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CONCEPTS

1/1 VS. PFP

While it might be convenient to think of all NFTs as created equal, this is far from the truth. Fine art collections with single or limited edition NFTs are very different from profile pic projects (pfp) that have thousands of NFTs. We may be tempted to compare these industries and lump them into one category. However, there are many industries that will eventually utilize NFTs, and as more and more enter into the space it will be easier to comprehend NFTs as a vehicle and see that fine art and collectibles are distinct from one another.

RARITY

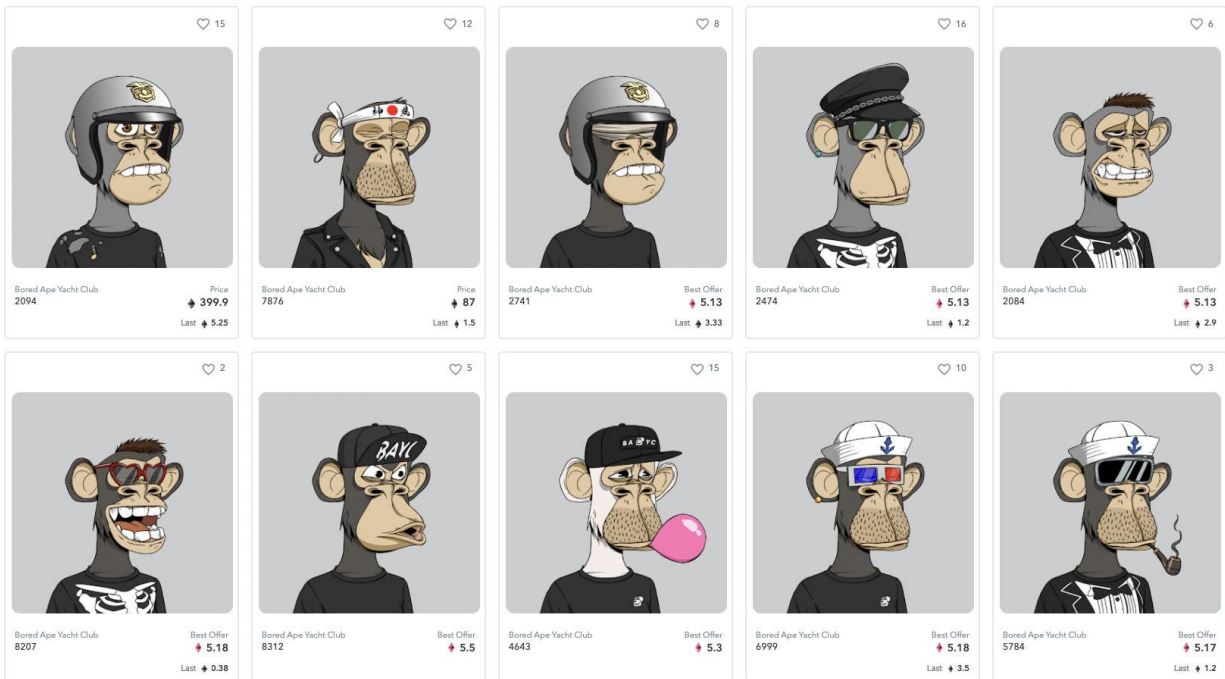
rare¹ | rer |

adjective (rarer, rarest)

- not occurring very often
- not found in large numbers and consequently of interest or value

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If you are in the NFT space for any length of time you will hear people getting excited about the rarity of their NFT. Most of the time they will be referring to rare traits occurring in a pfp collection. For instance, if all the characters in a collection have white sneakers except one, and the remaining character has gold sneakers, well that is a rare trait and everyone is going to want that one.



Yuga Labs. Bored Ape Yacht Club. 2021, Ethereum blockchain, Global.

The following tools can help you to determine the rarity score of your NFT:

<https://raritysniper.com/>

<https://rarity.tools/>

Rarity applies to fine art NFTs as well. Artwork minted in editions of one can be priced much higher than the same artwork minted in an edition with multiple identical copies. There is a lot of pressure within the NFT art space to minimize minting and to use this strategy to engineer rarity. However many great artists throughout time have created large editions of their work with great



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success. It has even been argued that in order to reach a large mainstream audience, a bulk of reproductions is required to reach the masses and generate name recognition.

Take Andy Warhol for instance. After he painted his famous Campbell's Soup series, he began releasing silk screen editions. These were printed in editions of 250 for each of the original designs. The collection was wildly successful and ultimately catapulted him to fame, casting him as the most-renowned pop art artist. The value of his work did not decrease due to the large size of editions. In fact, the original paintings had increased in value by approximately 15,000 times at the time of their most recent sale. Even at the time when the silkscreen prints were being produced, they themselves were selling for more than the price of the original paintings.

Why do I bring this up? Because there is no one-size-fits-all formula for becoming a successful NFT artist. Do not let anyone tell you that you must do it a certain way. All we have to do is look at history to see that this is not the case.



Warhol, Andy. *Campbell's Soup Cans*. 1962, *The Museum of Modern Art, New York*.



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Last but not least, the prestigious marketplace SuperRare accounts for rarity when determining admission. Their application indicates that they give preference to artists who have very little work previously minted. From that perspective, they have established an exclusive marketplace that touts the rarity of the works available and boasts the preeminent status of their artists.

UTILITY

Again, when it comes to utility there are two ways of looking at this. From the perspective of a large project, the utility that you offer your collectors will most likely factor into their interest in the project. It is also likely to become a cohesive element within your community, giving your members a shared interest and common ground. Essentially, NFT projects can use utility to unite individuals from across the globe in support of a specific cause.

