



Blockchain-enabled  
digital tokenization is  
poised to transform  
commerce





# Consumer-driven acceptance

Tokenization can enhance the ability of enterprises to accurately and efficiently track the exchange of value associated with tangible and intangible assets. This ability opens unprecedented opportunities for a wide array of enterprise applications which can be applied across the full range of commercial engagement in B2B, B2C and C2C environments.

According to a recent survey<sup>1</sup> of American consumers commissioned by KPMG, consumers are becoming more open to the idea of using tokens as they become more familiar with how these advanced forms of digital currency can be used.

While just one-third of survey respondents are highly familiar with the modern-day, blockchain-based definition of tokens, the majority of that group (63 percent) appreciate the advantages of tokens as an easy form of payment. And 55 percent believe tokens will enable them to make better use of loyalty reward points.

What does that mean for businesses? Plenty. Thanks to the increased adoption of blockchain technology, enterprises are uncovering new uses for tokens that can accurately and securely track the exchange of value across B2B, B2C and C2C environments.

Consumers in particular are poised to use tokens. Throughout the recent history of technological advancements, it is the consumer who has propelled innovations from concept to acceptance. Consumers were the first to embrace ecommerce and high-speed data, and it was the consumer who crystallized the acceptance of smartphones.

And it is the consumer who is already fueling the market for tokens.



## B2B

Blockchain tokens can trace any asset to its

original entrance into the value chain. As a result, it is possible to track the source of all materials and components used in a finished aircraft, or trace a head of lettuce to a specific field on a farm.



## B2C

Consumer interactions with media

content can be recognized -- and compensated -- providing consumers units of value that can be exchanged for merchandise or services. Doing so can further tie consumers to content experiences they love.



## C2C

Businesses can harness

blockchain tokens to facilitate exchange of data for value between customers. Social media platforms can allow users to share data with advertisers in return for tokens.

<sup>1</sup> The Tokenization, Loyalty and Blockchain survey was conducted by Ketchum Analytics to support KPMG's thought leadership efforts on blockchain and tokenization. The findings in this report are based on the results from a survey of 1,000 Americans age 18+, balanced to ensure national representation.

This study was designed and conducted to investigate the relationship between awareness of and willingness to use tokens among a general population audience – which helps us understand consumer perceptions of and willingness to use tokens.

# Early adopters: Gen Z

While tokens have been an economic staple for decades – enabling access to arcade games or rides on the subway – their potential has accelerated in recent years with the advent of blockchain technology.

Today, innovators and enterprises are uncovering new ways to use tokens across a variety of use cases. In doing so, they are inspiring new ways of classifying value – by creating fundamentally new assets or reimagining traditional assets. Further, tokens can be used as network incentives to drive certain user behaviors within a blockchain ecosystem to achieve target business outcomes. To this point, tokens are enabling a transformation in the way consumers interact with each other and businesses in the market.

No demographic is more accepting of tokenization than Generation Z. Eighty-three percent of Americans surveyed, ages 18 to 24, identify themselves as being interested in the future of tokens. Perhaps more surprisingly, over half of older Americans – ages 65 and up – say they are also interested in the future of tokens.

With consumers across generations increasingly willing to appreciate and accept the use of tokens, the opportunities in a B2C or C2C environment seem endless.



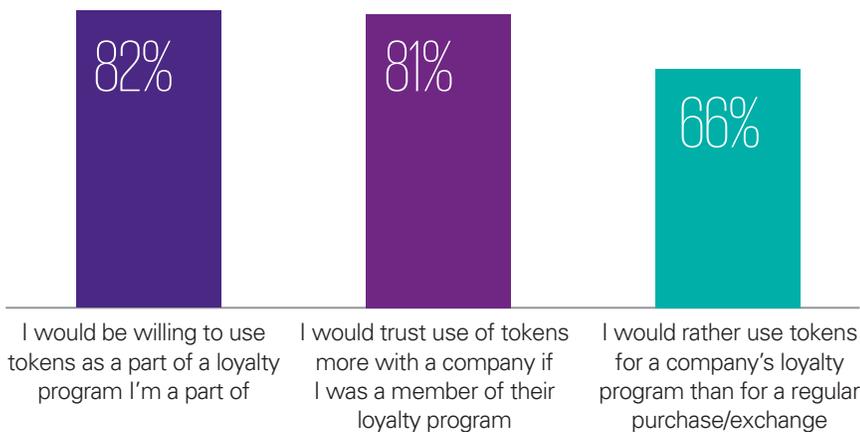
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# Tokenization in action

Loyalty programs are already being redefined by tokenization, and represent an ideal platform for businesses to introduce tokenization. 82 percent of consumers are willing to use tokens as part of membership in an existing loyalty program, and 81 percent would trust the use of tokens more readily if they are already a part of a company's loyalty program. Program enhancements driven by tokenization could further cement a brand's engagement with loyalty members.

