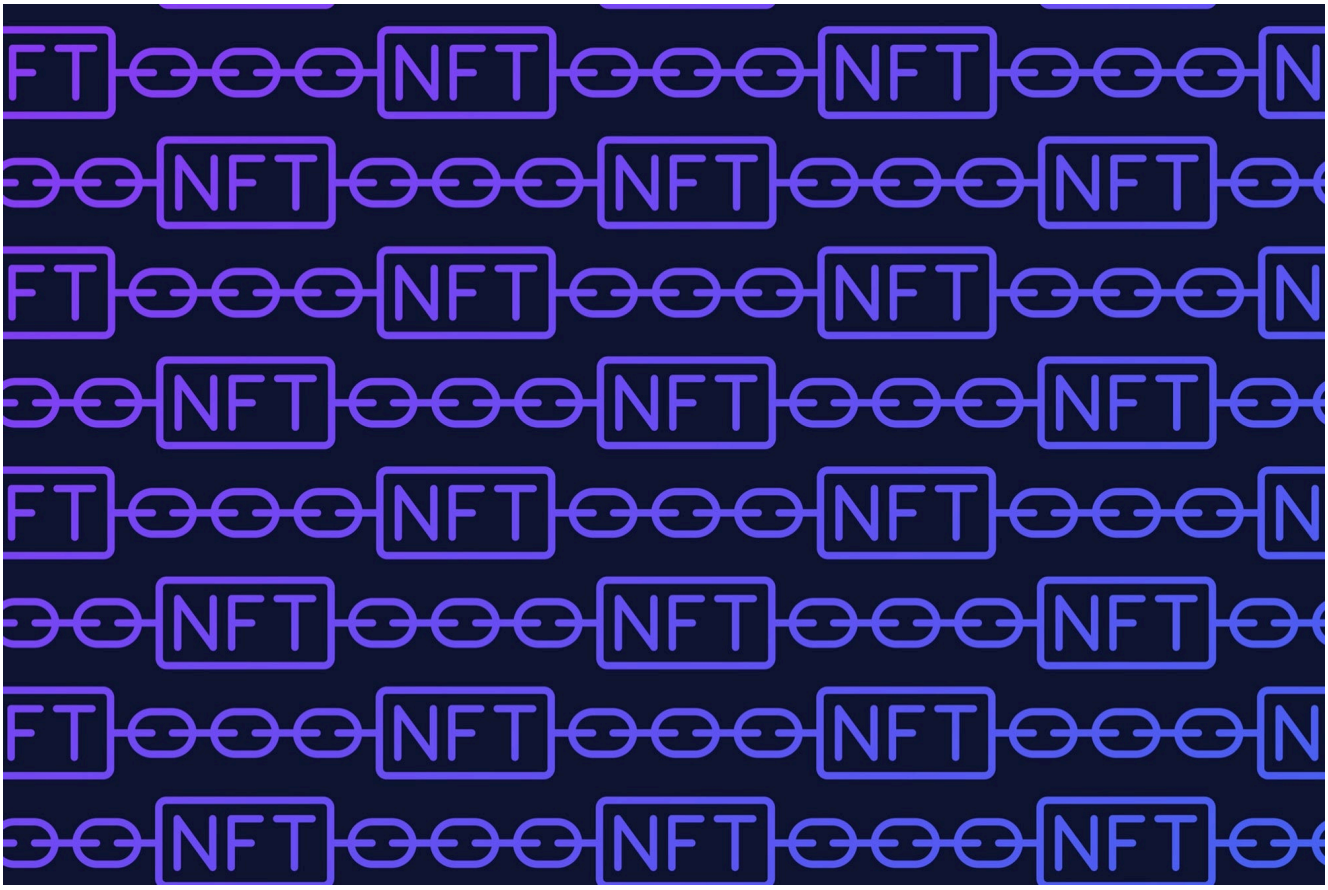
Collectibles, NFTs, and Why You Should Care About Both



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Music has recovered from the shakeup Spotify and the likes wreaked in the aughts. TV shows and the film industry have gotten a huge boost from streaming platforms. Now non-fungible tokens, or NFTs, could be changing the prospects of starving artists everywhere and giving the masses access to what has traditionally been a (relatively) niche segment.

The combined market cap of major NFT projects has increased by 1,785% year-to-date.

Each token exists on a blockchain (like cryptocurrency) and contains unique data (unlike cryptocurrency). The unique data

is key; this goes beyond verifiable scarcity. Your NFT is as special and as unique as a child, except more so. You can slap anything into an NFT: your grandmother's curtains, a sculpture, a record, that fur coat PETA made you hide and even a Tweet or an article.

At the end of March, Twitter CEO Jack Dorsey's first-ever tweet was sold as an NFT for $2.9 million to Sina Estavi, CEO of Malaysia-based blockchain company Bridge Oracle, in an auction held by Valuables, an NFT marketplace. After winning the bid, Evasti likened the Tweet to Leonardo da Vinci's Mona Lisa. Elon Musk had also planned to sell a Tweet NFT in the same auction but changed his mind.

Related: Are You Prepared For the Role of NFTs in the Crypto-Economy?

With social media defining this century, artists found greater avenues of exposure: Instagram, Pinterest, even Reddit platform artists from all corners of the world, catalyzing the re-modeling of incomes and creative processes.

