

NON-FUNGIBLE TOKENS YEARLY REPORT

2020

PROFESSIONAL EDITION

MARKET RESEARCH. TRENDS DECRYPTION. PROJECT REVIEW.

EVERYTHING YOU NEED TO KNOW ABOUT THE NFT ECOSYSTEM



NonFungible.com

L'ATELIER
BNP PARIBAS

FOREWORDS

The NFT Yearly Report 2020, fresh from the oven!

The purpose of this report is to provide an overarching and detailed view of the Non-Fungible Token ecosystem during 2020.

The exponential growth within the sector has been particularly impressive, especially given that the Crypto bear market was in full force during most of the early stages of development.

There is little doubt that the loyal and tight knit groups who initially evolved around various NFT blockchain projects have since seen the contents of their wallets dramatically increase in value as the ecosystem evolved and NFT projects began to attract more and more outside and mainstream interest.

This report is not meant for Non-Fungible experts but to help everyone in or outside the Non-Fungible Tokens ecosystem to better understand what is going on. What is the potential? Why should you care about NFT?

2020 has been an unprecedented year for most of the world's population, with many challenges to face, from a global pandemic and lockdown to political upheavals, riots and not to mention catastrophic natural disasters... we've had it all!

In stark contrast and perhaps partially due to such turbulent global events, interest and investment in virtual economies and digital assets has boomed, more than ever seen before.

Within the Non-Fungible Token ecosystem individual sectors have seen success, Art, Gaming and Digital Assets have all gained remarkable traction during 2020 with this once niche and experimental industry maturing into a force to be reckoned with.

In addition, we are witnessing increased uptake from big brands, celebrities, and industry players hoping to make their mark in this digital frontier. Non-Fungible Tokens are looking set to become the breakthrough technology that brings Crypto and Blockchain to the masses. Now, more than ever, the data and community behaviors in this NFT space are vital to understand as the learning phase ends and we enter a new era in NFT Blockchain Technology.



The NonFungible Team

(Dan Kelly, Gauthier Zuppinger, Maxime Laglasse, Jess Ford)



WHAT ARE NFT AND WHY YOU SHOULD CARE ABOUT THEM

What are Non-Fungible Tokens?

Non-Fungible Tokens are easily exchangeable and individually unique digital assets which are held on certain blockchains, mainly Ethereum but also others such as Flow, Wax, and many others. Although the original concept for NFT goes back to 2015, it wasn't until 2017 when the first projects began appearing on the Ethereum Blockchain in the ERC20 standard, and over the next two years more NFT standards were accepted and utilized.

One of the key differences between Cryptocurrencies and Non-Fungible Tokens is that every NFT is completely and not directly interchangeable with any other asset by identity, value, and/or utility.

Every Non-Fungible Token is composed of metadata which gives each one their individuality, these attributes can include size, artist name, scarcity etc.

NFT not only exist in a digital space but crucially they can also represent any type of physical asset, acting as a kind of 'digital twin' to anything existing in the real world and enabling the ownership and exchange of physical possessions within digital marketplaces.

True ownership is one of the defining key components of any NFT and, as the digital economies continue to thrive, there is no doubt that NFT will play a pivotal role in bringing the digital and physical worlds closer to one another than they have ever been before.

Why you should care about NFT

There is little doubt that what has already been explored by projects in the NFT ecosystem has merely scratched the surface of this vibrant industry's full potential. We are still in the early days of a young and developing space with many new ideas and projects formulating.

Even so, the impact this ecosystem has had and will have in future for already established industries, is profound.

The space continues to experience a remarkably fast uptake and participation from major brands & IPs such as Animoca, Ubisoft, Warner Bros, NBA, Formula 1, The BBC, Atari and more.

Also, individual creatives, artists, musicians and filmmakers to mention a few, are empowered by the independence, provable authenticity and security the NFT ecosystem offers, the possibilities for makers are endless, opening up an entirely new global environment to show and sell their work.

There is little doubt the World of NFT is poised to become mainstream and will be revolutionary and disruptive to both new and established industries.



THANK YOU!

Thank you to our vibrant community!

We wanted to send most heartfelt thanks to all our readers and awesome community. The past few years have been quite the ride and we are grateful to be at the heart of such an inspiring movement and new digital frontier.

We were hugely surprised with last year's report success, so we decided to propose something even better this year, bringing you an even more in depth and detailed view of this vibrant and fast-moving ecosystem.

In this Yearly Report we offer even more in-depth analysis. We do not simply bring you raw charts and figures but a deep and analytical view of everything provided.

Our aim with this edition is that it should be understandable by anyone who finds it of interest, whether they are inside or outside of this fast-paced industry.

Here we have focused not only on the markets alone but also on key qualitative signs of maturity and growth, such as new IPs and Community behaviors for example. Thanks to the support of L'Atelier BNP Paribas we can now offer readers the first ever insights into the anthropology and human behaviors behind the NFT ecosystem.

We have built this new edition for our readers and want to say a heartfelt thank you for all your ongoing support. To everyone who has assisted us in the building of this report, we are grateful, we have learned from your feedback. And a very special thank you to everyone who has given us their time, whether it be for an interview or to assist in refining the reports' structure.

And of course, a very special *thank you* to our amazing sponsors!



Axie Infinity

One of the OG Games on the Ethereum Blockchain, Axie Infinity's cute yet fearsome beasties have been a huge success since launch. With a brilliant exploration of what an NFT can be in a game environment, coupled with their simple yet highly addictive game play, Axie attracts an increasing number of users. It's fair to say Axie Infinity are pioneers of NFT Gamification and the Play to Earn Model.





Immutable

Immutable is the Game studio behind the most well-known blockchain trading card game: Gods Unchained. This new kind of TCG has already marked the history of NFTs with its incredible sales and the technical exploits that its teams have succeeded in achieving. Today Immutable returns with an innovative Layer-2 solution: Immutable X, which is the only solution that doesn't compromise on user security to offer instant, scalable, and affordable NFT minting and exchange.



Sorare

Calling the 4 billion football fans in the world through collecting, owning and trading limited edition collectibles (in the form of ERC-721s). Sorare is designing a game experience where you can manage your players, using your knowledge and skill to succeed.

Over 130 football clubs have joined Sorare such as Liverpool, Real Madrid and Bayern Munich. Experience football connection like never before, bringing fantasy to reality with Sorare. Own your game, own the beautiful game.



The Sandbox

An Open Metaverse filled with individual video games which are created by its LAND owners. From single plot owners looking to build their own game through to large Atari estates with content created by teams, the world is developing into a vibrant ecosystem. The Sandbox responsive 'Builder' gives users the ability to create a multitude of assets and experiences making this world filled with endless potential for pioneers of the metaverse and gamers alike.



OVR

A fusion of digital and physical with a virtual layer of interlocking hexagons which cover the globe, each has specific coordinates and name, OVR created a space where reality and the virtual can coexist. OVR technology traces your surrounding environment so AR content seamlessly blends into your reality, in a perfect marriage between reality and digital. When it comes to viewing historical content in the location it occurred, OVRs digital layer is at the cutting edge of generating unique experiences.





Watch Skins

Certification of Luxury Brands comes to The Blockchain with Watch Skins. Create, upload and authenticate your own smartwatch face designs as well as purchase luxury brand names which are certified and distributed as NFT.

Watch Skins marketplace offers a place to trade, bringing fashion and style to digital collectibles with blockchain technology adding provable value and authenticity and making it pay to be a collector.

Special thanks to our key partner



This report would not have been complete without the invaluable support of our partner L'Atelier BNP Paribas. L'Atelier BNP Paribas is a foresight business focused on identifying opportunities and challenges emerging at the intersection of social and technological change. The virtual economy has been a key area of focus in their research for some time. You can see more of their work at www.atelier.net/projects

Always on the lookout for emerging trends and innovative projects, their guidance with the design of this report, from structure to analysis has been invaluable.

It is an honor for us to have published this new edition of our NFT Yearly Report in partnership with them.

Why is L'Atelier and BNP Paribas Group interested in the NFT space?



For The BNP Paribas Group, there is significant opportunity and challenge in this area. Careers will emerge in the Virtual Economy; how can we understand these careers and how will these people be assessed for risk? If a person wants a Mortgage and their income is X% from the Virtual Economy, how does a Bank understand this and interact with that person in an effective way?

Will a Virtual asset infrastructure allow digital assets to be used as collateral for a loan and how can this be insured? These are the fundamental business questions that are essential for a Bank to ask in this new era of Virtual Economics.



John Egan – L'Atelier BNP Paribas CEO



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THE SANDBOX: WELCOME TO THE METVERSE



The Sandbox is building a unique virtual world where players can build, own, and monetize their gaming experiences using NFT (Non-Fungible Tokens) and \$SAND, the main utility token of the platform. \$SAND serves as the basis of transactions and interactions, enabling players to play, own, govern, trade, and earn. Players can create NFT via VoxEdit and upload them to the marketplace and integrate them into games through the #no-code Game Maker.

The team vision is to create opportunities and change the way people live, create, play, govern and earn in the virtual world! Over the past three years, The Sandbox has built the ground to establish a 100% Ownership Economy for Players & Creators with NFT and LANDS.

The Sandbox has also secured over 60 partnerships to develop content on the platform, including brands like Smurfs, Care Bears, Shaun the Sheep, dApp game studios like Dapper Labs (CryptoKitties), investors such as Square Enix (Final Fantasy, Tomb Raider), and iconic game companies like ATARI (Rollercoaster Tycoon, Pong).

2021 will be the Year of the Metaverse and will bring The Sandbox to life.

Join The Sandbox metaverse and a community of more than 100,000 members.



 sandbox.game

 linktr.ee/sandbox



GLOSSARY

There is little doubt that the Blockchain World can appear a minefield of complexities for newcomers and even those who are well seasoned can still find times when they become lost in their understanding. This is even more so with Non-Fungible Tokens where often very specific technical terms and vocabulary is used.

To assist in making this vibrant ecosystem as accessible to as many people as possible, we wanted to lay the foundations for a more simplified vocabulary which we will use throughout this report.

Segments

| Segment name | Definition |
|--|--|
|  Art | Marketplace, Project or individual Artist who produces, sells or generates content in the form of an NFT which is considered to be a work of Art or relates directly to an Art form whether manual or generative. |
|  Collectibles | Project whose primary function is to issue Tokens intended to be collected. These Tokens can be part of a system that includes gamification or a set of interactions between Collectibles themselves or between the Collectors and Players. |
|  Gaming | Video Game using the NFT standard. This can be Trading Card Games (TCG) strategy role-playing games (RPG) or any other fun-based gaming experience incorporating NFT. |
|  Metaverses | Parallel digital Universes which offer a set of unique experiences to users. These Virtual Worlds are accessible via a computer, virtual reality headset, or even a smartphone. They can be compared to the experiences offered by Virtual World Second Life and more recently to the film Ready Player One. |
|  Sport | Sport projects are in the unusual position of being built around assets which feature personalities from the world of sport, most often in connection with the real-world players and teams such as Formula 1, football clubs, basketball teams and so on. |
|  Utilities | Covering a wide variety of projects in which the NFT itself does not necessarily have a gaming or artistic function. Among other use cases utilities can be NFT domain names, tickets and assets that can grant access or specific rights to their owner. |



Miscellaneous

This last project category includes all smart contracts that are tracked by NonFungible.com but have no record on the web, or ones where the creators are not known. This segment does not appear in the report as such, but is included in the overall volumes for the year.

Vocabulary

| Term | Definition |
|--------------------------|---|
| Asset | An Asset is a NFT Token which represents either a solely digital possession or is the digital twin of a physical possession. |
| Bitcoin | The first Cryptocurrency in history, often referred to as Digital Gold. This term refers to the crypto currency (also called BTC) and the blockchain network. Originating after the 2007 financial crisis and the first to utilize a decentralized P2P network. |
| BUIDL / Buidlers | People working on the different use-cases linked to a blockchain. The mispealing is in reference to the famous HODL. |
| Crypto artist | Creatives, including visual artists, musicians and filmmakers who choose to publish their work as an NFT on a blockchain such as Ethereum. |
| CryptoCurrency | Running on a trustless peer to peer network, digital currencies transactions are verified and maintained by a decentralized system of computer nodes using cryptography. |
| Crypto / Blockchain Game | Using a decentralized blockchain rather than a centralized server, in-game NFT assets are distributed across the network, are interoperable between games and their scarcity is verifiable. |
| DeFi | Decentralized Finance represents lending, borrowing or token swapping carried out by smart contracts. |
| dApp | dApps or decentralized applications, an interface for smart contracts utilizing a P2P network of computers and not controlled by a centralized source, essentially software running on a distributed ledger. |
| ERC | Ethereum Request for Comment, token standard for the Ethereum network. API for tokens within smart contacts including transfer, balances and supply, the foundation standard of all NFT. |



Ethereum

A decentralized programmable software platform, it allows developers to create dApps without building their own blockchain. Its native currency is Ether or ETH.

ETH

The native currency of the Ethereum network it lubricates the system, each transaction on the Ethereum blockchain requires a small fee of Gas (Gwei) Also an independent Cryptocurrency ETH is tradable on exchanges.

Fees

With each action or transaction on the Ethereum blockchain there is also a fee required, Gas or Gwei is the fee you pay and prices fluctuate depending on the network's congestion.

Flipper

Trader who buys low to sell at higher price.

Fungible Token

Fungibility is an assets ability to be interchanged with another asset, a Fungible Token is not unique, currency is an example, I can exchange 1 BTC for another both have the same value at that moment in time.

Gas / Gwei

Gwei is a unit or denomination of Ether, or GigaWei. 1 ETH is 1,000,000,000,000,000 WEI, which is the smallest unit on the Ethereum network. 1 GWEI = 0.000000001 ETH.

Ethereum network fees are paid in Gwei, also called Gas.

HODL / Hodlers

Crypto slang for a person who long term holds their assets as opposed to flipping on a trade. First coined in 2013 on the Bitcoin Forum by an allegedly inebriated user with the now iconic phrase, 'I AM HODLING'.

Miner

Ethereum currently uses a Proof of Work consensus mechanism. Miners are computers running software connecting them to the network, using their time and computing power to process transactions and create blocks which are added to the Ethereum Blockchain.

Mining

Achieved by powerful computers connected to the Ethereum network and solving complex mathematical problems. This PoW or Proof of Work mining system gives 'Miners' Ethereum rewards for the work done.

Mint

Minting is the process of creating an NFT, you can 'Mint' your own tokens by writing an NFT contract or use one of the many platforms dedicated to the creation of NFT.

Non-Fungible Token (NFT)

A unique digital asset, Non-Fungible means each asset is individual and can't be replaced with another. Humans are Non-Fungible. The Token is information which is validated and held on a suitable Blockchain.



Play to earn

Where time spent within a game can be monetized, commonly achieved through selling in-game objects you obtained on an open market but also by leasing out your earned digital assets, land, wearables etc.

RPG

Role Playing Game, a gaming genre based on your control of a character in a digital world. The character can be developed overtime through attaining quests and overcoming challenges.

Semi-Fungible Token

SFTs are much like Fungible Tokens to the developer but to the end user the token functions as an indistinguishable copy of another in the same set. Developers can sell them as either a bundle of the same token or individually.

Smart contract

A program which runs on a Blockchain, a collection of code and data that has been stored at a specific address on its Blockchain. A type of pre-programmed account with pre-defined functions. User accounts interact by submitting transactions, the code enforces the rules.

Social Token

Token linked to an individual or organization with the objective of promoting a community and their social interactions.

TCG

Card game where players fight against other players or collect rare cards.

Transaction

Action on a blockchain which sends crypto-currency or interacts with a smart contract to store or initiate different programs. For example: Transferring an NFT.

Wallet

Crypto-wallet to store crypto-currency and tokens.

Whale

Generally wealthy wallet with a valuable portfolio of cryptocurrency or NFT assets.

Metrics

| Metric | Definition |
|----------------|---|
| Active Wallets | Number of unique crypto-wallets in a project. A single user may have several wallets. |
| Buyers | Any user who purchases NFT. |



| | |
|-------------------------------------|--|
| Crypto-currency volume (dApp) | Total Crypto-currency volume that has circulated within a project, including buys, sells and interaction with smart contracts such as breeding, upgrades, updates etc. |
| Crypto-currency volume (from sales) | Total Crypto-currency volume generated only from sales excluding all other type of interactions and blockchain fees. |
| Liquidity rate | Percentage of the total supply of a specific type of asset that has been traded on secondary markets |
| Price | Price determined by the seller or desired by the buyer. |
| Primary market / sale | Market determined by the first and original sale of an asset. |
| Profitable sale | When the re-sale of an asset generates more money than the initial purchase price. |
| Retention rate | Number of unique Crypto-wallets active within a specified period of time. |
| Sales volume | Total volume/quantity/number of asset sales. 10 NFT sold in a single bundle is considered 10 sales. |
| Secondary market / sale | Market determined by sales occurring after the initial Primary Market sale. |
| Sellers | Any wallet who sells an NFT. |
| Transaction volume (dApp) | Total number of transactions of a dApp, including buys, sells and interaction of smart contracts such as: bids and withdraws, transfers, minting, configuration, etc. |
| USD volume (dApp) | Total USD volume of a dApp, including buys, sells and interaction of smart contracts such as: bids and withdraws, transfers, minting, configuration, etc. |
| USD volume (from sales) | Total USD volume from only NFT sales. |



DISCLAIMER

What data was used to produce this report?

A growing section of blockchain gaming, and also more rarely crypto-art, occurs off-chain. They offer many benefits to both NFT users and owners, starting with their reduced Blockchain fees. To date among the most used are Matic and Loom. Side chain activity is not yet supported by NonFungible.com.

With the Ecosystem growing at an exponential rate, other technological standards have developed on the Ethereum Blockchain, such as the ERC-1155 (Semi Fungible) and the ERC-998 (Composable NFT). The technology developed by the NonFungible.com teams does not currently support these two standards.

A growing section of blockchain gaming, and also more rarely crypto-art, occurs off-chain. These are commonly referred to as side-chains and they offer many benefits to both NFT users and owners, starting with their reduced Blockchain fees. To date among the most used are Loom and Matic. Side chain activity is not yet supported by NonFungible.com.

Some lesser utilized NFT standards on non Ethereum Blockchains are not currently supported by NonFungible.com – these include EOS, NEO, Tron, WAX, Flow and Bitcoin Cash.

NonFungible.com currently only supports transactions that occur on the Ethereum Blockchain in the main standard of NFT (ERC-721).

Certain projects have been actively excluded from our report for the following reasons:

- Doubt about the authenticity of the transactions (Wash Trading)
- Type of activity: The transactions do not reflect a comparable activity (ex: Finance) with the rest of the NFT ecosystem

List of excluded projects:

- DharmaHQ
- RoboAdvisorYield
- Auctionity
- Crypto Celebrities
- Crypto Countries
- Rarible



1 KEY TAKEAWAYS





TRACK NFT MARKETS. ESTIMATE YOUR PORTFOLIOS VALUE

Since the start of 2018, NonFungible.com has been the benchmark for NFT Market Analysis and the only platform to offer real-time tracking of nearly 150 projects.

Explore market and discover projects

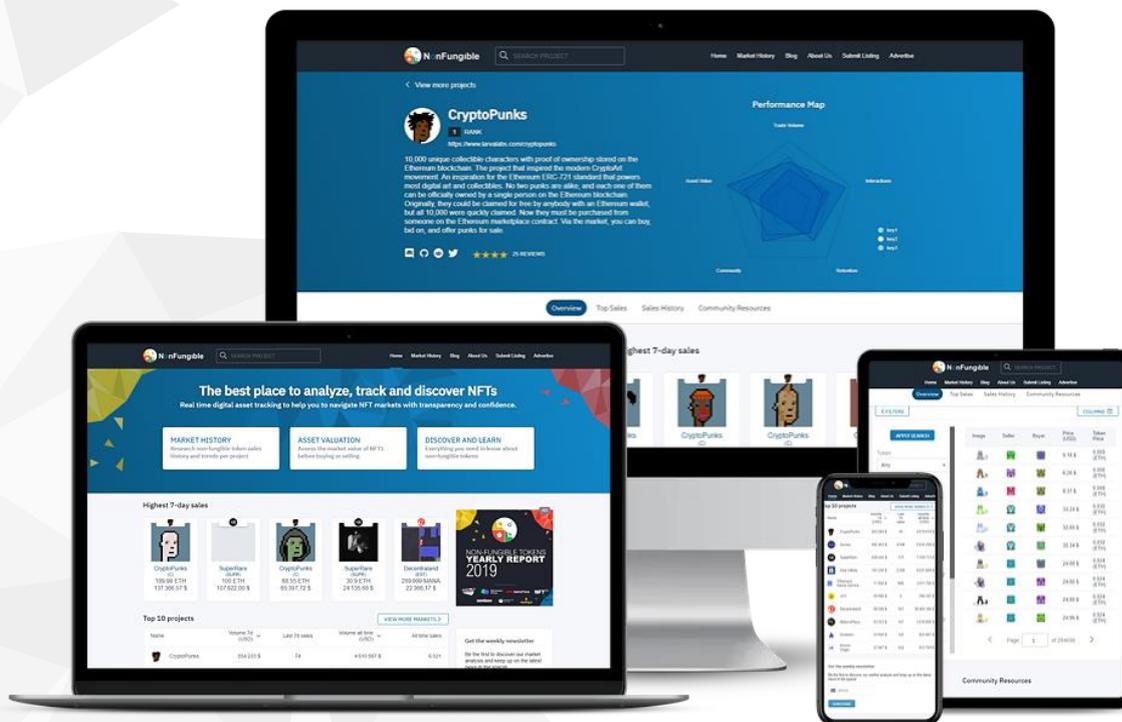
Do you want to understand the trends? Which segment performs best or projects that generate the most volume or even which Crypto-game has the biggest community?

Whether you are an experienced trader or just curious to discover new projects, here you will find all the resources necessary to enjoy your NFT journey!

Value your assets!

With real-time sales tracking, you can track the rating of any asset, find the average price of tokens comparable to those in your portfolio, or easily research before buying your next Collectible.

Don't be fooled by over-speculation, buy knowingly thanks to the market history of NonFungible.com



 nonfungible.com



THE REPORT IN 5 MINUTES

Everything you need to know about the Non-Fungible Token ecosystem and markets condensed into two pages.

Interested in the Non-Fungible Tokens ecosystem, would love to know more but don't have time to read this whole report? No problem, here is our summary of the key information held in this report.

1 The rise of hybrid 'super' communities is a game changer

During 2020 people from various communities began to come together to create cross-project communities in large numbers for the first time.

This merging of minds was based around shared passions for art, collectibles and the diverse use cases which are offered by NFT. These communities possess a colossal potential for development, adoption and communication which is more than just the experience that exists around an asset but also a complete social experience in itself.

2 Secondary market is still low

Although it is developing gradually, the secondary market remains relatively small compared to the overall market. Many assets are issued each year, partly to fund project development through pre-sales which continue to fill Wallets, but even so many asset classes are circulating very little or not at all in the Secondary Markets.

3 Layer-2 solutions are inevitable

Sidechains such as Loom, Matic, Ronin, etc, have become an essential technological base in the development of projects. These ad-hoc solutions to the Ethereum blockchain have seen a particularly strong boom with the increase in the price of network fees on the blockchain linked to DeFi. Thanks to Sidechains, users only pay fees for key actions.

4 Brands & IPs rush to enter the NFT jungle

Whether it's Finance, Entertainment, Sports Licensing or Auction Houses, not a week goes by without a new major player showing interest in the NFT space. The appeal NFT have for these Brands is indicative of the future potential for assets and the diversity of use cases they can respond to.

5 Collectibles are slowing down

The renowned Collectibles segment is losing momentum which in turn is benefiting both the Art and Gaming segments, it seems that buyers are increasingly attributing value to assets based on what they can do with them.

Conversely, CryptoPunks, the first collectibles that were issued on the Ethereum Blockchain, have experienced unprecedented interest from collectors which is linked to them being the original NFT.

6 First vaults & funds backed by NFT

NFT have shown they can be the perfect store of value. The first Vault, WhaleShark, and fund backed by NFT (Metapurse Fund, Flamingo DAO) emerged, exploring the ability of NFT to help fund projects and create communities of interest.

7 Art skyrockets at the end of the year

Art has arguably been the best performing segment in 2020. Crypto Art is selling more and more, for ever higher prices. Wealthy collectors are arriving with a clear ambition for long term investments. The marked interest that auction houses like Sotheby's and Christie's shows confirm the potential of Crypto Art.

8 Covid lockdown had a positive impact on NFT adoption

The Covid lockdown has forced people to stay at home and explore new ways to interact and be entertained. Markets have proven that global lockdowns have tended to expand the ecosystem more than to slow it down.

9 People make more and more money with NFT

NFT traders have experienced unprecedented performance, with profits of up to \$500,000 in a single year and certain traders able to generate annual profits in excess of \$100,000 from trading NFTs, highlighting that the practice of NFT trading has become an extremely profitable business.

