



EVERYTHING YOU NEED TO KNOW ABOUT NFTS

WITH MEL SHAPCOTT | CLASS 2

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NON-FUNGIBLE TOKENS

What exactly is an NFT?

Non-fungible tokens (NFTs) are similar to cryptocurrencies, however they are distinguished by the fact that each token can only represent a single unique item.

More specifically, an NFT is comprised of metadata that is hosted in permanent storage. The metadata that makes up an NFT includes an image or video file, its title, description, and properties.

Ownership of the metadata is recorded on the blockchain via a smart contract that references the permanent storage location.

Wallets are used to interact with smart contracts, providing a means to initiate the creation, transfer, or sale of an NFT. Most of the time this is facilitated by NFT marketplaces.

Tokens on the Ethereum blockchain adhere to the following standards:

- Fungible Tokens - ERC-20
- Non-fungible Tokens - ERC-721
- Semi-fungible Tokens - ERC-1155

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ERC-721

“A Non-Fungible Token (NFT) is used to identify something or someone in a unique way. This type of Token is perfect to be used on platforms that offer collectible items, access keys, lottery tickets, numbered seats for concerts and sports matches...”¹ It is also ideal for 1/1 art, since each item is completely unique. This type of NFT is identified by the token standard ERC-721.

ERC -1155

“Semi-fungible NFTs, known by their token standard ERC-1155 on Ethereum, are slightly different.”² They can have quantities greater than one, so it is possible to create editions containing multiple copies of the same NFT. This standard is ideal for fine art editions, gaming items, and membership passes.



CHOOSING A MARKETPLACE

After you've selected the blockchain that you will be using, the next step is to choose the marketplace where you want to transact. For creators and collectors alike, this choice will be specific to the nature of your project and your NFT goals. There are many things to consider when choosing an NFT marketplace including:

- marketplace fees
- gas fees
- application process
- file specifications
- marketplace reputation
- security
- givebacks
- the creator community
- marketplace promotions
- audience
- ability to follow other accounts
- marketplace support

¹ <https://ethereum.org/en/developers/docs/standards/tokens/erc-721>

² <https://support.opensea.io/hc/en-us/articles/360063450733>



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ETHEREUM

- OpenSea
- Zora
- Rarible
- Foundation
- Makersplace
- Known Origin
- SuperRare
- Async
- ❖ LooksRare

SOLANA

- Exchange Art
- Holaplex
- Grape Art
- Formfunction
- ❖ Solsea
- ❖ Magic Eden
- ❖ Solanart
- ❖ DigitalEyes
- ❖ Metaplex

TEZOS

- Objkt.com
- Teia
- Rarible
- Versum
- Kalamint
- FXHash
- 8bidou
- ❖ *Focused on large projects*

OTHER BLOCKCHAINS

Cardano: JPG Store, CNFT.io, Cardahub, Galaxy of Art, Tokhun

Flow: Disrupt Art, Block Party, Rarible

Stellar: Litemint, StellarNFT

Algorand: Zest Bloom, Artsquare, Aorist, Abris

Algorand is one of the only carbon-negative blockchains that reduces its small carbon footprint via a partnership with Climate Trade.



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MINTING NFTS

When it comes time to mint your work, the first step will be to connect your wallet to the marketplace. Enter your password if prompted and then “sign the message” by clicking to confirm when a wallet notification window appears.



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From there the basic steps involve uploading your file and adding the title of the work along with a short description. Some marketplaces also allow you to add tags to categorize your NFT.

If you are using OpenSea the gas fees on the creator side will be minimal because a process called “lazy minting” will be employed. In this case the gas is paid by the collector and the work is only truly minted to the blockchain at the time of sale. With this scenario the creator can modify the work up until the point when it sells. In most instances however, it is important to note that once you mint your artwork you cannot make any changes to it.

AUCTIONS & LISTINGS

After you have minted your work, the next step is to list it for sale. The most common options are “Buy Now” listings and English auctions, where the highest bidder wins. You can also use a Dutch auction where the price continues to decrease until a sale is achieved.

