

WHAT TO WATCH IN WEB3

8 Trends for Enterprises in 2023



November 2022

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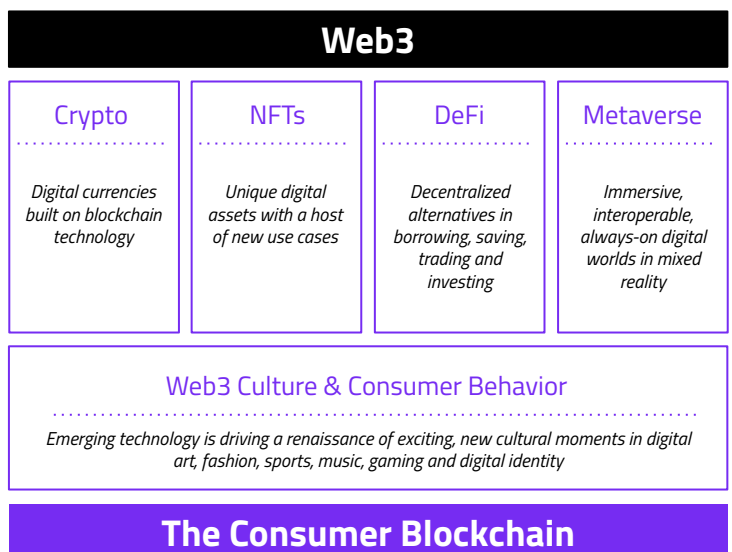
Introduction

Both 2021 and 2022 have been hallmark years in all things Web3, crypto, and blockchain. The market has dramatically expanded - we've seen new highs and some sobering lows alongside extraordinary and constant innovation. Here at Vayner3, we've grown from a small group of passionate crypto-natives to an end-to-end Web3 consultancy with 25+ enterprise clients across CPG, Retail, Fashion, Automotive, and Tech. Recent events have certainly surfaced clear bad actors and put the space in the spotlight for the wrong reasons, but we remain optimistic about our Web3 future. This paper will help explain why.

Web3 is the next evolution of the internet, consumer behavior, and culture powered by blockchain technology. Our definition of Web3 includes new technologies - cryptocurrencies, NFTs, DeFi, and the "metaverse" - but it also includes an important cultural and behavioral layer. Over the last 2 years, we have seen a renaissance begin in digital art, fashion, sports, music, and identity. As consumers spend more and more of their time online - and younger generations grow with a more intertwined version of physical and digital realities - we expect today's fundamentals of emerging Web3 technology and culture to grow exponentially with profound implications.

In this paper, we attempt to dissect the meta Web3 narrative, dive into the data, and identify true signal in a (very) noisy market. We look at what matters most to marketers and operators at large enterprise organizations considering Web3 tech, and we focus on the near-term future. We stay grounded in business and technological realities, and we fully acknowledge that macroeconomic forces and regulatory changes could play a major role in how 2023 unfolds. All things considered, we remain convinced: Web3 is going increasingly mainstream in 2023. Let's build the future together.

The Key Components of Web3 built the "The Consumer Blockchain"





STATE OF THE UNION

Global adoption of cryptocurrency has grown dramatically in recent years, with conservative estimates reaching over 300M global users in early 2022¹. Crypto exchange and investment platforms like Coinbase have consistently added 5 - 15M new verified users per quarter over the last 2 years.² Reddit's recent foray into Web3 created 3m new digital wallet owners in a few short months.³ In its latest pilot, Instagram recently announced NFT creation, sales, and trading will be available to its 160M US users.⁴ This new and exciting corner of the internet is getting a whole lot bigger.

But, it is still a challenging, volatile, and polarized arena. The tenor of mainstream media continues to paint NFTs and crypto as a fringe movement rife with scams and scandals. The recent collapse of FTX, Celsius, and Terra Luna have given the media a lot to work with.

Similarly, the price of most crypto assets has been challenged over the last 12 months. Ethereum's native token, ETH, is over 60% off its all-time high, and the preeminent Bored Ape Yacht Club NFT collection has a current price of admission 75% below its \$400k peak last February.⁵

Media sentiment and asset price are only the tip of the Web3 iceberg, and these narratives certainly broke through to mainstream consumer awareness in 2022. At Vayner3, we spend our time just below the surface to deeply understand and interpret the continued experimentation, massive enterprise investments, and stunning technological developments that haven't quite broken through just yet. Next, we will deconstruct what we have seen over the last 12-18 months and will paint a picture of what might matter for enterprise organizations considering Web3 in 2023.

¹ [Crypto.com \(January 2022\)](#)

² [Coinbase Investor Materials \(November 2022\)](#)

³ [Fortune \(November 2022\)](#)

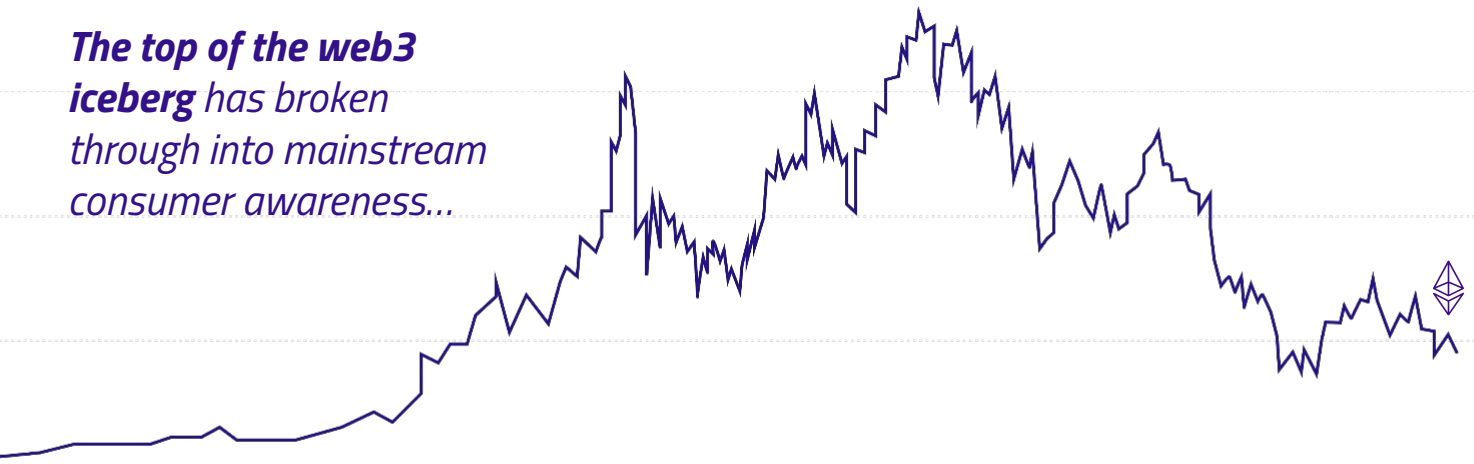
⁴ [Statista \(January 2022\)](#)