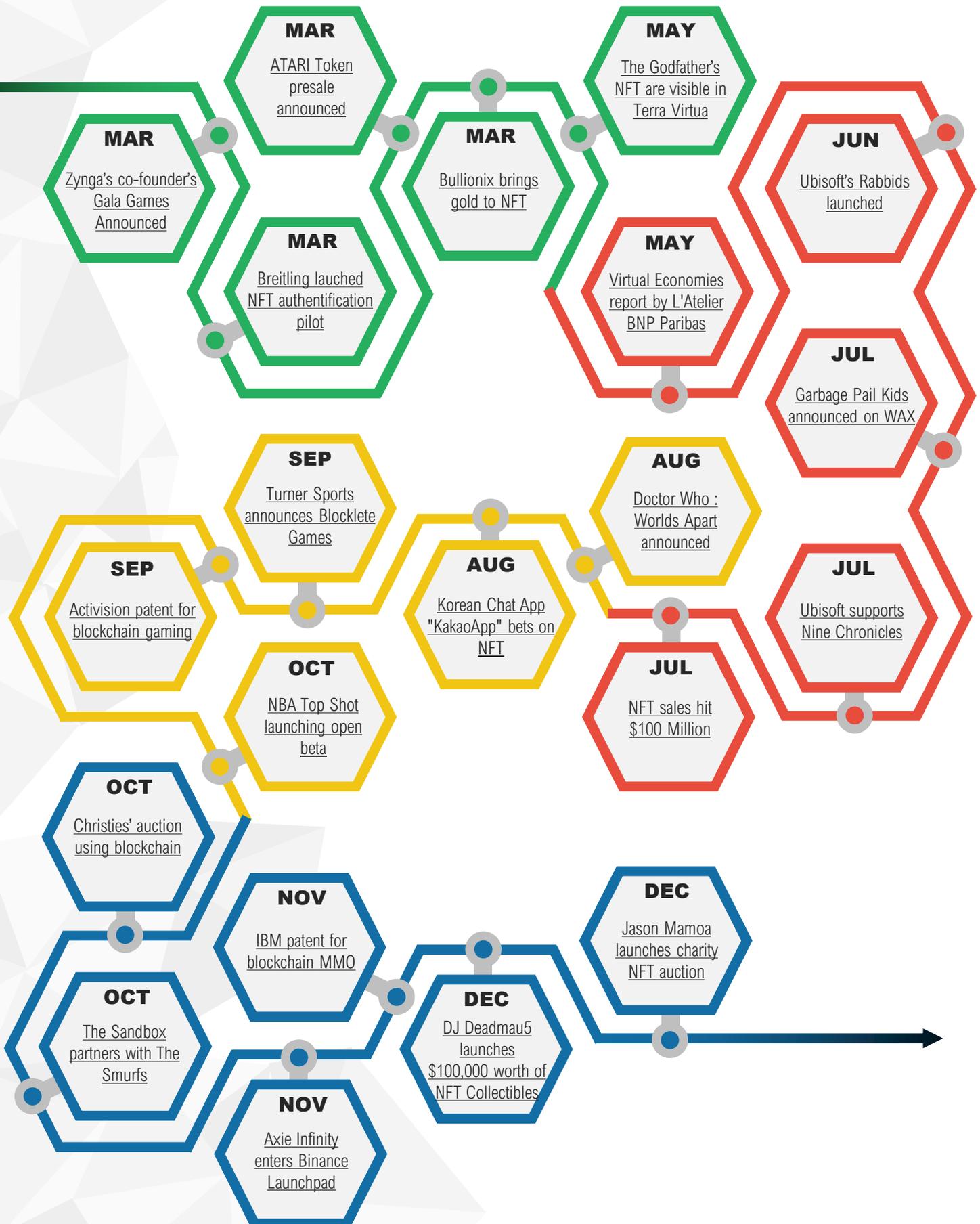
10 A lot of newcomers. More and more big spenders.

2020 saw the biggest growth ever in terms of the number of active people with nearly 250,000 wallets active over the year. A very large part of these users are newcomers. Among these newcomers, there is a significant proportion of big spenders with more than \$10,000 spent over the year.

2 WHAT HAPPENED IN 2020?



KEY EVENTS OF THE YEAR



PRESALES & FUNDRAISING





sorare.com

SORARE CARDS REINVENTS FANTASY FOOTBALL

Sorare allows soccer fans to collect and trade digital cards, while also using them to play fantasy games.

Each player card is certified by a club or league and generated on the Ethereum blockchain, so there's provable scarcity. Each card is unique.

Liverpool, Real Madrid, Bayern Munich, Juventus, Paris Saint-Germain ... and 100s of other clubs!



Scout your favorite football players, collect their cards, manage your team, and compete twice a week against the game and other Sorare managers to earn prizes (new cards and eth).

Like fantasy football games, the performance of the football cards you use for every tournament will correspond to the footballer's performance in the real world (if Ronaldo scores a hat-trick, he'll have an amazing score in Sorare).

JOIN THE COMMUNITY!

 sorare.com

 [@sorareHQ](https://twitter.com/sorareHQ)

 t.me/SorareFC



3 GLOBAL METRICS



INFLUENCE AND VISIBILITY

Before delving into specific indicators for the NFT world, we take a look at the global indicators which allow us to measure if the NFT Ecosystem has gained visibility and drawing in more people around the world.

For this, we have chosen to use the indicator provided by Google Trends, and monitor the search volume for the keywords "NFT" and "Non-Fungible Token".

Volume of NFT-related search on Google

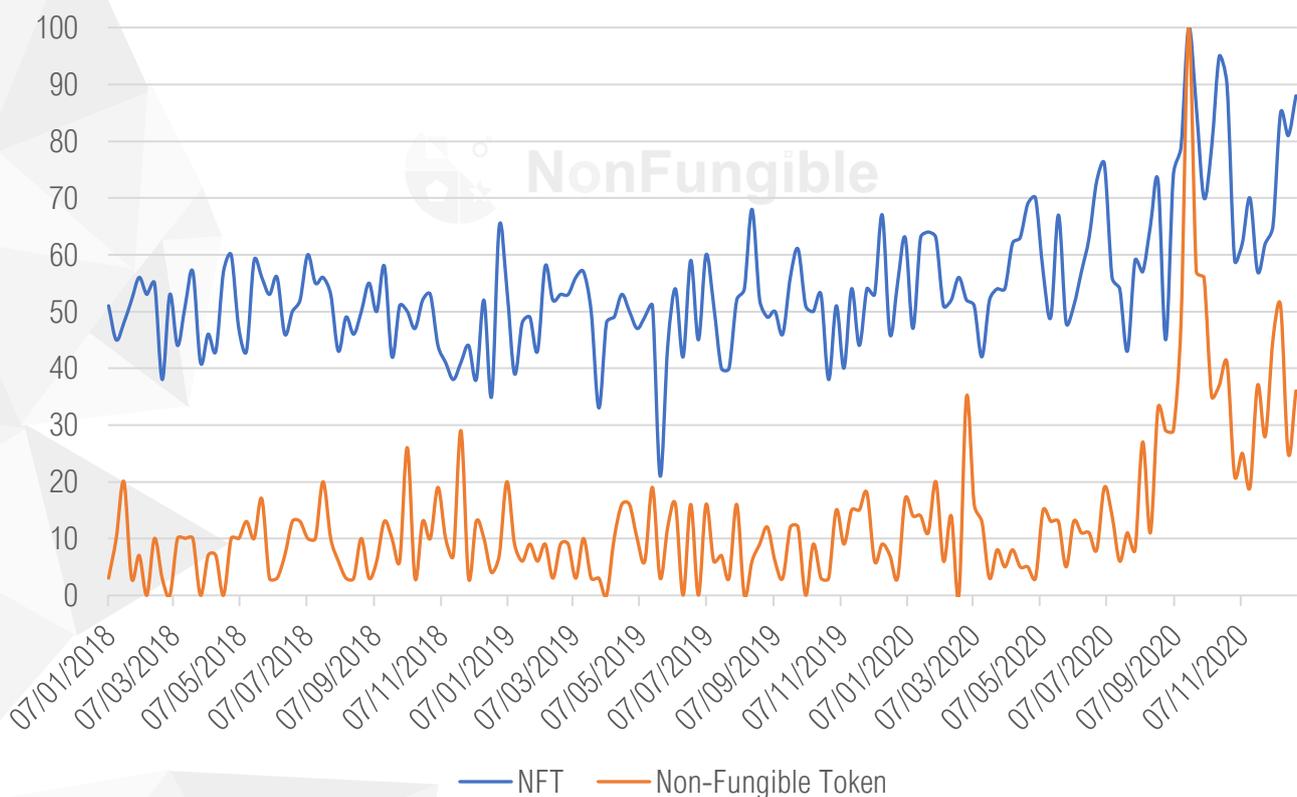


Fig. 01 – Relative volume of search of « NFT » and « Non-Fungible Token » on Google – 2018 to 2020
Source: Google Trends

It should be noted above all that the term NFT also refers to an irrigation system for agriculture. This explains the relatively large volume for "NFT" from the start of 2018.

In terms of the volume of searches on Google, this increased significantly over the second half of 2020 reaching an ATH. This rise can be explained first of all by the hype around the NFT x DeFi intersection, then preceded by the Crypto Bull Run which resulted in shining more light onto the Non-Fungible Tokens space.



2020 PERFORMANCE

It certainly appears that 2020 has been a good year for NFT, but from which viewpoint? Financial, adoption, the number of users?

This next section aims to give an overall view of the performance of the NFT industry, based on some macro indicators. These trends will be analyzed and expanded on in sections 5 – Market Activity and 9 – Community Behaviors.

| | 2018 | 2019 | 2020 |
|-----------------------|---------------|--------------------------|------------------------|
| Active Wallets | 110 551 | 112 731 +1.97% | 222 179 +97.09% |
| Buyers | 51 861 | 44 644 -13.92% | 74 529 +66.94% |
| Sellers | 27 877 | 25 264 -9.37% | 31 504 +24.7% |
| USD traded | \$159 142 527 | \$62 862 687* -60.52% | \$250 846 205 +299% |

Metric Definition

- Active Wallets – Number of wallets that have interacted with an NFT Smart Contract, the same person can have several wallets. These active wallets are not solely buyers and sellers but anyone who has played a game or interacted with a project using NFT. There are most likely more wallets than NFT users / owners, but the trend remains significant.
- Buyers – Number of wallets that bought at least one NFT during the year.
- Sellers – Number of wallets that sold at least one NFT during the year.
- USD traded – Total volume traded in NFT. This volume includes all sales, but also in-game actions that involve a financial transaction, for example the improvement of an asset through breeding.

**2019 volume displayed here is different from 2019 report because DeFi & Financial projects have been excluded from this report, due to the nature of this irrelevant volume.*



The major increase of active wallets between 2019 and 2020 accompanied by an impressive hike of almost 50% in the number of buyers suggests the community of owners and users of Non-Fungible Tokens has grown considerably.

At the same time, the unprecedented volume of USD transactions during 2020 largely echoes the increased value of the Cryptocurrency market which began to rise during 2019. This gradual exit from the Crypto Winter has automatically led to an increase in the value of assets in USD. This increase in USD volume is also supported by new NFT projects and users coming into the Ecosystem.

In short, 2020 appears to have been the year of revival for the NFT economy, showing the first very encouraging development indicators after the relative weakness observed in 2019.

Non-Fungible Tokens Market Capitalization

Market Capitalization represents the total value of assets present in a market. In the context of NFT, this value is particularly difficult to estimate because it requires individually assessing all assets in circulation, some having lost all value and no longer circulating, others having an inestimable value. The Market Capitalization of the NFT Ecosystem has been calculated by accounting for the total volume of assets issued per NFT Ticker (each typology of asset issued by projects) this total volume is then multiplied by the average value of the asset's classification.

Liquidity has also been considered in this Market Capitalization calculation, in order to avoid accounting for older assets from several years ago whose value has evaporated over time for example as with Ponzi schemes etc.

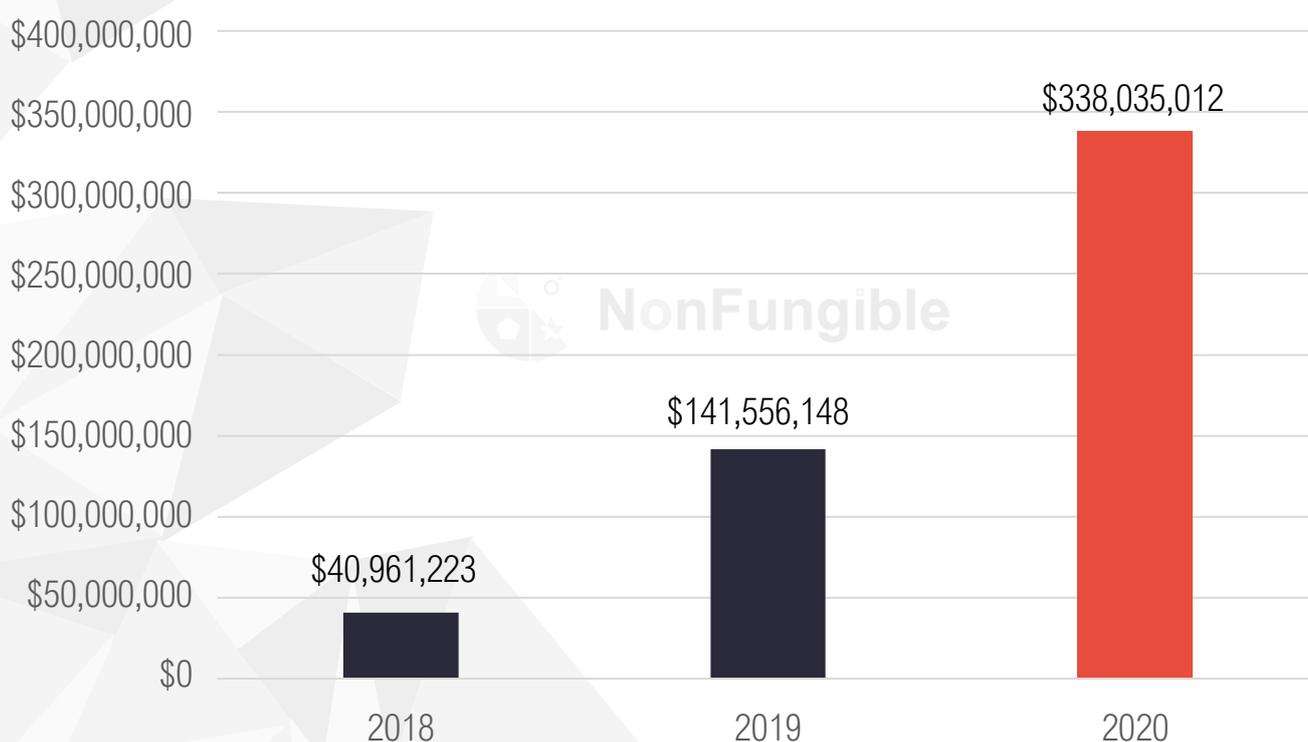


Fig. 02 – Non-Fungible Tokens Market Capitalization – 2018 to 2020

*Market Capitalization calculation has changed from previous years due to increasing inactive projects and to account for sales liquidity



Calculating the Market Capitalization of an ecosystem as young and fast moving as the NFT space is a tricky exercise.

This is a conservative estimate that takes into account the whole supply of all NFTs (ERC-721) ever issued by a project, altered by the relative liquidity of NFT tickers.

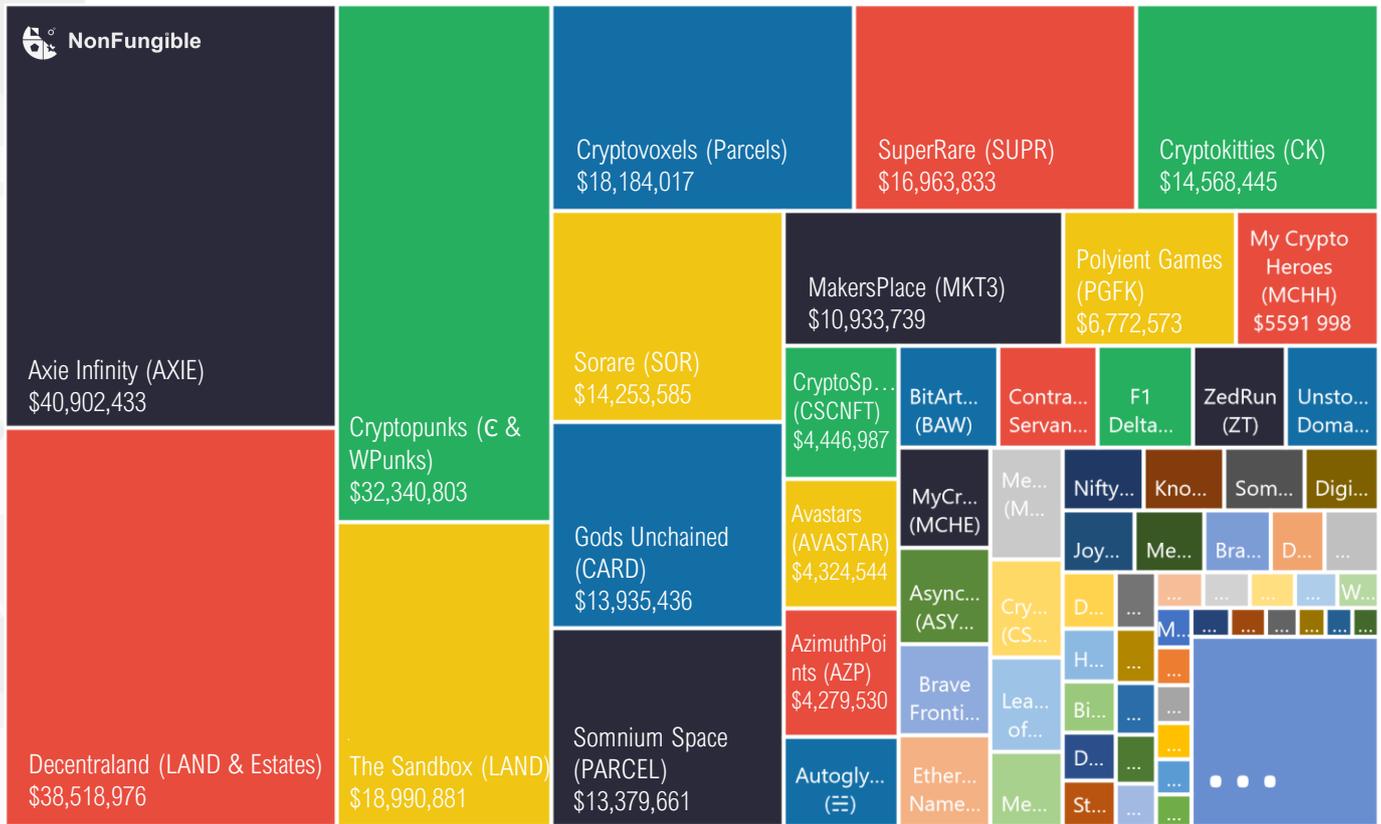


Fig. 03 – Non-Fungible Tokens Market Capitalization Distribution per project – 2020

The breakdown above offers an overview of where value is stored in the NFT ecosystem.

The Metaverses clearly have the lion's share held between Decentraland, The Sandbox and Cryptovoxels.

Axie Infinity and Gods Unchained are two major players in the NFT Gaming world who have created considerable value since they began.

It is interesting to note that Art currently occupies only a relatively small portion of the total Market Capitalization.



How many users?

We observe the evolution over time of three types of users, each representative of a trend within the Ecosystem:

- Active Wallets – Global NFT Community. The more wallets, hypothetically, the more users.
- Sellers – The more sellers, the more users. Conversely, if there are more sellers than buyers, it indicates people are dumping their assets.
- Buyers – The more buyers, the more users. If there are more buyers than sellers, hypothetically, there will also be more new people wanting to enter the Ecosystem than those who want to get rid of their assets

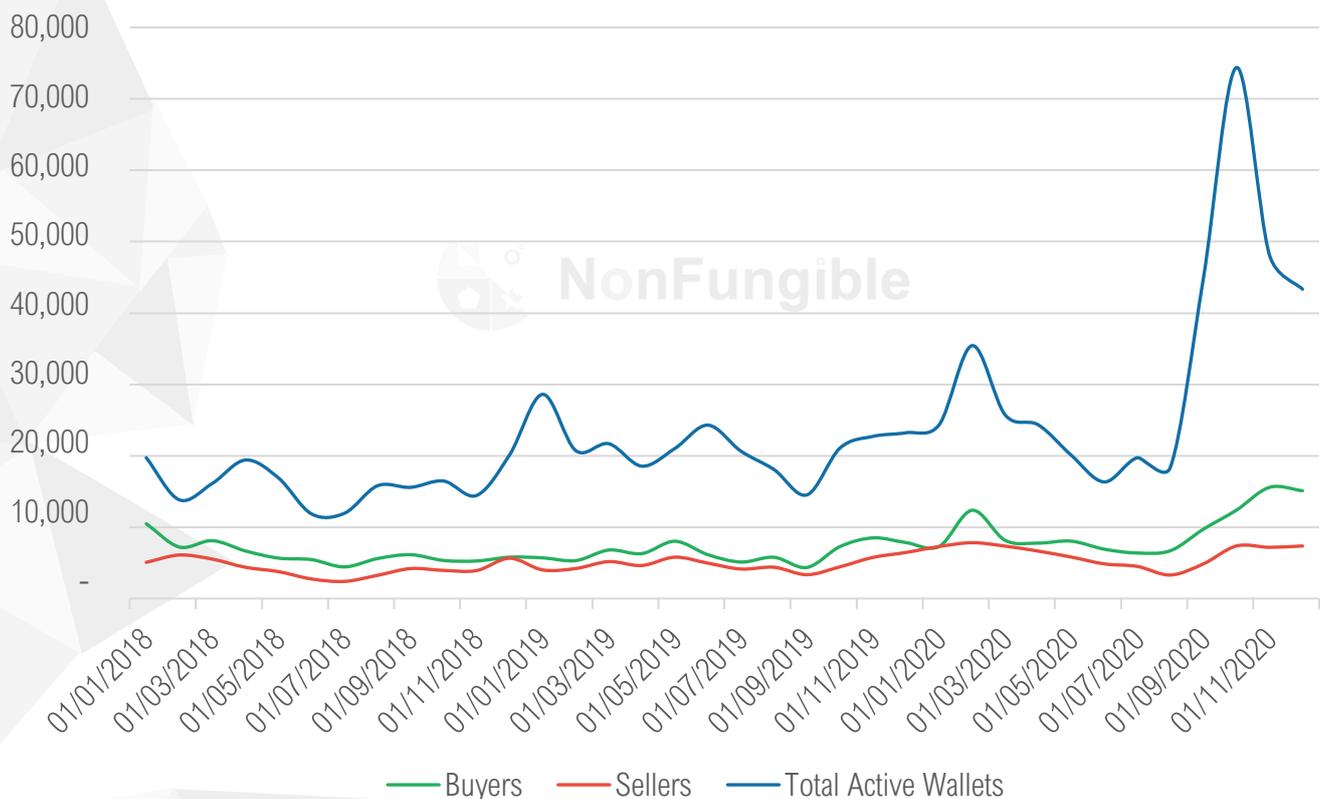


Fig. 04 – Monthly sellers, buyers & active wallets evolution over time – 2018 to 2020

There is a huge spike in active wallets at the end of 2020, which coincides with the start of the latest Crypto bull run. It is also estimated that this peak in activity at the end of the year is due to the various announcements made by the media relating to large IP and Video Game Studios around the world entering the space.

The second notable trend on this chart is the growing gap between the number of Buyers and Sellers each month. This gap, which becomes very visible from the second semester of 2020, is a very good indicator of the positive development of the Ecosystem. We wait to see if the trend continues in 2021 and if these new owners of NFT will use their assets.



How much USD traded?

Regarding traded USD, there are two key metrics to watch:

- USD from sales – Value that was transferred through a transaction between a buyer and a seller. This volume includes primary sales, from a project or artist to the buyer, and secondary market sales, between players or collectors.
- USD from dApp – This USD volume includes all interactions with Smart Contracts including financial. This can correspond to the improvement of an asset, its modification, breeding, the creation of asset groups and so on. The volume found here is greater than the Sales Volume and is more representative of the activity within the projects.

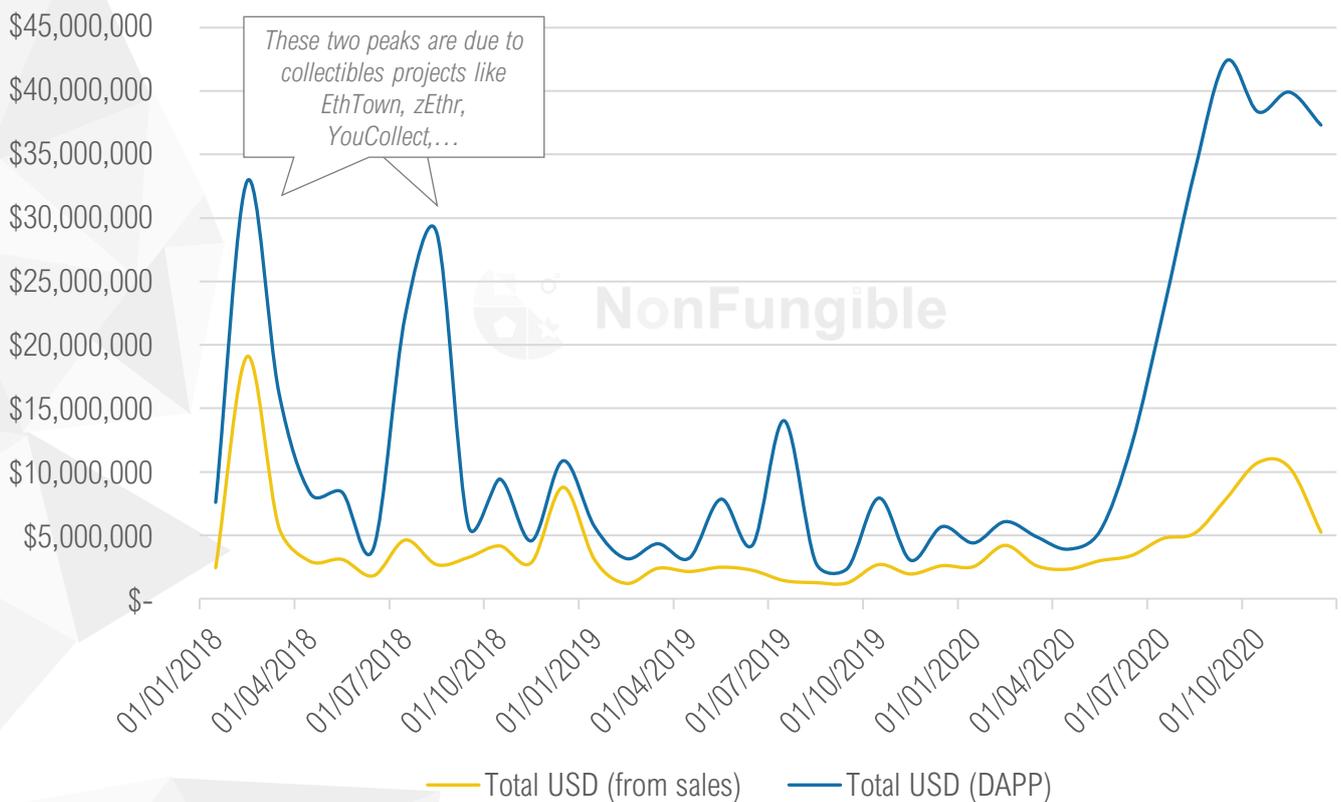


Fig. 05 – USD traded in NFT Sales vs. dApp volumes – 2018 to 2020

As for active wallets, we observe a very strong peak of activity in the second half of 2020. This peak was of such magnitude that even the historical presales from the heady beginnings of NFT, Decentraland's impact in particular during the first half of 2018, almost pass for anecdotal in comparison.

