the NFT technology can be popularized and fully utilized in the future may largely depend on the regulations that will be in place.

NFTs in 2022

Worldwide: After an explosive growth in 2021, the NFT market is not as optimistic this year, and suffered a decline in trading volume globally. Many NFTs' prices have also plummeted. However, many brands remain enthusiastic, such as Tiffany's NFTiff project and Nike's CloneX NFT project.

In China: While many major leading internet companies have dived into Web 3.0, Huanhe, the NFT platform under Tencent which has only been established for a year, has announced a halt in all digital collectible issuances. This sudden news caused a big storm in the domestic NFT market.

From our aspect, as a relatively new phenomenon, indeed, the fluctuation of NFTs can be strong and predictable. Yet we believe that in the long run, with the NFT market slowly stabilizes, as well as the policy regulations becoming more mature, many more innovative projects will soon be taking off.

In marketing aspect, is NFT a boom or bust?

PROS

Trendy brand image – establish a fashionable and dynamic brand image that keeps up with the trend, attracting especially young generations (millennials and Gen-Z).

Digital product line extension – promote physical product sales in reverse from NFT items by issuing the same product entities, forming a linkage between virtual and reality.

A multifaceted digital consumer connection – develop new marketing scenarios and play methods to interact with consumers.

Collectible value – endow products with unique collectible value through NFT and metaverse technologies.

CONS

High cost – including technology cost, the cost of entering digital collectible platforms, and IP/celebrities/brand collaborations cost.

Little added value for small brands – as small brands have limited resources, it may attract less people if the digital collectibles do not offer much added value.

Insufficient understanding to the concept – as the NFT market is relatively immature in China, there is still little understanding of NFT utilities and policies, which makes it more difficult to guide NFT marketing.

A new development path with Chinese characteristics for NFT?

Concept: China uses the phrase "digital collectible" to describe digital assets rather than calling it NFT, implying no monetary attribute.

Platform: With the rise of metaverse, as an accompanying technological concept, NFT has great potential. Large conglomerates such as Alibaba, Tencent, Jingdong, Red and Bilibili have entered the game to seize on the opportunities provided by NFTs as they have a more complete understanding of market, technology, and policy to support. Their entry proves that NFT has a certain development prospect to in China. To date, there are numerous digital collectible platforms in China, Jingtian and Magic Core are the two major ones at the moment.

Policy: At present, there is no systematic nor complete provision on the definition and specification of NFT. Under supervision, users are allowed to use digital collectibles for research, exhibition, appreciation and collection. Speculation, OTC trading or using in any illegal way are prohibited.

Industry: Provide more playful approaches for cultural and art industries, as well as new ideas and paths for cultural communication and brand promotion. NFTs have also solved the problems of copyright tracing of digital works and confirmation of digital property rights.

Our suggestions

As a brand, be cautious and pay attention to NFT (industry trends, competitor news, public awareness, technological progress, policy supervision...), wait for the right time (regulatory landing, awareness improvement, cost reduction) to find a rational entry point.

If a brand would like to try NFT marketing, it can be first tested in ways of co-branding and copyright authorization with popular IP/art works (sports events, museum, painting, music, etc).

Strategically combine physical item with virtual product - such as offering NFT tokens when selling physical products, or offering physical products when selling NFT products, so as to improve the purchase values and user experience (can be combined with AR / VR technology).

Integrate social networking into NFT, such as creating virtual exhibitions for display, to increase the interaction between brands to users, users to users, to enhance brand loyalty and brand awareness.

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