⁵ [Coingecko ETH \(November 2022\)](#)

[Coingecko BAYC \(November 2022\)](#)



*The top of the web3
iceberg has broken
through into mainstream
consumer awareness...*



*...but just under the surface, we
see initial experimentation,
enterprise investment, and
technological developments that
will continue to **meaningfully
advance web3 culture,
technology, and adoption.***



8 TRENDS

FOR ENTERPRISES IN 2023



ONE:

Brands are taking Web3 seriously with bigger swings and intentional strategies

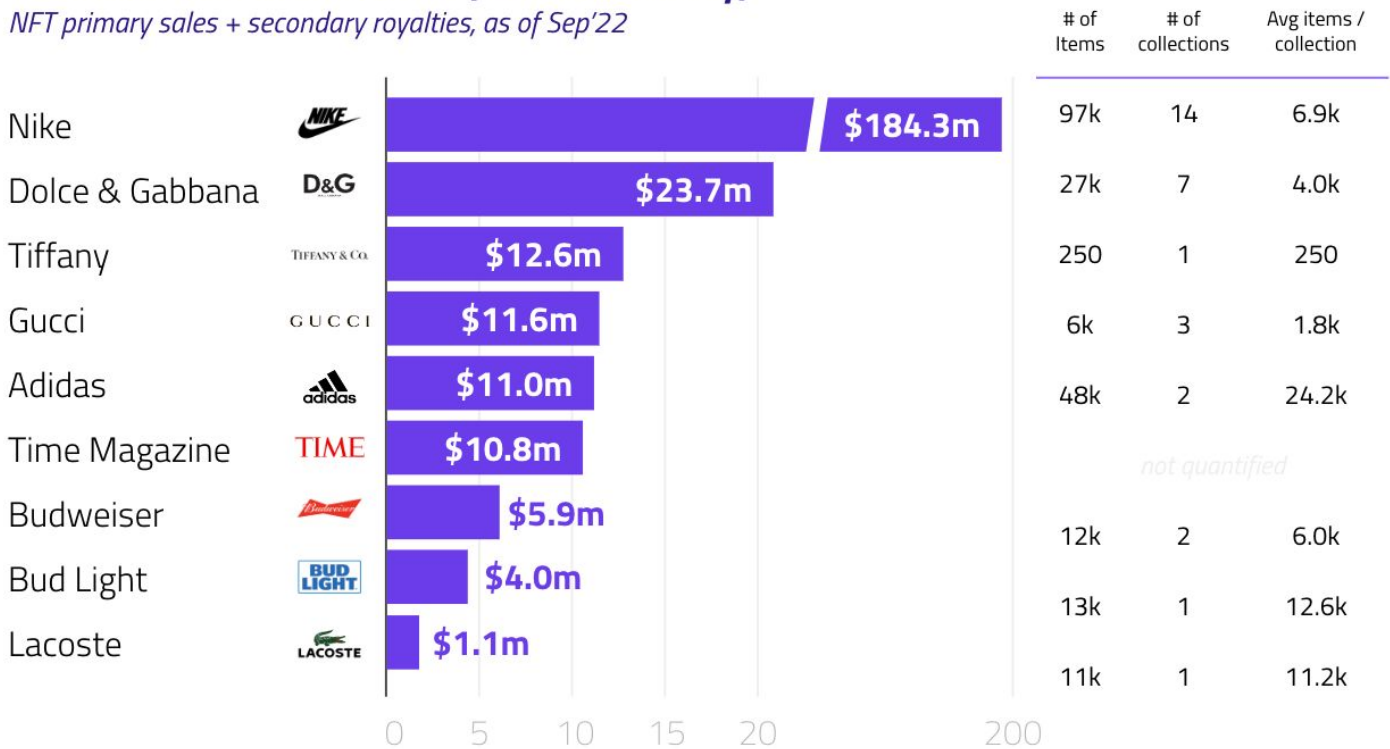
From late 2021 to early 2022, hundreds of consumer brands jumped on the Web3 bandwagon; dropping NFTs, activating in the metaverse, and testing out new use cases for blockchain. We are past the “shiny new object” moments of that phase, and early leaders have emerged.

The playbook for brand entrances in Web3 is being

written and rewritten, and what worked for these early leaders likely looks much different from what will work in 2023. Yet, across the winners, we see intentional, thoughtful strategy with a focus on sustained platform development. In 2023, the brands who onboard the masses will (a) offer clear Web3 products, (b) pursue nuanced consumer targeting, and (c) develop intentional go-to-market strategy.