What we are witnessing is not just hype from a single successful project, but rather the boom of an entire industry which is reaching a new level of maturity.

The widening gap between USD from dApp and USD from sales is further proof that the use of tokens is becoming more democratic. NFT are no longer seen only as highly speculative store of value.



Active Smart Contracts

The number of active Smart Contracts is another indicator by which to assess the overall health of the Non-Fungible Token Industry.

Smart Contracts are the application layer developed on top of the Ethereum Blockchain, which enables interactions with games, projects and various applications.

The number of active Smart Contracts* gives an overview of the number of currently active projects. Note that the same project can have several Smart Contracts active in parallel. For example, these could be for the management of different types of assets or for several different kinds of interaction with the assets within a project.

(*An active Smart Contract or project has at least one on-chain interaction per month)

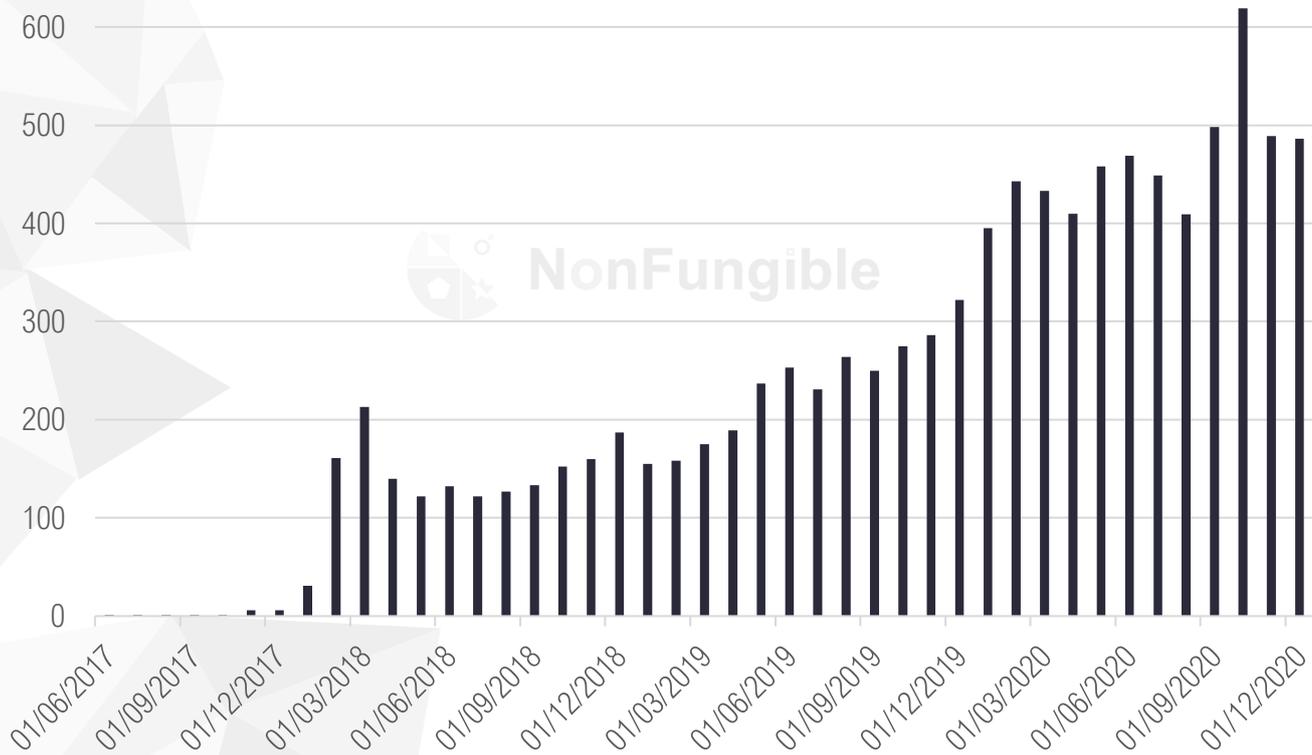


Fig. 06 – Active NFT Smart Contracts – 2017 to 2020

As anticipated, the amount of active NFT Smart Contracts have steadily increased since the beginning of the NFT Ecosystem, with a concentration of uptake evident from the end of 2019.

We have gone from around 200 active Smart Contracts in mid 2019 to almost 500 a year later. Indicating the amount of really active projects almost doubled between 2019 and 2020, a sign of very strong growth and development in the Ecosystem.





RE-DISCOVER EARTH THROUGH AUGMENTED / VIRTUAL REALITY!



OVR is the decentralized platform of the Spatial Web, mixes the physical world with AR and VR thanks to a dedicated mobile application which utilizes NFT as a tokenized reference system. OVR is a horizontal platform for geolocalized AR/VR experiences with use cases such as: Gaming (Pokémon GO™ *style), Live Events, Virtual Shopping, Avatars, Tourism and many more...

The major difference between our and other Metaverses or parallel Universes that you may have heard of, is that in OVR the 'plots' - OVRlands -, the units of land you can buy and sell, correspond to our own planet Earth. The Earth has been broken down into about 1.6 Trillion identical sized plots (300 sqm), each of which can be located via 3 words that define each one and replace complex GPS coordinates. Those plots, called OVRlands, are Spatial Domains, just like in the web who owns a Web Domain can control the content of the website in OVR who owns an OVRland can control the AR/VR experiences that will appear on those geographic coordinates.

So, the experiences you have or create in OVR will not just be occurring in a distant or hypothetical Universe, rather they will be anchored in your daily life, with the addition of Virtual or Augmented Reality content. OVR platform is unstoppable, with ownership is granted by ERC-721 Ethereum standard and contents hosted on IPFS. Finally, the whole system governance is demanded by a DAO developed under the Aragon framework; this will enable major decisions on infrastructural updates of the platform to be community driven.



4 NFT VS CRYPTO MARKETS



IMPACT OF ETHEREUM GAS FEES ON NFT MARKETS

Gas (or Gwei) corresponds to the fees which lubricate the flow of transactions through the Ethereum Virtual Machine or EVM. Whenever a transaction takes place on the Ethereum Blockchain, the wallet initiating the transaction must pay network fees, called Gas or Gwei, that is used to pay the miners.

In most cases these transaction fees are very low and have no direct impact on the markets. But in 2020, with the advent of Decentralized Finance (or DeFi), the Ethereum network was required to manage very large volumes of transactions, which were particularly complex due to the nature of the financial instruments at the origin of these transactions.

The direct consequence for users has been a sharp increase in the price of Gas for all transactions and notably for NFT. In some cases, the transaction fees turned out to be even more expensive than the asset itself.

This first section aims to study the impact this sudden increase in network fees had on the NFT Ecosystem and to identify the dependencies that exist between the technical reality of the Ethereum network and the Non-Fungible Token market that it supports.

Volume of sales vs. Ethereum gas fees

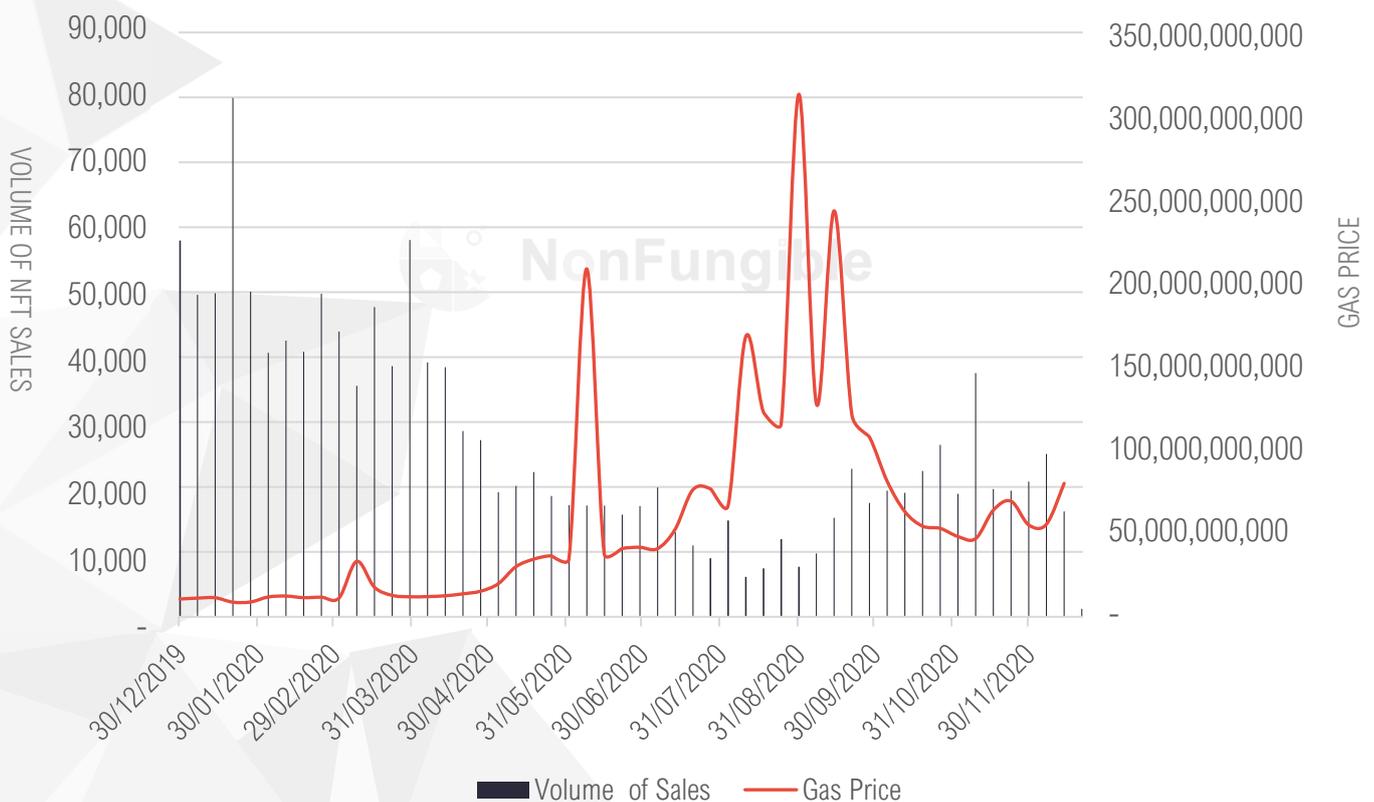


Fig. 07 – Weekly volume of NFT sales vs. Ethereum Gas price – 2020
Source: Etherscan.io



As assumed, the sharp increase in Gas (GWEI) charges on the network has dissuaded many users from continuing their NFT transactions.

Throughout July and August, we observe this steep increase in the price of GWEI, which simultaneously reduces the volume of weekly NFT transactions. From mid-September, when the network costs began to go down to affordable prices for users, the sales volume automatically increased.

The conclusion of this first analysis is that there is a predictable and obvious correlation between the cost of network charges and the activity of low to medium users.

Average value of sales vs. Ethereum gas fees

The second hypothesis that we want to validate is that during these peaks in gas fees, only large holders, ie, NFT collectors, Whales and so on, continued to trade in NFT.

If this assumption is correct, the average price of traded NFT should increase significantly over this period.

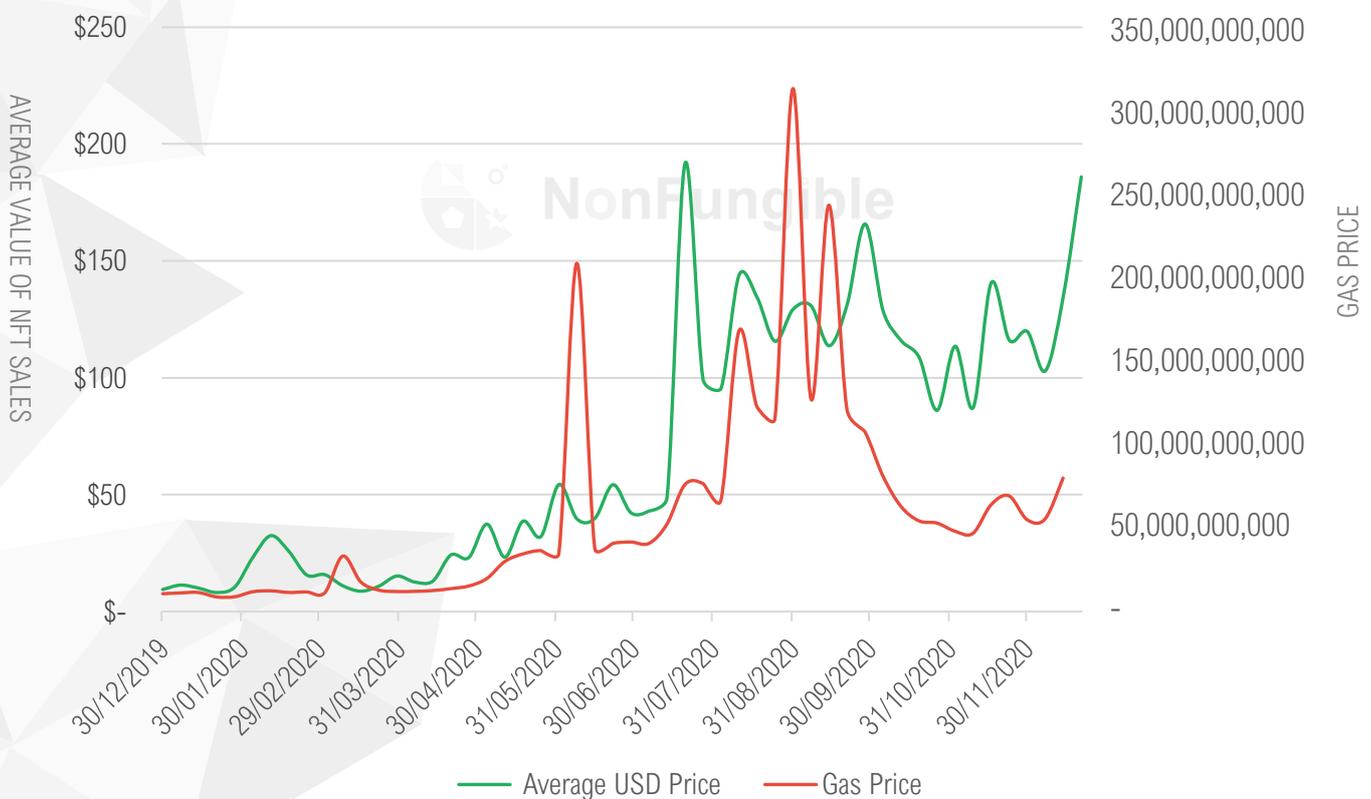


Fig. 08 – Average value of NFT sales vs. Ethereum Gas price – 2020
Source: Etherscan.io

Indeed, we do see an increase in the average value of traded NFT.

This does not indicate that the value of the NFT itself had increased, but that only particularly expensive NFT trades were still taking place during this period and that the fees were only a small percentage of the overall trade.



Volume of buyers vs. Ethereum gas fees

The last correlation that we study here focuses on the impact these high Gas fees had on the number of users or Wallets that acquired NFT over this period.

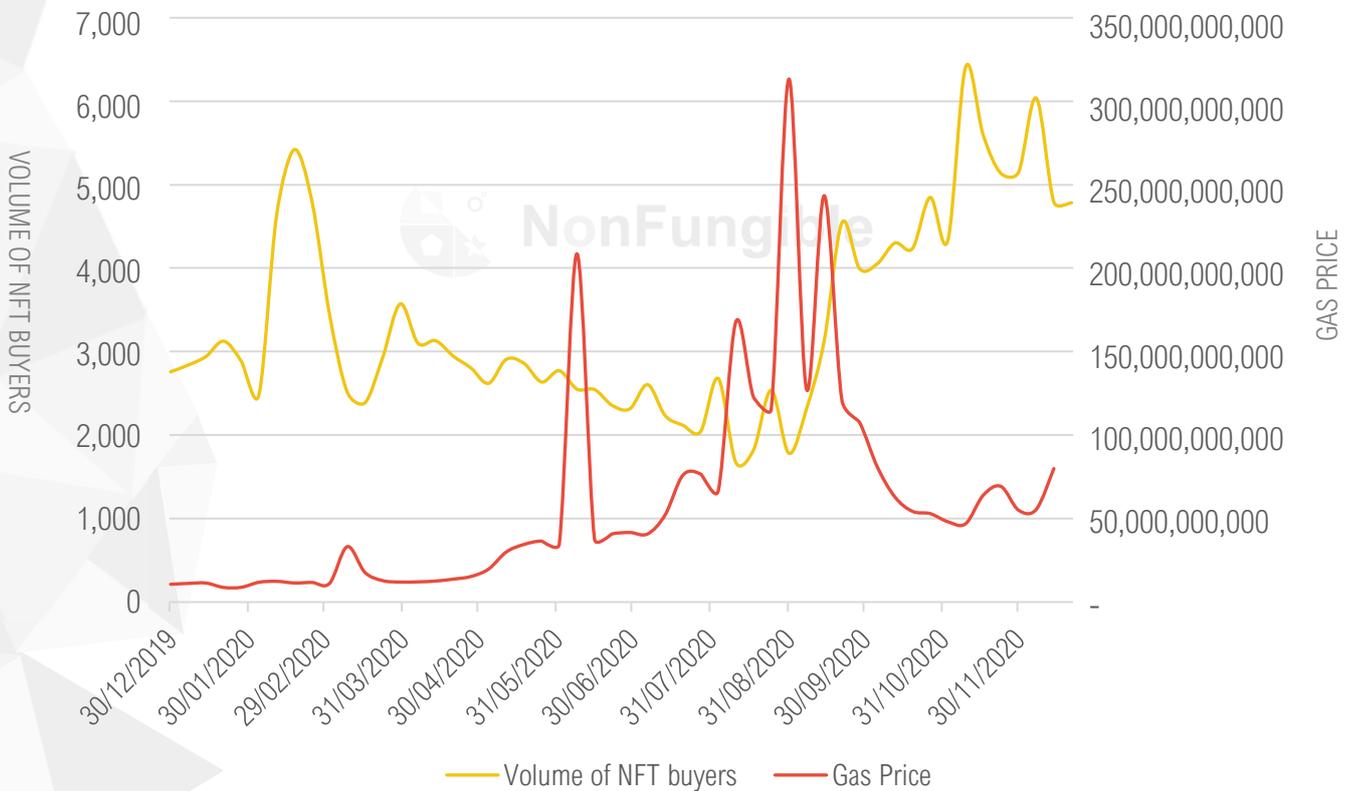


Fig. 09 – Volume of NFT buyers vs. Ethereum Gas price – 2020
Source: Etherscan.io

The impact is also visible here, although less marked. We observe a gradual decline in the number of buyers from May when Gas prices started to rise, stabilizing around 2,000 buyers per week during the peak in late August.

It is very interesting to observe the massive increase in new buyers in September, in tandem with the gradual drop in Gas prices.



SHARE OF NFT TRANSACTIONS ON ETHEREUM

The NFT industry seems to become a significant player in the Blockchain Universe and more specifically, at the very heart of the Ethereum Blockchain.

What is the true indication of this and are NFT really an important part of the activity on the Ethereum Blockchain? Is the Ethereum Blockchain becoming a Blockchain dedicated to NFT?

This section aims to give the NFT industry some perspective in regards to the total on-chain activity on the Ethereum Blockchain.

Volume of NFT transactions vs. Global on-chain transactions

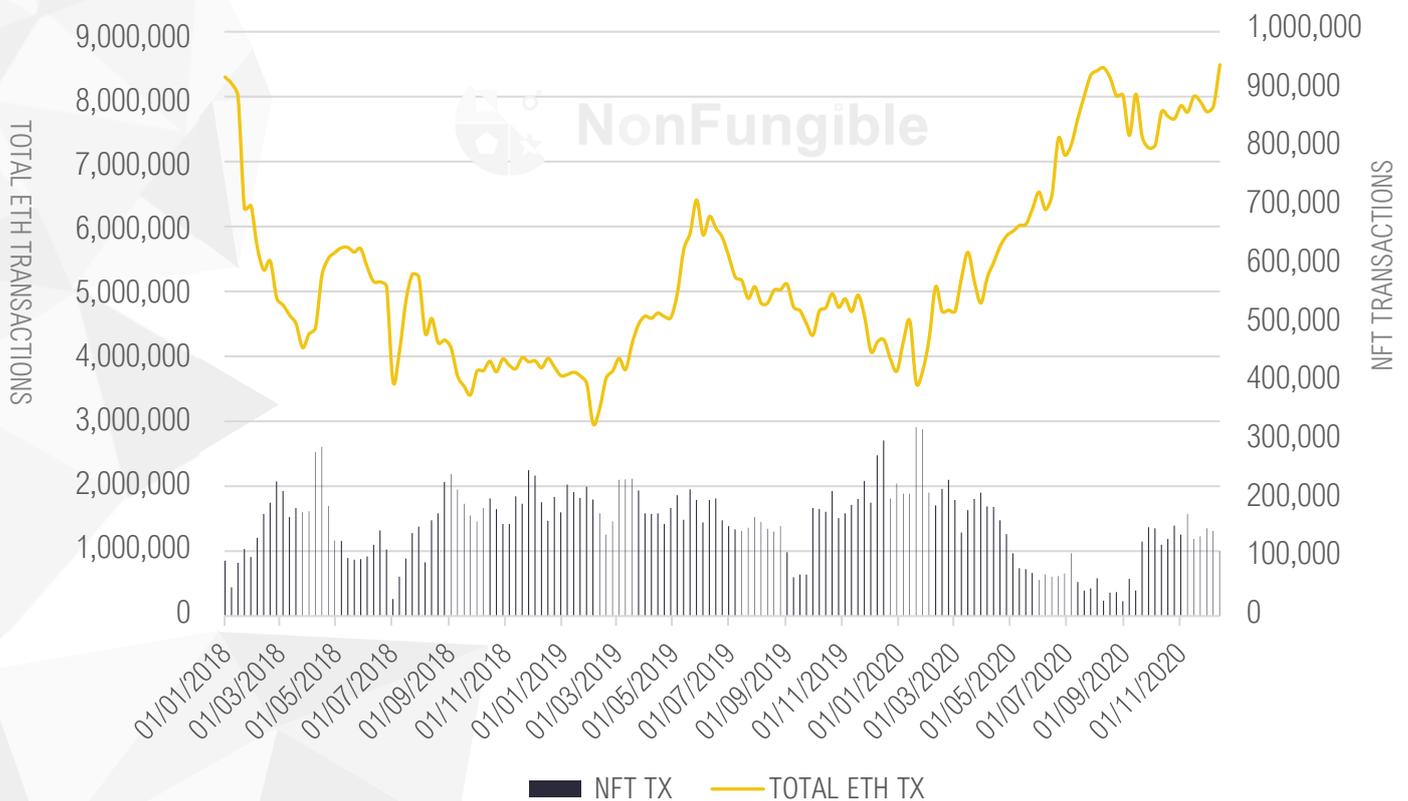


Fig. 10 – NFT transactions vs. Ethereum blockchain total transactions – 2020

Firstly, it should be noted that the chart above is based on two separate scales; these are NFT Transactions and TOTAL Transactions on Ethereum. No obvious correlation seems apparent between the total transaction volume on the Ethereum Blockchain, and the transaction volume related to NFT.

In addition, we also note that the average NFT transaction volume per week is extremely low compared to the total transaction volume on the Ethereum Blockchain; 120,000 NFT TX for more than 5,000,000 weekly transactions.



| | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|
| Total number of NFT transactions | 8 553 640 | 9 458 915 | 6 618 250 |
| Total volume of transactions on the Ethereum Blockchain | 254 349 235 | 242 286 953 | 330 200 264 |
| Percentage of NFT transactions across total Ethereum transactions | 3.4% | 3.9% | 2% |

Source: Etherscan.io

There is a significant drop in the volume of NFT transactions during 2020 compared to previous years. This relative decline is explained by the rise of side-chains which allow project and Crypto-game publishers to offer their players a large number of off-chain interactions without high costs and delays and interact with the main chain only for key transactions such as asset trading from the user's wallet.



NFT MARKET SIZE VS CRYPTO MARKET SIZE

From a transaction perspective, it's evident that the NFT Industry remains relatively small compared to the total on-chain activity.

Since NFT are seen by many as potential stores of value, what about the market capitalization of NFT compared to the market capitalization of main Cryptocurrencies? Does the NFT Market gain weight each year or not?

Market Capitalization

| | 2018 | 2019 | 2020 |
|--|-------|-------|-------|
| NFT vs. BTC Market Capitalization | 0.10% | 0.16% | 0.17% |
| NFT vs. ETH Market Capitalization | 0.27% | 1.12% | 1.01% |

Source: [CoinGecko.com](https://www.coinbase.com/learn/crypto-basics/what-is-nft)

As a reminder, the Market Capitalization of NFT has been calculated according to the formula described in section 3, i.e. total supply per NFT Ticker X average value over the year, taking in account the relative liquidity rate of each NFT Ticker. The annual Cryptocurrency Market Cap has been calculated based on the average daily Crypto Market Capitalization over the year.

It emerges that NFT have experienced serious gains during the Crypto Winter of 2019. We witness an obvious strengthening during this period which allows the Non-Fungible Token industry to maintain a position at more than 1% of the entire Ethereum Market Cap and with a very slight gain against the Bitcoin Market Cap.

We recommended this stabilization of NFT weight against the two main Cryptocurrencies should be read about. Especially in light of such significant increase in the value of BTC and ETH during 2020, proving the solidity of the NFT Industry, although of course this developing Ecosystem remains modest compared to these valuable behemoths.



