

How top brands like Nike and Prada are using NFTs — and what could go wrong

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Forget real sneakers – soon we'll be more worried about the digital variety.
Credit: naratrip2

Luxury fashion house Prada has a scheme for customers who want something even more exclusive than its usual range of clothing and accessories. Each month, on a first-come first-served basis, the Time Capsule Collection offers ultra-limited editions of Prada products. They're only on sale for 24 hours, with purchases delivered straight to customers' doors.

For the new June edition, there's [an extra twist](#). Those who buy one of only 100 black and white button-down shirts by Cassius Hirst, son of renowned British artist Damien, will receive an NFT (non-fungible token) as part of the experience. They are GIFs of the black and white capsules that Prada uses to brand these events, and they're also being made available to purchasers of previous editions.

It is the latest example of how top brands are experimenting with NFTs to add another dimension to their businesses. This has recently included everything from Nike digital sneakers to virtual collectables from sport clubs such as AC Milan. For example, [Gucci is selling](#) a digital bag for more than its real-world equivalent (US\$4,115 vs US\$3,400), in a sign that the Prada NFTs could fetch a high price if they are resold.

Most of the media coverage around NFTs has focused on big art auctions such as [Beeple's Everydays](#), a giant digital collage that sold for US\$69 million, and the heavily hyped [Bored Ape Yacht Club](#), 10,000 cartoon avatars of primates looking, well, bored. But clearly, the arrival of traditional brands is also a major part of the story. Total NFT sales for 2022 are heading for [about £90 billion](#), more than double 2021 despite the fact that markets are sinking right now.

So what are the best examples of brands operating in this space, and are there pitfalls?

Early movers

NFTs are online assets that double as certificates of ownership, usually of digital items such as a piece of art or a video, but potentially even physical things like an item of clothing or a car. People can buy and sell NFTs on marketplaces including [OpenSea](#), [LooksRare](#) or [Magic Eden](#), and the [market exploded](#) in 2021 on the back of the Beeple hype and leading celebrities like Snoop Dogg and Lebron James issuing NFTs of their own.



Credit: AI-generated image ([disclaimer](#))

Sport associations such as [NBA](#) and [NFL](#) were among the early movers, selling NFTs of collectable cards of sporting heroes, videos of classic moments, and even jerseys autographed by players. This is all about using NFTs to capitalise on a loyal fan base by offering them rare assets.

In the coming years, NFTs are likely to meld with the virtual worlds of the metaverse, in the sense that many will probably be usable there. Balenciaga, another luxury fashion house, has been an early pioneer in this direction, offering a collection of NFT accessories for gamers to [wear on Fortnite](#).

Nike has been particularly forward-thinking, buying NFT pioneer [RTFKT Studios](#) late in 2021. RTFKT made its name with a collection of Manga-style 3D NFT characters called [CloneX](#) that now trade for tens of thousands of US dollars. In keeping with other top NFT collections like the Bored Apes, RTFKT is using the CloneX characters to craft a storyline that is gradually unfolding over time.

In February, CloneX owners were airdropped NFTs of mystery digital boxes [known as Mnlths](#). The Mnlths had Nike swooshes on the side and quickly started selling for upwards of US\$10,000 (£7,944) on NFT marketplaces, even though nobody knew what they contained. In April, Nike announced that owners could "burn" them to unlock a pair of digital sneakers known as [CryptoKicks](#), plus a vial that allows users to customise them, and another mystery box called Mnlth 2. A pair of CryptoKicks has since reportedly sold [for US\\$134,000](#).

Meanwhile, online platforms are helping to make these NFTs more usable. [Meta is creating](#) features for Facebook and Instagram that will make it possible for users to create NFTs and showcase them on their social media profiles. [Spotify is working](#) on something similar, with a view to creating new revenue streams for artists and record companies.

Danger ahead?

But if these are examples of NFTs' potential for [major brands](#), there are also serious risks. The market has [fallen substantially](#) in both prices and volumes in recent weeks in line with drops in everything from the stock

market to cryptocurrencies. Many collectors will be sitting on assets that were worth a lot more several months ago.

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CLONE X - X TAKAS... CloneX #16492 Top Bid 10.794 Offer for 10.794 Likes 328

CLONE X - X TAKAS... CloneX #10860 Top Bid 10.794 Last 5 Likes 1.1K

CLONE X - X TAKAS... CloneX #15955 Top Bid 10.794 Offer for 10.794 Likes 180

CloneX avatars on sale on OpenSea. Credit: [OpenSea](#)

A historic sports club like, say, Real Madrid might unintentionally end up undermining its fans' financial well-being as a result. Should the club compensate these people in some way to avoid jeopardising the relationship? Or what if the fans become like day traders, flipping NFTs to try and make money. Is the club then vulnerable to being accused of enabling something close to gambling?

Another danger is undesirable repercussions from a company giving control of assets to unknown third parties. How would, say, fashion label Patagonia's customers feel about its sustainable and activist values if its NFTs ended up being flaunted by a major entrepreneur in [fossil fuels](#)?

For many brands it's also not yet clear whether NFTs could cannibalise the sales of their physical products. Equally, not all brands have the same scarcity value of a Prada or Gucci. A budget retailer such as Primark might experience a lack of demand if it launched NFTs, and its image could be harmed as a result.

Companies launching NFTs are going to potentially need to change more than it first appears. They will need to set up a range of new roles to manage relationships with NFT owners and their corporate reputation.

This could become a distraction from the company's core business. Perhaps they become like an investment house, more focused on maximising the sales of NFTs than creating value for their customers. Especially for brands with a more progressive culture such as Ben & Jerry's or Oatly, that could raise awkward ethical issues.

Nonetheless, it's going to be fascinating to see how this market develops. The companies that succeed will probably be the ones that are alert to these risks, and view NFTs as a new revenue market to explore rather than a short-term opportunity.

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