Fine artists, do not be surprised if you are asked about your utility. You can offer airdrops or collector perks as previously discussed, or you can opt for the “utility of art.” Art has been collected for millenia without offering any further utility than the art itself. Art brings joy, it evokes emotion, and incites imagination. It does this naturally through subject matter, color, texture, sound, and movement. Art is the utility, it is as simple as that.

PHYGITAL

Phygital NFTs combine a physical product with a digital item. While an example of this is to include your canvas painting along with the digital reproduction, there is so much more that can be done with this concept. Phygital clothing and jewelry NFTs include regular, physical items that a collector can wear upon purchasing the token. However, as we move into



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the future, physical items are also being paired with identical, digital reproductions that an avatar can wear in the metaverse. AR filters add another element to this equation, making it possible for digital garments to be donned in any setting where consumers are utilizing AR lenses. Image credit: *Trendhunter*. <https://www.trendhunter.com/trends/byte-jacket>



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.

MANAGING YOUR COLLECTION

Once collectors are holding your work they will be watching the collection statistics to make sure their investment is moving in the right direction. They will pay particular attention to the floor price, which is derived from the lowest priced item in the collection. If your floor price starts to drop then collectors may consider listing your work in an attempt to recoup their investment before the floor prices drop further. If collectors begin listing your work at or below your floor price, beware this can start a negative trend. Taking cues from the crypto investing markets, when a token appears poised to lose its value, collectors on whole will begin “dumping” or selling at a discount. Therefore it is important to demonstrate confidence in the performance of your NFT collection to avoid a premature sell off by collectors with “paper hands.”

For 1/1 artists, buying back your own NFTs when they are listed below floor price is one way to demonstrate confidence in your collection’s trajectory. Meanwhile, pfp projects often include provisions for “sweeping the floor,” meaning that they routinely buy back the lowest priced NFTs in their own collection to keep upward pressure on the floor price.



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Collectors are looking intently for projects that will “age well” and increase substantially in value over time. Marketing is key when it comes to communicating this to both your existing and future collectors. Here are a few things that you can do to keep the excitement flowing.

- Share collection stats
- Announce sell outs
- Cap your collection
- Burn unsold work
- Redefine your roadmap
- Incentivize holders with new perks
- Demonstrate commitment
- Offer exclusivity

UNDERSTANDING SECONDARY

When a collector lists your work 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.

FINDING COLLECTORS

This can be one of the most challenging aspects of becoming an NFT artist. Collectors are everywhere, but how to get their attention can feel like a mystery. In this regard, a focus on cultivating genuine relationships will serve you well. Once you have identified a collector that is interested in the type of work you are creating, turn on notifications for this account. Engage casually and consistently on the collector’s account with light conversation. Join their Twitter spaces and metaverse events. The more you engage with their account, the more likely it is that the algorithm will push your artwork into their feed for them to discover organically.

Being visible is key. You will also encounter collector shill threads on Twitter where artists will post their work with the intention of being seen. Some shill threads are absolutely worthwhile, and others are a complete waste of time. Pay attention to the artists in the space that are



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making strides and observe where they are posting. When posting in a collector skill thread, include an image of the art, list the price, do not include any links, and tag several responsive accounts to get the ball rolling. Use your other posts to highlight the story behind your work, and be prepared to elaborate in the event a collector reaches out with a Direct Message (DM).

COLLECTING NFTS

Once you've had a few sales you may want to give back to the community. One great way to do this is to collect NFTs from your peers and support emerging artists in the space. By reinvesting in the artist community you are bolstering its foundation for the continued and expanded presence of artists within the blockchain space.

Earnings can also be used to buy into pfp projects. But, keep in mind that many pfp projects will "go to zero," with statistics showing that 95% of all 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. Finding successful projects is as challenging as finding good collectors. The first step is to identify projects of interest, join their Discord, and do your research. If you are immersed daily in the NFT space then you are likely to catch wind of the next up and coming projects and have an advantage over the average consumer.

Be particular wary of scams and hacks when buying into an NFT 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.

- 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.



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- 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. Don't get "rugged," do your research!

ANONYMOUS VS. DOXXED

While many people in NFTs remain anonymous, one way to demonstrate your commitment as the creator of a collection or project is to dox yourself by revealing your legal identity. If you have previous achievements or publications, then putting your name out there will most likely work to your benefit.

When collecting it is highly advisable to seek out projects with doxxed teams. If their public reputation is on the line, they are less likely to completely rug.

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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.

NFTS

“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.

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

PERMANENT STORAGE

While a smart contract governs transactions and transfers ownership of an NFT, associated media files need to be permanently stored so that the contract can always reference them.

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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The most popular choice for permanent decentralized storage is Arweave. Arweave is a permanent harddrive, relying on two new technologies known as proof-of-access and the blockweave, a derivative of the blockchain. There is a one-time fee to utilize their file storage service Ardrive, and costs will correspond to the amount of space needed. This type of storage is designed to be permanent and outlast the Web 2.0 architecture we currently use to access it.

Interplanetary File System (IPFS) is another choice for decentralized storage. It is both a protocol and a peer-to-peer network for storing data in a distributed file system. It retrieves media from multiple nodes at once, making it efficient at distributing high volumes of data, while enabling resilient networks that are independent from the Internet.

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ADDITIONAL READING

Does Your NFT Really Need Utility?

https://www.linkedin.com/posts/melshapcott_nfts-nftartist-nftcommunity-activity-6908451576139415552-90Gz?utm_source=linkedin_share&utm_medium=member_desktop_web

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HOMEWORK

Please message or email with your Discord profile name. If you have not set up a Discord yet, you can do that here: <https://discord.com/>

Download and install the POAP app: <https://poap.xyz/>

Help me support your continued success by completing this poll: <https://melshapcott.com/poll-01>



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