WHAT IS THE IMPACT OF ETH VALUE ON THE NFT MARKET?

As with almost all Cryptocurrencies, during 2020 ETH has seen extremely sharp fluctuations in its value, from \$107 in March to over \$650 by year-end.

Are these fluctuations in the value of Ethereum's core Cryptocurrency impacting the NFT industry and market and if so, is this impact positive or not?

The independence of the NFT Industry vis-à-vis its historical underlying Cryptocurrencies would be proof of the ongoing liberation of this young Ecosystem, and consequently also of its developing maturity and newly found self-sufficiency in its Economy.

Active buyers & sellers vs. ETH value

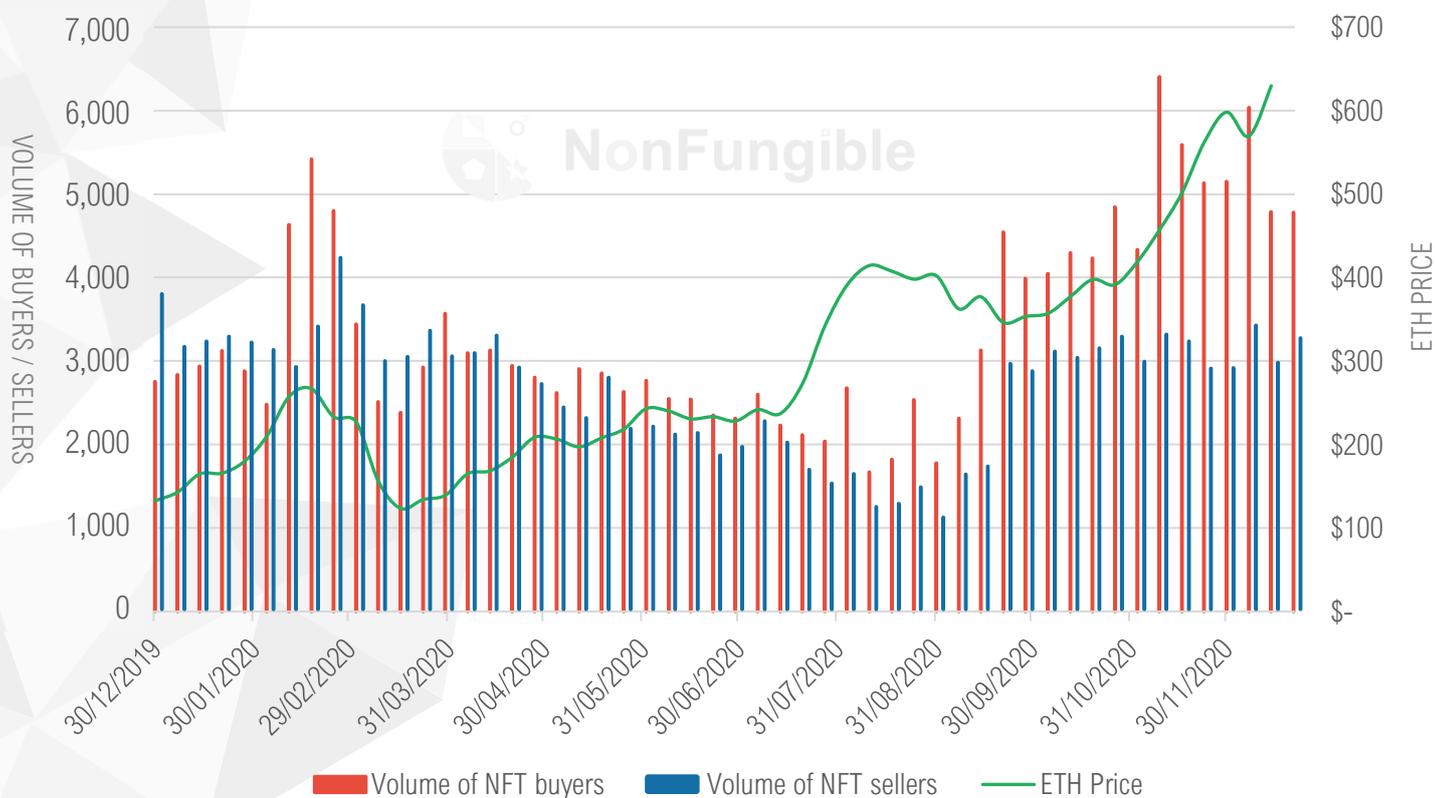


Fig. 11 – Weekly active buyers & sellers vs. ETH value – 2020
Source: CoinGecko.com

The volume of NFT Buyers / Sellers increased significantly during the final quarter of 2020, in tandem with the recovery in Ether's value and the simultaneous drop in network costs. It's difficult to attribute this surge in activity to one of these two factors any more than the other.



Volume of trades vs. ETH value

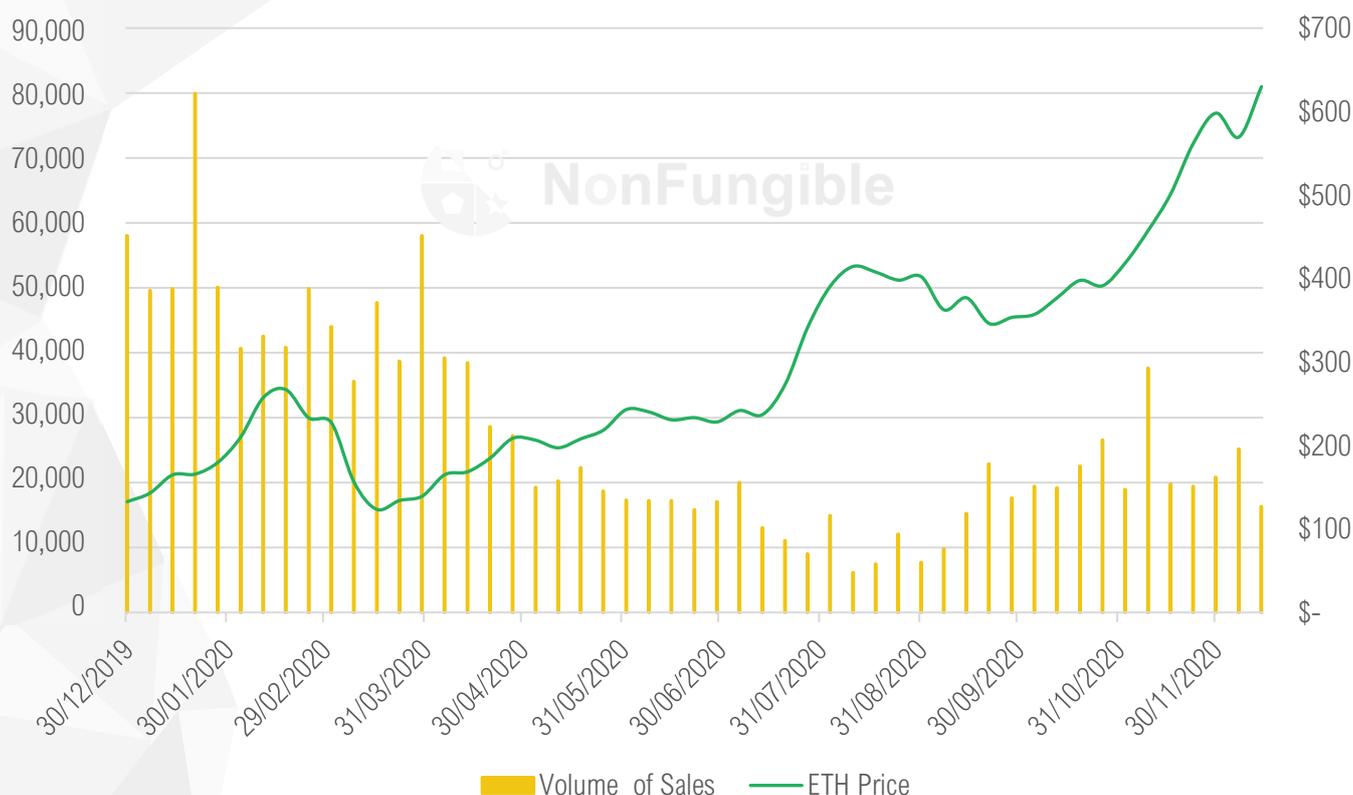


Fig. 12 – Weekly volume of NFT trades vs. ETH value – 2020
Source: CoinGecko.com

In contrast, there is no direct correlation between the value of Ether and the volume of trades. On the contrary, the trading volumes over the last half of the year decreased significantly as the value of Ether continued to increase.

We believe that this phenomenon is linked to two factors:

NFT projects issuing pre-sales which punctuated the first half of the year.

And when the value of a Cryptocurrency is relatively low buyers and collectors take the opportunity to fill their portfolios with new assets. The value of USD sales is not excessive by any means so the asset will automatically increase in dollar value if the market agrees that the benchmark is in ETH.

In conclusion, these Crypto Winter phases appear to be formidable opportunities for collectors and NFT buyers to expand their portfolio, with the possibility of storing this acquired value for times when the reference Cryptocurrency will be worth more.



Volume of ETH traded vs. ETH value

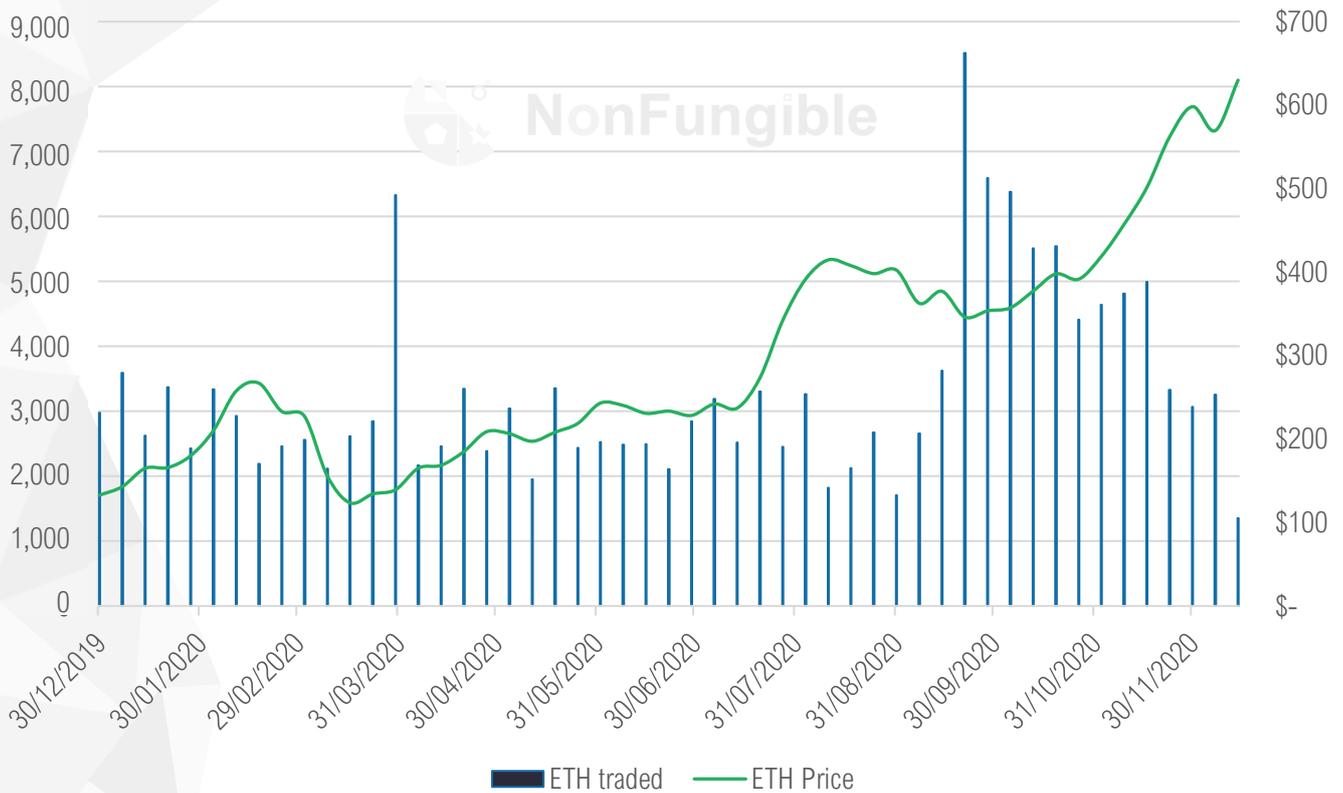


Fig. 13 – Weekly volume of ETH traded on NFT vs. ETH value – 2020
Source: CoinGecko.com

The amount of Eth that was traded experienced a sharp spike in volume during September which we believe is more related to the drop in Gas price than to the increase of ETH prices.

This September peak was most likely due to the moment of liberation when Ethereum was freed from the unrepresented congestion which had put markets on standby. This hike corresponds to the period when the price of gas started to fall, allowing average users to return to the market.

In this specific context, the majority of users who wanted to buy or sell their NFT had to wait for the price of network charges to drop before they could take action.



5 MARKET ACTIVITY



GLOBAL MARKET ACTIVITY

Trading activity in NFT markets is important, but it's crucial to keep in mind that the financial aspect of the industry is only part of the equation.

Our focus in this section will not so much be on the size of the NFT market itself, although that is an important indicator but more on the sustainability of these markets and the health indicators that we can identify.

We want to provide the most diversified metrics possible to help investors, players, collectors and project managers understand the underlying market trends and the reality of these emergent markets.

This 'Market Activity' section is only focused on market level performance. We'll go into more details in Section 6 - Sales & Trends.

What are the most relevant Metrics to monitor NFT Market Performance?

Total volume (USD / Crypto / Trades)

Total volume is a basic indicator making it possible to account for the number of sales and the total value exchanged between the players. This is shown in fiat as well as Cryptocurrency, the indicator is largely influenced by the arrival of new players Whales, pre-sales and so on.

Liquidity

A key indicator to the health of any Market, looking at Liquidity allows you to analyze whether the assets that make up the Market are stagnant or flowing. Too much liquidity tends to indicate the arrival of a bubble, while an absence of liquidity is a reflection of a dead market.

Assets average price

The average price of assets is an indicator to be read with caution, as each project has assets of varying scarcity and value so the average price may be biased. For large volumes, however, it remains an indicator of the interest buyers have in this type of asset.

Primary & secondary market distribution

A nonexistent secondary market may indicate that owners 'HODL' their assets, waiting for the opportune moment to sell. Of course, on the other hand it can also reflect an abandoned community. The primary market will only provide information on the issuance of new Tokens by the project.



Highest sales

The sales at the highest prices should also be carefully considered. Every sale potentially has contextual elements you need to know to fully understand the exceptional value placed on a high value asset and they remain an indicator of the value that certain collectors place on these digital assets.

Sales distribution per segment

This segment analysis provides an overview of the direction the NFT Industry is taking and the major trends that are underlying this Market. As a reminder, the segments analyzed are as follows: Art, Collectibles, Metaverses, Sport, Gaming and Utility.

Sales distribution per project within a segment

In order to understand what drives the growth of a specific segment, our secondary analysis investigates the individual roles that different projects play within each segment. Will it be driven simply by the activity of a flagship Project or on the contrary, a fundamental trend?

Market distribution (Sales – USD)

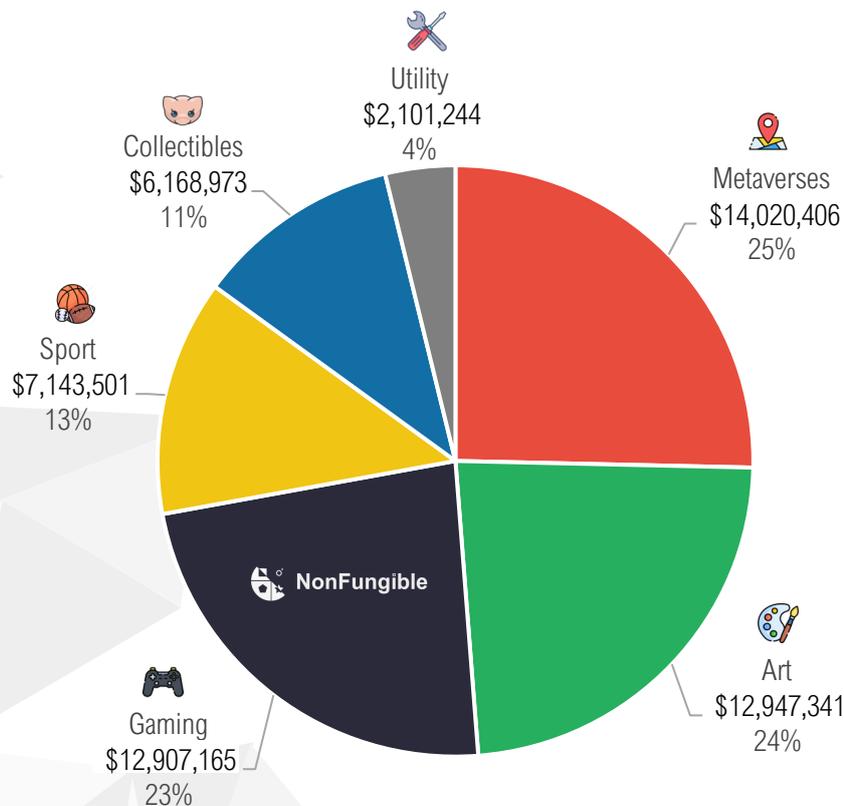


Fig. 14 – Market distribution (USD traded via sales) between segments – 2020



The Market still remains largely dominated by the historic segment of the NFT Ecosystem: the Metaverse. The most striking trends of the year are:

- The gradual slowdown in the Collectibles segment
- The rise of Crypto Art which now occupies second place, just behind the Metaverses.
- Gaming is maintained and continues to occupy a very important place in the Industry.

Market distribution (Number of sales)

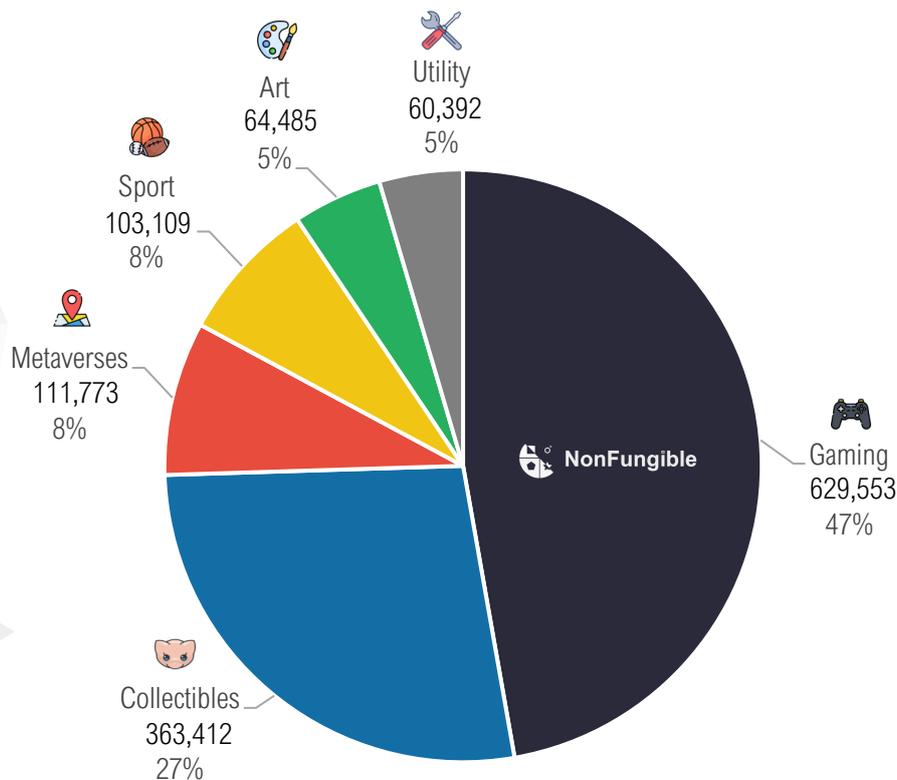


Fig. 15 – Market distribution (number of sales) between segments – 2020

From the perspective of traded assets, the face of the Ecosystem is very different. The market remains very largely dominated by Gaming, with nearly 50% of trades, followed by Collectibles.

The two segments that dominate the market from a USD traded perspective are more low-key here, explained by the high value of Land in the various Metaverses and in Crypto Art. Here we have two glaring examples which illustrate the difference in asset values:

- Gaming Ratio: 630,000 Trades | \$12,900,000
- Art Ratio: 65,000 Trades | \$12,950,000



Market evolution over time (USD)

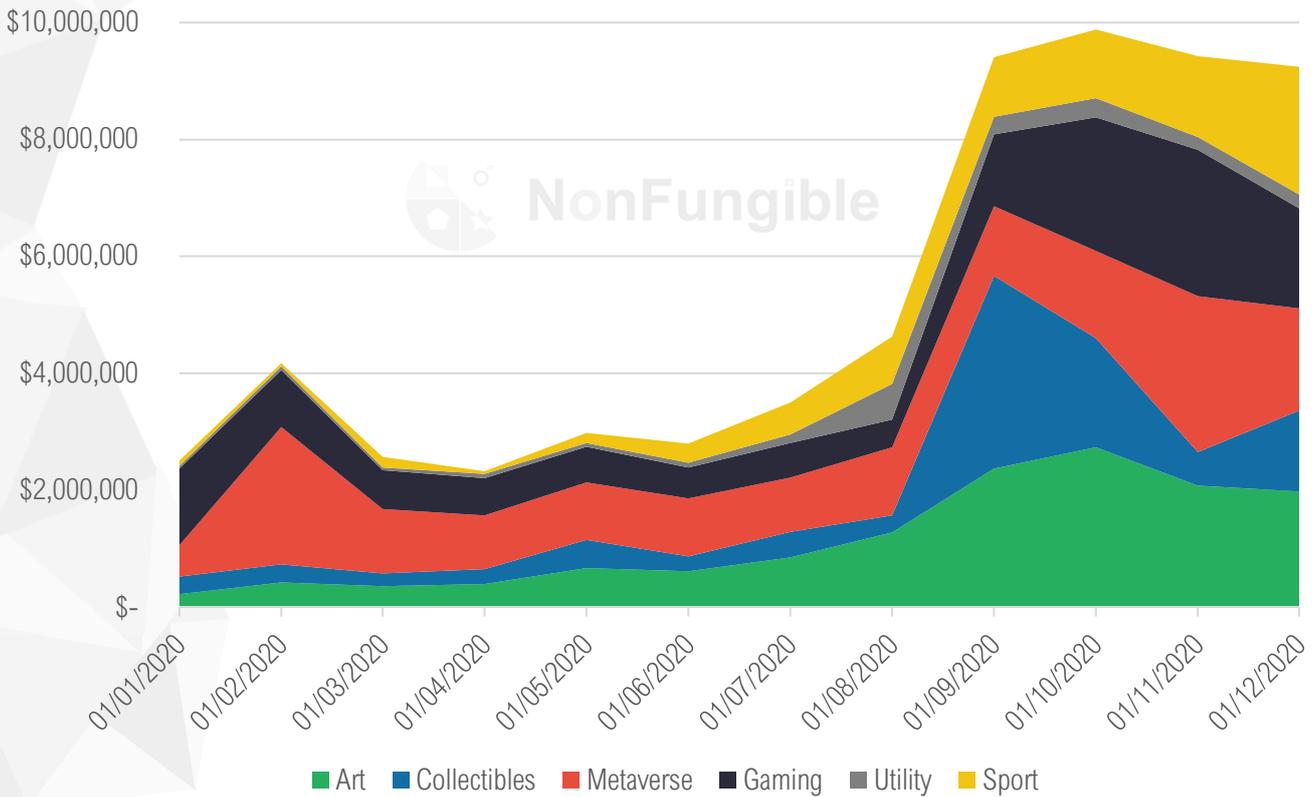


Fig. 16 – Monthly distribution of USD from sales per segment – 2020

The overall growth observed throughout this period undoubtedly has been driven by the Art and Gaming sector, which experienced a gradual increase throughout the year, despite the high Gas fees, the Crypto Winter and the Global slowdown.

These segments have shown signs of resisting slowdown, in a technical, financial and healthy, if somewhat complicated context and indicators suggest that investors are starting to perceive them as safe havens.

Of course, it will be necessary to verify whether this trend continues over 2021 to confirm this hypothesis.



