

CHAPTER 4

NFT Disruption and Innovation in the Art World

The art world has long been a space for creative expression and cultural significance, with physical works of art being bought, sold, and collected by enthusiasts for centuries. However, the digital age has also brought about transformative changes with one of the most significant being the emergence of NFTs. This chapter delves into the adoption of NFTs in the art world, the benefits for artists and collectors, and the controversies that have arisen as a result, and offers a comprehensive strategy for those looking to successfully implement NFTs into their artistic endeavors.

The Rise of NFTs in the Art World

For centuries, a creator and collector of physical art would display their art in a physical space, like a museum or even in their own living rooms. Ownership and authenticity of that art was also easy to prove as collectors could certify their authenticity through independent experts and from the

artist themselves. The key difference between physical art and digital art is that the latter is digital and exists in a virtual form. Digital art can include illustrations, photographs, GIFs, 3D models, and more. However, digital art can easily be copied and displayed. For instance, if we see a picture we like on the Web, we can simply screenshot the digital art, or in many cases just save the image as a PDF or JPEG on our own computers, to be displayed wherever and whenever we want.

NFTs are used for digital art because they can certify the authenticity of the artwork and provide a permanent record of ownership. By tokenizing the artwork and recording it on the blockchain, buyers of the artwork can have confidence that it is the original work.

Additionally, NFTs can be used to create scarcity for digital art, making it a valuable asset. This is why digital art is one of the earliest implementations of NFTs ushering in the implementation of the renaissance of blockchain in the art world. In other words, an NFT functions as a digital certificate of ownership for a given asset and is distinct from any other NFT in circulation. Because of this feature, NFTs are being used to certify ownership of digital art.

This technology also facilitates the buying and selling of NFTs as well as the storage of ownership information on the blockchain, allowing for the digital asset to be exchanged, tracked, and managed on the blockchain.

Early NFT Art Projects and Impact on the Art World

The application of NFTs has brought about significant changes in the art world, offering new possibilities for creative expression, ownership, and trading. Some of the earliest implementations of NFTs in the art world were projects such as CryptoPunks and CryptoKitties, paving the way for numerous artists and collectors to explore this new frontier.

CryptoPunks, created by software developers Matt Hall and John Watkinson of Larva Labs, debuted in June 2017 as one of the earliest examples of NFT art projects. The project consists of 10,000 unique 24x24 pixel art characters, with each Punk featuring a distinct combination of attributes, such as different hairstyles, facial expressions, and accessories. Originally, these digital characters were available for free to anyone with an Ethereum wallet. However, as demand grew, the value of these Punks rapidly increased, with some selling for hundreds of thousands or even millions of dollars.

CryptoPunks' success signaled the potential of NFTs as a medium for digital art and collectibles. The project demonstrated that unique digital items could hold value and be traded on blockchain platforms like Ethereum. In addition, it showcased the significance of provable scarcity and ownership in the digital art world, as the immutable nature of blockchain technology ensured that each Punk could not be replicated or counterfeited since each Punk has a different value based on when the art was minted.

In November 2017, a new implementation of digital art called CryptoKitties showed the art world how gaming and art could converge. CryptoKitties, developed by Axiom Zen (now Dapper Labs), was a virtual breeding game built also on the Ethereum network. Users could collect, breed, and trade digital cats, each with its distinct genetic traits that could be passed down to their offspring. The project gained widespread popularity. At its peak, the game even accounted for a significant percentage of transactions on the Ethereum network, even causing slowdowns on the network. (These problems exposed potential scalability issues of blockchain platforms at that time.)

As the success of CryptoPunks and CryptoKitties reverberated throughout the art world, artists began to experiment with digital art forms, exploring the possibilities that this new medium offered. Meanwhile, social media and online platforms emerged as bustling marketplaces where artists could showcase their works and collectors

could seek out new and exciting pieces. In the past, an art object would often take years and sometimes centuries to gain the attention of the masses. With these new social networks and digital bazaars, an artist could quickly draw attention to their creation in days, if not a few hours. It was in these digital bazaars that artists began to see the true potential of NFTs.

One of these artists was Mike Winkelmann, also known as “Beeple.” “Everydays: The First 5000 Days” is a collection of 5,000 images created by Beeple over a 13-year period which were then compiled into a single, collective piece. The artwork was sold as an NFT. The sale of “Everydays: The First 5000 Days” was a landmark event in the history of digital art as it was the first NFT artwork to sell at a major auction house. Sold for over \$65 million, it set the record for the most money spent on digital art. This sale has had a major impact on the art world as it has given digital art, and NFTs in particular, the legitimacy that it lacked.

Other high-profile NFT sales have since followed, including the sale of Grimes’ “WarNymph” for over \$6 million and the sale of “Crossroads 2” by artist Pak for over \$16 million. These auctions have had a major impact on the art world and are sure to shape the future of digital art for years to come.