On some marketplaces you can set an expiration date on your listing or bundle it with other items. Other marketplaces allow 24-hour auctions that kick off with the first bid.

It is always important to carefully consider the reserve price. The reserve price is the lowest bid that will be accepted. Most auctions will close a set period of time after the reserve has been met. If the reserve is not met, the auction ends without a sale. Typically the reserve price is lower than an artist’s floor price to incentivize the first bid.

Timed auctions, which have a start date and an end date, tend to be most successful when there are a lot of collectors that have shown interest, particularly if you can generate some hype.

Marketplaces also allow offers to be made on items that are not listed. In that instance it is up to the creator to accept or decline the offer.



SECONDARY MARKET

When a collector lists an NFT for sale, it enters the secondary market. Oftentimes a collector will list works for well above what they paid for them with the intent to “flip” for a profit. A mark up of ten times beyond the original sale price is a fairly common practice. Creators will automatically receive royalties for sales transacted on the secondary market, and these will be distributed according to parameters outlined in a smart contract. Royalties are deposited directly into a single wallet, or split between multiple wallets, as designated in the smart contract.

WHEN TO BURN

To burn an NFT means to eliminate it from the blockchain. When you burn an NFT, it is transferred to a wallet that cannot be accessed, essentially destroying it.

Many artists make a practice of regularly burning unsold work. When moving to a different marketplace or blockchain it is common to burn unsold work with plans to remind it. Also, if work remains unsold for a period of months, burning the work and trying a different approach could give you a new start. Many collectors look at the sold to unsold ratio of an artist's portfolio when determining where to invest. Of course if you've made a mistake or need to update your content in any way, those are great times to burn too!

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SMART CONTRACTS

A smart contract is comprised of code that executes a transaction between a buyer and seller. When you mint your NFTs on some marketplaces you will be using a shared smart contract. If your work is minted via a shared contract there are a few downsides. First off, your work will be grouped into a single collection with the other NFTs that exist on that marketplace. More important to note, your royalties will not transfer if the NFT is listed on the secondary market of a



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different marketplace. The plus side is that shared contracts reduce barrier to entry and the creator does not incur the fees associated with deploying a custom smart contract.

CUSTOM CONTRACTS

The space is changing rapidly and marketplaces are moving away from shared contracts. In fact it appears as though custom contracts are becoming the norm on Ethereum marketplaces. While getting your own contract at one time was costly and required a developer, affordable no-code options are entering the scene.

To start, Foundation now allows you to deploy your own no-code smart contract directly from their marketplace. Other no-code options that are now available include NiftyKit and Manifold.

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NFT COLLECTIONS

Collections offer a way to organize your NFTs into groups. Many Ethereum marketplaces have added support for multiple collections, which makes it possible to categorize your work based on medium, theme, or style. Collectors often consider the statistics of the collection before investing in an NFT, regardless of whether it is a 1/1 or a pfp.

1/1 ART

This refers to an individual work of art that is minted onto the blockchain as a single NFT and can only have one owner at a time. Many collectors value 1/1 art over other options, recognizing the potential for future gains. These NFTs provide the opportunity for long term storage and accumulation of wealth, much like in the traditional art markets. On the Ethereum blockchain these NFTs utilize the token standard ERC-721.



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EDITIONS

Some marketplaces offer the ability to mint NFT editions. With an edition a single image is minted as an NFT, however multiple copies are created during the process. While all of the copies are associated with a single NFT, each copy can be purchased and owned individually. Most edition sizes are determined when the artwork is minted, however an open edition allows sales to continue for a set amount of time and that is what ultimately determines the edition size. Editions on the Ethereum blockchain are created with the token standard ERC-1155.

