

# What are NFTs and why they are the biggest sensation of the decade?

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NFTs got mass attention in late 2020 when the market exploded with record sales. Apart from that, the involvement of some of the biggest public figures has increased its reliability over the last few months.

Maybe that is why a Beeple art was sold for USD 70 Million, and Jack Dorsey's first tweet was sold for USD 69 M.

In the past 4 years (mid-2017-mid 2021), 4.7 Million NFTs have been traded a whopping 6.1 million times. Since 2017, USD 174 Million have been invested in the NFTs. [\[1,2\]](#) Even after that, most people know very little about NFT – Or we should say the entire structure of Non-Fungible Tokens and how it works.

So, here in this article, we will explain the basics of NFTs, how they work, why some people invest a ton of money into them, and, most importantly, who should invest in NFTs.

To become a successful NFT owner/trader, we suggest you read this article until the end.

## **NFT or Non-Fungible Tokens: The Structure**

NFTs could be termed the best sequel of the crypto space, the Blockchain space, where you can create and sell digital art that cannot be forged.

To understand the meaning of Non-Fungible tokens, we need to understand the meaning of fungibility.

So far, our finance system has been based on the idea that you can get something for a specific amount. Money, gold, or even Bitcoin are fungible as they can be bought for a particular amount at a specific time.

On the contrary, Non-Fungible items have unique attributes (coding) and cannot be substituted – even within the same asset class. This could be a painting, a football match ticket, your house – video game characters, a trademark, or the famous Cryptokitties.

Some of these physical and tangible assets, like the painting, the house, and an old Michael Jackson concert ticket. However, some are only available in the digital format and are non-tangible, like the NFTs.

These Tokens are digital certificates kept on a secured distributed/transparent blockchain database. So, when someone owns an NFT, they buy digital assets and intellectual property backed by the Blockchain.

For example, imagine that you own Jack Dorsey's first tweet (the digital version), and your name is there as the owner. Now, the tweet is and will be there, and you cannot stop anyone from seeing it online or downloading a copy of it. But, they will only be copies and cannot be replaced with your NFT due to the smart encryption. Only you will have the authority to decide the future/ price of your NFT.

## **NFT Vs Cryptocurrency: Why are they different?**

Before we proceed further, you need to know that NFTs and Cryptocurrency are different (in at least a few ways).

You can buy Cryptocurrency for a specific amount of money. Due to their fungibility, Cryptocurrencies can be traded or exchanged—for example, 1 Bitcoin = USD 57463.40 (as of 22nd November 2021). Also, the price of one Bitcoin will always be similar to another – just like 1 dollar will always be equal to 1 dollar.

But NFTs are different than that. As discussed above, an NFT carries a unique digital signature. So, you can never trade an NFT for another NFT – even within the same community. For example, the value of a Bored ape NFT will always be different from that of another bored ape, even if they are from the same community.

## **How the value of an NFT is decided?**

The value of an NFT depends on the owner's perception, but the overall value depends on the market and popularity. You already know that NFTs are being sold for thousands and millions of dollars (apart from Beeple art and Jack Dorsey's tweet).

According to Binance, the value of an NFT depends on 3 primary factors: [\[3\]](#)

### **Rarity:**

Even within the same community of NFTs, some are rarer than others. Sometimes, the creators use unique attributes, which makes them rarer than the other. Sometimes, they are created by celebrities, which makes them more distinctive in terms of rarity.

### **Utility:**

Some NFTs are more useful than others, especially when used in games. You may use your NFT to buy virtual lands and characters and customize them accordingly to raise the value.

### **Tangibility:**

When NFTs are tethered to real-world objects, like a concert ticket or a baseball game, they become more popular than the others.

## **NFT Marketplaces: How to buy NFTS?**

The NFT creators first release their NFTs on their official website. After being sold, they can be acquired from NFT Marketplaces.

OpenSea is undoubtedly the most popular NFT marketplace. It is easy to use and supports all kinds of NFTs with 150+ payment methods.

Rarible is another NFT marketplace that is quite similar to OpenSea. It offers an extensive collection of NFTs. But unlike OpenSea, Rarible has its token (\$RARI) that you need to use to buy and sell.

Some of the other popular NFT Marketplaces are:

- Axie Marketplace
- CryptoPunks
- SuperRare
- Foundation
- Binance, and more

To make the purchase, you must buy cryptocurrencies and a digital wallet. In a digital wallet, you can store NFTs and cryptocurrencies, like MetaMask wallet.

So, if you want to purchase an NFT, you must bid on them at one of these marketplaces – according to their rarity. Similarly, the selling value will reflect on your digital wallet if you want to sell an NFT.

## **Is NFT a Bubble?**

If you consider NFT a bubble, you may not be completely wrong. Or, maybe bubble within many other bubbles. For some, NFT could be one of those Pyramid schemes that took over the whole world once upon a time.

But, we must consider that bubbles always bring new ideas – a great push for social change. Several media houses have recently claimed that the NFT prices have decreased drastically – but they may go up suddenly. [\[4\]](#)

As the entire process is based on Blockchain technology, we can assume that the NFTs can increase with more media exposure.

## **Conclusion: Is NFT investment good?**

At first, Go easy –Go small.

It's very hard to encourage people to buy NFTs, while it's much harder to discourage them as well.

Of course, the investment would be a risky endeavour due to market volatility. The value of an NFT will always depend on what the buyer is willing to pay.

It may not work as our traditional finance system, but if you want to invest in it, you should plan for it like any other investment. If you plan properly, you may enjoy long-term capital gains like the stock market.

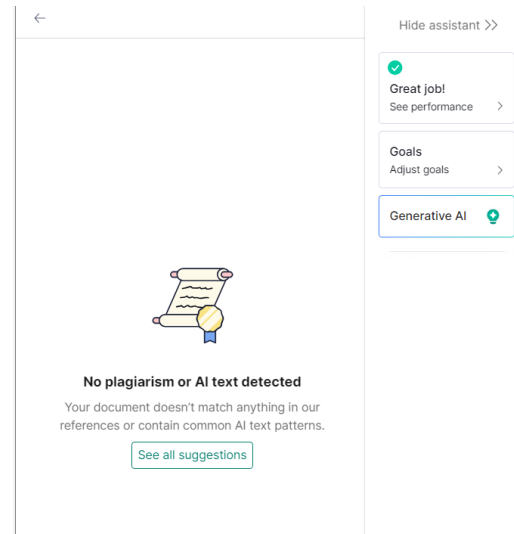
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The screenshot shows a document editor interface. On the left is a document titled "Untitled document" with text about NFTs. On the right is a sidebar with a "Hide assistant >>" button and three menu items: "Great job! See performance >", "Goals Adjust goals >", and "Generative AI" (highlighted with a blue border and a green AI icon). The main content area displays a message: "No plagiarism or AI text detected" with a scroll icon above it. Below the message is a sub-message: "Your document doesn't match anything in our references or contain common AI text patterns." and a button labeled "See all suggestions".