Total revenue from Web3 (Ethereum only)

NFT primary sales + secondary royalties, as of Sep'22

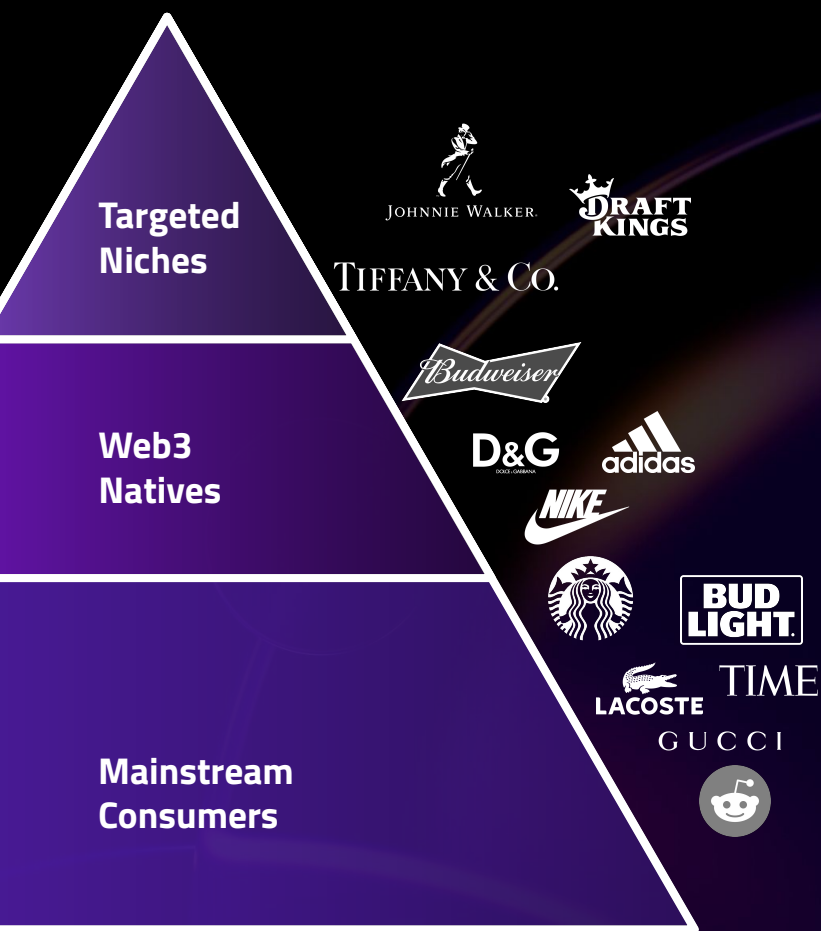
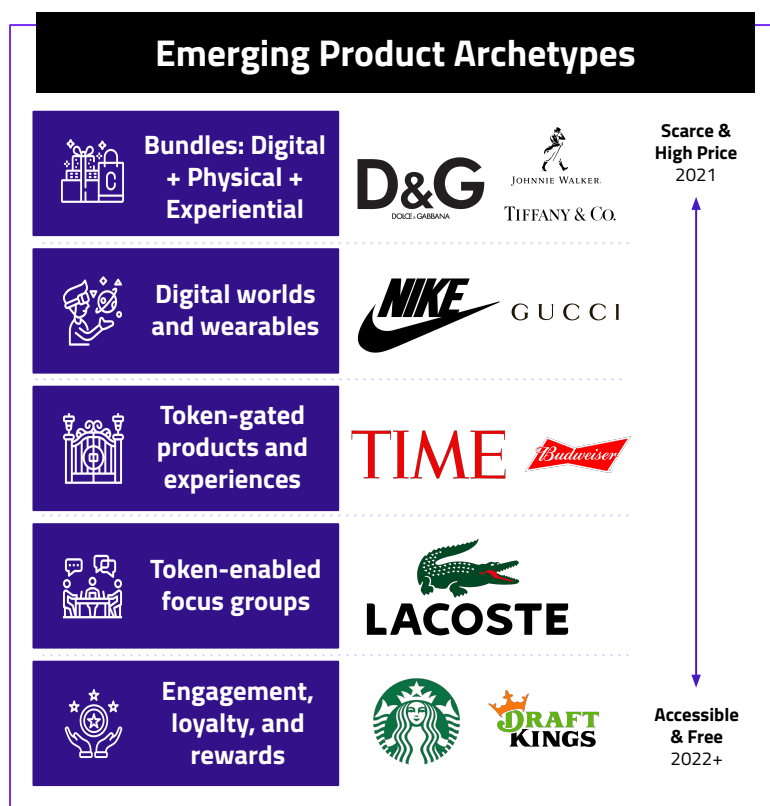


Sources: [NFT Brands Case Study, Dune](#), V3 analysis



A. Emerging product archetypes

On the product side, we are seeing clear archetypes emerge. Dolce & Gabbana's *Collezione Genesi* used tokens to bundle beautiful 3D digital art renders, tailored handmade apparel, and money-can't-buy fashion experiences in Milan. TIME integrated Web3 tech directly into its website (TIME.com) by granting magazine subscription access to TIMEPieces NFT holders who connect their digital wallet to the website. Starbucks is launching its new Web3 loyalty & rewards program later this year. While each of these five archetypes shown here will sustain as "proven" uses cases of Web3 tech, we expect product strategy to move from scarcity to scale in 2023 with a greater focus on new forms of engagement and consumer insights vs. consumer sales and revenue generation.



B. Customer targeting approaches

Winning brands have clearly identified and targeted specific audiences in Web3. At the base of the pyramid, brands targeting mainstream consumers have focused on consumer education and, in many cases, foregone technical terms like "NFT" in favor of "Digital Collectibles." This simplification and technological abstraction is increasingly common with new platform entrants like Reddit and Instagram using more "mainstream-friendly" terms as well.

