WTF ARE NFTs?

AN INTRODUCTION TO THE MYSTERIOUS WORLD OF NON-FUNGIBLE TOKENS

one green bean
New technologies invariably split opinion between those who believe they’re revolutionary leaps with the potential to benefit all of humankind, those who think they’re flash-in-the-pan scams creating solutions for problems that don’t exist, and those in the middle who neither care nor understand what purpose the technology has been designed to serve.

NFTs are about as polarising as it gets in this regard, maligned, mocked and misunderstood as much as they’re heralded as integral to the idealised, decentralised world of Web3.

We wanted to take a slightly more nuanced view on what NFTs are, and try to give you a balanced overview of what’s good, bad, and occasionally ugly about them.
So...WTF are NFTs?!

- NFT is short for non-fungible token, effectively a unit of data created (or 'minted') to correspond to a digital artefact (artwork, video, digital wearable, photograph etc) with a unique link to provide proof of ownership.

- The transaction history of an NFT is tracked via the Ethereum blockchain, meaning they can be bought and sold with minimal risk of fraud to the buyer, plus the added benefit to the original creator of earning money each time the NFT changes hands.

- There are several marketplaces where NFT transactions/auctions are hosted, prime among them being OpenSea, Rarible and Nifty Gateway.

- Even the likes of Christie's and Sotheby's have hosted NFT auctions, with Sotheby's selling £75m-worth of artworks in 2021 via its own marketplace, a sign of how seriously the traditional art world is taking them.

Hopefully that's helped make the actual concept of NFTs a little less opaque, so let's move on to their applications and implications.
EMPOWERING CREATORS & DECENTRALISING OWNERSHIP

- At their heart, NFTs are what Benedict Evans calls ‘experiments in creating digital property,’ a key development in the evolution of Web3 where users not only create, but control the virtual networks and capital that power the web.

- This represents a huge opportunity for creators and influencers who’ve previously been reliant on traditional web platforms to showcase their work and connect with communities. As artist Bharat Krymo says, ‘Artists and creatives struggled on Instagram for years with nary a dent in sales. Then they shifted focus to NFTs in ’21, and changed their lives.’

COMMUNITY BUILDING & CULTURAL RELEVANCE

- For certain sectors (fashion, sports and gaming), NFTs are an exciting new avenue for community building. The NBA has been one of the most progressive of entities in establishing itself in the NFT marketplace (think digital versions of the playing card collectibles that have long been part of the fabric of sports fandom).

- Fashion houses have also been amongst the most foreword-thinking adopters of NFT technology, ranging from digital ‘wearables’, NFT-embedded games, and branded video artworks.

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*An example of a digital wearable NFT created by RTFKT studios*

*Digital artist Beeple’s Everydays: The First 5,000 Days sold for $69m*
MISJUDGED BRANDED NFTs

- While there’re plenty of brands making savvy moves to enhance their cultural relevance and appeal through NFTs, there are plenty of examples of brands who perhaps should have stopped to think ‘just because we can, doesn’t mean we should’

EXPLOITATION OF CREATORS

- There are also plenty of ways in which NFTs are open to abuse. While control of minting and trading is held in the hands of a comparatively small number of people who want to keep values as high as possible, there are those who believe NFTs are a glorified Ponzi scheme, with markets open to manipulation

- There’s also an exploitative dimension to how artworks are being minted. Bored Ape Yacht Club is perhaps the most well-recognised NFT collectible series, but rather than the artists themselves profiting, they were commissioned for a flat fee by anonymous backers who have made enormous sums off the popularity of the works

- Worse still, artists are having their works minted without their knowledge, making them practically helpless to prevent others from selling NFTs of their creations
**THE UGLY**

**ECOLOGICAL IMPACT**

- We’re set for a reckoning between the purpose and promise that NFTs serve, and the undoubted toll they take on the planet. It’s estimated that the footprint of the average NFT is roughly equivalent to that of an EU resident’s monthly electricity consumption.

- If we consider NFTs as just one part of the added ecological strain that other burgeoning aspects of Web3 will put on the planet (proliferation of crypto, expansion of the metaverse, massively increased data storage demands), then the ethics behind using these technologies are arguably no different to deciding to purchase a brand-new high-powered ICE vehicle.

- Progress is being made to develop more sustainable means of crypto mining and NFT minting, so with any luck we’ll be able to enjoy a future in which the possibilities NFTs have opened up for creators, communities and brands can be realised without ethical compromise.
NFTs are not a space without the capacity for pitfalls and pratfalls. While there’s a utopian ideal behind what they represent in terms of the promise of a democratised and decentralised internet, they remain susceptible to the abuse any emergent technology is inevitably open to.

NFTs are a prime example of the shiny new thing that brands inevitably gravitate towards. But as we’ve hopefully made clear, there’s a skill to minting creatively worthwhile or culturally meaningful work that a comparatively small handful of brands have mastered.

If you’d like to be one of those brands and find out more about NFTs, then feel free to get in touch.

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