



Consumer Responses to NFT (Non-Fungible Token) Fashion Promotional Bundles

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Introduction. NFTs are digital assets on an existing blockchain that includes unique identification codes that make them immutable (Wang et al., 2021). Recently, fashion brands have entered NFT fashion for such purposes as authentication and virtual fashion shows. When brands promote NFT fashion, they often use “freebie” promotions to enhance brand image and increase sales (Umer & Kishan, 2021). For example, Jimmy Choo offered a pair of free sneakers with the purchase of NFT fashion (Zare, 2021), while some luxury brands provide free NFT with the purchase of a physical product (e.g., NFT as authentication). Although freebie promotion generally leads to consumers’ positive perceptions because of the free benefit, the way that they perceive the promotion when the NFT is offered as a focal or freebie product is unknown. Thus, this study investigated the effect of NFT in the freebie promotional bundle, whether a focal or freebie product, on consumers’ responses and whether they perceive the promotional bundle differently depending upon brands.

Literature Review. Freebie promotion is a marketing strategy in which a supplementary item is offered for free together with a focal product (Yadav & Monroe, 1993). The freebie promotion increases purchase intentions by enhancing the transactional value, while it leads to consumers’ negative inferences about the freebie (low quality) and focal product (low demand), which results in brand devaluation (Liu & Chou, 2017). Further, consumers tend to attach more value to the focal product, while the freebie product’s value is inferred to be less (i.e., value-discounting inference; Raghubir, 2004). Because of the value discounting inference, a physical product may be inferred to have less value when it is offered as a freebie than a focal product in the bundle. As conspicuous value (i.e., displaying wealth) is more likely to be associated with a physical than a digital item, a physical product with a higher value (focal product) would be more suitable to demonstrate conspicuous value than a product with a low value (freebie). However, this may not be the case for luxury brands, as typically, they have well-established conspicuous value, and the promotional bundle price tends to be high. Thus, the conspicuous value may not be devalued whether the luxury brand sells a bundle with a physical product that is a focal or freebie product.

- H1.** (a) For non-luxury brands, the conspicuous value is higher for the promotional bundle that offers a freebie NFT with the purchase of a physical product than the converse. (b) For the luxury brand, the conspicuous value does not differ across the types of freebie bundles.

As NFTs are digital assets, NFT fashion purchases require considering their risk (Menezes & Hanson, 1970). The emergence of the crypto market and its potential for high market bubbles have led consumers to perceive that NFT products carry a significant degree of risk (Wang, 2022). Therefore, consumers perceive greater risk when they purchase a NFT fashion as a focal than a freebie for both non-luxury and luxury brands.

- H2.** For both (a) non-luxury and (b) luxury brands, risk perception is greater for the promotional bundle that offers a freebie physical product with purchase of NFT than the converse.

Lastly, we propose that consumers' purchase intentions do not differ across types of freebie bundles for non-luxury brands, while their intentions are greater for the bundle with a freebie than a focal NFT for luxury brands. Because of NFTs' lack of price information and potential price changes, consumers may infer NFT value to evaluate the bundle's value overall. Because of the value discounting inference, a freebie NFT in the promotional bundle would be inferred to have a lower price than the physical product, while the NFT as a focal product would be inferred to have a higher price than the physical product. As a result, consumers may perceive that the bundle that offers a free physical product with a purchase of NFT is a better bargain. However, as hypothesized above, purchasing NFT as a focal product is expected to increase perceived risk, which may eliminate the positive perceptions of bargain. Thus, for non-luxury brands, purchase intentions may not differ across the freebie bundles, while for luxury brands, because the price is very high for either type of freebie bundle, neither may be perceived as a good bargain. However, perceived risk may play a role in purchase decisions. Because of the high perceived risk of the promotional bundle with NFT as a focal product, we propose that purchase intentions are higher for the bundle with NFT as a freebie than a focal product for luxury brands.

- H3.** (a) For non-luxury brands, purchase intentions do not differ across the types of freebie bundles. (b) For luxury brands, purchase intentions are higher for the bundle that offers a freebie NFT with the purchase of a physical product than the converse.

Methods. A between-subjects experiment was conducted with 2 (promotional bundle type: NFT+PHY/PHY+NFT) \times 2 (brand: Gucci/New Balance). The NFT+PHY bundle included a free physical pair of sneakers (PHY) with the purchase of NFT digital sneakers, and the converse for the PHY+NFT bundle. After assigning participants randomly to one of the four conditions, we provided a short video on the definition of NFTs and their fashion applications. Next, a scenario was provided (e.g., Gucci was selling a bundle that offered a free physical pair of sneakers with purchase of NFT digital sneakers). The bundle prices were \$990 for Gucci and \$60 for New Balance, while the prices were consistent between PHY+NFT and NFT+PHY for the same brand. The respondents were asked about conspicuous value (Vigneron & Johnson, 2004), perceived risk (Campbell & Goodstein, 2001), and purchase intentions (Lee & Youn, 2021).

Results. A total of 212 responses was collected from MTurk. CFA was conducted to confirm convergent and discriminant validities. A two-way MANOVA showed that none of the main effects of bundle types and brands on conspicuous value, perceived risk, and purchase intentions were significant. There were significant interaction effects of the bundle type and brand on conspicuous value ($F_{(1, 205)} = 5.63, p < .05$) and perceived risk ($F_{(1, 205)} = 4.79, p < .05$). Further, the post hoc Tukey test showed that for New Balance, conspicuous value was greater for the bundle with a physical product as the focal than freebie product ($M_{\text{PHY+NFT}} = 5.66, M_{\text{NFT+PHY}} = 5.16, p < .05$), while conspicuous value across bundle types did not differ for Gucci, which supported H1. Further, for Gucci, the perceived risk was greater for the bundle with NFT as a focal than freebie product ($M_{\text{NFT+PHY}} = 5.39, M_{\text{PHY+NFT}} = 4.77, p < .05$), while there was no significant difference between the types of promotional bundle for New Balance, which supported H2b, but rejected H2a. Lastly, there was no interaction effect on purchase intentions, and thus, H3 was rejected.

Implications. The study offers different implications for luxury and non-luxury brands. To increase consumers' perception of conspicuous value, non-luxury brands should offer a promotional bundle with NFT as a freebie, while luxury brands can maintain a consistent level of brand value regardless of whether the focal item is NFT or a physical product. However, luxury brands need to consider the NFT promotion given consumers' risk perceptions. Although consumers pay the same price for the two products, they perceive greater risk in the promotional bundle with NFT as a focal product. The findings have scholarly and managerial implications in developing NFT promotional strategies and understanding consumers' responses.

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