In the middle, we have seen a host of brands find outsized consumer relevance by aligning their Web3 strategies with the cultural ethos of Web3. Here, brands have supported emerging digital artists, partnered with Web3 tastemakers and influencers, and deeply understood and engaged in the community. While targeting this

passionate corner of the internet is not a recipe for broad reach, these brands have seen this approach drive deep engagement and relevance-building.

Finally, some brands have identified and added value in hyper-targeted niches. Tiffany made their Web3 foray only available to 3,600 high-net-worth CryptoPunk holders (whose price of admission hovers near \$100k). Draftkings targeted sports-betting fanatics with their complex, NFT-based fantasy football game, Reignmakers. We expect brands to identify and activate “super fan communities” around consumer passion points using Web3 technology in 2023.

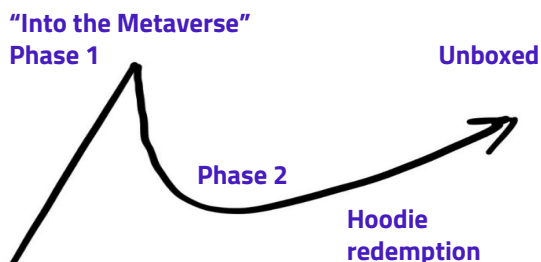
C. Go-to-market strategy

Brands have also taken a variety of approaches to community building and go-to-market strategy over the last 18 months. Some, like Adidas or Nike, have relied on massive moments to drive hype and sustain engagement. Others, like Gucci or TIME, have incrementally built with a series of smaller experiments and activations. Both approaches have led to highly successful Web3 community-building. In 2023, we will see more thoughtful roadmaps like these and fewer one-time drops without clear purpose. We expect winning enterprise brands to develop robust GTM strategies that incorporate a longer-term view of program design, product releases, and community-building.

Go-to-Market Strategy



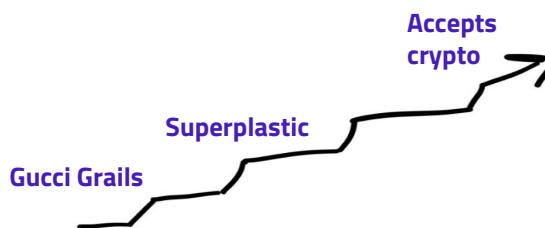
Big-bang and build



Adidas launched their large (24k) NFT collection with fanfare in late 2021. This first moment vaulted their brand to Web3 leadership status, but they have spent much of 2022 working behind the scenes to sustain their early momentum



Linear test, learn, and iterate



Gucci has executed multiple mid-sized (~2-3k) NFT collections, participated in multiple metaverse activations, and accepted crypto payments in stores. This multi-pronged Web3 strategy has led to a cadence of smaller, incremental moments and community-building.



TWO:

Tech giants' investments and pilots are bringing significant new audiences to Web2.5







Across the gamut of “big tech” companies, virtually all are integrating blockchain-based tokens into their core product offerings, which is resulting in a hybrid between Web2 and Web3 that we call Web2.5. Every Web2 player we considered is experimenting towards Web3: Shopify, Google, Instagram, Amazon, Microsoft, Reddit, and many more. These massive organizations typically “experiment” with multi-million (if not multi-billion)-dollar amounts of attention, investment, and scale.

Meta is an early leader in Web3 investments with over \$10B invested in its metaverse technology,⁶ but Microsoft and Google have also crossed into

the 9- and 10-digit category with conservative estimates indicating \$500M and \$1.5B invested in Web3 technology, respectively.⁷ All three organizations' Web3 testing began in the mid-2010s with early pilots in cloud infrastructure, stablecoins, and developer services. Web3 is not a new focus area for tech giants; their early interest and investment is beginning to break through.

We believe the consumer-facing pilots we saw in 2021 and 2022 will accelerate in 2023. With major news and announcements from platforms like Reddit and Instagram in just the last few weeks, this prediction is already playing out.

Notable Web2.5 examples driving mass reach and adoption

Territory	Company	Recent moves towards Web2.5
Expanding Web3 Tech		<u>(Jun '22)</u> Introduces NFT-gating for Shopify store owners
		<u>(Jun '22)</u> Announces Salesforce NFT Cloud, an upcoming integration into Salesforce 360 Platform that lets users mint and sell NFTs
		<u>(Nov '22)</u> Announces GCP is running a Solana validator, a special node that processes and approves transactions on the Solana blockchain
Expanding Web3 Culture		<u>(Jan '22)</u> Introduces ability to use verified NFTs as Twitter profile picture
		<u>(Oct '22)</u> Onboards up to 3m new Web3 users with its Reddit Avatars digital collectible program and Reddit Vault digital wallet
		<u>(Nov '22)</u> Announces Digital Collectible sales and trading on Polygon blockchain will be available in the US in its core app

⁶ NY Times (February 2022)

⁷ Blockdata (August 2022)



THREE:

Crypto payment acceptance is more than just a marketing stunt

Enterprises are adopting crypto as a viable digital payment solution. In the US alone, over 2,300 businesses accept cryptocurrency. Globally, the number is over 15,000.⁸ Merchants have enjoyed the PR buzz around these exciting announcements; however, accepting crypto has a range of business value drivers including immediate transaction settlement, greater access for payments, lower transaction costs, and the promise of decreased risk and fraud.

