

Grabbing a slice of the pie: NFTs in the food and beverage industry

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Non-fungible tokens (NFTs) have grown in popularity across several areas, and it seems that the food and beverage industry might be jumping on the trend. Specifically, fast food giants like Pizza Hut and Papa Johns have launched NFTs to promote products, according to a recent report by Research and Markets (<https://bit.ly/47lifH4>) looking at NFT usage and trends in the industry.

The report states that the global food and beverage NFT market size is expected to exceed US\$2 billion by 2032. NFTs are expected to be incorporated by restaurants and food companies in unique ways, including virtual reality and video games, promotions, and advertising. The report also points out that the use of NFTs in this industry is being driven in part by a need for transparency and traceability as consumers and regulators are concerned about the quality, safety, and origin of food.

How NFTs work

As mentioned, NFT is short for “non-fungible token.” Fungibility refers to the ability of an item to be interchanged with other items of the same type. Cryptocurrency coins, for instance, are fungible because they are interchangeable — each coin is the same. On the other hand, NFTs are non-fungible because they are unique tokens (representing digital assets) that cannot be interchanged with other tokens.

Digital assets are transformed into an NFT through a process called “minting,” which involves using smart contracts on a blockchain to verify and authenticate the uniqueness of the asset. Due to the nature of blockchain, NFTs contain immutable data stored across a distributed ledger. This means that no one can unilaterally modify the record of ownership associated with an NFT, nor can anyone make another copy of an NFT.

Customers interested in NFTs can purchase them through various platforms and marketplaces that support these transactions. When someone acquires an NFT, they become the sole owner of that particular digital asset. The ownership of NFTs is transparently tracked and recorded on the blockchain, and these tokens can be transferred from one person to another through secure peer-to-peer transactions.

While the media has highlighted NFT use for art and other high-end collectibles, NFTs have many valuable applications in the context of food and beverage. For instance, users can mint NFTs for recording

ownership of any digital asset such as unique recipes, virtual cooking experiences, limited-edition food items, or culinary art.

Food and beverage examples

Earlier this year, Papa Johns United Arab Emirates partnered with OneRare, the world’s first metaverse customized for the food & beverage industry, to launch pizza themed NFTs (<https://bit.ly/3Yob8cX>). Users can collect digital ingredients to create virtual versions of popular pizzas in the Middle East, and the company has plans to take this beyond game play and into a loyalty program tied to real world perks.

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Pizza Hut also released NFTs (<https://bit.ly/3KsWETl>) in 2021, with Pizza Hut Canada debuting its “1 Byte Favourites” to much fanfare, and Taco Bell previously released a limited number of taco themed NFTs (<https://bit.ly/45lsDN6>) the same year, selling out the 25 tokens in just 30 minutes.

Industry-specific use cases

With restaurants and food companies jumping on the NFT trend, let’s examine some of the ways this technology might be used in the food and beverage industry:

- (1) **Limited edition menu items:** Restaurants can create limited edition or seasonal menu items as NFTs. Customers can purchase these NFTs, which represent ownership of a unique digital version of the dish. Owning the NFT could entitle the customer to redeem it for the physical version of the dish at the restaurant or receive special perks, discounts, or rewards.
- (2) **Virtual cookbooks and recipes:** Food companies can tokenize virtual cookbooks or individual recipes as NFTs. Customers can collect and trade these digital recipe cards, unlocking access to

exclusive cooking tips, ingredient lists, and video tutorials from renowned chefs.

- (3) **Exclusive dining experiences:** Restaurants can offer NFTs that grant exclusive access to private dining events, chef's table experiences, or themed pop-up restaurants. Owning these NFTs could provide customers with unique culinary adventures and interactions with chefs.
- (4) **Loyalty programs:** Food companies can create loyalty NFTs that customers can accumulate based on their purchases. These NFTs can serve as reward tokens, providing discounts, free meals, or other benefits to loyal customers.
- (5) **Food supply chain transparency:** The blockchain technology behind NFTs can be utilized to enhance supply chain transparency. Restaurants and food companies can tokenize information about the origin, quality, and safety of their ingredients as NFTs. Customers can scan or access the NFTs to verify the authenticity and journey of their food products.
- (6) **Proof of ownership for food products:** NFTs can be used as a digital certificate of authenticity, assuring customers that certain food products are genuine and have been sourced or produced by the company.
- (7) **Virtual food art and collectibles:** Restaurants can collaborate with artists to create digital food-themed art and convert them into NFTs. Collectors and food enthusiasts could purchase and display these digital artworks in virtual galleries.
- (8) **Charitable initiatives:** Restaurants and food companies can create NFTs to support charitable causes. Proceeds from the sale of these NFTs could be donated to food-related charities or community projects. Taco Bell did this with its NFT sale, with all proceeds going to its Live Más Scholarship.
- (9) **Gamified menus:** Food companies could gamify their menus by creating NFTs that represent menu items. Customers can collect these NFTs and earn rewards for completing sets or specific combinations of items.

About the authors



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Legal considerations

That being said, it's important to note the legal landscape surrounding NFTs. When food and beverage companies adopt NFTs for marketing or promotional purposes, they should consult with legal counsel familiar with NFTs and their jurisdictions' relevant laws before implementing any campaigns.

One of the primary concerns is related to intellectual property (IP). If the NFTs incorporate copyrighted material, trademarks, or logos, companies must ensure that they have obtained the necessary rights or licenses to use those assets.

Another crucial aspect to consider is consumer protection. Food companies must be transparent about the value and characteristics of the NFTs they offer and information and claims about any underlying products the NFTs promote or represent. Misleading or unsubstantiated claims or unclear terms and conditions could result in consumer complaints and potential legal issues.

Data privacy is yet another significant concern. If the NFTs involve the collection of personal data, companies must comply with relevant data privacy laws to protect user information and obtain appropriate consent. The immutable nature of the blockchain may make it impossible for individuals to erase their data, which is a right under some data protection laws.

As non-fungible assets, NFTs cannot be traded or exchanged at equivalency. Therefore, NFTs are not subject to securities regulations in many countries. Regardless, NFT transactions may be banned in traditional investment markets, e.g. equities.

Conclusions

There are many ways in which the food and beverage industry can incorporate NFTs into their marketing and loyalty programs, use them to provide a greater level of transparency, and of course, reach a whole new customer base in the metaverse. If the predictions are correct, we will likely see more and more food and beverage companies finding creative ways to utilize NFTs moving forward.