

Chapter 5

Navigating the New Frontier of Finance, Art, and Marketing: A Look at Cryptocurrencies, NFTs, and Metaverse

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ABSTRACT

This chapter explores the intersection of finance, art, and marketing in the new frontier of digital assets, specifically focusing on cryptocurrencies, NFTs, and the metaverse. The authors analyze the potential impact of these innovative technologies on traditional financial systems, art markets, and advertising strategies. Through a comprehensive examination of the concepts of blockchain, virtual reality, and decentralization, this chapter aims to provide insight into how these emerging digital assets can reshape the way people perceive and interact with financial, artistic, and marketing landscapes.

INTRODUCTION

Cryptocurrency

A cryptocurrency is a form of digital money, not overseen by a central authority. Any data on transaction and ownership changes are stored in a digital ledger using distributed ledger technology (Han et al., 2019); Pestunov, 2020). The storage, transmission, and recording of bitcoin data to public ledgers involve sophisticated code. All payment transactions using this digital currency are verified via encryption. The goal of using encryption is to provide security and protection of transaction information, mostly from a third party. This type of technology enables anyone to send and receive payments without relying on banks for transaction verification. This distributed ledger technology, in the context of crypto, is referred to as blockchain technology (Albayati et al., 2020; Parino, Beiró, & Gauvin, 2018).

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Cryptocurrency can be obtained through purchasing coins or mining (Pastrana & Suarez-Tangil, (2019). It exists solely in a digital form and acts as a decentralized system of value exchange, with bitcoin being the most well-known cryptocurrency (Guides, 2021). The global cryptocurrency market capitalization was \$2.21 trillion in December 2021, with bitcoin being the dominant player with a 38.88% share as of September 2022 (de Best, 2022a; CoinMarketCap, 2019; Mitic, 2022). The popularity of other cryptocurrencies like Ethereum and Tether has also increased over the years (CoinMarketCap, 2019).

NFTs

NFTs or non-fungible tokens are cryptographic assets that are distinguished from each other by unique identification codes and metadata (Sharma et al., 2022). An NFT can also be described as a token used to identify something unique in a blockchain. NFTs are used to represent lottery tickets, digital and non-digital collectables like digital art, pictures, video clips and even a digital trading card (Levy, 2022).

NFTs were first created by Anil Dash and Kevin McCoy on May 3, 2014, at the New Museum in New York City. Four years later, the ERC-721 standard, which is an Ethereum standard (Sharma et al., 2022) was the first standard used to mint an NFT. The ERC-721 smart contract, which was created by some of the individuals who had created the ERC-20 smart contract, outlines the minimal interface—ownership information, security, and metadata—needed for the trading and distribution of gaming tokens. Other NFT standards are ERC-998 and ERC-1155 (2021). The ERC-1155 standard builds on the idea of the ERC-721, by batching many non-fungible tokens into a single contract and lowering the transaction and storage costs necessary for NFTs (Wilson et al., 2021).

NFTs are distinguishable from cryptocurrency in that, they cannot be traded or exchanged at equivalency i.e. their value isn't identical and they can't, generally speaking, be used for commercial transactions (Sharma, 2021a). However, NFTs do have a bigger application as an investment opportunity, especially in the trading of digital artworks. Recent statistics have shown that the NFT digital art market has grown both in popularity and sales, almost rivalling the traditional art market. In a report on NFT statistics published by Chainalysis Inc., a blockchain analytics company, the NFT industry sales reached \$41 billion in the year 2021, closing in on \$50 billion in sales achieved in the traditional art market in 2020.

Meta-Verse

A metaverse is a networked online world with digitally permanent surroundings, which users may access as avatars via virtual reality, augmented reality, gaming consoles, mobile devices, or traditional PCs for real-time interactions and experiences (Bobrowsky & Needleman, 2022; Sharma, 2021b). In a metaverse, individuals can communicate and transact with each other, use currency to buy and sell land, buildings, avatars, and even identities, go on virtual adventures with their friends, and attend virtual events. According to Sharma (2021b) a metaverse can be described as the 'world's digital counterpart'.

The concept of metaverse technology was first developed for online video games like Fortnite (Bult, 2022). The success story of Fortnite, made huge technology companies like Microsoft and Facebook to try and implement the components of metaverse technology in other aspects of life like office meetings, online working, virtual concerts, etc. (Bobrowsky & Needleman, 2022). As of September 2022, some of the most well-known metaverse platforms are Meta Horizons (Facebook), Fortnite, Decentraland, Nvidia Omniverse, Roblox, The Sandbox, Otherside, and Pokemon Go (Abrol, 2022; Marr, 2022).

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