BLOCK PARTY

It's the hot new tech in town, but what does the rise of blockchain really mean for the luxury industry?

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It's no secret that the luxury world has been slow to adapt to e-commerce. After all, it wasn't so long ago that big-name brands positively balked at the concept of selling their costly wares online, arguing that the exclusive luxury experience was not transferable to screens and keyboards. Affluent consumers, purchasing such high-end products on the internet? The idea.

Now, in 2019, everything has changed. Luxury brands have invested heavily in glitzy websites, user-friendly e-commerce platforms and cutting-edge social promotion, meaning you can't pick up your phone without seeing an all-singing, all-dancing Instagram story promoting the latest designer must-have, while it's never been easier to buy haute couture, works of art and even six-figure jewellery from the comfort of your home.

Now that luxury is very much plugged in, the pressure is on for the industry to keep up with innovations in emerging tech, such as blockchain. While still very much in its infancy within commercial spheres, blockchain is one of the fastest-growing sectors in tech and is set to become a significant component of the luxury goods supply chain market. But what exactly does it offer?

To the uninitiated, key benefits include enhanced security, detailed information and unparalleled transparency. In relation to luxury goods specifically, every aspect of an individual product's life cycle can be digitally recorded, from design, raw materials and manufacturing to distribution, ownership and authenticity. And in today's increasingly woke world, such factors as sustainability and eco-friendly production can also be chronicled. In short, blockchain enables consumers and

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companies alike to track, authenticate and safeguard high-value items.

"The technology has reached a point where it's no longer just an academic curiosity — we're starting to see people actually find useful applications for it," says Stephen Graves, acting senior editor of consumer attitudes and technology at trends intelligence company Stylus. "Blockchain's mechanism of creating an immutable ledger through consensus lends itself well to establishing authenticity, provenance and traceability — issues that directly address the luxury industry's unique selling points and the pain points around them."

It's not just crypto wizards and tech nerds harnessing the power of blockchain: the titans of the luxury industry are getting in on the act too. For instance, in May, luxury conglomerate LVMH announced it was trialling its own version of the technology, made in collaboration with Microsoft and blockchain specialist ConsenSys. First revealed at this year's start-up and innovation conference VivaTech, Aura is being touted as the world's first global luxury blockchain, developed by luxury brands for luxury brands. For example, if someone were to purchase a designer handbag, Aura could be used to trace exactly where, when and how it was made, following its progress from point of origin to point of sale. On a wider scale, the technology offers protection of intellectual property and can be used as an anti-counterfeiting measure, verifying the status of a bona fide item.

"[The technology can] prove the authenticity of a product, making it harder to sell fake goods," says Graves. "In the case of luxury goods such as fashion items, it also means you can prove that they're ethically sourced and manufactured; increasingly a concern for luxury consumers."

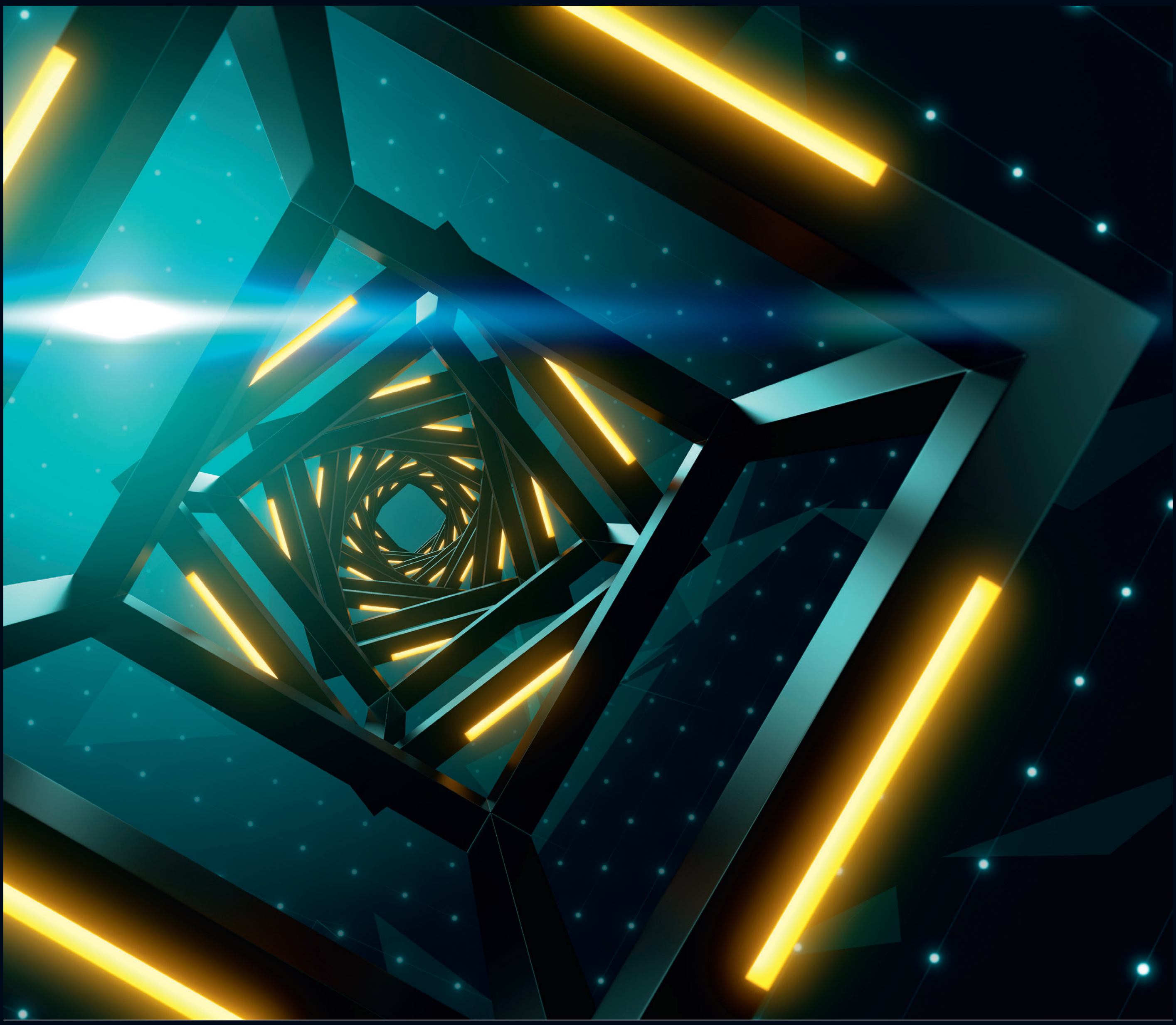
Operating on a decentralised system, Aura will allow any participating company to reap the benefits of blockchain without the hassle of going through a middleman. Louis Vuitton and Parfums Christian Dior are already on board, with other names — LVMH-owned and otherwise — hot on their heels.