Last year, the pandemic saw screen time soar across the globe. This online migration has also seeped into how we create, view, exhibit, sell and collect art. The advent of the NFT marketplace has decentralized and democratized art and the digital asset world, swinging open doors for even the biggest tech novice.

Despite this higher accessibility, questions still stand. How did this trend come about and why is this digital asset technology pertinent?

The launchpad for collectibles

In 2017, a Cryptokitty, a blockchain cat game NFT on Ethereum, sold for $114,000. Last month, digital artist Mike "Beeple" Winkelmann's *Everydays: The First 5000 Days* was sold

by Christie’s auction house in the highest-ever NFT — $69.3 million.

“NFTs can ascribe a unique identification system to any object in the world — digital or physical. If you go on any ecommerce platforms, users are selling physical items with no ID identification,” says Nick Chen, founder and CEO of Refinable, an NFT marketplace on Binance Smart Chain, a blockchain network built for running smart contract-based applications.

This is key to understanding the value NFTs create — the unique data means inherent, absolute exclusivity.

In a way, knowing the story behind Winkelmann’s piece helps explain how NFTs fit into this hyper-online reality. Long story short, the digital artist began posting an image every day back in May 2007. This went on for 5,000 days. The NFT sold by Christie’s contained all 5,000 pieces. The crux of the issue is that nothing online is exclusive. Posting, tweeting, snapping — releasing a human creation out into the world, whether you put it on the internet yourself or not, seems to have an almost certain endpoint of universal accessibility.

NFTs stop that. The winner of Winkelmann’s opus doesn’t just get high-quality versions of the online posts arranged in a collage. They get exclusive, inviolable ownership, truly a feat in the age of information. There’s also a huge paradigm shift for digital artists specifically. Where before reproducibility was a barrier to monetization, NFTs pave a solid path to compensation.

Provenance, but athletic

Digital collectible cards have quickly made a mark in the NFT playground. Dapper Labs, also the creator of CryptoKitties, sells NBA highlight clips as NFTs that “live” on the official hub website, based on the Flow blockchain.

According to CryptoSlam, in less than one year of activity, NBA Top Shot has sold more than $100 million of these basketball snippets. It's only been five months since Beta testing, and it has more than 800,000 registered users.

Recently, Dapper Labs said it raised $305 million for Top Shot from investors that included NBA legends Michael Jordan and Kevin Durant. Coatue Management, LLC led the deal, valuing the company at $2.6 billion, according to *The Wall Street Journal*.

The endorsement and active support of NBA Top Shot from athletic champions and other industry trendsetters are widening investment possibilities.

With NFTs in mind, baseball-card maker Topps will be taking an alternative route to an initial public offering. Special-purpose acquisition company Mudrick Capital Acquisition Corp. II values what will be a combined entity at $2.6 billion, hinging on Topps' recent expansion into NFTs. The two companies expect to outshine NBA Top Shot, projecting a cash haul of $571 million.

In short, NFTs have in a short time reworked how art collectors and athletic fandoms operate, creating value and augur a whole new dimension of investment commodities.

Related: Here's What to Keep in Mind When Creating and Selling an NFT

What could possibly happen next?

"There's going to be a slight change in the understanding and conversation about NFTs," says Chen. "NFTs will be seen not so much as a store of value, but really as a medium of exchange. NFTs, and the tech that surrounds it, is amazing for powering transactions and for ensuring the authenticity of assets—digital or physical."

NFTs do have distinguishing factors between them. Refinable, for instance, calls itself a “premier NFT marketplace,” with its key features allowing any user or brand to engage with digital content and explore, experiment and monetize their NFT content of choice. The platform allows NFT creation, trading, auctions and gifts.

NFT blockchains, however, do not come cheap.

“One of the reasons why we want to build on Binance Smart Chain is that a lot of the other NFT blockchains are way too expensive and it can cost up to $100 just to execute any actions,” says Chen. “By partnering with Binance Chain, Refinable offers affordability and accessibility options for people who want to engage in the NFT ecosystem.”

There are other constraints. The cost barrier, as mentioned, is mostly expected to come from network gas prices, and could hinder experimentation and exploration. On the supply end, creators could be disincentivized by high commission fees on platforms.

Content that is already licensed is a wholly different and more beastly barrier; the licensing industry could be in for upheaval and as such are disinclined to leap into NFTs, even if they could stand to benefit significantly.

Yet, given the almost universal potential NFTs offer, these problems may seem relatively diminutive. The mere existence of uncountable niche collectors communities means there has been a pre-existing need and market for exactly what NFTs offer: provenance, exclusivity and valuation.

Collectibles are only the beginning. NFTs are already indicating value beyond the object they represent.

“One exciting NFT use-case is leverage, which is all about once you own an NFT, what can you really do with it? This could be authorized loans, where users can lend NFTs to

another person, perhaps an in-game item that is very rare, so users can monetize and extract value from NFTs," says Chen.

Related: Elon Musk Joins NFT Craze, Puts Up Song About NFTs for Sale

The financing industry is already making money moves. DeFi-focused funds are making significant investments into NFT insurance and fractionalized platforms, which is expected to improve the NFT infrastructure in the year ahead.

As the NFT industry stands, marketplaces, insurance, fractionalization, trading and indices are seeing the most obvious investments in the market.

These trends draw clear expectations. NFT marketplaces, blockchain gaming studios and layer-one blockchains targeting NFTs are poised to benefit the most from ongoing investment interests.

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