## To what extent do you agree or disagree with the following? (Strongly Agree/Somewhat Agree)



Undoubtedly, loyalty programs are one of the most fertile markets for tokenization because they enable a new form of value exchange within an existing network.

One airline developed a digital wallet loyalty program based on blockchain, to encourage its members to use their points in smaller amounts. By tokenizing airline miles, its members are able to use the digital wallet to make purchases with a variety of merchants, such as department stores, hotels, restaurants and more.

Beyond making loyalty points a more valuable commodity for the customers who use them, this form of tokenization also promises significant operational efficiencies with the automation of inter-brand transactions and back-office functions. By creating more liquidity by using blockchain tokens, the transfer of value is accelerated. Thus, loyalty providers can more easily move liquidity off their books and bolster their balance sheets.



## Tokenizing Persons ... in Healthcare

To better manage Health Insurance Portability and

Accountability Act (HIPAA) compliance, blockchain tokenization can track, correlate and coordinate the identity of all healthcare providers who have treated a specific patient. Patients can control who can access their health records by using tokens.



## Tokenizing Places ... in Real Estate

Blockchain offers an opportunity to

introduce new levels of confidence in titles, property surveys, land-use agreements and other legal tools that attach value and ownership to real estate. Tokens can be used to create a virtual asset to represent ownership of land, apartments, homes and other properties.



## Tokenizing Things ... in Travel

Blockchain tokenization can generally validate ownership and value

for any asset – including those with abstract value, such as travel and leisure loyalty points. With tokens, consumers can transfer points from a hotel to an airline or vice versa.

Further, tokenization enables organizations to leverage blockchain infrastructure and value attributes to build robust security models that are embedding privacy requirements into technology solutions by design. For example, a blockchain-based platform may prevent a merchant from obtaining personal information (such as credit card data) from the consumer. The blockchain/tokenization approach – as noted earlier in the behavioral tokenization example – segregates consumer data from their specific personal information.

That's important, as 45 percent of consumers with high familiarity of tokens are concerned about fraud-related issues. Companies with token programs who aggressively address the security advantages of tokens are likely to gain a competitive edge among privacy- and security-wary customers.

Samsung has unveiled a cryptocurrency wallet that accepts certain tokens\*, while also supporting several decentralized apps, including one for crypto gaming and another for crypto collectibles platforms. If it catches on, and is found to be both secure and convenient, their first-mover advantage has enormous potential.

As noted in the KPMG survey, 78 percent of Americans are more willing to use tokens with companies they already buy from, furthering their trust and confidence in those enterprises – and making tokenization a tool for breeding and maintaining loyalty.

\* Source "Samsung Unveils Cryptocurrency Wallet, Dapps for Galaxy S10 Phone" CoinDesk, Yogita Kharti ( March 11, 2019).

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# Applications aplenty, across all industries

Besides security concerns, some consumers have other doubts about the token experience. If tokens are proven to be simple to use, 79 percent of Americans would be more willing to use them. Thus, intuitive, engaging and simple token experiences could be another loyalty-boosting advantage for consumer brands.

Nevertheless, the nascent nature of tokens means brands have a lot of work to do to convince consumers of the advantages of tokenization across various industries. While 42 percent of Americans believe tokens are useful in gaming, and 38 percent see its benefits in ecommerce, other industries and sectors lag farther behind.

However, the potential is vast in those industries where consumers already express high levels of loyalty. For instance, when asked how loyal they are as purchasers of products/services across industries, survey respondents reported high levels of allegiance to banks and credit card companies (87 percent), restaurants/fast food/coffee shops (86 percent), electronics companies (81 percent) and media/telecom companies (79 percent). Brands in these industries, as well as others that crack the code on developing – and marketing – token programs for use in a wide range of applications will find a willing, eager and accepting market.

Clearly, tokenization is enhancing existing businesses, while opening the door to entirely new process improvements, revenue streams and customer engagement opportunities. At KPMG, our belief is that organizations should select initial use cases and pilot projects based on a comprehensive understanding of how tokenization can advance the strategic interests of the enterprise.

And it's not an endeavor limited to big-name brands. Sixty percent of Americans are more likely to use tokens to make payments to small businesses, and 64 percent see the value in tokens for any kind of ecommerce transaction.

The technology is in place. The market is ready.

It is time for organizations of all sizes, and across sectors, to embrace tokenization and tokenized assets to revolutionize their business models – or risk being left behind.

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