Market evolution over time (Volume of sales)

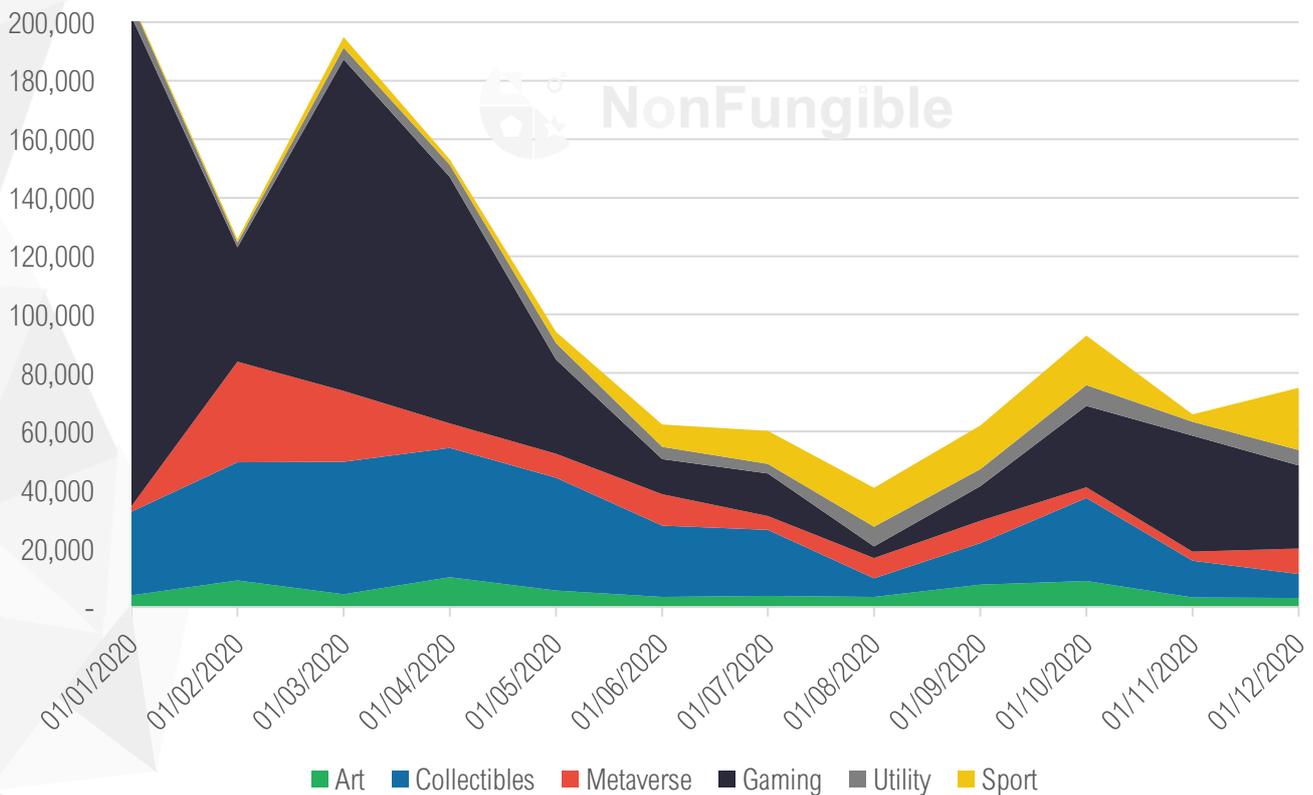


Fig. 17 – Monthly distribution of number of sales per segment – 2020

The volume of sales per month has gradually declined over the course of 2020, from over 200,000 sales per month to just over 75,000 monthly sales. This decrease is mainly due to the Gaming segment, which saw its volume decrease considerably over the year.

This phenomenon can be explained by two key factors:

- A growing number of projects, especially Gaming, now use so-called Layer-2 technologies also known as sidechains, such as Loom or Matic, which ensure a smoother user experience and avoid paying Ethereum network fees (gas fees), but as these sales do not take place on-chain, they have not been tracked in the chart above
- The dramatic increase in gas costs during 2020 has had a clear impact on sales volume. Network costs (gas) had become so expensive that it was no longer profitable to sell mid-priced assets (\$1 to \$50), the transaction would have cost more than it would have earned.

It is interesting to note how the volume of USD traded has increased significantly, while the volume of selling has decreased. The bottom line is that fewer assets are traded on the Ethereum Blockchain, but those assets are of increasing value.



MARKET DISTRIBUTION WITHIN EACH SEGMENT

Gaming

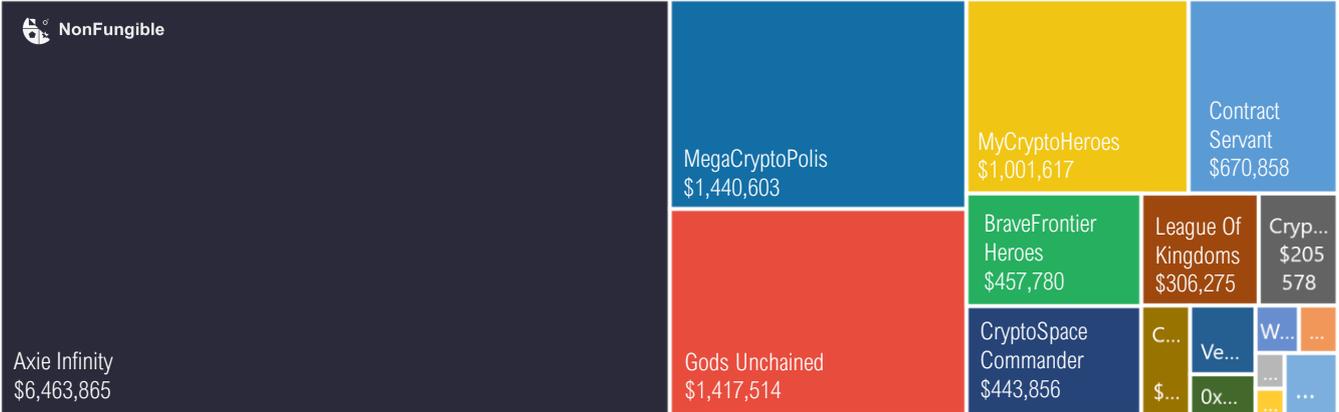


Fig. 18 – Market volume (USD traded from sales) distribution per project within Gaming segment – 2020

Sport



Fig. 19 – Market volume (USD traded from sales) distribution per project within Sport segment – 2020

Art



Fig. 20 – Market volume (USD traded from sales) distribution per project within Art segment – 2020



 **Collectibles**

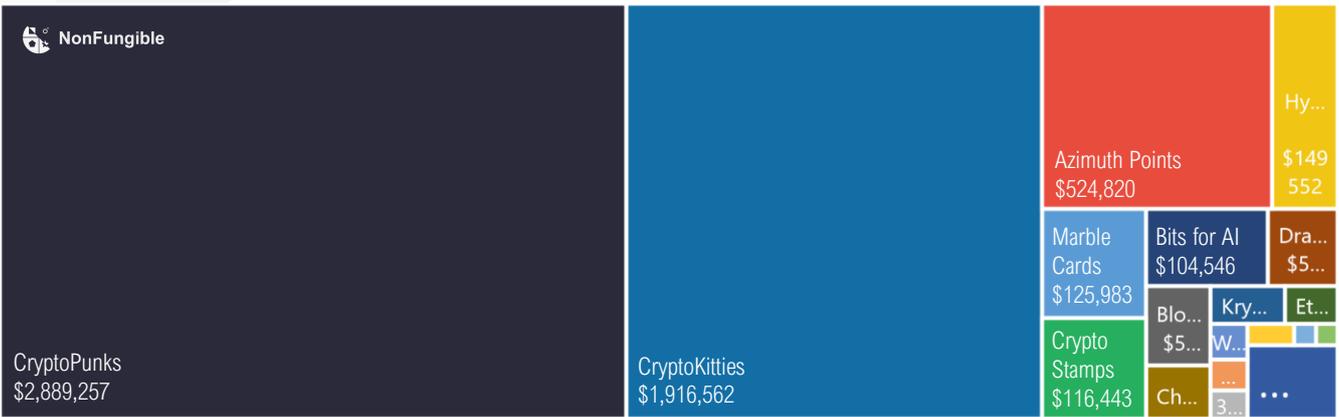


Fig. 21 – Market volume (USD traded from sales) distribution per project within Collectibles segment – 2020

 **Metaverses**



Fig. 22 – Market volume (USD traded from sales) distribution per project within Metaverses segment – 2020

 **Utility**



Fig. 23 – Market volume (USD traded from sales) distribution per project within Utility segment – 2020



Conclusions

The distribution of these projects is that each segment is largely governed by a flagship project which represents one to two thirds of all activity in this area.

Some areas such as Collectibles and Gaming are ultra competitive, even though historically many only have a handful of players competing in the Market share, such as in the case of Metaverses. Yet others such as Sport, are among the youngest segments of the industry, whose development looks very promising for the next few years.

It's interesting to note that despite its still dominant position in terms of Market Share, Decentraland is increasingly challenged by other Metaverses.

In order to fully understand the Metaverses' position several factors should be taken into account:

- The more established Metaverses now focus particularly on World building and in-game experiences rather than on their Secondary Market this has caused a gradual slowdown in the latter which is apparently becoming less and less speculative.
- Other Metaverses, notably Cryptovoxels and The Sandbox, offer a vast array of supporting assets to the Market including Names, Wearables, and various objects which are put into circulation in the form of ERC-1155 Tokens. These are not included in this report but It's safe to assume that the market share of these players is even greater when taking into account this type of asset.

The comeback of CryptoPunks surprised many during 2020. As a reminder, these 10,000 Punks were initially donated during an airdrop in August 2017. As a result, they are considered by many collectors to be some of the very first NFT in history, which gives them increasing financial value.



ADVANCED MARKET METRICS

Liquidity rates per segment

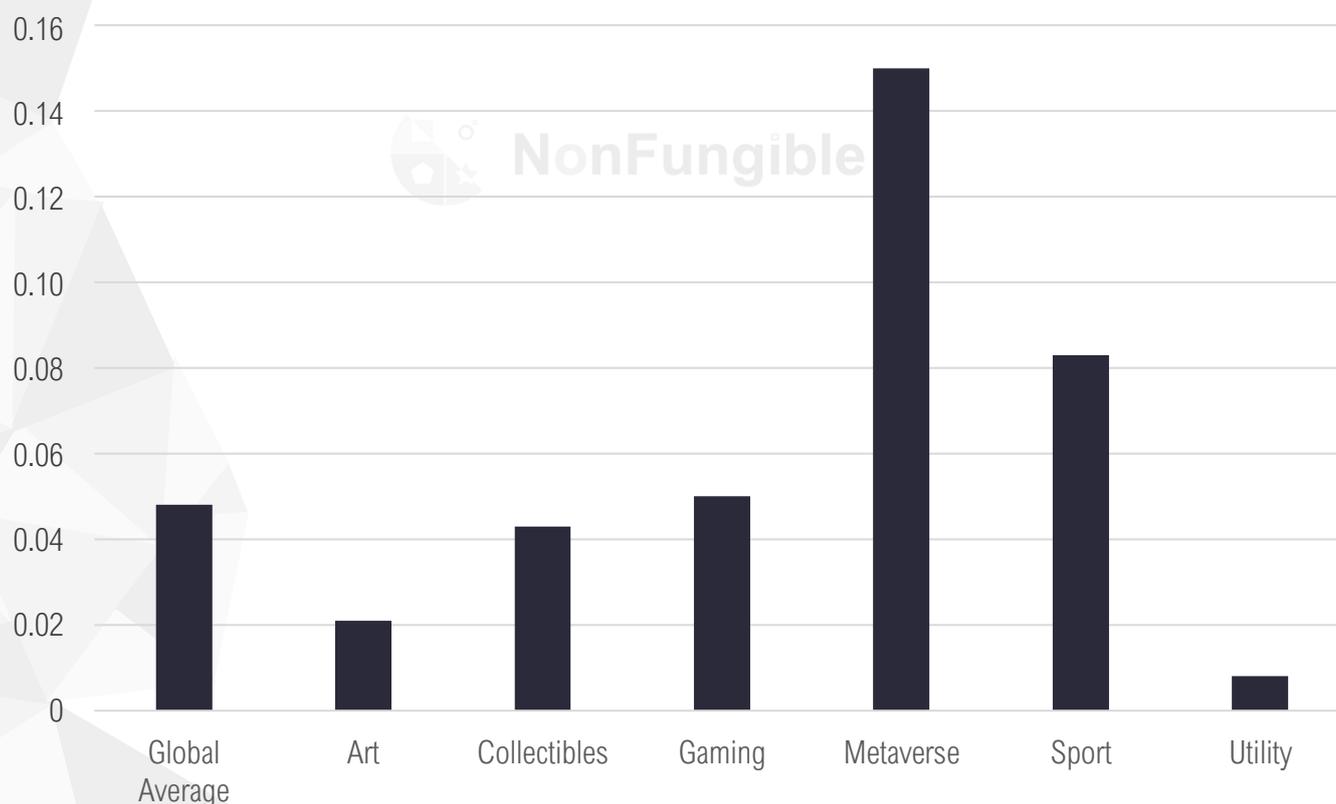


Fig. 24 – Liquidity rate per segment – 2020

The Liquidity Rate is an exclusive indicator calculated and developed by the NonFungible.com team, its purpose being to offer an overview of liquidity of assets in the market.

This indicator is calculated by dividing the volume of unique assets that have been traded on the Secondary Market, with the total supply available for each type of asset.

This indicator should only be read and analyzed in comparison with the performance of other segments and, or projects.

In the chart above, it appears that the Metaverses remain as the segment with the highest liquidity, this echoes the speculative nature of this asset class which still exhibits today as much as it ever has.

Art and Utilities, on the contrary, have a very low liquidity of assets, which is explained on one hand by the nature of the long-term investments made by Art Collectors and on the other by the very nature of the assets in circulation in Utilities, which do not necessarily lend themselves to subsequent trading or resale (ticketing, access tokens, keys, etc.)



Indeed, if we look back at the early days of NFT, speculation was rife after the first LAND auction by Decentraland held during the end of 2017.

The potential future use value of LANDs was pushed into the background as at the time these assets were considered primarily for their speculative value. Even today, plots across all the Metaverses are of significant speculative value. Is this an aspect that is actively encouraged by the founders of the Metaverses? Is speculative trading an integral part of the development strategy of these Virtual Universes?

To clear this up, we asked the question to Ben Nolan, founder of Cryptovoxels.

How do you feel about speculation on Cryptovoxels parcels and in general?

“

I try to keep a back seat on that, I try to not create land at such a rate that it devalues existing parcels, but I try to not concentrate on the speculation, I try not to measure, retweet or promote it... people have bought parcels and sold them for a lot more than they purchased them for but that's not why I'm interested in Cryptovoxels it's not what I'm trying to build.

I would like people to be able to sell their parcels for what they bought them for, so if they bought a parcel and they don't want to be here anymore I'd like if people sell it around the same price, especially if they got it in a primary sale from us.

[...]

I mean I know there is speculation in CV and there are holders but its not what I'm optimizing for.

”



Ben Nolan – Cryptovoxels founder



Expensive sales distribution per project

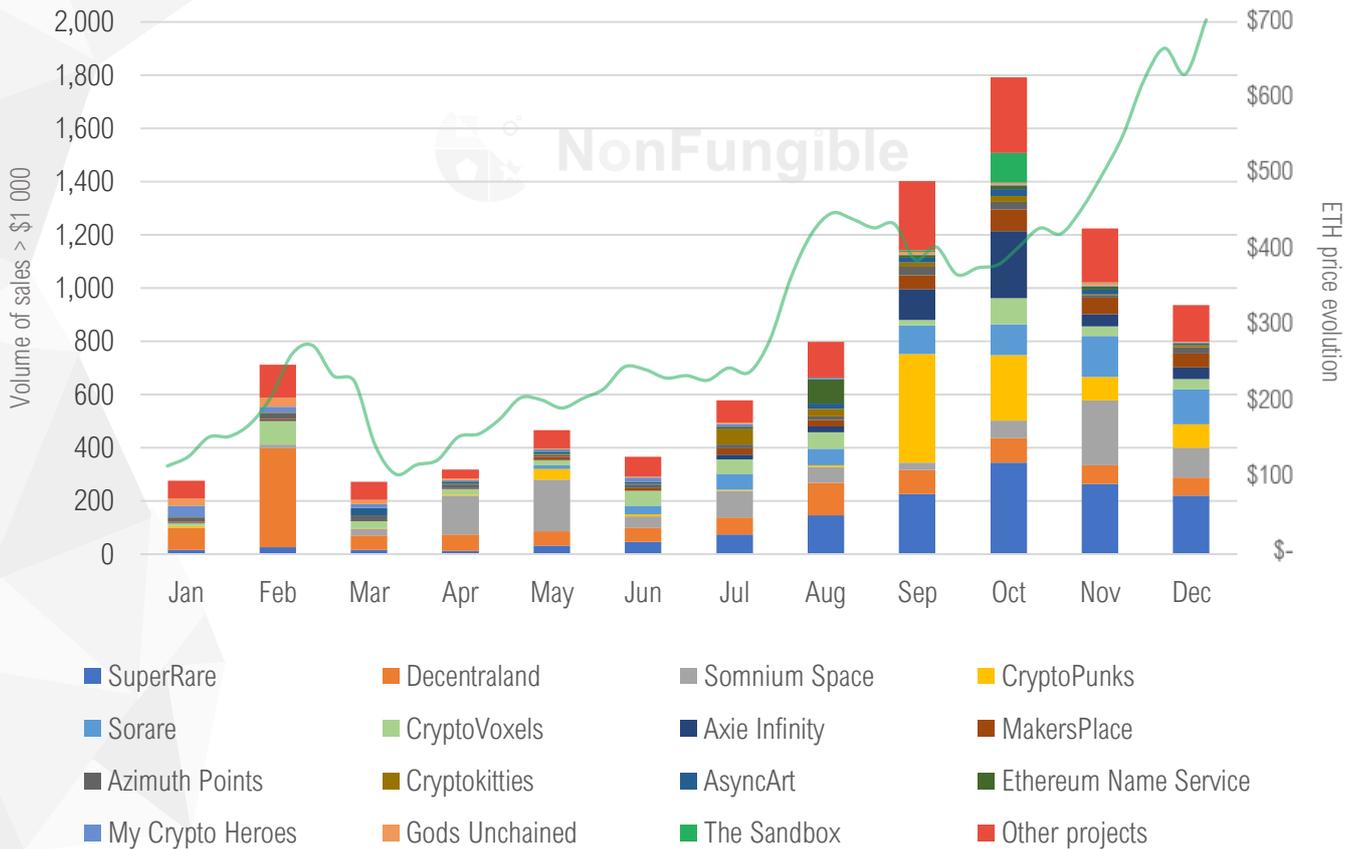


Fig. 25 – Monthly volume and distribution of sales over \$1,000 over time per project – 2020

The volume of 'High Value' sales increased gradually during 2020, in particular thanks to the increase in the value of ETH. The increase in these sales demonstrates the growing interest and confidence of buyers, who are willing to invest larger sums in their assets.

The fact that this increase is evenly distributed between the Projects must be interpreted as a Global interest for this Asset Class represented by the NFT, in contrast to the ultra-polarized hype on one or two Projects as was the case in the beginning of the Metaverse Industry.

Art is arguably the segment that is driving the most growth in this type of 'High Value' sale, which naturally echoes the traditional Art Market.



Distribution of > \$1 000 sales between primary and secondary markets

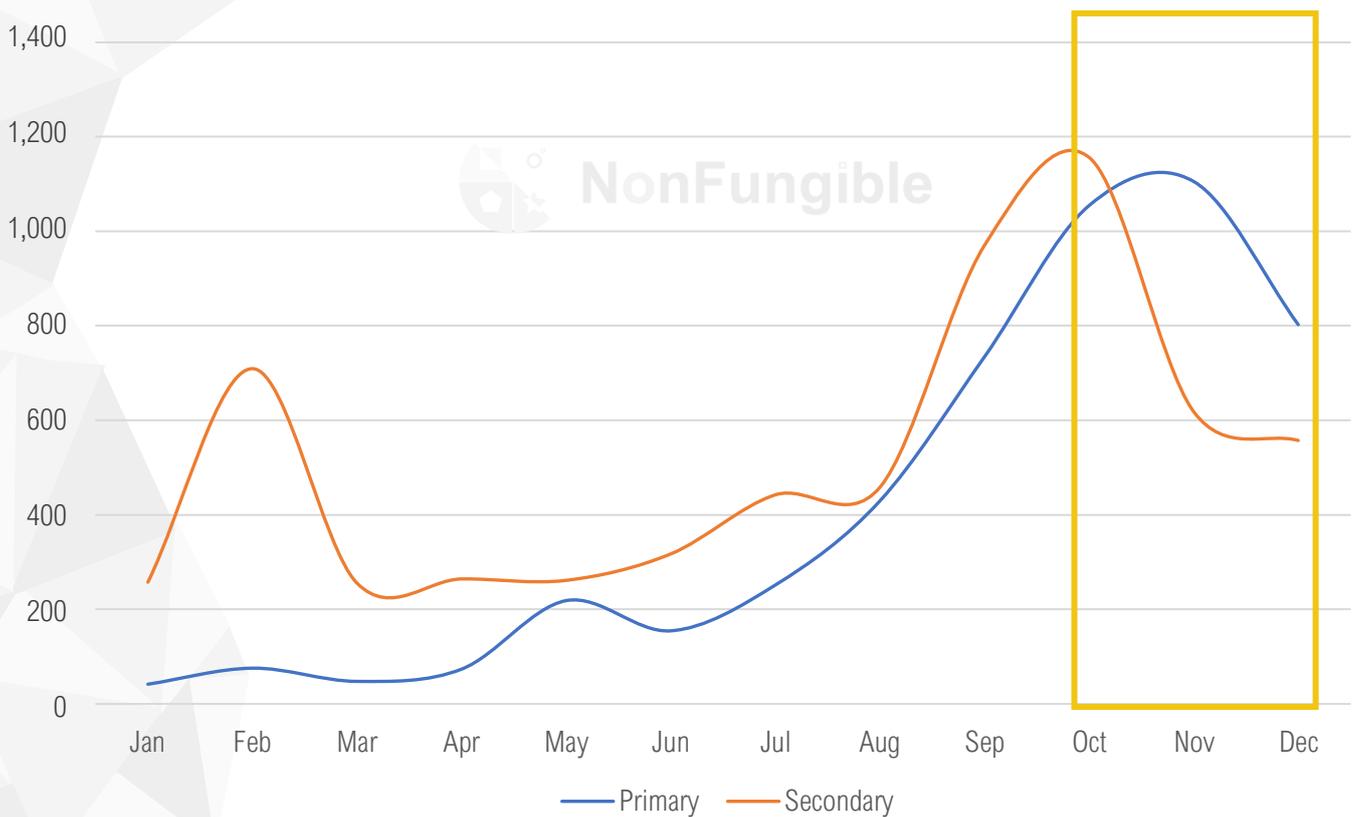


Fig. 26 – Total monthly volume of sales over \$1,000 evolution over time – 2020

Since the start of the year, almost all sales in excess of \$1,000 have been on the Secondary Markets, i.e. from the resale of assets that had presumably been bought for less originally.

It was not until October before the trend started to reverse and the volume of high-priced sales from the Primary Market exceeded the volume from the Secondary Markets for the first time.

Our conclusion about this phenomenon is that the ability to resell assets bought early and at a lower cost, has given new and more affluent buyers a taste for this type of investment.

If we look at this trend according to this idea of speculative asset value, the NFT traders are not only ready to buy at \$100 to resell at \$1,000, but they are now ready to buy at \$1,000, in hope of reselling for \$10,000.



Distribution of Cryptocurrencies used for NFT transactions over time

Unsurprisingly ETH and its ERC-20 equivalent WETH, remain by far the most widely used cryptocurrencies for NFT transactions and this dominant position was confirmed during the year.



Alt-coins that have stood out are in particular DAI, SAND, REVV and MATIC. Of course, not to forget the official Cryptocurrency of the Decentraland metaverse MANA also remains one of the major currencies in the NFT Ecosystem.

Despite the proliferation of in-game Currencies or Social Tokens, it's interesting to notice that none yet seem to have been established as a benchmark Currency of the Ecosystem.

We wait to see in 2021 if one of them manages to pass the milestone of cross-project interoperability.

No less than 46 different Cryptocurrencies were used during 2020 for the purchase of NFT.

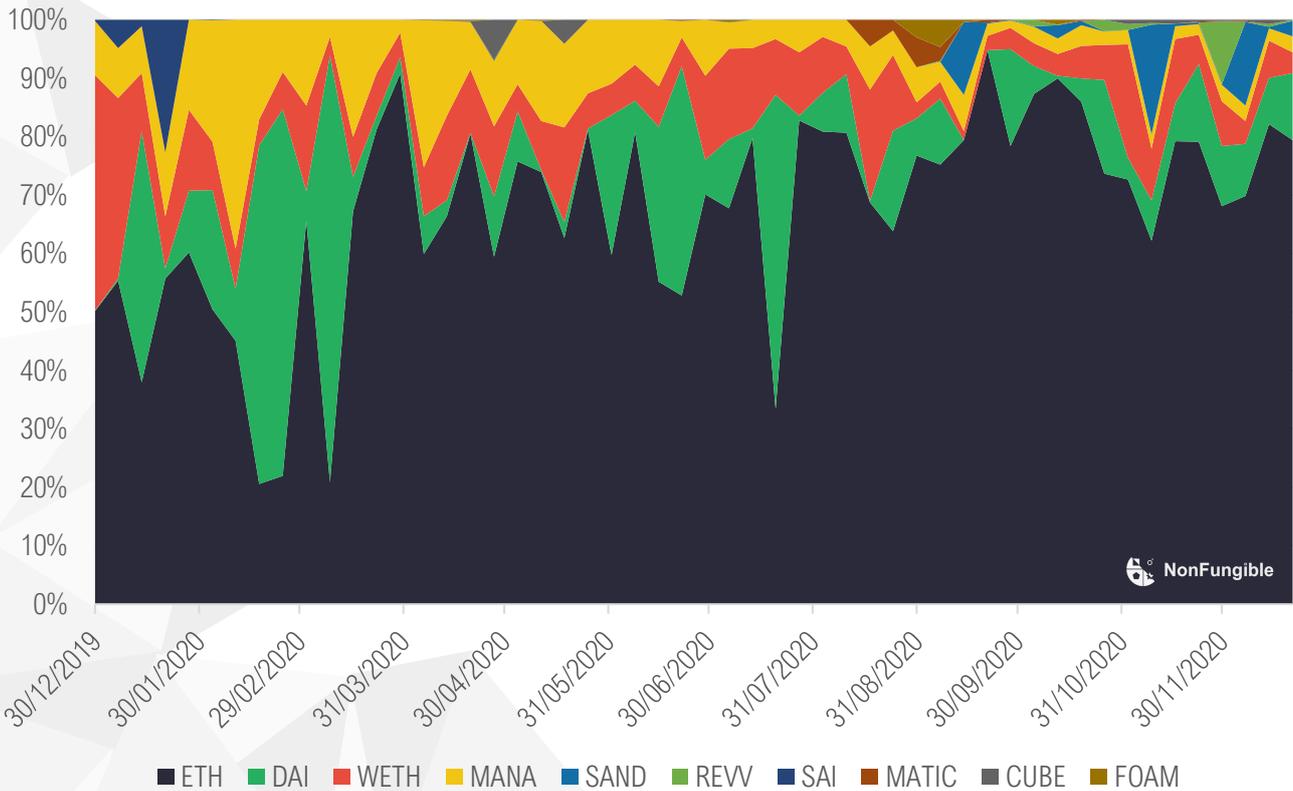


Fig. 27 – Relative distribution of Cryptocurrencies used for NFT purchases (USD volume) – 2020



PRIMARY VS SECONDARY MARKET DISTRIBUTION

The distribution between Primary and Secondary Markets is a strong indicator in assisting being able to measure stages of development in the Market, or at least, for this particular segment.