The Adoption of NFTs by Established Artists and Brands

The legitimization of NFTs in the digital art brought on by Beeple’s and other successes has paved the way for established artists and brands to monetize their artwork and merchandise.

Established brands and companies have released limited-edition and exclusive products as NFTs. For example, the NBA recently released a series of NFT trading cards, called The Association, where the collectible’s design changes over time. The appearance of the NFTs evolves based on players’ on-court performance. The more accomplished a player is

throughout the season, the more their NFT will visually change. Besides this NFT initiative, the NBA has heavily contributed to putting sports NFTs on the map through Dapper Labs' NBA Top Shot. In 2022, the platform was largely responsible for the NFT sports-craze driving sales that reached almost \$1 billion.

In addition to monetization, established artists and brands have also adopted NFTs to increase engagement with their fans, customers, and followers. For example, music artist Steve Aoki recently released an NFT collection that includes limited-edition digital art pieces and merchandise. Other artists and brands have leveraged NFTs for marketing campaigns, offering rewards to fans who purchase their NFTs.

The Benefits of NFTs for Artists and Collectors

Overall, the use of NFTs by established artists and brands is proving to be beneficial. NFTs offer a way for artists to monetize and certify their artwork, and for brands to create exclusive products and incentive-based marketing campaigns. The use of NFTs by these established entities is making digital art and collectibles more widely accepted.

Financial Benefits

The examples of Beeple's and Steve Aoki's NFT collections have illustrated the potential financial benefits to artists and collectors by selling original creations. But aside from the sale of these NFT collections, there are further opportunities to earn royalties through platforms that offer "secondary sales royalties" features. By using these features, the artist can set a certain percentage of the purchase price of the secondary sale to be paid to them as royalty. For example, the artist might set a 5% royalty on secondary sales, so they will receive 5% from the purchase price of

any secondary sales of their NFTs. In addition to setting a percentage on secondary sales royalties, the artist can also designate different license types on the platform. This allows the artist to control how their artwork is used, giving them more control over their creative work in addition to creating additional royalty streams.

There are a number of platforms available for artists that feature secondary sales royalty options. Some popular examples include SuperRare, MakersPlace, Foundation, and OpenSea, among others. Each of these platforms offers different features and services, so be sure to do your own research to find the best one for you.

In addition to these platforms, there are also a number of blockchain-based projects that are specifically tailored toward artists. These projects often feature various tools to help artists monetize and protect their artwork, such as royalty payment services and copyright management.

Finally, there are also traditional platforms that are beginning to offer NFTs and secondary sales royalty features. Platforms such as eBay and Patreon are two examples of this, and more platforms are sure to follow.

Provenance and Authentication

Provenance and authentication are two critical components of the art world. Provenance refers to the history of ownership of a piece of art, while authentication is the process of verifying that a piece of art is genuine. Both of these factors can significantly impact the value of an artwork, making them essential for artists looking to sell their work.

Recently, NFTs have emerged as a new tool for artists to benefit from provenance and authentication. NFTs are unique digital tokens that are used to represent ownership of a digital asset, such as a piece of art. When an artist creates an NFT for their work, they can include information about the artwork's provenance, such as its previous owners and exhibition history.

By including this information, artists can increase the value of their work by providing potential buyers with a sense of the artwork's history and significance. This can help to establish the artwork's authenticity and validate its value. Additionally, the use of NFTs can provide artists with a greater degree of control over the distribution and ownership of their work, allowing them to maintain ownership and potentially receive royalties each time their work is sold.

The use of NFTs can also help to protect artists from fraud and theft. As NFTs are stored on a blockchain, they are virtually impossible to counterfeit or manipulate. This makes it much more difficult for fraudsters to pass off fake artwork as genuine, helping to protect both artists and buyers.

Expanding Opportunities for Emerging Artists Through Democratization

The democratization of the art market is having a major impact on the opportunity for emerging artists largely due to NFTs. The traditional art market is often seen as closed off and inaccessible to emerging artists, with galleries and other outlets often having high requirements for entry. However, with democratization, more and more artists are finding opportunities to showcase their work without the need for an institutional setting. By tokenizing artwork and recording it on the blockchain, artists can have confidence that their work will be protected and its authenticity certified. This allows the artist to create a digital marketplace for their work, giving them more control and creating more opportunities for them to reach a wider audience.

Additionally, the use of digital platforms has also contributed to the democratization of the art market. Platforms such as Instagram, Twitter, and YouTube allow artists to share their work and connect with potential buyers. These platforms also allow for more interaction between the artist and the audience, allowing for meaningful engagement and feedback.

