5 Questions on Non-Fungible Tokens (NFT) in Digital Art Answered



This article will answer 5 major questions on Non-Fungible Tokens and how they are changing the crypto art world. From viral internet memes to moments in sports history, keep reading to learn about the newest trends taking over digital art.

1. What Are Non-Fungible Tokens?

Non-Fungible Tokens (NFT) are unique digital assets that are part of a blockchain and verify ownership of a specific item. “Non-fungible” means something is one-of-a-kind and cannot be replaced with the same item.

Fungible items, such as fiat currencies or cryptocurrencies differ in that they can be traded for the same item.

For example, if you replace one bitcoin with another, you will have the same thing. If you have a non-fungible item, such as a movie ticket, you cannot replace it with any other movie ticket as the ticket is unique to a time and place.

2. How are Non-Fungible Tokens working with Digital Art?



Cryptocurrencies (Source: Crypto360)

Crypto art has been around for a few years but has exploded in popularity since the start of 2021 as a hot new tech trend.

The first uses of NFTs was for an online game called Cryptokitties which allowed users to trade and sell digital kittens.

There are numerous digital marketplaces where users can buy and sell digital items.

While sellers can accept any currency for their NFTs, cryptocurrencies like Bitcoin and Ethereum tend to be the most popular. How it works is buyers get the ownership rights, or license, to a digital item.

Digital Art

Bloomberg reported digital artist Mike Winkelmann, known as Beeple, sold an NFT of his digital art: "Everydays: The First 5000 Days" for $69.3 million. The price is eye-watering, but it's also notable that the sale went through auction house, Christie's, showing how this new industry is being embraced by even the most traditional institutions.

When questioned about the worth of these digital works NFT supporters think of

it like this:

> *While there are many copies of the Mona Lisa, there is only one original. Owning the license to digital artwork is the same. There will be copies of a piece of work online, but there is only one original that the buyer now has sole access to.*

This, however, is now being challenged as some art which has many copies are also selling for extortionate prices.

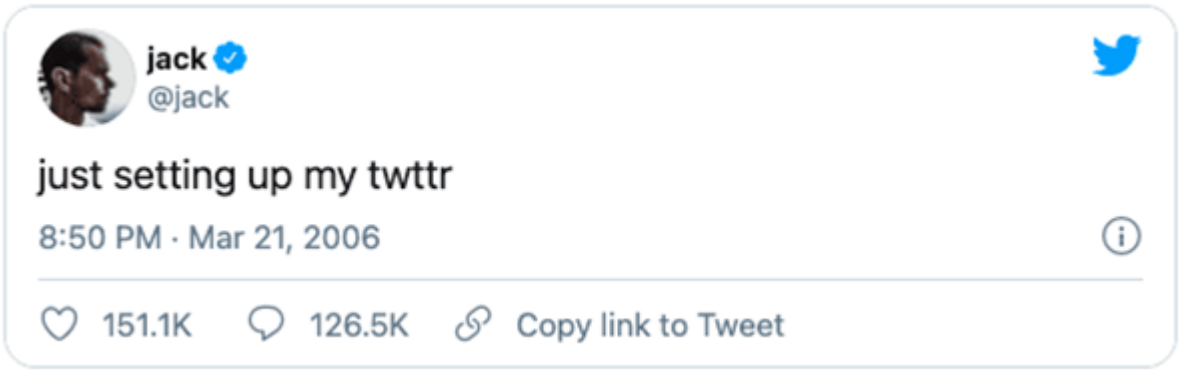
Grimes, for example, sold thousands of copies of other pieces of digital art at $7500 apiece during her most recent series.

> *Beeple, recently sold an NFT of his digital artwork: "Everydays: The First 5000 Days" for $69.3 million at Christie's.*

Other Non-Fungible Tokens Examples

Tweets

A few weeks ago billionaire Jack Dorsey, CEO of Twitter, sold his very first tweet which reads "just setting up my twttr" from March 21, 2006, as an NFT.



The link to bid went live on Friday, March 5th and by Saturday evening the highest bid was up to $2.5 million.

Anyone can access Dorsey's tweet so long as he doesn't delete it, but only the highest bidder will gain the rights to the NFT.