Outside of fashion and beauty, another industry tentatively — and rather unexpectedly — experimenting with blockchain is the art market. Although half a billion transactions are being made using blockchain each year, it's estimated that only 5% of those are currently related to art, although that could soon change.

Auction house Christie's is one of the art world's earliest blockchain adopters. In July 2018, it hosted a thought-provoking Art + Tech summit in London, themed around blockchain and the ways in which it could affect the market. Then, in October, Christie's toured the US West Coast with a major collection of master works from the lauded Ebsworth collection — the world's first to be recorded via blockchain. This coup was a collaborative effort with digital art registry Artory, an initiative dedicated to creating an object-orientated database of artworks and collectables — again, the first of its kind.

"Christie's has always been a supporter of initiatives that increase transparency around the art market," says a spokesperson for the auction house. "One of the potential benefits of blockchain is that it will, over time, create a central 'ledger' of all art market transactions and artworks — when they were exchanged, how much for and their provenance. The certificate relates to the object, not the owner. This industry-wide ledger will give clients access to consolidated data, thus simplifying the market process and providing increased confidence and security."

Alongside the chance to participate "in the forefront of an emerging art-centric technology", Christie's clients stand to benefit with a permanent digital record of their



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transaction, as well as the means to pass said certificate on in the event of a future sale.

Another company to note is London-based Everledger, an independent enterprise and blockchain-enabled platform specialising in emerging technology. Its nifty model allows users to track the provenance of a range of desirable high-value products. Recent achievements include the development of a traceability and authentication system for fine wine and spirits — partnering with packaging specialist Avery Dennison to create intelligent labels to adhere to bottles — as well as a partnership with American jeweller Brilliant Earth on a blockchain-enabled system for diamonds.

In an industry where provenance and authenticity is everything, cataloguing gems with blockchain does make sense. As such, De Beers — aka the world's largest diamond producer — is in the process of developing its own blockchain traceability platform, Tracr. Made in collaboration with five diamond manufacturers, the end-to-end technology works to connect the diamond industry by establishing such key factors as origin and source, as well as ensuring gems are sourced sustainably. Every diamond registered is given a unique Global Diamond ID, which stores the stone's individual attributes — including colour, clarity and carat — meaning it can be accurately tracked down the value chain, with Tracr verifying uploaded data at each stage of its journey.

In May of last year, the Tracr pilot saw 100 rough diamonds effectively traced from mine to cutter, polisher and jeweller by creating an airtight digital trail for the stones. "The Tracr project team has demonstrated that it can successfully track a diamond through the value chain, providing asset-traceability assurance in a way that was not possible before," says De Beers CEO Bruce Cleaver.

So what's next? Is blockchain likely to fade into obscurity as a short-lived fad, or will its potential be harnessed in a truly meaningful way? While widespread commercial standardisation is some years away, as with any new innovation, luxury brands need to sharpen up their technical awareness to make full use of the benefits for their customers.