

# Blockchain Technology for Hospitality: How Hoteliers Can Dip Their Toes in the NFT Waters

With all the hype throughout 2021 concerning blockchains, cryptocurrencies, nonfungible tokens (NFTs) and the dawn of the metaverse, now is the time for hotels to reflect on how these rapidly growing trends will come to impact our industry. How can they enhance the guest experience? When's the right time to act? And above all, will these help grow revenues or asset values?



## What are Nonfungible Tokens?

As per the headline, this brief article is about NFTs which are unique (nonfungible) digital identifiers (tokens) that bestow their owners with specific access to pieces of property, rights (including commercial usage) or services. This uniqueness is verified and upheld using blockchains with transactions for NFTs completed in cryptocurrencies; both of these terms are out of scope here although we would highly suggest you spend some time getting caught up on how they work.

Right now, in early 2022, NFTs are in an early adopter, honeymoon phase, with the crypto community trading digital artwork for exorbitant prices while the outside world looks on in astonishment at what

are merely innocuous, iterative jpegs of bored-looking apes. Our gut says that there is indeed a bubble, but it isn't tulip mania on repeat because the technology underpinning NFTs have profound, versicolor applications. The key word from the definition above is 'access' which can be practically anything.

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## Why Do NFTs Have Value?

Further examining the Bored Ape Yacht Club (BAYC) offers a prime example for where the technology is headed and where the potential value is for hotels. In case you haven't heard, the total traded value of all BAYC collectibles just crossed \$1 billion USD. Per its website, BAYC is a 'limited NFT collection where the token itself doubles as your membership to a swamp club for apes'.

So, you pay for one of 10,000 limited edition NFTs with the distinct profile picture of a funny-looking primate as your visual proof of ownership. But that's the surface scratch – the Trojan Horse if you will.

This token also gives you dedicated access to a members-only community which for BAYC includes entry to a private Discord server (a fast-growing social media currently with over 350 million users) where you can communicate directly with a myriad of (fellow BAYC NFT owner) celebrities. As of now this list includes the likes of Jimmy Fallon, Mark Cuban and Eminem; if you win a BAYC NFT auction tomorrow, you also gain an inside track to talk with these bigwigs.

Moreover, because the core identifier is unique, the jpeg is wholly and only yours to use across other digital mediums, most significant of which will be in future virtual reality metaverses, on augmented reality platforms or in mixed reality experiences. As Gary Vaynerchuk, another NFT evangelist, puts it, this is akin to buying a custom character skin or other aesthetic modification for a freemium game, only because of blockchains it tracks across all games and all platforms for as long as the internet exists.

## Three Hotel NFT Use Cases

There's a ton that we've brushed over in how this works, but based on the above, our hope is that your gears are churning. Hotels are well-positioned to take advantage of the NFT explosion because we are already in the business of creating unique experiences for our guests. Not every stay would qualify, but simply thinking in terms of digitized, unique access should spawn some use cases.

1. **Augmenting unique experiences.** Say you run a 200-room property across several categories, without any singular keys that have boundless amenities and stratospheric price tags. Technically, that's 73,000 (200 times 365) unique stays per annum – not exactly "limited edition." Instead, suppose you do indeed have an unquestionably exclusive product – such as a presidential suite or villa – whereby you can stipulate that any guest who stays there for minimum one week (duration can vary) receives an NFT to earmark the occasion that, importantly, also bestows said guest with special access to a variety of other perks. What exactly those perks are depends on the brand, but some basic ideas include entry to a members-only online community as per BAYC, entry to private lounges in the real world, free room upgrades, complimentary airport shuttles on all future stays at any location or early access to future product launches. And because each NFT is unique, so too can the perks be delineated by year, edition and so on.

2. **Loyalty program marketplaces.** From the previous use case and the basic ideas listed off, the smart question is to ponder why you need the blockchain or NFTs to unlock all those perks when your current guest profile and loyalty program tracking software will suffice. The answer is markets. NFTs give their owners the ability to sell their privileged access underwritten by the token to the highest bidder. That in turn creates residual value for the hotel stay long after the onsite experience has been rendered complete. In a world where brand relationships are eroding, NFTs can bolster a loyalty program because an owner can then sell their access to future perks, reinforcing the incentive for purchasing in the present. And those loyalty-based NFTs need not be earned only through the purchase of one-off experiences but can also be achievable much like our current tiered, points-based programs. Again, it depends on the brand.

3. **Digital twinning.** As of now, VR tourism already exists and doesn't necessarily require unique tokens because its main purpose is to whet the traveler's appetite for something else. The act of producing a 'digital twin' is to create an identical, online replica, which has already found solid applications in modeling predictive maintenance for complex machines like mining equipment or passenger airplanes. While the metaverse will inevitably spin off into every form of wild and weird virtual reality or augmented layering of our corporeal earth, one of the first steps for hotels will likely be the photoreal mirroring of physical places within a blockchain-based online world. Within these nascent ecosystems, cryptocurrencies will be the mediums of exchanges, while digital property rights and, for our industry's sake, unique hotel stays, meeting spaces or access to other exclusive virtual activity can be governed by NFTs, if the experience warrants it. And you never know, having a digital twin may give you insights on how to improve operations at the physical property much like other industries are currently using digital twinning.

4. **Capital raises.** Think back to the AAirpass program launched by American Airlines in the 1980s where for \$250,000 passholders received unlimited first-class tickets on any of the airline's flights worldwide. Pandemic cancellations aside, if you identify as a frequent flyer and can foresee yourself to be that way for the next few decades, this price is actually quite economical. Using NFTs, you can build such lavish programs aimed at high-net-worth individuals – think a million dollars for a lifetime of stays in any room or suite at any branded property with all F&B included – but also stipulate within the underlying smart contract that each pass resale comes with a new incremental price floor as well as a percent of sale owed to the hotel. The end result is you get a big cash inflow that you can use for present needs like renovations or debt service balloon payments with the promise of future stays and meals as well as strong incentives for a secondhand marketplace and some form of residuals back to you at each resale.

Circling back to the opening questions, it may be a bit early to act because the virtual economy of cryptocurrencies, NFTs and the metaverse is very much the Wild West that has yet to coalesce around a select few universal protocols. Still, this shouldn't prevent you from putting the inklings of a plan together that trains your team on what these new technologies are and the opening strategy for taking advantage of them. This will be a very lucrative space in the near future, so prepare accordingly.

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