Maverick* Research: Nonfungible Tokens Enabling Hyper-tokenization of Digital Humans

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Hyper-tokenization capabilities enabled by public blockchains empower more “digital attraction” and a sense of belonging. Mainstream enterprises should develop a hyper-tokenization strategy to capture their customers’ digital requirements and to secure future revenue streams.

Overview

Specific Maverick Caution

This Maverick* research breaks new ground by expanding on two previous Maverick* reports. Those reports examined the illusion of exterminating central powers with blockchain and how the digerati are playing an increasingly important role in 21st century societies’ infrastructure by co-opting citizens’ digital personas through an increased sense of belonging. This report goes a step further, delving into the impact of how hyper-tokenization will drive an even deeper sense of digital belonging. Its findings and advice should therefore be treated with caution.

Maverick Finding

- Hyper-tokenization will drive a deeper sense of attachment to pervasive, increasingly immersive virtual artifacts that will also drive a more addictive sense of belonging; this will enable some entities, especially the digerati, to accrue even more power and control.

Maverick Recommendation

Executive leaders who are responsible for digital business strategies should:

- Develop a hyper-tokenization strategy that goes beyond product or services tokenization efforts and exploits customers’ digital personas in a hyperconnected global economy.

Strategic Planning Assumption

By 2026, 50% of publicly traded companies will have tokenized directly or indirectly some aspect of their digital business platforms.
Maverick Research

This is "Maverick" research, designed to spark new, unconventional insights. Maverick research is unconstrained by our typical broad consensus-formation process to deliver breakthrough, innovative and disruptive ideas from our research incubator. We are publishing a collection of several Maverick research lines this year, all designed for maximum value and impact. We'll explore each of these lines of research to help you be ahead of the mainstream and take advantage of trends and insights that could impact your IT strategy and your organization (see Note 1).

Analysis

Hyper-Tokenization Definition

Hyper-tokenization is the ability to tokenize (create a virtual, transferable artifact) any aspect of a person, business, product/service, process or model as part of a broader digital ecosystem. In other words, it represents the value of any offering and enables it to be "priced."

Tokenization of the societal digital footprint will have unexpected consequences. It feeds directly into the need of belonging that human beings have. The internet facilitated the exponential growth of global digital belonging, enabling new central power houses to flourish (the digerati). The hyper-tokenization phenomena is the next manifestation of exploiting the digital belonging needs of humans by tokenizing their digital footprint.

Before reading this piece of research, we recommend you to read these two Maverick* notes: Maverick* Research: Blockchain and the Illusion of Exterminating Central Power and Maverick* Research: The Digerati Are Becoming Part of 21st Century Societies' Infrastructure Services.

Hyper-tokenization enables new, nontraditional ways to empower your customers by appealing to their need for digital belonging to drive more stickiness to your business model and/or generate new business opportunities. The digerati are currently mastering the enablement of digital belonging and hyper-tokenization is yet another tool for them to accrue even more power and control.

In this Maverick* research, we delve deeper into the hyper-tokenization concept (see Figure 1). We also examine how nonfungible tokens (NFTs) can be used to represent (tokenize) customers' digital footprint generated by a digital platform ¹ that often exploits public blockchain digital ecosystems ² as a value representation and value transfer mechanism.
As we explained in previous Maverick* reports, the *digerati* have been nurturing humans’ need for digital belonging (our “digital me”) while monetizing our digital footprints. But people can now tokenize the artifacts of their own digital footprints and could monetize them without the platform owner’s permission. Evolving NFT systems (market capitalization of transactions tripling YoY) empower individuals to monetize every post on Twitter, Facebook, Instagram, Tiktok or other social media platforms. Hyper-tokenization can potentially empower individuals to take more control (digital “psychological safety”) of their digital personas, but it will also enable further fragmentation for new actors to exploit human weaknesses and need for connectedness (see “Recyclable Central Authorities” in Maverick* Research: Blockchain and the Illusion of Exterminating Central Power).
The psychological need for belonging has been exacerbated by the COVID-19 requirement for physical isolation from almost all social and work environments, and even some family and friends circles. And it has been especially limiting for serendipitous encounters.

Thankfully, high-speed internet connections for most people enabled them to immerse themselves in cyberspace to fulfill their need for belonging among other more basic needs. But this phenomena has also enabled the digerati to better manipulate our digital personas, and thus digital belonging has superseded psychological safety (e.g., privacy of our digital me) as the second level in the 21st century (digital me) version of Maslow's hierarchy of human needs (see Figure 2).