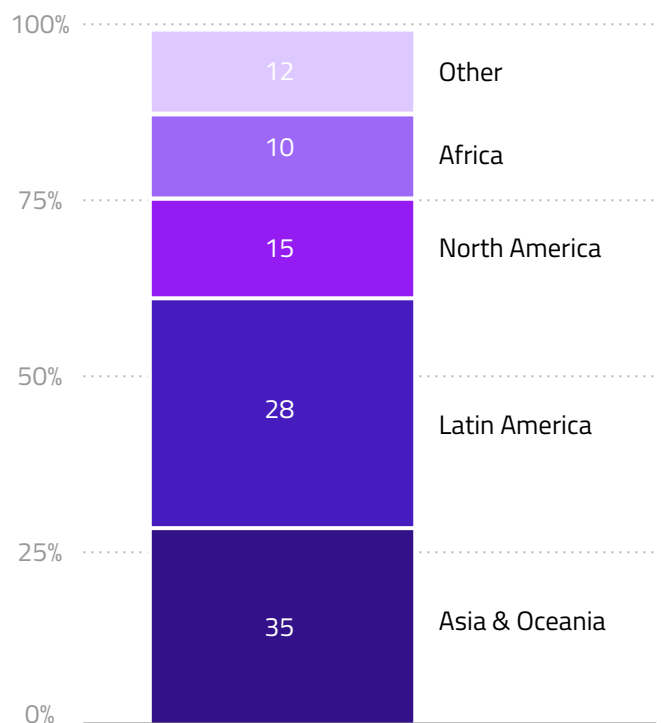
Consumers also increasingly want to pay in crypto. Visa's crypto-linked card usage reached over \$2.5B in Q1 of 2022 alone, which is over 5x year-over-year growth.⁹ For consumers, paying in crypto offers new opportunities for engagement and rewards, transaction simplicity, and increased data privacy.

The value is clear across all populations, but adoption of crypto payments may be driven by outsized interest from consumers in Latin America and Asia. Peer-to-peer crypto payment platforms receive a disproportionate amount - over 50% - of web traffic from these two markets.¹⁰ We expect this outsized interest in crypto payments to be driven by high unbanked populations (those without access to bank accounts, for various reasons), as a protection against inflation and currency volatility, and in the facilitation of cross-border transactions.

In 2023, we expect more opportunities for consumers to use crypto for everyday purchases. Ethereum's recent technological upgrade, The Merge, has significantly reduced its environmental impact and paves the way for faster transaction speeds at lower cost alongside continued technological development in the crypto payment

Web Traffic to P2P Crypto Platforms

% of total traffic globally in July 2021¹⁰



⁸ Zippia (January 2022)

⁹ CNBC (January 2022)

¹⁰ Chainalysis (October 2021)



space, potentially led by Layer2 blockchains and stablecoins. Circle's recent partnership with Apple Pay certainly may boost functionality and usage of its stablecoin, USDC, in mobile payments.

Moreover, a survey of 2,000 senior executives at U.S. retail companies examined interest and investment into crypto acceptance and found that 75% of retailers plan to accept cryptocurrency or stablecoin payments in the next two years.¹¹

Crypto payments are going mainstream.

Organizations Accepting Crypto Across Industries

Consumer & Retail



Tech, Media, & Entertainment



Industrial & Manufacturing



¹¹ Deloitte (June 2022)






FOUR:

Token ticketing is introducing new experiential models

Token ticketing has consistently been described as a clear opportunity for Web3 to bring transparency and value to a fragmented, opaque market. For enterprises, it can also create a new bridge between your brand’s digital and experiential strategy. We often hear from enterprise partners the challenges with experiential activations - limited opportunities for data collection or sustained connection, challenges with impact measurement, and a disconnect between the activation and a broader campaign strategy - and we think digital tokens present a compelling value driver to address these challenges.

While we have seen major announcements from organizations like Ticketmaster (a partnership with Dapper labs) and the NFL (experiments with NFT ticketing), we think mainstream adoption of blockchain-based ticketing may be further off than 2023. Yet, in 2022, we saw early proof points for a range of experiential use cases that drove enhanced IRL activations, deeper engagement with consumers, and new channels for retargeting and post-event community building. We expect these early pilots to gain meaningful momentum in 2023, specifically during conference and festival season this upcoming summer.

Timeline	Case study & details	Opportunities for net new
Before an event	 <p>Coachella music festival, which is attended by 750,000 people each year, sold 10 NFTs that provide lifetime access to the festival and generated \$1.5m in primary sales. (Note: this sale occurred on now-bankrupt marketplace, FTX; however, the use case is valid irrespective of launch partner)</p>	<ul style="list-style-type: none">• “Functional Collectibles” that act as tickets but also as art, membership, or are linked to a physical item• New business model for membership / subscription
During an event	 <p>Universal Studios, with over 10m annual visitors, offered park-goers the opportunity to participate in a scavenger hunt throughout the park to find free NFTs with future utility as an opportunity for new forms of consumer engagement.</p>	<ul style="list-style-type: none">• New forms of gamification and engagement• Token-gated special areas for superfans• Experiential “live creation” of new NFTs
After an event	 <p>Top Gun, a record breaker that made over \$350m dollars at the box office, awarded attendees across the country with digital collectibles to memorialize their attendance and unlock a range of digital items from the Top Gun universe</p>	<ul style="list-style-type: none">• Retargeting with post-event rewards or promotions• Commemoration / collecting to drive loyalty and future attendance



FIVE:

The battle for Web3 mobile is heating up

Mobile device proliferation was a primary catalyst for Web2, and we expect Web3 to follow a similar mass adoption curve to migrate from our laptops to our pockets. In the last 3 years, we have seen over 500% growth in Web3 mobile apps available in Google Play and iOS app stores.¹²