10K PROJECTS

Larger projects often include 10,000 unique NFTs, but can also be smaller in size. These projects frequently rely on code to generate the final images, randomly assembling them from a library of layers. Generally speaking these projects will be accompanied by a detailed roadmap outlining the overall ambitions of the project. Oftentimes these projects will feature the image of a profile and are therefore commonly known as profile pic projects or pfp's

Top collections over last 24 hours ▾

1	 Bored Ape Yacht Cl... Floor price: ⚡ 87.77	+664.79% ⚡ 2,902.32	6	 Chimpers Floor price: ⚡ 2.7	+318.27% ⚡ 517.6	11	 KILLABEARS Floor price: ⚡ 0.87	+367.13% ⚡ 357.97
2	 goblintown.wtf Floor price: ⚡ 4.4	+182.01% ⚡ 1,771.29	7	 CryptoPunks Floor price: —	+110.96% ⚡ 507.11	12	 Memurs - Official Floor price: ⚡ 0.04	— ⚡ 320.83
3	 Tigerbob NFT Genesi... Floor price: ⚡ 1.45	+521.94% ⚡ 989.36	8	 Buy this NFT or I'll do it Floor price: ⚡ 0.4	— ⚡ 497.43	13	 Elftown.wtf Floor price: ⚡ 0.08	-81.94% ⚡ 315.08
4	 Otherdeed for Others... Floor price: ⚡ 2.95	+19.50% ⚡ 749.81	9	 Gents Croquet Club Floor price: ⚡ 6.18	— ⚡ 484.58	14	 Cool Cats NFT Floor price: ⚡ 4.49	+460.03% ⚡ 305.94
5	 Mutant Ape Yacht Club Floor price: ⚡ 17.76	+22.57% ⚡ 521.61	10	 rektguy Floor price: ⚡ 0.79	-52.35% ⚡ 409.93	15	 Rare Land NFT Floor price: ⚡ 0.12	+7974.98% ⚡ 302.49



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STAYING SAFE

Be particularly wary of scams and hacks when buying into any project. There are numerous ways for you to lose your entire investment. The most basic things are easy to overlook, so make sure you are paying attention. The following tips are particularly relevant for large pfp projects.

- 1) **Make sure you are on the correct website.** Scammers will go to great lengths to dupe collectors, including setting up fraudulent websites and mint buttons. Always navigate to a minting website from a link on a verified account.
- 2) **Make sure you are speaking to an admin.** Admin accounts on Discord will be clearly identified with a color or shield. Scammers will set up accounts to impersonate admins, so be on your guard when asking questions.
- 3) **Secure your NFTs with a hardware wallet.** Hackers often crack crypto wallets, even when you are on high alert. This makes it necessary to protect valuable NFTs with a hardware wallet that can only be activated via buttons on a physical device.
- 4) **Research the team.** Even if you are on a legitimate project website, using a hardware wallet, the project can still go south. On more than one occasion project creators have disappeared after the initial mint, absconding with the funds and never fulfilling on the promises of the roadmap. From there, holders will dump and it will “go to zero” with the entire collection losing its monetary value. This is known as getting “rugged.” Make sure to DYOR (do your own research) and don’t get rugged!

WHAT TO EXPECT

Keep in mind that many pfp projects will “go to zero” and statistics show that 95% of all NFTs projects have failed. On the plus side, if you are lucky enough to collect from a successful project you can expect your earnings to multiply by 10 times or more. While finding successful projects can be challenging, I recommend you start by identifying projects of interest, joining their Discord, and researching both the project and its creators.



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Last but not least, if you are immersed daily in the NFT space you are likely to catch wind of the next up and coming projects and will have an advantage over the average consumer.

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ADDITIONAL READING

When Should I Mint My NFTs?

https://www.linkedin.com/posts/melshapcott_nfts-nftcommunity-nftartist-activity-6916776014631071744-BxFG?utm_source=linkedin_share&utm_medium=member_desktop_web

What Makes an NFT Sell:

https://www.linkedin.com/posts/melshapcott_nfts-nftcommunity-nftartist-activity-6909871054307905536-1YNQ?utm_source=linkedin_share&utm_medium=member_desktop_web

What Makes an NFT Valuable:

https://www.linkedin.com/posts/melshapcott_nfts-nft-nftcommunity-activity-6911311794313551872-lrnC?utm_source=linkedin_share&utm_medium=member_desktop_web

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HOMEWORK

Research and select the marketplace where you plan to create or collect NFTs.

Connect your wallet and setup the basic elements of your profile.

Browse the marketplace to discover artists, artwork, and projects that interest you.