The pandemic crisis forced even more virtual connections. It provided the perfect opportunity to create more immersive experiences in games, education, gambling, investing (especially day trading), online chats, videos (the rise of TikTok), social networks, socio-political movements, alternative realities and others. This phenomena is both exhilarating and dangerous, because it can be as addictive as opiates, as portrayed in the Netflix documentary “The Social Dilemma.” This is a way for the digerati or any sophisticated digital entity to exploit the psycho-digital belonging “magnet,” as elaborated on in previous Maverick* research.
The *digerati* are now focusing on nurturing digital belonging by monetizing our digital footprint on their platforms. If a person posts something related to a place, they will likely start getting advertising about products and services related to that location (shopping, vacation packages, restaurants, other people, etc). Hyper-tokenization goes beyond that, taking monetization opportunities to new levels, not only gaining value from a person's digital behavior, but also gaining value from their influence, reputation or any digital footprints, based on perceptions of “market clout.” Elon Musk’s tweets, for example, are perceived to be more valuable than a tweet from me. In hyper-tokenization, if something has a perceived value to some group (regardless of how fatuous or mundane), it can be abstracted (virtually represented) and traded via a token.

What if one could own a piece of a famous person's digital footprint, like an article of clothing, or a photo (especially an embarrassing one), or an artifact of their past? Should it be bought? It depends on the "reach" of that famous person and their fans' need to virtually connect with them in some way (e.g., via a vintage photograph). That's why some people keep antiques or old baseball, basketball or football cards. They might someday be valuable or, in a few cases, because they have a significant personal meaning.
This perceived, abstracted value concept is rapidly becoming a reality, driven by ubiquitous public blockchains and their ability to tokenize anything. This includes value (such as cryptocurrencies, stable coins, shares, etc.), governance (voting, influence), all the way to decentralized applications like decentralized exchanges, prediction markets, decentralized financing (DeFi) and most recently by novel ideas like NFTs (see Figure 1). There might even be a market for the NFT of this research note!

Take this piece of research as an example. Let’s suppose you ask Gartner, the author, writer and/or editor to sign off on the NFT as a unique digital collectible. Perhaps five years from now, the document becomes a “must have read,” and its perceived value skyrockets, making the reader the happy owner of a digital history artifact. In a different scenario, imagine the value of a different artifact, like the person who sent the first email over the internet. Or the first image. Or the original funding document or stock certificates for Apple, Facebook, Google or Amazon. By the way, some of these have already been tokenized.

Sounds like science fiction? Hardly. Twitter CEO Jack Dorsey recently sold the platform’s first tweet published on 21 March 2006 as a cryptographically autographed digital certificate for the equivalent of $2.9 million on a site called Valuables BY CENT, a decentralized virtual marketplace. It’s not that much different than an autograph on a baseball or basketball card; the NFT itself is the creator’s autograph on the content, making it scarce, unique and potentially valuable.

Decentralized systems are enabling hyper-tokenization to empower individuals to monetize anything that might have a perceived value in the digital realm. From the digital footprint in a digital platform like a tweet, picture or video of Lionel Messi’s first Premier League goal, or LeBron James’ first NBA dunk all the way to a piece of their digital history.

The Rise of Hyper-Tokenization

Hyper-tokenization started with initial coin offerings (ICOs). ICOs initially were used to tokenize the utility value of a network. The first ICO was Ethereum and the tokenized utility value of the Ethereum network is known as Ether (ETH).

We witnessed the ICO fever back in 2017, when thousands of projects were funded (EOS, Tezos, Cardano, VeChain, etc.) with their own utility tokens. Many of these new digital ecosystem networks (notably Ethereum) are now being used to tokenize well-known asset classes. For example:

- Fiat electronic money like U.S. dollars as stablecoins.  
- Securities like company shares, as well as an alternative primary market known as securities token offerings (STOs).
- Non fungible assets such as houses, cars, art, collectibles and other items known as NFTs.

Early variants of NFTs are well-known in the analog world; for example, Panini owns the rights to FIFA, NBA, NFL and many other collectibles. It produces collectible cards by monetizing the rational and/or
irrational human need for belonging to a group of people ... in this case, to a certain sport ecosystem consisting of popular sports teams. The perceived value of a card is dictated merely by how much people are willing to pay based on their own rational or irrational perception.

Panini and many others realized that analog NFTs not only can be digitized but native digital NFTs can be created and monetized in a digital ecosystem network. The earliest, most well-known of these were the CryptoKitties 11 (digital pictures/representation of felines), which were created on top of the Ethereum digital ecosystem network.

Why is a collectible issued by Panini more valuable than a simple copy? There are two ways to look at that: objectively, and from the perspective of human behavior 12 and the need for belonging to a network of like-minded people:

- From the perspective of objective measures:
  - Panini is the owner of the licenses and it determines the number of cards being issued and the security measures they use to enforce authenticity.
  - We can also argue the same for fiat money, being backed by the political, economic and/or religious power of a certain country.
  - Gold is another example, due to its utility value and applicability to different industries.