The Primary Market means that assets are in their initial stage of issuance, in other words, Portfolios are filling up with assets.

On the other hand, a dominant Secondary Market would be more a reflection of a market that may be more mature, where projects have started to slow down the production of assets and where the Peer-to-Peer Market is taking over.

Art

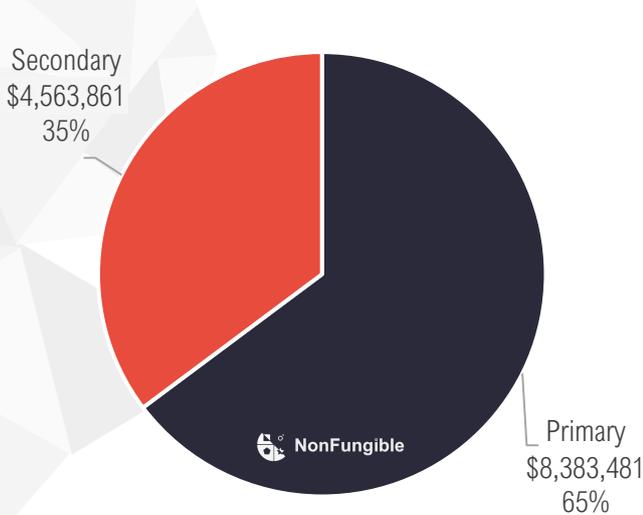


Fig. 28 – Distribution of sales within Art Segment (USD Volume) – 2020

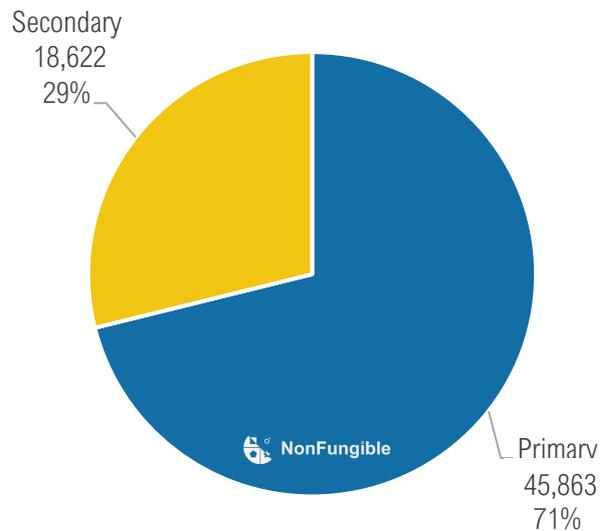


Fig. 29 – Distribution of sales within Art Segment (Sales Volume) – 2020

From a Crypto Art perspective, the secondary market remains very limited. The common behavior of buyers at the moment is essentially to build a collection.

Works of Art are not one of those types of assets that you buy to dump the minute after you buy. According to feedback from our teams over the year, most of the big Art buyers are here for the long run.

Therefore, whether it is a passion purchase for pure love of Art, or a purchase based on the ROI, its a safe bet that the secondary Crypto-Art market will gradually solidify over the coming years, with the arrival of new collectors.





Collectibles

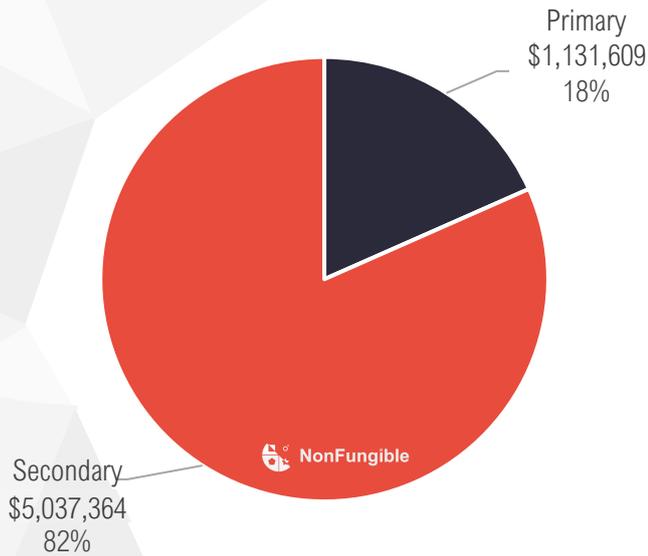


Fig. 30 – Distribution of sales within Collectibles Segment (USD Volume) – 2020

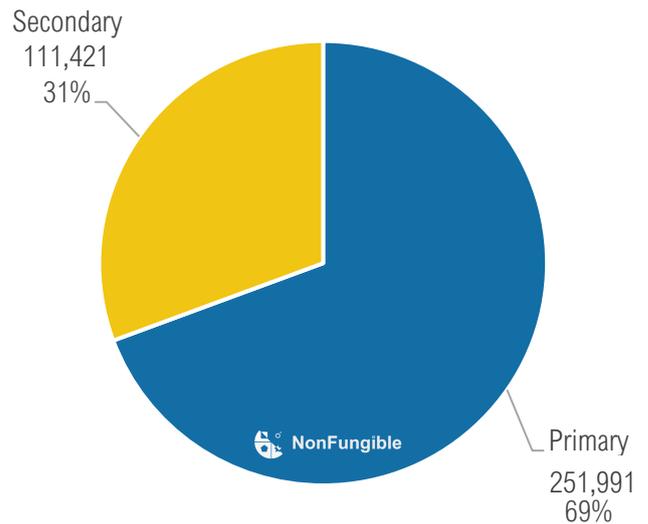


Fig. 31 – Distribution of sales within Collectibles Segment (Sales Volume) – 2020

The distribution of Collectibles between primary and secondary markets demonstrates a certain maturity of the segment. The issuance of tokens on the primary market remains significant (about 70% of the total segment trades), for only 18% of the traded value.

In conclusion, the assets that are traded to date on the secondary market are "relatively" few, but present significant value.



Sport

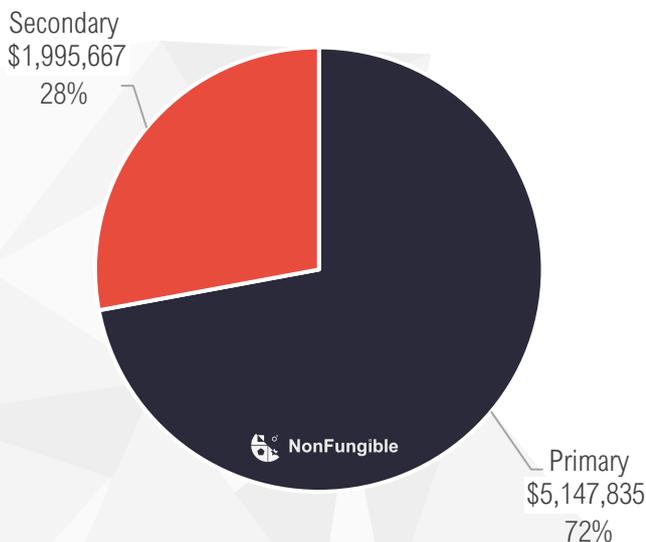


Fig. 32 – Distribution of sales within Sport Segment (USD Volume) – 2020

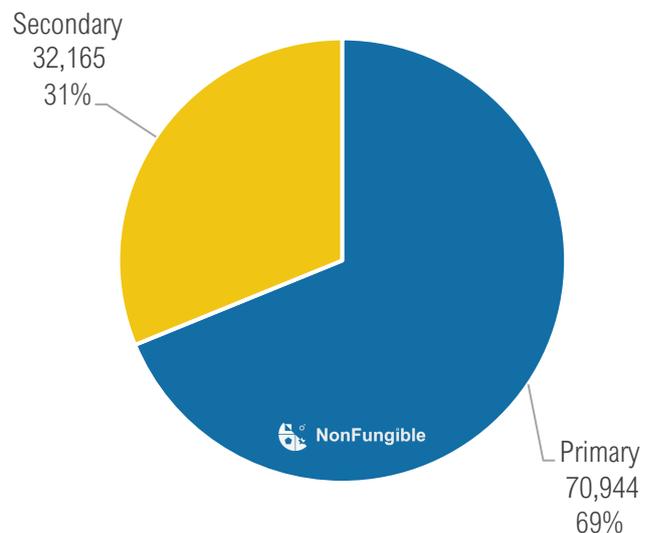


Fig. 33 – Distribution of sales within Sport Segment (Sales Volume) – 2020



The Sport segment has all the hallmarks of a growing young segment in which buyers are showing increasing interest. The average value of assets traded between the Primary and Secondary Markets are broadly similar, given the proximity of percentages between the two markets.

We can read this trend, given the youth of the segment, as a phase of natural expansion, tokens continue to be issued en masse on the Primary Market, the Secondary Market is gradually developing. We can imagine that over time the trend will gradually reverse itself fairly quickly given the large volume of tokens put into circulation every day by these projects.

Gaming

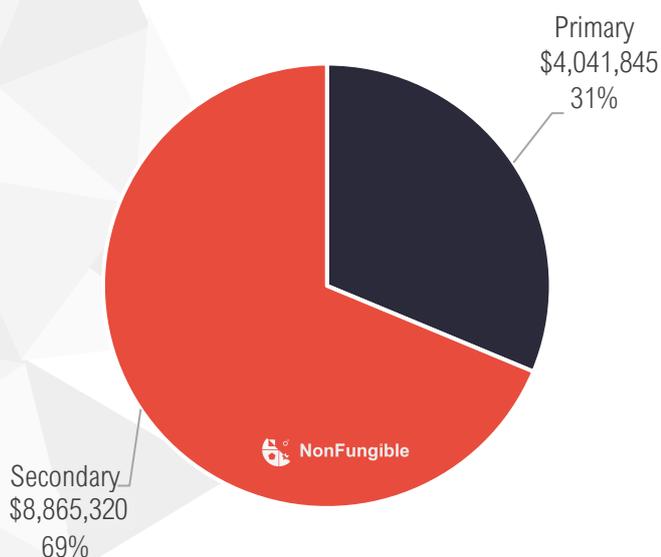


Fig. 34 – Distribution of sales within Gaming Segment (USD Volume) – 2020

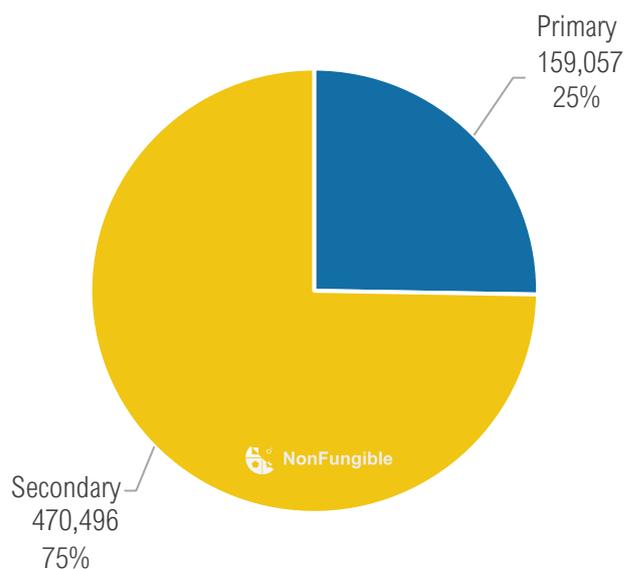


Fig. 35 – Distribution of sales within Gaming Segment (Sales Volume) – 2020

The distribution of Gaming Markets reflects a mature segment which is already well developed, but which still has significant growth potential. This segment has rapidly driven the growth of the NFT Ecosystem and now has a very significant liquidity of its assets. More than 75% of the trades are made on the Secondary Market, for almost 70% of total value traded.

This is all the more impressive given the large volumes traded, almost 650,000 trades over the year. The Gaming segment, from the point of view of the activity of its market, seems to be already well developed and shows very promising potential for the coming years.



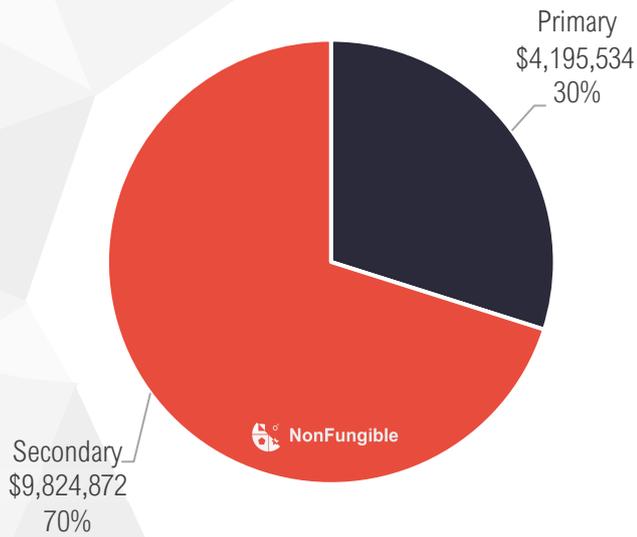


Fig. 36 – Distribution of sales within Metaverses Segment (USD Volume) – 2020

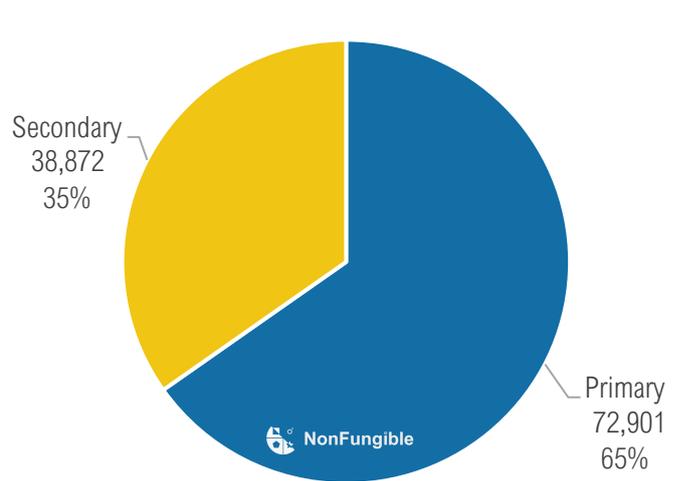


Fig. 37 – Distribution of sales within Metaverses Segment (Sales Volume) – 2020

The Metaverses show a very different breakdown between Primary and Secondary Market USD / Sales Volume. 65% of sales are made on the Primary Market, for only 30% of the value. This is not explained by the shortness of the segment, but by several complementary factors:

- The year was marked by the numerous Pre-sales of The Sandbox. (significant volume on the Primary Market.)
- The Sandbox LAND are very inexpensive on the Primary Market, compared to other Metaverse Pre-sales in previous years

Most of the other Metaverses (Decentraland, Somnium Space) have finished their Pre-sale and the plots are now ONLY for sale on the Secondary Market.

These different elements show that The Sandbox is reshaping the segment's landscape with these massive pre-sales, its very different pricing strategy and the place that this outsider has taken in the Gaming / Metaverse landscape.

We wait to see over the long term how the ecosystem will evolve following these first inflections.



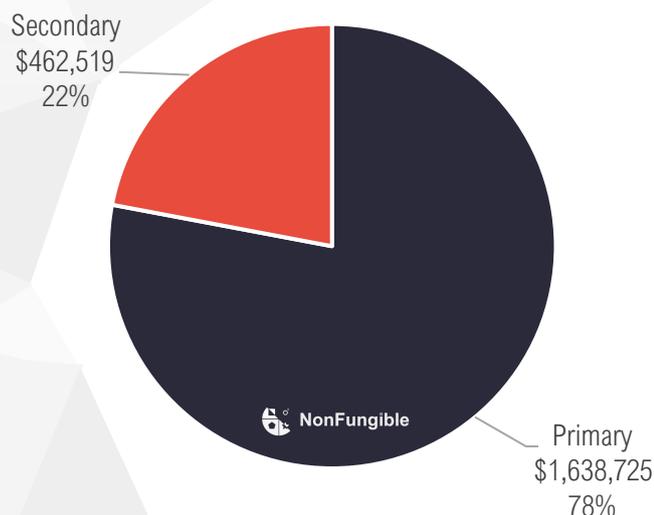


Fig. 38 – Distribution of sales within Utility Segment (USD Volume) – 2020

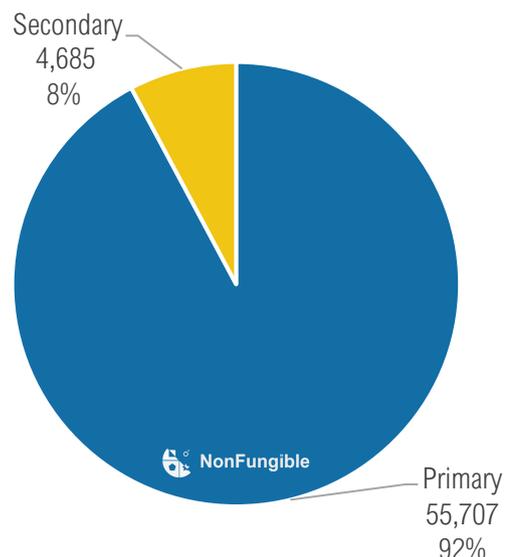


Fig. 39 – Distribution of sales within Utility Segment (Sales Volume) – 2020

The Utilities segment presents a great diversity of projects and use cases; however it should be noted that the segment is mainly driven by activity of the Ethereum Name Service, see previous section.

The context of this project and its Market can explain the breakdown between Primary and Secondary Market:

- most rare domain names / dictionary words are already sold (in other words, potentially the most expensive) and these can be found in the Secondary Market today
- assets that are still selling in the primary market are names that are more anecdotal or correspond to dictionaries other than the English dictionary - therefore less valuable for assets still for sale on the Ethereum Name Service Primary Market.

On the other hand, the assets of the Utility segment are not necessarily intended to generate a significant Secondary Market. If we think in particular of tickets, identity cards or 'useful' assets, these types of NFT are not necessarily designed to be largely resold on a Secondary Market. It is the, sometimes unique, use they offer that is at the origin of their value.

Let's conclude this section on the distributions between Primary & Secondary Markets with a focus on how to 'read' these metrics; having a large Primary or Secondary Market is not necessarily a sign of 'good health' or growth for a segment. The distribution must be understood, taking into account the Projects that make them up, the level of maturity of each segment and above all, the usage associated with each of these types of assets in circulation in the Market segment.



GLOBAL MARKET CONCLUSIONS

The NFT Ecosystem has experienced a historic boom during 2020, both in terms of volume traded and liquidity of assets. It is no longer just a speculative industry; it is now a value generation industry.

The overall boom in the Ecosystem was mainly observed in the last quarter. Note that this industry boom started before the year-end Crypto bull run. The rise in the value of Crypto has of course had an impact, but it's not the only deciding factor.

DeFi x NFT's early initiatives brought unprecedented visibility to the industry, but it appears this is still in its early stages, in any case, DeFi is a use case to watch closely.

Unsurprisingly, the gaming segment is still looking favorable and is responsible for a significant part of the growth of the Ecosystem. The second half of 2020 saw the arrival of a new mover with the Crypto-Art segment (which has been around since almost the beginning of the industry).

This segment is fundamentally different from the others:

- Little volume
- Particularly high value of assets
- Secondary market still very weak

These results should be viewed with moderation as a growing proportion of trades are now taking place on Layer2 Sidechain Solutions, or via the ERC-1155 (Semi-Fungible) standard and so the industry as a whole is arguably bigger than described here. These technical aspects of the industry are among our team's priorities to include as soon as possible.

To understand the exact nature of market trends, it's necessary to go into much finer detail and look at which assets were traded. These will be analyzed in section 6 - Sales & Trends.

Finally, note that market trends are never more than a reflection of the financial aspect of the NFT Ecosystem: the tip of the iceberg. Section 9 – Community Behaviours will shine the necessary light on the people behind these Markets!





AXIE IS A MOVEMENT DISGUISED AS A DIGITAL PET UNIVERSE.



Players can battle, collect, and build a kingdom of adorable monsters called Axies.

Currently the most played game on Ethereum, Axie is continuously evolving and adding new features and game modes. Sky Mavis, the core developers are also building an SDK which will allow our users to create their own games and experiences on top of the Axie assets.

Play to Earn

Axie uses Blockchain economic design to reward players for their contributions to the ecosystem. This new model of gaming has been dubbed "play to earn". Axie has attracted thousands of newcomers to blockchain technology from developing countries who were looking for new income streams during the Covid pandemic.

Starting this year, players can earn a governance token, AXS, which represents a real slice of the game universe as it has governance rights and fee sharing built into it.



6 SALES & TRENDS



MARKET TRENDS ANALYSED AT ASSET LEVEL

What are the differences between the market trends & why does it matter?

The Global Market trends analyzed in Section 5 can only be understood in light of the underlying NFT Markets, eg; the assets themselves.

The Markets are driven by the most valued or sometimes the most liquid asset types, but also by exceptional sales which reflect the interest that the wealthiest buyers have in certain asset classes.

This new section is dedicated to analyses of traded assets:

- What are the most traded assets?
- Are these assets only issued by projects or traded peer-to-peer?
- What is the average price of top traded assets over the year?
- What is the most expensive asset of all time, per segment & per year?



MOST TRADED ASSETS

| PROJECT NAME – ASSET TYPOLOGY | TOTAL VOLUME OF TRADES | PRIMARY | SECONDARY |
|---------------------------------|------------------------|---------|-----------|
| Gods Unchained – Cards | 336,869 | 2.3% | 97.7% |
| CryptoKitties | 291,698 | 68.7% | 31.3% |
| AxiInfinity – Axies | 115,042 | 41.7% | 58.3% |
| Sorare – Cards | 94,360 | 69.8% | 30.2% |
| The Sandbox – Land | 68,779 | 80.0% | 20.0% |
| OxUniverse – Planet | 53,830 | 89.6% | 10.4% |
| EthereumNameService – ENS | 45,795 | 97.7% | 2.3% |
| MegaCryptoPolis – Citizen | 32,087 | 70.0% | 30.0% |
| Decentraland – Name | 31,406 | 97.5% | 2.5% |
| Word | 18,959 | 93.9% | 6.1% |
| Contract Servant – Servant | 18,770 | 58.5% | 41.5% |
| Avastars | 13,833 | 82.6% | 17.4% |
| Decentraland – Launch Wearables | 13,359 | 13.0% | 87.0% |
| ChainFaces – 𐀀𐀁𐀂𐀃 | 11,049 | 90.4% | 9.6% |
| Blockchain Cuties | 9,783 | 65.9% | 34.1% |
| SuperRare | 9,675 | 80.9% | 19.1% |
| MakersPlace | 8,710 | 41.7% | 58.3% |
| KnownOrigin | 8,380 | 86.7% | 13.3% |
| MegaCryptoPolis – Land | 8,190 | 41.5% | 58.5% |
| Kudos Token | 8,024 | 98.4% | 1.6% |
| MegaCryptoPolis – Resource | 8,017 | 90.1% | 9.9% |
| CryptoSpaceCommander | 8,013 | 0.3% | 99.7% |
| MyCryptoHeroes – Heroes | 7,752 | 2.4% | 97.6% |
| BraveFrontierHeroes – Unit | 7,540 | 23.2% | 76.8% |
| MyCryptoHeroes – Extension | 7,248 | 3.3% | 96.7% |

Fig. 40 – Most traded NFT Tickers (typology of assets) and distribution between primary and secondary market – 2020



By far the most traded asset class are cards from TCG Gods Unchained, published by Immutable Studio. Interestingly, the split between the Secondary and Primary Market for Gods Unchained is very different from other heavily traded asset types, with only 2% coming from the Primary Market, that is from cards still sold by the Project.

This huge volume of trades, backed by a predominant Secondary Market are obvious signs of good health, specifically in the context of a Trading Card Game, where one of the key uses is to exchange cards with other players to build the best Deck possible.

The majority of the other projects conversely exhibit a Primary Market that is superior to the Secondary Market, suggesting that the peer-to-peer market is still small and that these projects are still in the asset issuance phase.

However, in Sorare's case the project went from Loom to the Ethereum main chain during the year which resulted in a surge of minting of all the cards already on Loom. This technical change artificially increased the share of the Primary Market, suggesting that despite the young age on the Ethereum Blockchain, Sorare already has a sizable Secondary Market and therefore a fairly active community of players and traders.

Axie Infinity has a good balance between its Primary and Secondary Market, as the project continues to sell large volumes of assets each month.

Finally, other projects, such as CryptoSpaceCommander or MyCryptoHeroes hardly issue any new assets, which leaves room for a very active Secondary Market of several thousand trades per year.