Sports Moments

Beyond pieces of art and tweets, NFTs are now taking shape as moments in sports history and even sporting merchandise.

Mark Cuban, owner of NBA team Dallas Mavericks, says he sees a future of digital goods in the NBA. Cuban wants to sell virtual Mavs items such as shoes, art, videos, experiences, and more.

The NBA has already entered the NFT industry. They set up NBA Top Shot as non-fungible token sports highlights. You can think of them as digital collectibles, similar to the physical trading cards we used to collect as kids.

The NBA has already done more than $200 million in NFT sales from clips of sports history (an image of Lebron James dunking recently sold for $208,000, alone), so it is likely that the marketplace for NFTs in sports will see great success.

Memes



Nyan Cat Gif Meme (Source: .RGB.)

What is an internet trend without memes? The Nyan Cat meme which went viral 10 years ago, recently sold on a crypto art platform as a one-of-a-kind NFT for 300 ETH (Ethereums), the equivalent of ~$560,000. Given the 21st-century love of memes, we can imagine the Nyan cat is only the beginning of NFT memes.

3. Who can Use NFTs?

In a word, anyone!

Celebrities such as Lindsay Lohan and Post Malone have jumped into the world of NFTs, selling videos and experiences online.

Digital marketplaces have made buying and selling of NFTs easy for anyone. If you have something to sell or enough currency to purchase an NFT, then it’s all yours.

As NFTs are still relatively new, there is a first-mover advantage. Memes and tweets are just the start of it, there is still so much unexplored space in the industry and those who get there first will benefit from the media exposure and new audiences.

4. Are there any Downsides to Non-Fungible Tokens?

Like every new trend, there are some pitfalls which need to be considered when looking at the attractiveness of the industry.

Digital Nature of NFT

The very nature of NFTs is digital. For instance, anyone can access Jack Dorsey's tweet or look up the famous Nyan Cat meme.

What a buyer may spend millions of dollars on is technically available for free to anyone with access to the internet.

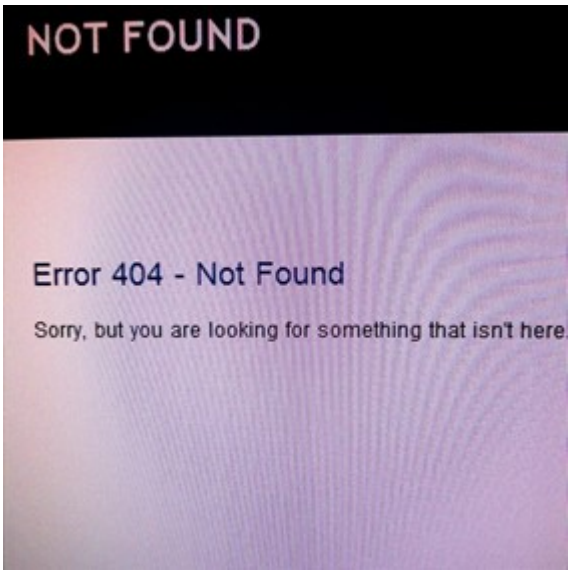
The NFT marketplace is still pretty new and what may be trendy and cool now could soon be realised as a waste of money. It's too early to tell, and so the volatility of the industry is a potential downside.

Sustainability

Energy consumption is a pertinent issue. Much like cryptocurrencies, NFTs use up huge resources.

Forbes reported that blockchain companies are attempting to decrease their consumption to become more sustainable.

The Ethereum blockchain, for example, has already made strides to become more carbon-neutral and energy-efficient.



Error 404 (Source: WarmSleepy)

Bit Rot

Bit rot is where a digital item becomes inaccessible. This happens because the file format is obsolete, websites no longer exist, people forget their login credentials or other failures in data storage.

Of course, security is a concern for someone who has just spent millions on an NFT but physical art also has preservation concerns.

5. What does the future of NFTs look like?

The real answer is no one knows. Mark Cuban called the area of blockchain technology and NFTs the "wild west".

Given the infancy of the trend, NFTs could become a vehicle for investment, accepted real estate, and more. There are many different areas to explore and the industry is ripe for opportunity.

Now that you know the basics of NFTs, read more on why business leaders need to be thinking digital to ensure survival.

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