- From the perspective of human behavior, the need for belonging to a network/ecosystem of people and the fact that in general humans value their sense of belonging more than the “truth”:
  - People value their sense of immersion into the NFL, NBA, Champions League and other “affinity groups” more than those who might own the right to issue the card and how trustworthy that entity could be.
  - This is the “F” of fiat (fiduciary = faith) money’s perceived value. For people, it is often more important to belong to a given societal ecosystem than to admit that money is merely a sheet of paper.
  - With gold, one could argue that this is mainly due to its scarcity and the “shiny” characteristic (jewelry), which triggers a sense of exclusivity belonging to certain social groups. Think about the Olympic games and their gold, silver and bronze medals. Why is the gold medal “better” than the bronze one? Just because of imputed belonging beliefs.

How humans perceive value is a complex system in continuous evolution. Historical evidence demonstrates that belonging beliefs are more powerful than any objective utility way to measure value. A good example 13 of that is why FIAT money (with no or minimal actual value “backing it up” other than the promise of the country) was able to replace gold, and why countries now routinely carry deficits that are multiples of annual GDP.
Fiat money is based on herd or belonging beliefs constrained by physical boundaries (a sovereign country). Bitcoin and public blockchains in general are based on borderless, apolitical global belonging beliefs without physical boundaries (see The Evolution of the 3 Functions of Money).

Public blockchains will almost always outweigh any narrow value perception based on physical sovereignty constraints when it comes to appealing to the belonging beliefs of humans.

This is also true in the private sector domain; global digital belonging will always be more powerful than any digital platform with predefined business models and regulatory constraints to represent perceived value.

CEOs and business executives who get this right will be the ones taking the first mover advantage of the unbundling and reintermediation pattern we saw with the internet, but this time applied to value exchange.

Business executives with a digital platform strategy should:

- Explore the value perception of their services and artifacts (e.g., an image from an early invention like a camera, of the first mainframe in use or the operating system command line) from a global digital society perspective and how they can underpin their company’s (perceived) value proposition.

- Identify the digital footprint for every actor (customer, partners, providers, employees, etc.) and artifact in their platforms or “libraries” to assess how it could be tokenized on public blockchains.

- Acknowledge that they cannot monetize every aspect of their digital footprint, but not exploiting that power might engender a digital limbo for the company.

### Acronym Key and Glossary Terms

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<th>Acronym</th>
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<td>NFT</td>
<td>Investopedia: Nonfungible tokens or NFTs are cryptographic assets on blockchain with unique identification codes and metadata that distinguish them from each other. Unlike cryptocurrencies, they cannot be traded or exchanged at equivalency. This differs from fungible tokens like cryptocurrencies, which are identical to each other and, therefore, can be used as a medium for commercial transactions.¹¹³ Gartner: An NFT is a blockchain-based monetized record of unique non interchangeable information that represents a piece of digital media. NFTs can link to any form of digital asset — digital art, text (such as a document), videos, photos, songs (or samples) or lines of code. NFTs can also represent, in a tokenized form, any digitally represented artifact, i.e., a physical asset that has been digitized.¹⁵</td>
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Evidence

1 Enable Digital Platforms to Unleash the Potential of Digital Ecosystems

2 The Gartner Digital Ecosystem Framework: How to Describe Ecosystems in the Digital Age

3 Maverick* Research: Blockchain and the Illusion of Exterminating Central Power and Maverick* Research: The Digerati Are Becoming Part of 21st Century Societies’ Infrastructure Services

4 Market Capitalization of Transactions Globally Involving a Non-Fungible Token (NFT) From 2018 to 2020, Statista.


7 The Social Dilemma, Netflix.

8 Jack Dorsey’s First Ever Tweet Sells for $2.9m, BBC News.

9 Stablecoins by Market Capitalization, CoinGecko.

10 How Baseball Card Mania Is Colliding With NFT Boom to Revive Topps and Change the Game for Dealers, CNBC.

11 CryptoKitties

12 Human Behaviour, Nature Portfolio.

13 Nixon Ends Convertibility of US Dollars to Gold and Announces Wage/Price Controls, Federal Reserve History.

14 Non-Fungible Token (NFT) Definition, Investopedia.

15 Non-Fungible Tokens (NFTs) Create New Digital Products and Business Models

Note 1 Roots of the Word “Maverick”

Derived from the name of Texas rancher Samuel Maverick and his steadfast refusal to brand his cattle, “maverick” connotes someone who willfully takes an independent — and frequently disruptive or unorthodox — stand against prevailing modes of thought and action.

Recommended by the Authors
Maverick* Research: The Digerati Are Becoming Part of 21st Century Societies' Infrastructure Services
Maverick* Research: Blockchain and the Illusion of Exterminating Central Power
Maverick* Research: Digital Humans Will Drive Digital Transformation
The Gartner Digital Ecosystem Framework: How to Describe Ecosystems in the Digital Age
What You Need to Know About Blockchain DeFi

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