ASSETS AVERAGE PRICE EVOLUTION OVER TIME

| | PRIMARY MARKET | | | SECONDARY MARKET | | |
|---------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|
| | Q1 2020 AVERAGE PRICE | Q4 2020 AVERAGE PRICE | % OF PRICE EVOLUTION | Q1 2020 AVERAGE PRICE | Q4 2020 AVERAGE PRICE | % OF PRICE EVOLUTION |
| GodsUnchained – Cards | \$10.82 | \$18.24 | 69% | \$4.44 | \$38.63 | 770% |
| CryptoKitties | \$1.62 | \$7.81 | 383% | \$4.01 | \$21.83 | 444% |
| AxiInfinity – Axies | \$1.37 | \$59.16 | 4,232% | \$10.90 | \$72.18 | 563% |
| Sorare – Cards | \$43.57 | \$95.61 | 119% | \$20.49 | \$62.28 | 204% |
| TheSandbox – Land | \$31.47 | \$59.19 | 88% | \$57.70 | \$145.25 | 152% |
| OxUniverse – Planet | \$1.14 | \$3.59 | 216% | \$1.80 | \$34.02 | 1,789% |
| EthereumNameService – ENS | \$11.92 | \$19.69 | 65% | \$46.63 | \$492.29 | 956% |
| MegaCryptoPolis – Citizen | \$3.55 | \$8.22 | 132% | \$13.65 | \$26.23 | 92% |
| Decentraland – Name | \$5.64 | \$8.33 | 48% | \$44.64 | \$91.03 | 104% |
| Word | \$0.30 | \$0.87 | 189% | \$6.78 | \$51.04 | 653% |
| ContractServant – Servant | \$54.91 | \$51.81 | -6% | \$45.99 | \$37.10 | -19% |
| Avastars | \$24.46 | \$58.26 | 138% | \$84.39 | \$107.94 | 28% |
| Decentraland – Launch Wearables | \$1.28 | \$12.09 | 847% | \$3.29 | \$70.83 | 2,056% |
| ChainFaces – 𐀀𐀁𐀂𐀃 | N/A | N/A | N/A | \$21.09 | \$33.24 | 58% |
| BlockchainCuties | \$1.91 | \$27.95 | 1,363% | \$17.92 | \$5.89 | -67% |
| SuperRare | \$185.92 | \$1,470.66 | 691% | \$374.54 | \$1,450.22 | 287% |
| MakersPlace | \$66.93 | \$320.61 | 379% | \$55.16 | \$528.83 | 859% |
| KnownOrigin | \$41.82 | \$180.96 | 333% | \$55.25 | \$364.79 | 560% |
| MegaCryptoPolis – Land | \$90.26 | \$239.10 | 165% | \$43.35 | \$116.48 | 169% |
| Kudos Token | \$0.48 | \$0.24 | -51% | \$1.92 | \$13.25 | 591% |
| MegaCryptoPolis – Resource | \$13.99 | \$43.30 | 210% | \$12.28 | \$48.39 | 294% |
| CryptoSpaceCommander | N/A | N/A | N/A | \$34.61 | \$129.63 | 275% |
| MyCryptoHeroes – Heroes | \$17.98 | \$161.95 | 801% | \$112.75 | \$67.42 | -40% |
| BraveFrontierHeroes – Unit | \$0.02 | \$39.63 | 161,641% | \$82.75 | \$25.33 | -69% |
| MyCryptoHeroes – Extension | \$10.64 | \$55.57 | 422% | \$47.63 | \$29.95 | -37% |

Fig. 41 – Average price evolution of most traded NFT Tickers Q1 vs. Q4 2020 on primary and secondary markets



Trends analysis & explanations

MyCryptoHeroes / Brave Frontier Heroes

The very definition of “strong hands” is apparent here and it’s interesting to note the considerably high demand for newly released assets which saw players' investment increase between the start and the end of 2020.

However, the Secondary Market is very low, even if the difference in the average resale price compared to the Primary Market is very high! The first-time buyers have therefore created their team of heroes and keep them evolving, but above all have retained their purchases and continued playing with them until the end of the year!

Regarding the BraveFrontierHeroes - Unit, the nearly 200X price increase over the year is explained by all the transactions that were processed for this NFT Ticker between 02.11 and 24.06. These were perceived as Primary Sales but correspond to the minting of assets. This activity originated from several ETH addresses which subsequently transferred the NFT into a single address, through paying fees for each transfer so the price increase indicated is therefore more of a fee than a sale.

Axie Infinity / CryptoKitties

The gap between these two main collectible / breeding games is very clear for 2020. This year marks a real turning point for Axie Infinity which undeniably takes the place of CK in terms of adoption: The average price for starting to play has exploded and resale on the Secondary Market has become very profitable for users who began playing earlier in the year.

MakersPlace / SuperRare / KnownOrigin

Unsurprisingly, SuperRare maintains its dominant position and confirms that it is the most expensive marketplace. Instead, the surprise comes from Makersplace which has a reputation for being more affordable than the others and yet it transpires the average Primary Market price is much more expensive than Known Origin! Hosting the Jose Delbo artwork sale seems to have had a very positive impact on the platform, will it become a source of inspiration for others?

The colossal price increase observed for Art Marketplaces like SuperRare does not indicate the value of individual works that were sold in Q1 2020, has increased by 300%. But that works which are resold in Secondary Art Markets are generally from highly sought-after Artists, whose prices have soared. However, it should be noted that the average price of most of the Artists present on these Art Marketplaces increased over the year, driven by the boom in the Crypto-Art Space.



Wearables

In the metaverse, it's Decentraland who stands out thanks to their combination of unique and rare wearables that everyone is crazy about possessing! Is it the ability to earn wearables by completing quests, the wish for individuality or the desire for status that has exploded both the Primary and Secondary Market prices for this new type of NFT? Whatever the case, the upwards trend here is not to be taken lightly!

OxUniverse

The Game Studio let this game run on its own at the start of the year for lack of funding and support from investors. Against all expectations and thanks to a migration to Matic, the game was able to find its audience and a market during Q4 2020. The historic name of OxUniverse is therefore on the right track to continue forwards in 2021.

The Sandbox

The LANDs in this metaverse do not have rarity or exclusivity characteristics in their meta-data and here the location of the LAND has only a minor impact on the value of the asset. We can therefore safely say that the average price of a parcel of The Sandbox increased 150% over the year in the Secondary Market. This trend is interesting because it is uncorrelated with the relative increase in the price of LANDs on the Primary Market: in Q4, we observe LANDs sold on the Primary Market at around \$60 for a Secondary Market which trades these same LANDs for almost \$150.

On average the value of these highly traded assets increased significantly over the year. Does this mean if you had bought each of these NFT earlier this year, you would have got rich? Unfortunately, it's not that simple!

Bear in mind, this is the average price per NFT Ticker, for each of these tickers, there is a great diversity of assets, from the most common to the most exclusive. Therefore, to understand what carries the value of these tickers, it requires going into detail for each type of asset sold (exclusivity, rarity, etc.)

As a conclusion, it is essential to analyze the history of a market in detail before drawing any conclusions. We invite you to consult the market history available on NonFungible.com before making a purchase:

 nonfungible.com/market/history



MOST EXPENSIVE SALES PER SEGMENT PER YEAR

2018 – Highest sale per segment

ART



Project: SuperRare
Artist: Paris Psalter
Name: Blue
Date: 05.30.2018

USD price: \$1,685
Crypto price: 3 (ETH)
Sale type: Primary

METAVERSES



Project: Decentraland
TokenTicker: Estate
Composed of: 126 LAND
Date: 11.05.2018

USD price: \$210,762
Crypto price: 2,772,000 (MANA)
Sale type: Secondary

UTILITY



Project: Ripio Credit Network

USD price: \$2,310
Crypto price: 84,415 (RCN)
Sale type: Primary

GAMING



Project: Gods Unchained
Name: Light's Bidding
Date: 07.31.2018

USD price: \$63,143
Crypto price: 137.84
Sale type: Primary

COLLECTIBLES



Project: CryptoKitties
Gen: 9
Date: 09.04.2018

USD price: \$173,311
Crypto price: 600 (ETH)
Sale type: Secondary

SPORT



Project: MLB Champions
Player ID: 0
Date: 09.02.2018

USD price: \$20,357
Crypto price: 68.86 (ETH)
Sale type: Primary



2019 – Highest sale per segment

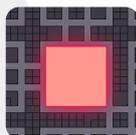
ART



Project: SuperRare
Name: EthGirl
Artist: Trevor Jones
Date: 03.22.2019

USD price: \$10,227
Crypto price: 72.1
Sale type: Primary

METAVERSES



Project: Decentraland
TokenTicker: Estate
Composed of: 64 LAND
Date: 05.24.2019

USD price: \$79,238
Crypto price: 1,299,999 (MANA)
Sale type: Secondary

UTILITY



Project: Ethereum Name Service
Name: amazon.eth
Date: 10.18.2019

USD price: \$17,501
Crypto price: 100 (WETH)
Sale type: Primary

GAMING



Project: CryptoSpaceCommander
Date: 09.19.2019

USD price: \$52,562
Crypto price: 250 (ETH)
Sale type: Secondary

COLLECTIBLES



Project: Crypt-Oink
Date: 04.15.2019

USD price: \$16,761
Crypto price: 100 (ETH)
Sale type: Primary

SPORT



Project: F1 Delta Time
Car type: Apex
Date: 05.27.2019

USD price: \$110,899
Crypto price: 415.9 (ETH)
Sale type: Primary



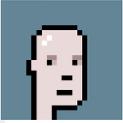
 **Top #10 highest sales in 2020 [Art]***

| | Project | Artwork name / Artists | Sale date | Sale type | Crypto price | USD Price |
|---|-------------|--|-----------|-----------|--------------|-----------|
|  | AsyncArt | Title: EthBoy Artist: Trevor, Alotta Money | 11.21 | Primary | 260 (ETH) | \$140,434 |
|  | AsyncArt | Title: 'sä-v(ə-)rən-tē Artist: Micah Johnson | 11.14 | Primary | 250 (ETH) | \$117,238 |
|  | MakersPlace | Title: Genesis Artist: Trevor Jones, Jose Delbo | 10.17 | Primary | 302.5 (ETH) | \$111,411 |
|  | AsyncArt | Title: Right Place & Right Time (Bitcoin Hourly Price Offset) Artist: Matt Kane | 09.18 | Primary | 262 (ETH) | \$95,151 |
|  | SuperRare | Title: Rebirth of Venus Artist: Iilmiquela | 11.21 | Primary | 164.3 (ETH) | \$84,976 |
|  | MakersPlace | Title: Who Is The Creator 2 Artist: Trevor Jones, Jose Delbo | 10.17 | Primary | 150 (ETH) | \$55,200 |
|  | SuperRare | Title: In Titan's Light Artist: Sutu | 12.16 | Secondary | 80.3 (ETH) | \$50,624 |
|  | SuperRare | Title: Möbius Knot Artist: Pak | 11.29 | Primary | 79.3 (ETH) | \$43,831 |
|  | AsyncArt | Title: Base Artist: Pak | 07.25 | Primary | 97 (ETH) | \$27,995 |
|  | SuperRare | Title: Elephant Dreams Artist: Andrés Reisinger x RAC | 10.10 | Primary | 72.1 (ETH) | \$27,001 |

*NiftyGateway sales are not included in this listing as sales occur off-chain



 **Top #10 highest sales in 2020 [Collectibles]**

| | Project | Asset name / details | Sale date | Sale type | Crypto price | USD Price |
|---|---------------|--|-----------|-----------|--------------|-----------|
|  | Crypto Punks | Punk #3307 Tags: Male | 12.30 | Secondary | 190 (ETH) | \$137,366 |
|  | Crypto Punks | Punk #2924 Tags: Ape, Hoodie | 11.13 | Secondary | 150 (ETH) | \$71,512 |
|  | Crypto Punks | Punk #4513 Tags: Zombie, Beanie, Luxurious Beard, Earring | 10.03 | Secondary | 189.6 (ETH) | \$67,307 |
|  | Crypto Punks | Punk #3831 Tags: Zombie, Vampire Hair, Medical Mask, Big Shades | 12.25 | Secondary | 99.99 (ETH) | \$62,821 |
|  | Crypto Punks | Punk #2681 Tags: Zombie, Cap, Clown Eyes Blue | 12.26 | Secondary | 83 (ETH) | \$53,626 |
|  | Crypto Punks | Punk #5314 Tags: Ape, Do-rag, Horned Rim Glasses | 09.17 | Secondary | 140 (ETH) | \$50,843 |
|  | Crypto Punks | Punk #3107 Tags: Beanie, Big Beard, Earring, Male | 12.25 | Secondary | 60 (ETH) | \$36,658 |
|  | Crypto Punks | Punk #1 Tags: Smile, Mohawk, Male | 11.30 | Secondary | 60 (ETH) | \$36,126 |
|  | CryptoKitties | CK #20 Gen 0 | 10.04 | Secondary | 96 (ETH) | \$33,315 |
|  | Crypto Punks | Punk #7407 Tags: Beanie, Classic Shades, Male | 12.24 | Secondary | 49 (ETH) | \$28,229 |



 **Top #10 highest sales in 2020 [Gaming]**

| | Project | Asset name / details | Sale date | Sale type | Crypto price | USD Price |
|---|----------------|---|------------------|------------------|---------------------|------------------|
|  | Axie Infinity | Title: Origin Name: Angel | 11.06 | Secondary | 300 (ETH) | \$131,673 |
|  | Axie Infinity | Title: Origin Name: Perfect & The First Triple | 11.21 | Secondary | 180 (ETH) | \$96,906 |
|  | Axie Infinity | Title: Origin Name: Greg | 11.23 | Secondary | 160 (ETH) | \$95,574 |
|  | Axie Infinity | Title: Origin Name: Handsome Bob | 10.22 | Secondary | 200 (ETH) | \$83,624 |
|  | Axie Infinity | Title: Origin Name: Devil Jack | 10.22 | Primary | 200 (ETH) | \$83,624 |
|  | Axie Infinity | Title: Origin Name: Sergey | 12.08 | Secondary | 140 (ETH) | \$82,482 |
|  | Axie Infinity | Title: Origin Name: Angel | 09.28 | Secondary | 150 (ETH) | \$53,242 |
|  | Axie Infinity | Title: Origin Name: Axie #265 | 09.25 | Secondary | 150 (ETH) | \$48,754 |
|  | Axie Infinity | Title: Origin Name: Alien | 09.25 | Primary | 150 (ETH) | \$48,754 |
|  | Axie Infinity | Title: Origin Name: * | 08.23 | Secondary | 90 (ETH) | \$35,044 |



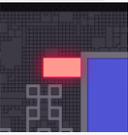
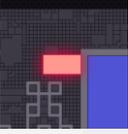
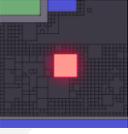
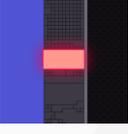
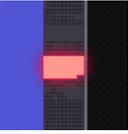
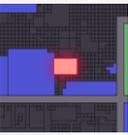
Top #10 highest sales in 2020 [Sport]

| | Project | Asset name / details | Sale date | Sale type | Crypto price | USD Price |
|---|---------------|--|-----------|-----------|------------------|-----------|
|  | F1 Delta Time | Formula 1 Grand Prix de Monaco 2020 1A | 12.02 | Primary | 9,081,752 (REVV) | \$224,111 |
|  | F1 Delta Time | Bahrain Edition 2020 | 12.04 | Primary | 2,650,000 (REVV) | \$75,932 |
|  | Sorare | Kylian Mbappé 2020-21 • Unique | 11.29 | Primary | 116.15 (ETH) | \$65,694 |
|  | Sorare | Bruno Fernandes 2019-20 • Unique | 12.22 | Secondary | 99 (ETH) | \$62,155 |
|  | F1 Delta Time | Formula 1 Grand Prix de Monaco 2020 1B | 12.24 | Primary | 819,000 (REVV) | \$31,017 |
|  | Sorare | Neymar 2020-21 • Unique | 10.18 | Primary | 74.42 (ETH) | \$27,974 |
|  | F1 Delta Time | Formula 1 Grand Prix de Monaco 2020 1D | 12.24 | Primary | 480,000 (REVV) | \$18,130 |
|  | F1 Delta Time | China Edition 2019 Azure Dragon | 01.31 | Primary | 91 (WETH) | \$16,907 |
|  | Sorare | Alphonso Davies 2020-21 • Unique | 12.13 | Primary | 27.08 (ETH) | \$16,008 |
|  | F1 Delta Time | China Edition 2019 Vermilion Bird | 10.17 | Primary | 38.49 (ETH) | \$15,832 |





Top #10 highest sales in 2020 [Metaverses]

| | Project | Asset name / details | Sale date | Sale type | Crypto price | USD Price |
|---|---------------|-------------------------------------|-----------|-----------|------------------|-----------|
|  | Cryptovoxels | 39 Hook Street Suburb: Frankfurt | 12.21 | Secondary | 110 (ETH) | \$67,012 |
|  | Cryptovoxels | 40 Hook Street Suburb: Frankfurt | 12.21 | Secondary | 90 (ETH) | \$54,828 |
|  | Decentraland | Estate #8 LAND: 50 | 05.24 | Secondary | 1,400,000 (MANA) | \$53,854 |
|  | Decentraland | Estate #8 LAND: 50 | 02.11 | Secondary | 750,000 (MANA) | \$46,782 |
|  | Decentraland | Estate #1312 LAND: 6 | 02.21 | Secondary | 695,000 (MANA) | \$37,909 |
|  | Decentraland | Estate #3750 LAND: 36 | 12.17 | Secondary | 56.38 (ETH) | \$36,776 |
|  | Decentraland | Estate #134 LAND: 55 | 04.10 | Secondary | 1,370,000 (MANA) | \$36,601 |
|  | Decentraland | Estate #1747 LAND: 64 | 04.10 | Secondary | 1,330,000 (MANA) | \$35,533 |
|  | Somnium Space | Type: WORLD Size: XL | 11.06 | Primary | 80 (WETH) | \$35,345 |
|  | Decentraland | Estate #1492 LAND: 24 | 02.11 | Secondary | 600,000 (MANA) | \$35,024 |





Top #10 highest sales in 2020 [Utility]

| | Project | Asset name / details | Sale date | Sale type | Crypto price | USD Price |
|---|-----------------------|----------------------|-----------|-----------|---------------|-----------|
|  | Unstoppable Domains | sex.crypto | 08.28 | Secondary | 230 (ETH) | \$89,797 |
|  | Ethereum Name Service | tim.eth | 11.30 | Secondary | 33 (WETH) | \$19,893 |
|  | Ripio Credit Network | | 09.18 | Primary | 309,903 (RCN) | \$14,649 |
|  | Unstoppable Domains | own.crypto | 10.08 | Secondary | 35 (ETH) | \$12,276 |
|  | Ethereum Name Service | crypto.eth | 04.29 | Secondary | 60 (WETH) | \$11,912 |
|  | Unstoppable Domains | liquidgold.crypto | 12.13 | Primary | 20 (ETH) | \$11,311 |
|  | Unstoppable Domains | hodl.crypto | 10.08 | Secondary | 30.5 (ETH) | \$10,673 |
|  | Ethereum Name Service | art.eth | 07.27 | Secondary | 30.93 (ETH) | \$10,011 |
|  | Ripio Credit Network | | 09.14 | Primary | 201,771 (RCN) | \$9,783 |
|  | Ethereum Name Service | song.eth | 11.27 | Secondary | 16 (ETH) | \$8,120 |



How to read these expensive sales?

Obviously, the highest priced sales in certain segments are largely dominated by one project, and in a few cases, we observe 2 to 3 projects which share these highest sales. While the ecosystem is growing fast, and up to this point has many drivers for growth, it's interesting to note how each segment remains very polarized around one or two projects that attract high net worth investors..

We draw two main conclusions from this:

- Carrying out NFT due diligence is complicated, time-consuming and risky
- The Lemming effect is at play with investments in the NFT industry today. New Whales and certain investors follow trends already observed and rely on Due Diligence conducted by other investors before them.

We offer you an analysis for each segment, allowing us to shed light on the explanations or trends behind these sales.

Art

Although the NFT Art Market has been on the rise since the start of the year, it seems the arrival of Jose Delbo at the end of July was a catalyst for attention towards the Ecosystem.

In October, Christies ran an auction that set an all-time high in the history of NFT Art. A week later, the community responded by setting a new record for the collaborative Art piece between Trevor Jones and Jose Delbo.

As a result of these events, the already popular Crypto Artists like Pak, Allota Money or Trevor Jones became even more popular and as a result, the value of their works has increased.

Collectibles

The renewed interest shown in CryptoPunks at the start of 2020 is partly due to their switch to “Wrapped CryptoPunks”, allowing them to switch to the ERC-721 standard!

With the Art Market booming during this year, the historical value and rarity of CPs was accentuated by their unconventional format and the fact that the project were the originators who inspired the Universe of Non-Fungible Tokens after them.

Several buying waves took place during the Summer, moving the minimum price of a CryptoPunk from 1 to 6ETH in the space of two months.



Gaming

Despite the development and expansion of many games over the course of 2020, it is undeniably the Axies that have dominated sales records! Twelve “Origin” type Axies are the rarest in the game and have unique combat skills.

What might explain such a large difference between the purchase price and the resale is partly due to the massive peak in interest Axie Infinity experienced from the end of the Summer onwards and also because these Origin Axies have managed to remain a virgin! So have a 0 breed count making them even more desirable.

The fact no other Axie carries all these combined traits has reinforced their uniqueness and therefore, the desire to own them at a high price.

Sport

Sorare and F1 Delta Time reign supreme in the sports segment, specifically F1 Delta Time with the sale which is still considered the most expensive in the history of NFT for a single asset, with more than \$220,000 for a Formula 1 circuit.

On Sorare’s side, it’s unsurprisingly the most famous soccer players who were behind historic sales. With the evolution of sports-related Collectibles in the traditional market, it’s a safe bet that one of these cards will go above \$100,000 on the secondary market next year.

Metaverse

In the Metaverse segment, there are two different types of asset occupying the top: unique LANDs (Cryptovoxels) and LAND conglomerates in the form of ESTATES (Decentraland). The price of Estates is a mechanical factor in the number of LANDs that make it up, while the value of Cryptovoxels plots is defined by the Suburb in which it is located, but also the total volume it offers. Regarding Cryptovoxels, although the average price of plots has increased considerably over the year, it should be noted that these are exceptional sales which, for the moment, appear to be outsiders compared to the rest of the market.

Utility

The Utilities segment has been largely dominated by the domain name market. In this market, very similar to that of web domain names, the rarest names, the most evocative, are the most valued. These names were of course reserved very quickly by buyers, so that the highest sales are almost exclusively on the secondary market, when re-selling these exclusive domain names.



7 MAKING PROFIT WITH NFT



HOW TO MAKE MONEY?

Introduction

In this section we will focus on the business models that have arisen from the NFT industry. Today a wide variety of players participate in the development of the ecosystem and manage to derive regular and sufficient income from it to have made it a full-time activity.

Here we analyze this particular dimension of the NFT industry by focusing on three types of players and by answering a few questions for each to understand the issues and the models that work. How to make money with NFT as a:

#1 – Trader

Is it a sustainable activity today to trade NFT? What income can we generate?

#2 – Project

How do projects finance themselves other than through traditional funding? What projects perform the best? What is their source of income?

#3 – Artist

Can artists make a living from selling their works on the Blockchain? How much can a popular Crypto Artist make?



MAKING PROFIT AS AN NFT TRADER

Is NFT trading a sustainable job today?

Trading is inherent in most asset classes and the NFT ecosystem is no different with trading being one of their earliest use cases.

At first this activity was seen as a hangover from the cryptocurrency space but NFT trading greatly contributed to the notoriety of the industry. Figures such as Pranksy and Matty aka DCL Blogger grow in notoriety. These well-known traders were some of the first to prove that it was possible to make a living through trading NFT, others quickly followed on, but what about today?

How many traders make a living from trading NFT today?

How much can an NFT trader earn per year?

Is this activity profitable, despite the fluctuations of crypto-currencies?

How much do people spend in NFT?

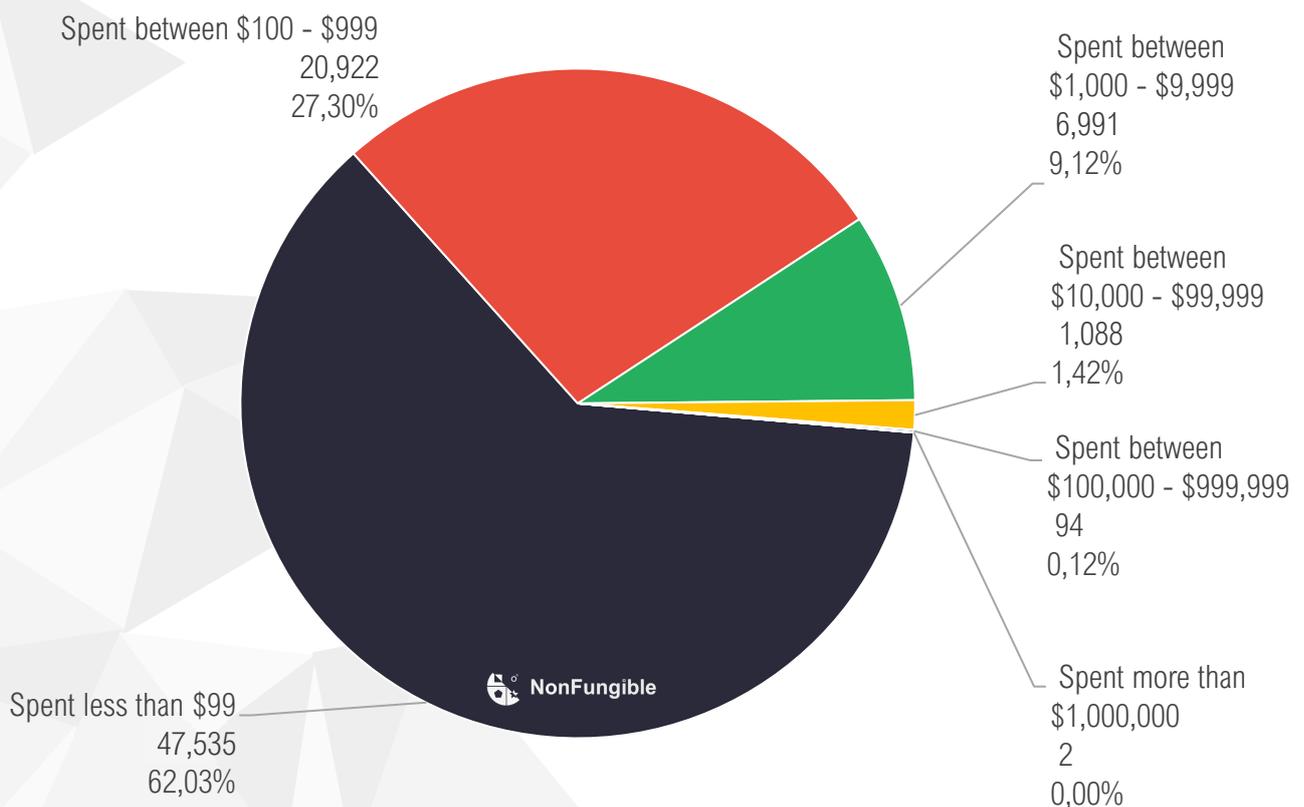


Fig. 42 – Distribution of wallets based on total USD spent in NFT – 2020



First of all it is important to remember, a Wallet is not necessarily the equivalent of a user. Most Whales, traders and investors have several wallets (up to 10 wallets for the same investor observed). And so this distribution should be taken with a pinch of salt.