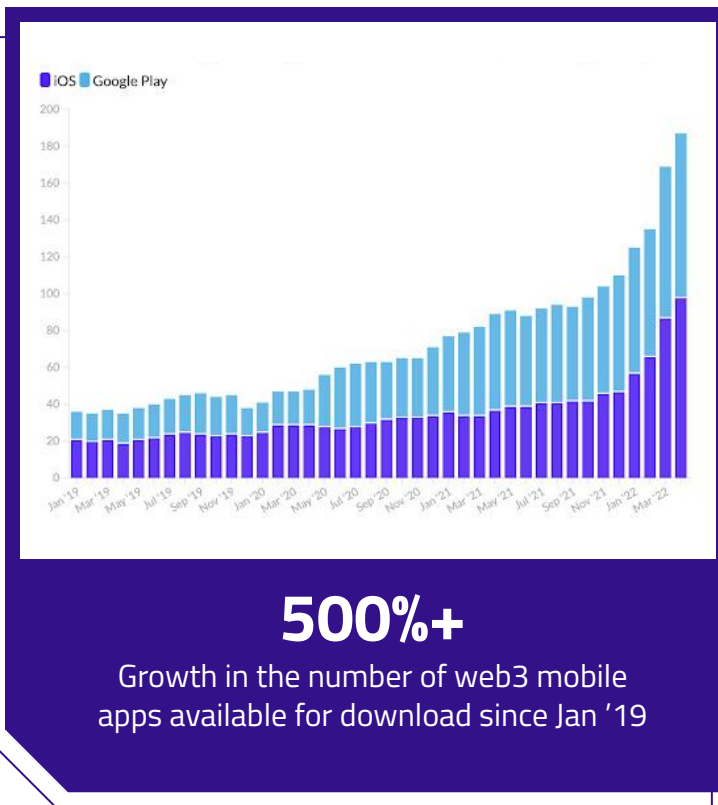
More notably, over 50% of existing Web3 mobile apps are not focused on finance or mobile payments. Tools like tokenproof enable token-based access to events, experiences, and storefronts. Participatory apps like Sweatcoin or Audius enable consumers to do familiar activities (e.g. log steps and listen to music) while earning token-based rewards. Web3 browsers like Brave and immersive worlds like Spatial.io are pushing boundaries in compelling use cases for new opt-in consumer ecosystems. While it's not yet clear what the "killer app" of 2023 might look like, we expect there to be one - if not many - blockchain-based mobile apps on the leaderboard.

All this said, the mobile world may indeed be a Web3 battlefield in 2023. Just recently, Apple has announced a polarizing policy with implications for how Web3 app-builders deploy and monetize Web3 apps in Apple's App Store.¹³ It's clear Apple wants to maintain its control and fee structure through in-app purchases, which will likely stifle Web3 innovation potential on Apple's iOS. As alternative routes to mobile development,

blockchains like Polygon and Solana have both announced mobile partnerships and investment in 2022,¹⁴ and manufacturers like HTC have recently launched Web3-enabled devices.¹⁵ We expect these recent headlines to be only the beginning of an ongoing dialogue around Web3 mobile in 2023.

Web3 Mobile Apps

Number of store-ranked apps with "web3" in title, subtitle, or description¹²



¹² Apptopia (May 2022)

¹³ Cointelegraph (October 2022)

¹⁴ Decrypt (July 2022)

¹⁵ Yahoo (June 2022)



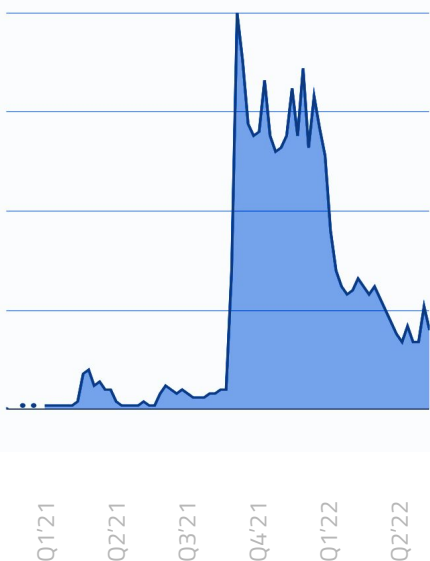
SIX:

The metaverse is ... not quite here yet

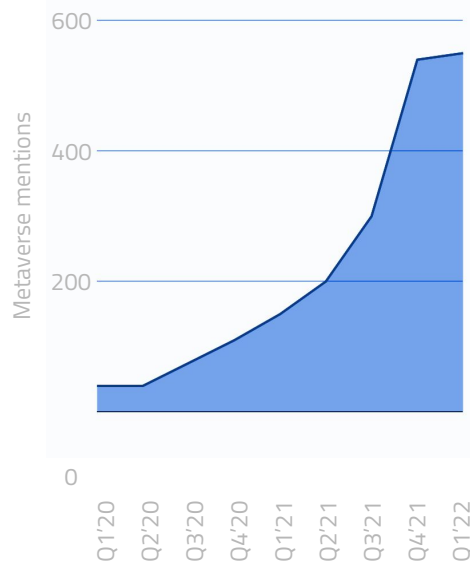
We think the market is broadly catching up to this viewpoint. As seen in the graphs below, consumer searches for “Metaverse” are well off their October 2021 peak, and mentions during earning calls by public companies have flatlined in 2022¹⁶. On these earning calls, sentiment surrounding the term “metaverse” has started to decline.¹⁷ Roblox and Fortnite are often cited as “metaverse platforms” but their audiences haven’t aged into the consumer market yet. They both lead the space in daily active users (57M and 3M DAUs, respectively), but their user bases are largely children.¹⁸ Over 86% of Roblox player base is under 25 years old, and 54% are under 13.¹⁹

Marketers will do well to tread lightly in any metaverse opportunity in 2023 and deeply understand how investment or time in these emerging virtual spaces ties into a broader Web3 strategy. It can make sense for some brands, and we have heard well-intentioned motivations like aging down to target new customers, future-proofing retail business models, or developing internal capabilities in immersive storytelling, process, and IP policies. Still, the “true” metaverse is still a long way away and is not poised to be a mainstream driver of Web3 tech or culture in 2023.