The Appeal of Digital Art for Collectors

Thanks to the emergence of digital ownership and the increasing appeal of unique, one-of-a-kind items, NFTs have also transformed the market for collectors. With NFTs, collectors now have the opportunity to own digital assets that are unique, rare, and verifiably authentic, opening up a whole new world of investment opportunities.

One of the key appeals of digital ownership for collectors is the sense of exclusivity and uniqueness that comes with owning a one-of-a-kind item. With traditional collectibles such as art or sports memorabilia, there may be multiple copies of the same item, leading to a dilution of value. With NFTs, however, each item is unique, with its own distinct properties and attributes, ensuring that its value remains high.

The emergence of NFTs has also created new investment opportunities for collectors. With traditional collectibles, the value of an item is often tied to the broader market for that particular type of item. With NFTs, however, the value is determined solely by supply and demand, creating the potential for significant returns on investment.

Moreover, NFTs are highly portable, meaning that they can be easily bought and sold on digital marketplaces, offering collectors greater liquidity and flexibility in their investments. This has led to the creation of a whole new ecosystem of digital marketplaces and platforms, catering specifically to the trading of NFTs.

Controversies Surrounding NFTs in the Art World

The emergence of NFTs has revolutionized the art world, providing new opportunities for artists and collectors alike. However, NFTs have sparked heated debates within the art community.

Environmental Concerns

One of the most prominent controversies surrounding NFTs is their impact on the environment. The creation and trading of NFTs on blockchain networks like Ethereum require significant computational power, resulting in high energy consumption and, consequently, a substantial carbon footprint. Critics argue that the art world's embrace of NFTs is contributing to climate change, undermining efforts to reduce carbon emissions and promote sustainability.

On the other hand, proponents of NFTs point out that many blockchain networks are transitioning to more energy-efficient consensus mechanisms, such as Ethereum's shift from proof of work to proof of stake. Additionally, some NFT platforms are adopting eco-friendly practices, like carbon offsetting, to mitigate their environmental impact.

Artistic Integrity and Authenticity

Another controversy is the debate surrounding artistic integrity and authenticity. Some critics argue that the digital nature of NFTs makes it easier for artists to plagiarize or misrepresent other creators' works. They contend that the absence of a physical artifact reduces the perceived value of digital art and fosters an environment where intellectual property rights may be disregarded.

In contrast, NFT supporters assert that blockchain technology can actually enhance the authenticity and provenance of digital art. Through the decentralized ledger, the ownership and transfer history of an NFT can be securely tracked and verified, making it difficult for forgeries to enter the market. They argue that NFTs provide an opportunity for artists to protect their work in the digital realm, where plagiarism has long been a pervasive issue.

Commodification of Art and Culture

Critics argue that the rise of NFTs has led to the over-commercialization of art, with collectors and speculators treating digital artworks more like tradable assets than meaningful creative expressions. This shift, they claim, could lead to a focus on financial gain at the expense of artistic merit and cultural significance.

However, NFT proponents argue that the art world has always been intertwined with commerce, and NFTs are simply a new medium for artists to monetize their work. They maintain that the financial success of NFTs can enable artists to sustain themselves and fund future projects, ultimately enriching the cultural landscape.

Exclusivity and Accessibility

Lastly, the issues of exclusivity and accessibility have been key points of contention in the NFT art world. Some argue that NFTs perpetuate the art world's elitist nature by catering to wealthy collectors and creating a barrier to entry for those with fewer financial resources. They contend that this could lead to the further marginalization of underrepresented artists and communities.

On the other hand, supporters highlight the role of NFTs in democratizing the art market. They assert that NFT platforms provide emerging artists with the opportunity to showcase their work to a global audience, bypassing traditional gatekeepers like galleries and auction houses. Additionally, fractional ownership of NFTs has been proposed to increase accessibility to digital art for a wider range of collectors.

Strategies for Artists and Collectors

The digital art world has experienced a transformative shift with the emergence of NFTs, presenting new opportunities for artists and collectors alike. As more individuals enter the NFT art market, it is essential to understand the strategies that can help them succeed in this rapidly evolving landscape.

Here are some key strategies that both artists and collectors should consider when entering the NFT art world.

I. Strategies for Artists

A. Establish a Unique Artistic Identity

1. Develop a distinct and recognizable style that sets you, the artist, apart from others in the NFT space.
2. Convey a consistent artistic vision or message through their digital creations.

B. Build an Online Presence

1. Utilize social media platforms to showcase artwork, engage with followers, and build a community.
2. Create a personal website or portfolio to display and sell digital art. This is in addition to listing your platform on an NFT marketplace.

C. Embrace Collaboration and Networking

1. Partner with other artists, influencers, or brands to create collaborative NFT projects or cross-promote each other's work.
2. Participate in online forums and communities dedicated to digital art and NFTs to expand professional networks and learn from other artists.