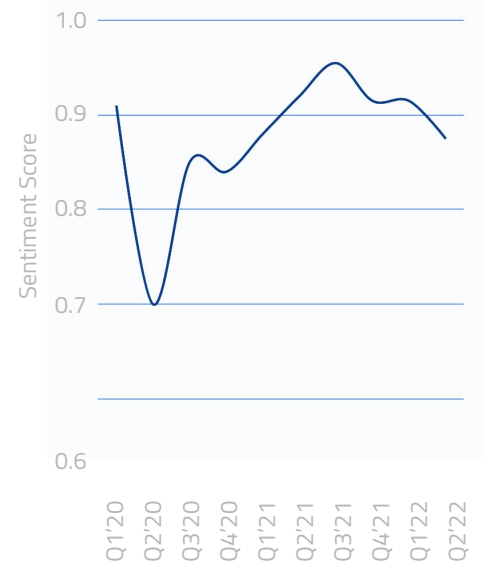
Google Trends: US Searches for “Metaverse”¹⁶



“Metaverse” Mentions in Earnings Calls¹⁷



Sentiment of “Metaverse” in Earnings Calls¹⁷



¹⁶ Google Trends (November 2022)

¹⁷ GlobalData (May 2022)

¹⁸ Roblox Report (September 2022), Dexerto (October 2022)

¹⁹ Statista (September 2020)



SEVEN:

Our future is multi-chain

At Vayner3, we track and analyze every major enterprise brand NFT drop, and what we have seen in 2022 is surprising: over the course of the last 3 quarters, more and more brands are experimenting outside the Ethereum ecosystem. In Q1 of 2022, over 50% of enterprise NFT drops were on Ethereum mainnet. In Q3 of 2022, less than 25% were.²⁰ Although we believe strongly in the Ethereum ecosystem and spend most of our time, attention, and resources here, this may be a trend to watch leading into 2023.

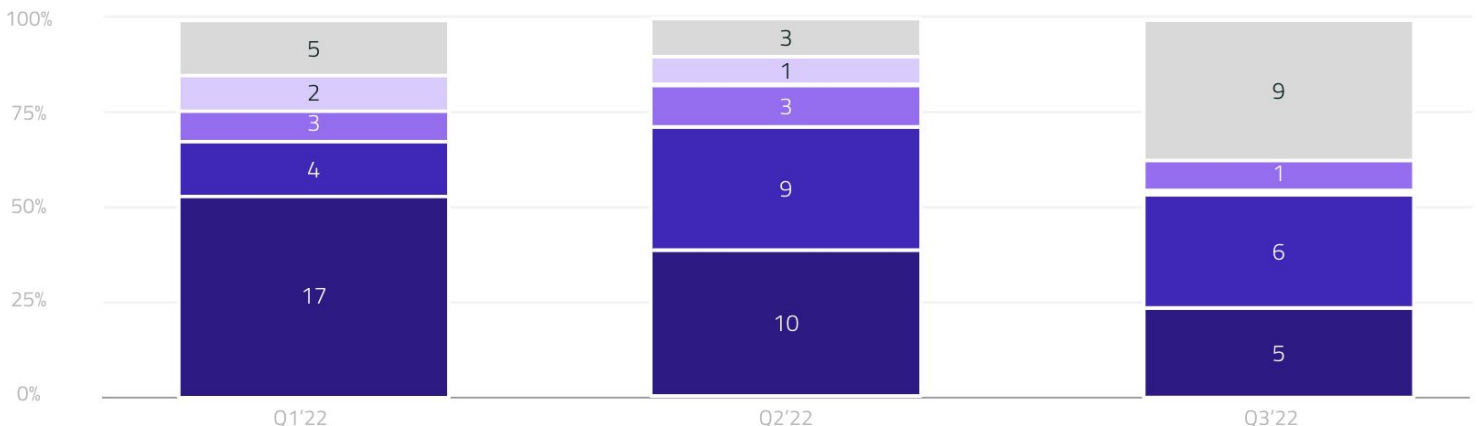
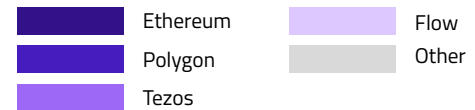
Each blockchain differentiates on its approach to pillars like security, transaction cost & speeds, and tokenomics. But, we are seeing the cultural and brand implications play an increasingly notable role in enterprise alliances. Polygon (one of many Ethereum Virtual Machine (EVM) compatible sidechains and Layer 2s) has led the way in

mainstream use cases with impressive announcements with Reddit, Disney, and Instagram. Flow, an Alternate Layer 1 blockchain, has continued to be one of the chains of choice in sports with NBA, NFL, and Ticketmaster relationships. Immutable X may be the chain for gaming with Gamestop NFT platform integration and an explicit focus on games.

Early traction may not be an indicator for long-term success, but we expect continued growth and activity across many blockchains. Ethereum and its ecosystem still reigns supreme as the largest - but not the only - sheriff in town. There is a lot of in-flight development here, but our highest-level recommendation is to expect leading blockchains to further differentiate in 2023 around specific use cases and verticals as the technology and multi-chain ecosystem continues to mature.

NFT Drops by Blockchain Used

% of total enterprise NFT drops in each quarter, 2022



¹ Vayner3 Analysis, 2022



EIGHT:

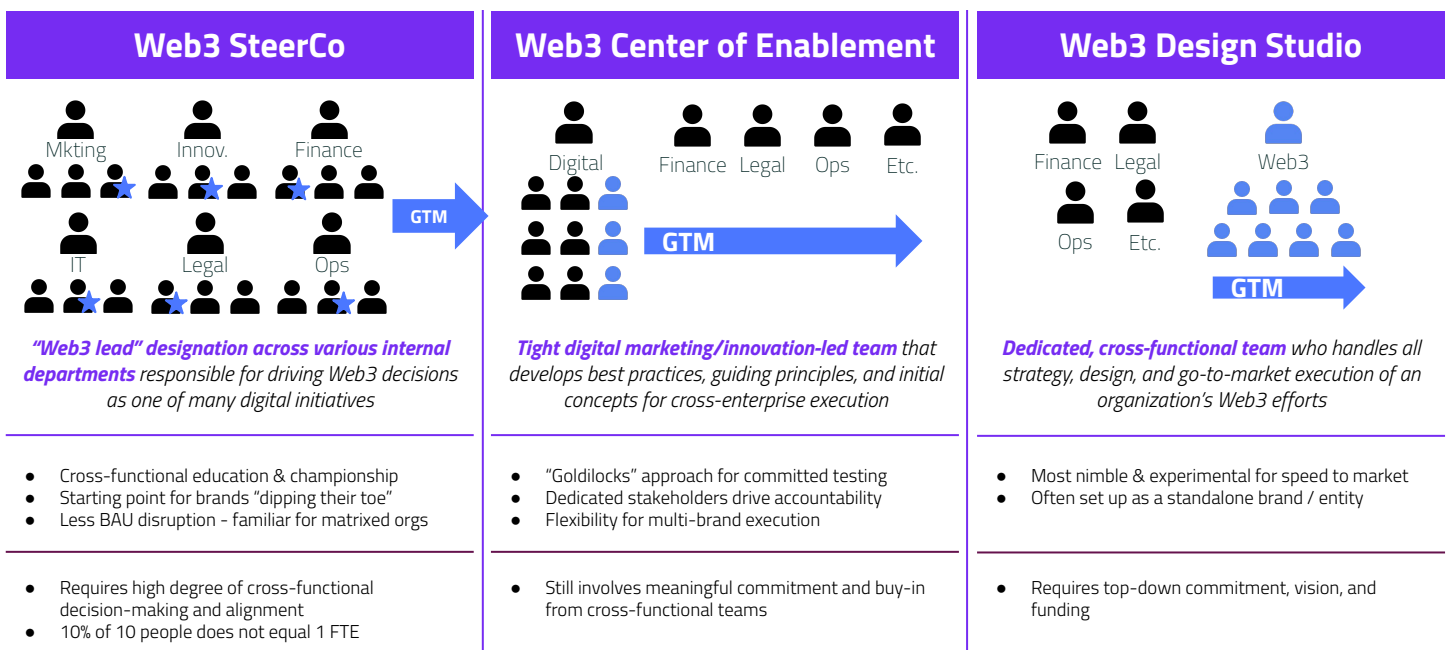
Organizations are building Web3 teams with a variety of approaches

With increasing amounts of funding, corporate investment, and consumer demand, Web3 focused firms need a cross-functional workforce. In 2020, non-technical blockchain positions (e.g. Marketing, Management, HR, etc.) made up only 26% of Web3 job postings, but this segment grew to 39% in 2021²¹. We expect this trend to continue as Web3 solutions are commercialized at scale. Web3 is not just for engineers and developers.

Enterprises are hiring dedicated Web3 teams as well. In 2022, we saw F500 announcements of Web3 hiring in all industries - Entertainment, Retail, Fashion, Tech, and CPG - and we expect more to follow suit in 2023. These roles and teams will play a significant role in broad Web3 adoption

through internal education, evangelism, and community-building at many of the largest organizations in the world.

Organizations building dedicated Web3 competencies have pursued a range of approaches for operating model development. In our conversations with large enterprises, we have seen Steering Committees, Centers of Enablements, and Design Studios as the three most common operating models for early Web3 teaming. Each carries with it pros, cons and different go-to-market motions, and we expect these models to grow and evolve as enterprises build thoughtful processes and infrastructure around Web3 products and services.



²¹Indeed (August 2021)



CLOSING THOUGHTS FOR ENTERPRISES

Web3 Recommendations for Enterprise Entrants in 2023

 <p>Develop an intentional, top-down Web3 strategy</p>	<p>As brands pursue a variety of approaches, the winners will be organizations with a clear purpose, offering, and roadmap to make best of this new technology. Be sure working teams understand the vision but are empowered for flexibility to accommodate community insights and co-creation.</p>
 <p>Don't be greedy</p>	<p>Consumers no longer buy NFTs for NFTs sake. Look for opportunities to engage and reward consumers in new ways using Web3 technology to add value to the ecosystem. We have moved from scarcity to scale - building a community and a platform comes before revenue generation.</p>
 <p>Negotiate hard in underpriced, future-forward areas</p>	<p>The hype has died down, but the genie is out of the bottle. Build provisions for IP rights, digital asset consideration, and revenue share into agreements with talent, sponsors, venues, and other partners. As we've laid out here, the market is rapidly expanding, and you can get an early edge now.</p>
 <p>Lock-in strong technology partners (and consider strategic acquisitions)</p>	<p>Both "big tech" and venture-backed startups are looking to build Web3 capabilities and get meaningful customer feedback into the products they are building. Consider strategic alliances and investments to build goodwill and help shape product roadmaps for your long-term ambitions and needs.</p>
 <p>Focus internally on education and policy development</p>	<p>Ensure your team is ready for continued work in Web3 by developing an intentional operating model that can set initial guardrails and flexibly scale as consumer adoption continues.</p>

We look forward to another dynamic year in Web3, and we hope this series of trends and predictions helps dimensionalize **what to watch leading into 2023**. Macroeconomic forces and regulatory clarity will certainly play a meaningful role in shaping the emerging Web3 landscape, but the **drivers we outlined here are backed by data, clear investment and attention**, and **technological reality**.

As a final note, **there are other extremely exciting areas of Web3 that we didn't cover here**. 2023 will certainly include **continued growth and maturation of DeFi, Web3 gaming, decentralized social media, and blockchain supply chain**. The content we did include is the most relevant for enterprise organizations today, and it is what we felt made a **compelling case for mainstream adoption in 2023** without opening up too many cans of worms. We are closely monitoring all areas of Web3, and we will likely publish additional materials in new areas as the broader space evolves.

THANK YOU!



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