D. Select the Right NFT Marketplace

1. Research various NFT marketplaces to find the one that best aligns with the artist's style, target audience, and values.
2. Evaluate factors such as platform fees, user experience, and support for eco-friendly practices.
3. Several NFT Marketplaces to consider:
 - a) **OpenSea:** OpenSea is one of the largest and most popular NFT marketplaces, featuring a wide range of digital assets, including art, collectibles, domain names, and virtual goods. It supports Ethereum and Polygon blockchains and offers an easy-to-use interface for both creators and collectors.
 - b) **Rarible:** Rarible is a decentralized NFT marketplace that allows users to create, buy, and sell digital art and collectibles. It features a user-friendly platform and offers a governance token (RARI) that enables its community to participate in decision-making processes.
 - c) **SuperRare:** SuperRare is a curated marketplace that focuses on high-quality, single-edition digital art. It has a rigorous selection process and is known for showcasing works by some of the top artists in the NFT space. The platform is built on the Ethereum blockchain.

- d) **Foundation:** Foundation is another curated NFT marketplace that connects digital artists with collectors. It emphasizes creative innovation and supports a diverse range of artists, from emerging talents to established names. The platform operates on the Ethereum network.
- e) **Nifty Gateway:** Nifty Gateway is a centralized NFT platform that hosts regular “drops” of exclusive, limited-edition digital art from renowned artists and brands. It offers a user-friendly experience and supports credit card payments, making it accessible to a broader audience beyond the crypto community.
- f) **Async Art:** Async Art is a unique NFT platform that focuses on programmable art, allowing artists to create digital artworks with adjustable layers or elements. Collectors can own individual layers or elements of an artwork and modify them, resulting in dynamic and ever-evolving pieces.
- g) **KnownOrigin:** KnownOrigin is a curated NFT platform that emphasizes high-quality digital art from both emerging and established artists. It operates on the Ethereum blockchain and offers a range of features, including auctions, editions, and artist collaborations.

h) Hic et Nunc (HEN): Hic et Nunc is an NFT platform built on the Tezos blockchain, known for its energy-efficient proof-of-stake consensus mechanism. It has a strong focus on sustainability and offers a simple interface for artists to mint and sell their digital creations.

4. These marketplaces offer various features, fees, and experiences, so artists and collectors should carefully consider which platform best aligns with their needs, preferences, and values before entering the NFT art world.

E. Pricing and Editions

1. Determine the appropriate pricing structure for digital art based on factors such as market demand, production costs, and the artist's reputation.
2. Consider the benefits of creating limited editions or one-of-a-kind pieces to enhance the perceived value and exclusivity of the artwork.

F. Marketing and Promotion

1. Leverage social media, email marketing, and public relations to generate buzz around NFT art releases.
2. Utilize data analytics to monitor the effectiveness of marketing efforts and adjust strategies accordingly.

II. Strategies for Collectors

A. Develop a Collection Strategy

1. Identify the collector's goals and motivations, such as financial gain, supporting emerging artists, or preserving cultural heritage.

2. Determine a focus or niche for the collection, such as a specific art style, theme, or artist.
- B. Conduct Thorough Research
1. Investigate the background and credentials of artists before purchasing their digital art.
 2. Analyze market trends and sales data to make informed decisions about which NFTs to acquire.
- C. Engage with the Art Community
1. Participate in online forums, social media groups, and events dedicated to NFT art to expand knowledge and connections within the community.
 2. Attend virtual exhibitions, auctions, and artist talks to stay informed about the latest developments in the NFT art world.
- D. Ensure the Authenticity and Provenance of NFT Artworks
1. Verify the origin, ownership history, and smart contracts associated with NFTs before purchasing.
 2. Consult with experts or utilizing third-party authentication services, if necessary.
- E. Manage and Protect the NFT Collection
1. Select a secure digital wallet to store NFTs and safeguard private keys.
 2. Regularly monitor the value of the collection and consider options for insurance or asset protection.

Summary

The advent of NFTs has undoubtedly disrupted the art world, introducing new opportunities for artists and collectors while also raising significant concerns and debates.

As the adoption of NFTs continues to grow, it is crucial for stakeholders to engage in ongoing conversations about the implications of this technology and its impact on the art world. Adopters of NFT also require a thoughtful strategy – where artists and collectors carefully select the right NFT marketplaces, developing the appropriate target audience and marketing strategies. Only by embracing both the benefits and addressing the controversies surrounding NFTs can the art world navigate the complex landscape of this digital revolution.

Entering the NFT art world can be both exciting and challenging for artists and collectors. By adopting the strategies outlined in this chapter, artists and collectors can better navigate the complexities of the NFT market, maximize their success, and contribute to the continued growth and evolution of digital art.