The majority of Wallets have fairly limited expenditure volumes and can be interpreted as a first contact with NFT. There are still nearly 10,000 wallets that have spent at least \$1,000. It should also be noted that the segment of the largest wallets is growing with almost 100 wallets that have exceeded more than \$100,000.

Most profitables traders

Calculating the exact profit an individual trader makes is a rather complicated exercise for various reasons including the type of assets, technological context related to NFT and the strategy diversity.

Here are some examples below that make the task of evaluating profit for traders more complex:

- **Private deals** – a direct peer-to-peer trade between wallets, not via a smart contract, with the sending of funds and assets simultaneously. This type of deal cannot be taken into account automatically
- **Long-term HODLing** – a trader who has bought a certain type of asset but decides to wait several years before reselling will be seen as a losing trader.
- **Trading based on crypto value (not on USD value)** – For the sake of readability, we base our analysis on profits made in USD, based on the value of each Cryptocurrency at the time of the transaction. (Thanks to CoinGecko data.) However, regardless of its USD price, some traders refer to the price of the asset in Cryptocurrency. Therefore, an asset bought for 1ETH, when Eth is high and sold for 2 ETH when Ether is low will be considered a loss from a USD point of view, but not a Crypto one. Note this exercise is even more complicated when the buying and selling are done in two different Cryptocurrencies.

The analyzes below are based on all on-chain transactions carried out in 2020 by all wallets that have bought or sold an NFT at least once during the year.



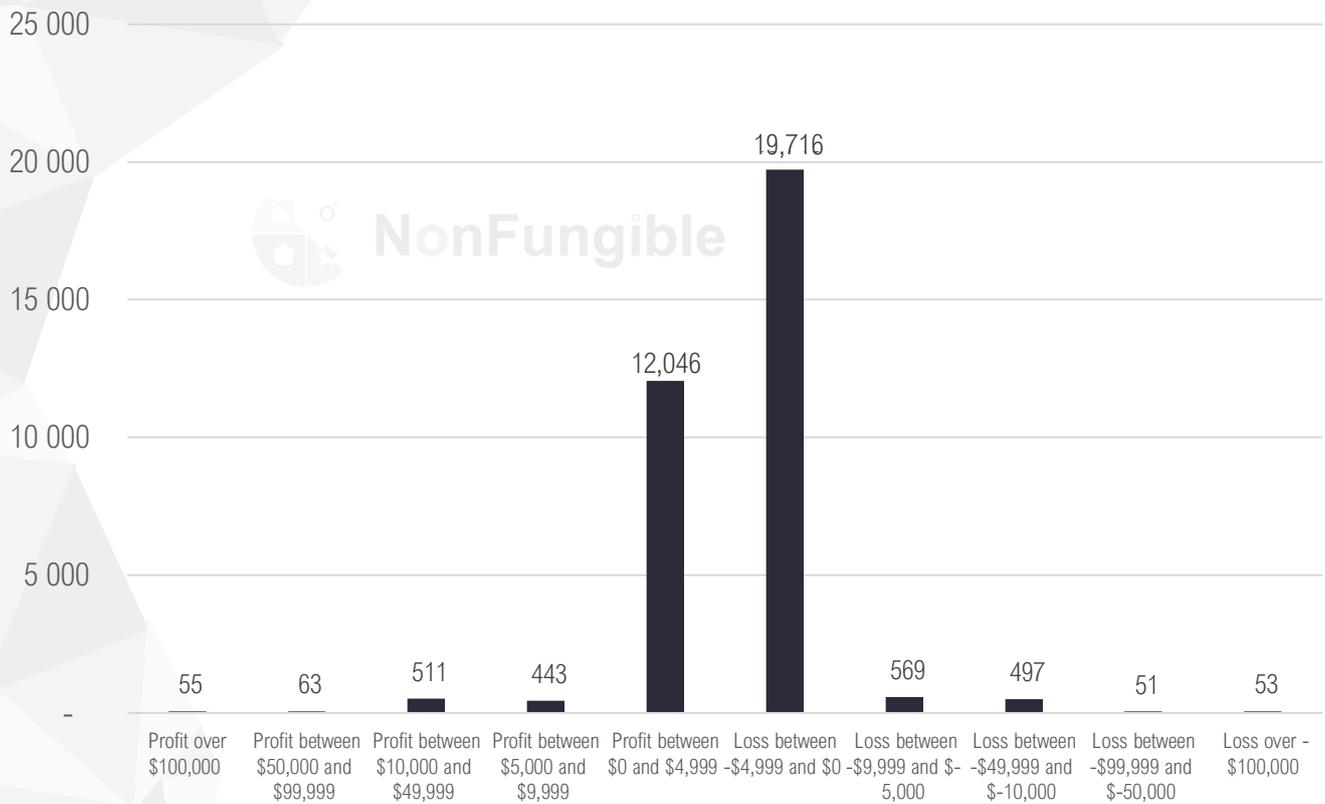


Fig. 43 – Distribution of wallets based on total profit made on NFT – 2020

The breakdown below should be read in the light of some key elements:

"Loss" is not always a loss, if for example we look at addresses with "Losses over \$100,000" we discover the largest wallets of collectors such as Moderats, WhaleShark, MetaKovan, TokenAngels and so on, who have not "lost" any money as such. This is more of a long-term investment, driven by major economic players.

On the other hand, a large portion of the wallets that have recorded "Profits over \$100,000" are most often artists or wallets whose activity suggests it is not an actual person.

The NonFungible.com teams performed a manual verification of each of the accounts in order to identify those corresponding to real traders. The top #15 of the most profitable traders and the biggest spenders' wallets are listed on the next pages.



Most profitable traders in 2020

The list of the most profitable traders in 2020 shows performances ranging from \$100,000 to almost \$500,000 over the year.

Over time we have noticed that the interests of NFT traders have adapted. Firstly, we have the CryptoPunks owners, who have taken advantage of the craze for these historic collectibles and generated up to 100% of their profits thanks to these assets. Traders such as GoWest23 & BTC and jmg.

Axie Infinity has become an asset class of choice for traders such as Chazticles and CocoBear while others have stuck to their favorite segment: the Metaverses.

BitcoinPie is one of Decentraland's historical traders who has sold a large portion of their assets in the Metaverse. PeterD had specialized solely in Decentraland, but now has diversified his activity between The Sandbox, Somnium Space and Decentraland.

Note that this method of calculation does not highlight traders who continue to reinvest their profits. Take, for example, the case of DCL Blogger, a well known NFT trader, whose profit is only \$8,700 despite having sold more than \$100,000 worth of NFT in the year.

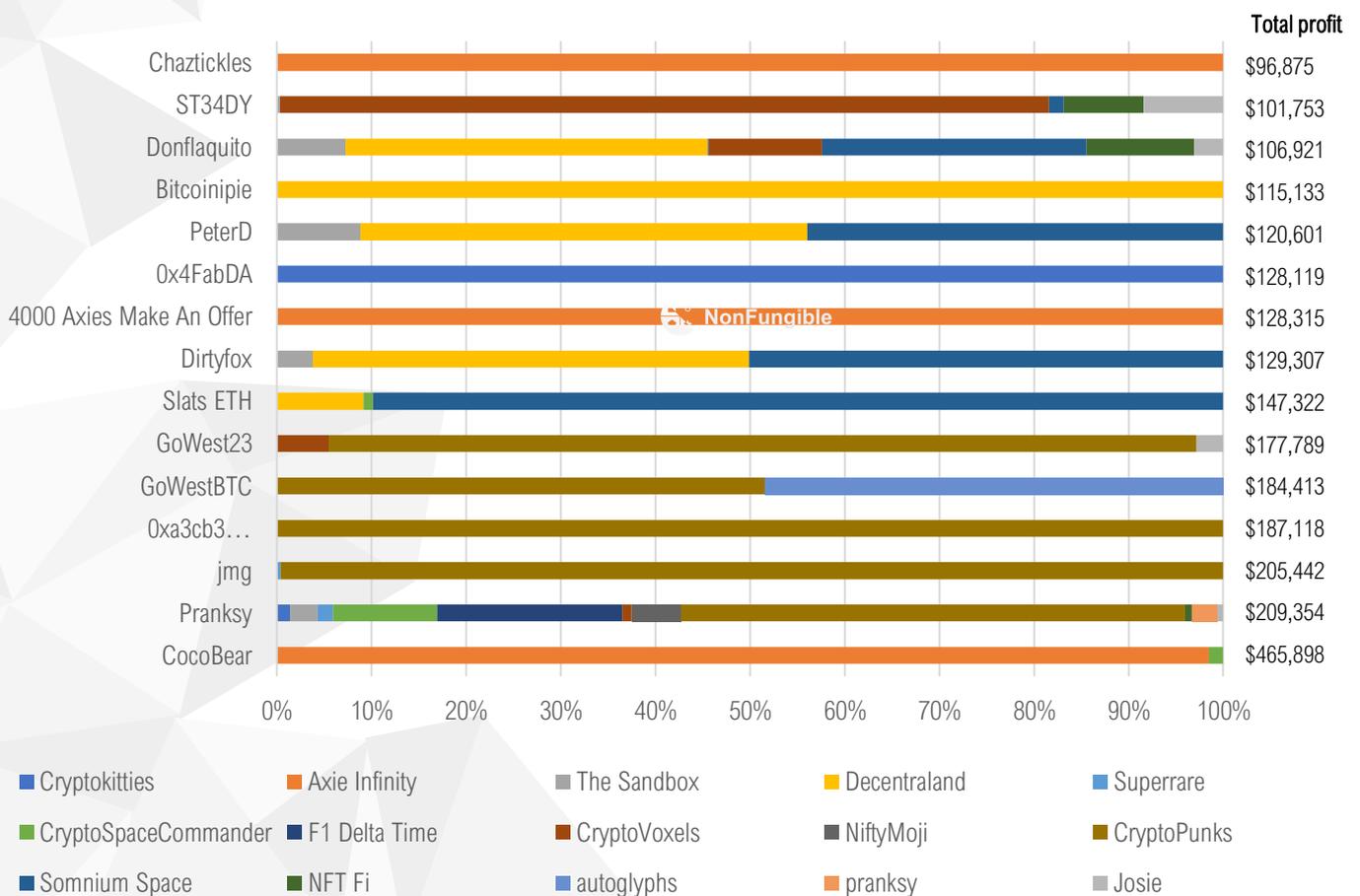


Fig. 44 – Profit distribution per project of the top #15 most profitable NFT traders – 2020



Biggest spenders

Alongside the traders who most often sign up for the short to medium term, we have also seen the development of another type of economic player, one who focuses on the long-term. Taking a balanced view of 2020, these wallets can be seen as having recorded big losses, but they are really more long-term investments.

Most of these players are known within the ecosystem and communicate with their community on the strategy behind their acquisitions, as with WhaleShark, the Vault and the \$Whale community, MetaKovan with the Metapurse Fund and TokenAngels & Moderats are also known as passionate collectors.

To summarize, we can see that certain economic players have very strong confidence in the future of NFT, with some portfolios now worth well in excess of one million dollars in cumulative value. We have noted a clear diversification of investments in these wallets, finding they contain projects such as: Blockchain Cuties, SuperRare, Bit Airt, Blocklete Games, Sorare, Axie Infinity and MakersPlace.

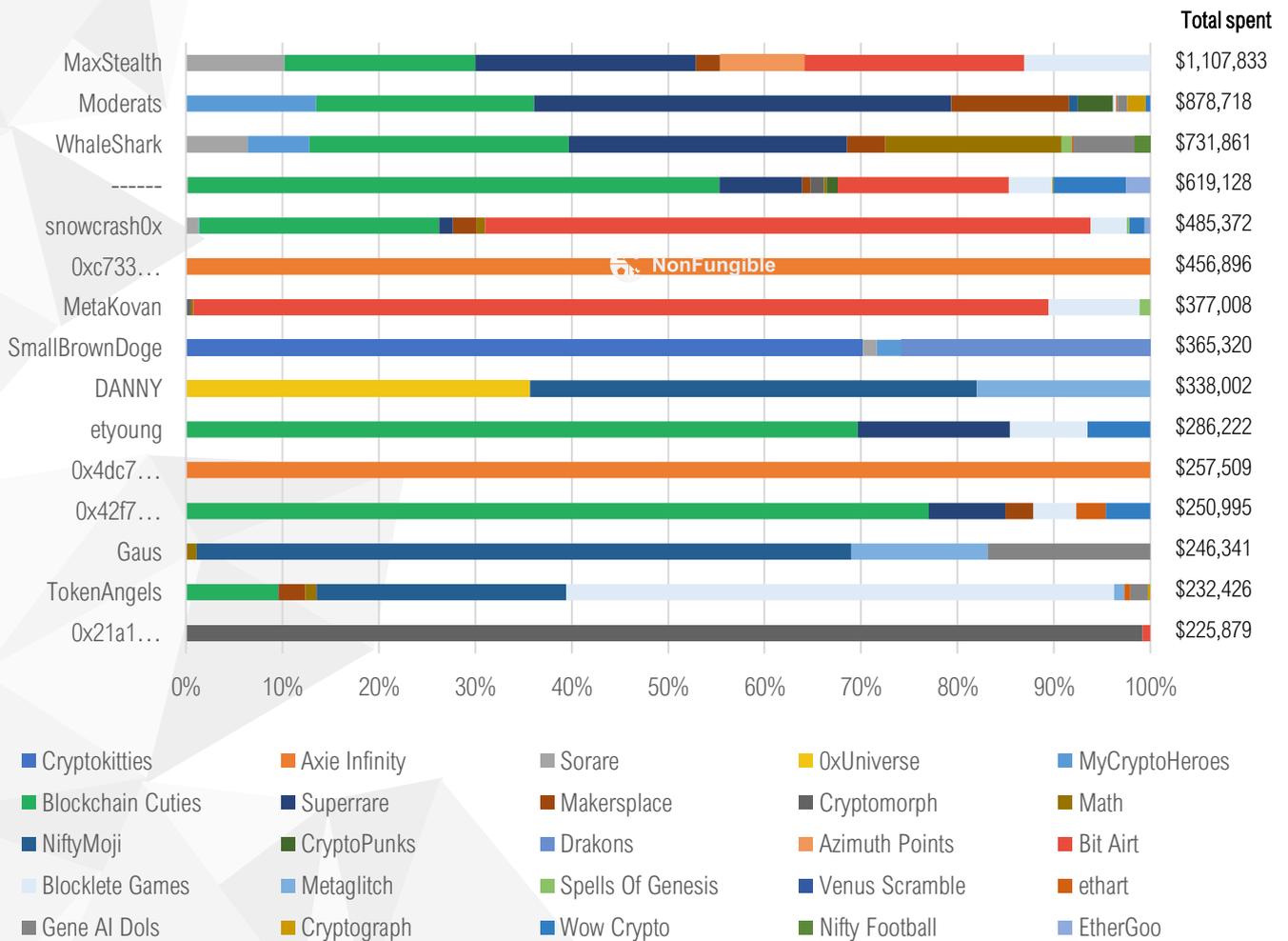
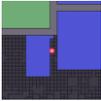
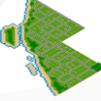


Fig. 45 – Spending distribution per project of the top #15 biggest spenders in NFT – 2020



Top #15 most profitable sales in 2020

| | Sale date | Asset type | Previous Crypto Price | Previous USD Price | Last Crypto Price | Last USD Price | USD profit |
|---|-----------|---|-----------------------|--------------------|-------------------|----------------|------------------|
|  | 11.06 | Axie Infinity (Axie) Name: Angel | 60 ETH | \$10,291 | 300 ETH | \$131,673 | \$121,382 |
|  | 12.08 | Axie Infinity (Axie) Name: Sergey | 48.27 ETH | \$15,689 | 140 ETH | \$82,482 | \$66,793 |
|  | 12.25 | Cryptopunks Punk #3831 | 0.28 ETH | \$190 | 99.99 ETH | \$62,822 | \$62,632 |
|  | 11.21 | Axie Infinity (Axie) Name: Perfect & The First Triple | 150 ETH | \$53,243 | 180 ETH | \$96,907 | \$43,664 |
| *  | 09.24 | Axie Infinity (Axie) Name: Venom | 0.1 ETH | \$33 | 104.25 ETH | \$33,884 | \$33,851 |
|  | 09.27 | Decentraland (LAND) X: 72 Y: 45 | 36,000 MANA | \$1,600 | 78.93 ETH | \$27,722 | \$26,122 |
|  | 12.17 | Decentraland (ESTATE) Composed of: 36 LAND | 51.76 ETH | \$17,565 | 56.38 ETH | \$36,776 | \$19,211 |
|  | 09.15 | Gods Unchained (CARD) Jason, Medea's Muse | 0.35 ETH | \$92 | 50 ETH | \$18,422 | \$18,330 |
|  | 11.19 | Cryptopunks Punk #7996 | 10 ETH | \$2,095 | 36 ETH | \$17,166 | \$15,071 |
|  | 12.05 | MegaCryptoPolis (REGION) Region #116 Totaltiles: 1682 | 15 ETH | \$2,565 | 29.5 ETH | \$17,285 | \$14,720 |
|  | 09.06 | Cryptopunks Punk #5684 | 7.5 ETH | \$1,003 | 44 ETH | \$15,529 | \$14,526 |
|  | 12.30 | Cryptopunks Punk #777 | 1.5 ETH | \$194 | 18.99 ETH | \$13,845 | \$13,651 |
|  | 12.06 | Axie Infinity (Axie) Name: 마법의 군주 Low Price Fire Sale!! | 7.5 ETH | \$2,438 | 25 ETH | \$14,887 | \$12,449 |
|  | 11.01 | Axie Infinity (Axie) Name: Axie #3167 | 12.5 ETH | \$4,063 | 42.07 ETH | \$16,231 | \$12,168 |
|  | 10.08 | Unstoppable Domains Domain: own.crypto | 1 WETH | \$205 | 35 ETH | \$12,276 | \$12,072 |

*Venom went through DeFi transactions which distorted its initial purchase value and so their profit should be viewed with caution.



These extraordinary sales are connected to the thoughts and concepts that surround NFT, which tend to consider them more as vehicles of value than just as objects with a use value.

We note that assets which attained the largest profits during the resale, come from only a handful of projects, mainly Axie Infinity, CryptoPunks and Decentraland. These profits can be interpreted as a surge in interest by investors for certain projects that have presented a sufficient value proposition. These sales and the profits generated by traders including Early Adopters, fuel the dynamics of pre-sales and participate in their success: "Buy the right asset, and you will see your sale in this list next year!"

Time will tell if the acquisition of assets at these prices is for their use or more speculation in the hope of a subsequent resale.

These sales are indicative of a reality within the NFT space: buying the right asset at the right time can be extremely profitable: in a single sale of video game assets, one person has managed to make a profit of over \$120,000.

This is the reality of the NFT industry in 2020.

Conclusions

Indeed, it is obvious that being an NFT trader in 2020 was a profitable business. Some traders have managed to generate almost half a million dollars in a single year.

Note, however, that there are to date only a handful of traders who have made this trading a full-time activity and most trade alongside some other activity. Just like in traditional trading, it's all about risk management and portfolio diversification.

The key to success in NFT trading lies in the quality and thoroughness of the Due Diligence carried out before any asset purchase. The time it takes to gain insight, analyze markets and understand trends to measure risk before each trade should not be underestimated.



MAKING PROFIT AS A PROJECT

New projects using NFT standards are announced every day, whether they are video games, projects related to crypto-art or major licenses.

Certain presales carried out in recent years show the NFT industry as a new El Dorado which allows projects to be launched thanks to innovative financing methods that are less restrictive than traditional fundraising.

What is it really? What is behind this image of the New El Dorado? Is it indeed that easy to make a profit in the NFT industry?

If we take the example of Axie Infinity, one of the most successful projects over the year, since its launch in April 2018, the Axie Infinity project has managed to generate just over 7,200 ETH in less than 3 years, or more than \$7MM during the Ether end of 2020 (Source: axieworld.com - including Loom & Ethereum activity).

This type of performance, as well as the historic Decentraland auctions which generated respectively \$12MM in December 2017 and \$5.7MM in December 2018, paved the way for many other projects which see the possibility of financing their development through the sale of NFT.

In the following section we analyze projects that performed the best over the year, as well as the distribution of their income source.



As a reminder, this report currently only deals with transactions using the ERC-721 standard taking place on the Ethereum Blockchain. The share of activity of projects using other standards (notably ERC-1155) or Layer-2 Technologies (notably Sidechains such as Loom) are not taken into account in the present analysis. This will notably have an impact on the following projects:

- Axie Infinity - LAND traded on Loom (about 4,420 ETH according to axieworld.com)
- Sorare - project activity was fully on Loom until April 2020
- The Sandbox - non-LAND assets are all ERC-1155
- Cryptovoxels - wearables are in ERC-1155 format
- Nifty Gateway - trades take place off-chain



Top #15 Projects with the most fees

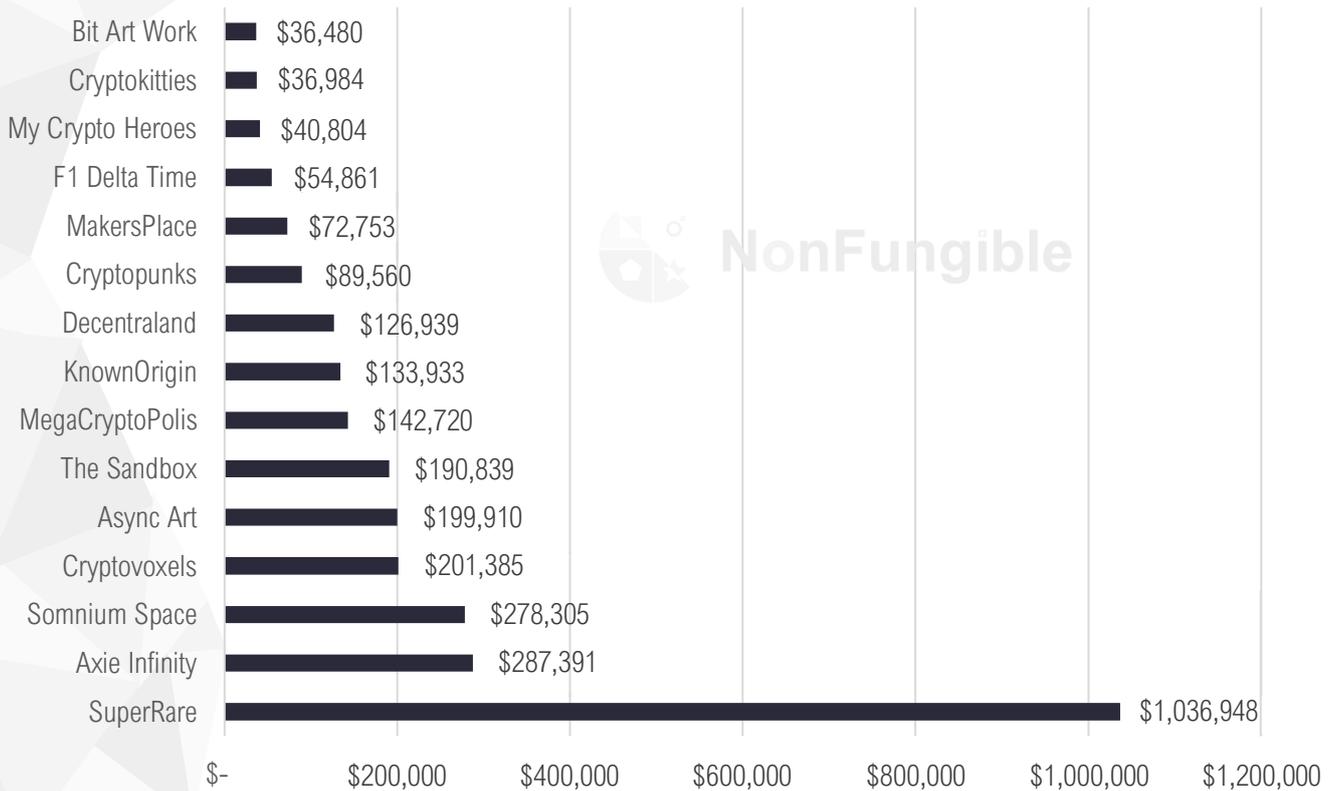


Fig. 46 – Top #15 projects that generated the most fees – 2020

SuperRare stands out from the pack in terms of % profits made on their Fees. Art Marketplaces' economic models are based on the margins they make on the sale of their registered artists' work, unlike projects like Axie Infinity or Somnium Space which generates income from the sale of their assets on the Primary Market.

A platform like SuperRare receives 20% of the amount from a sale in fees on the Primary Market. 10% of fees are then levied on each sale in the Secondary Market which are redistributed between the artist and the marketplace (around 2%).

In contrast, the fees collected by other projects correspond more to operating costs than to a real economic model. The core business of most NFT projects today is based on the sale of assets during presales or through the regular issuance of assets throughout the life of the project.

Note, the fees in question do not necessarily go back to the project. If the sale takes place on a third-party Marketplace (e.g. Opensea) then fees will, at least partially, revert to the Marketplace on which the transaction took place.



Top #10 most profitable projects (Asset sales)

Before studying the performance of projects in asset sales, remember that this report does not take into account sales using standards such as ERC-1155 or ERC-2309. Likewise, sales taking place on Sidechains such as Matic or Loom (or even Off-chain) are also not taken into account in the graph below. The volumes of certain projects, in particular Axie Infinity, The Sandbox or Sorare are most likely to be higher due to their activity on sidechains and ERC-1155.

As mentioned previously, the revenue generated by Art Marketplaces mostly goes to the artists and not to the Marketplace. We can see here that projects such as Sorare, Axie Infinity, The Sandbox, Somnium Space, have sold more than \$1,000,000 in assets in just one year, in the context of a global pandemic.

Finally, it should be noted that the "Primary" sales of CryptoPunks are in reality only the conversion of the original Punks into a new technological standard (Wrapped Punk), making them appear as though they were the first circulation of the asset on the market.

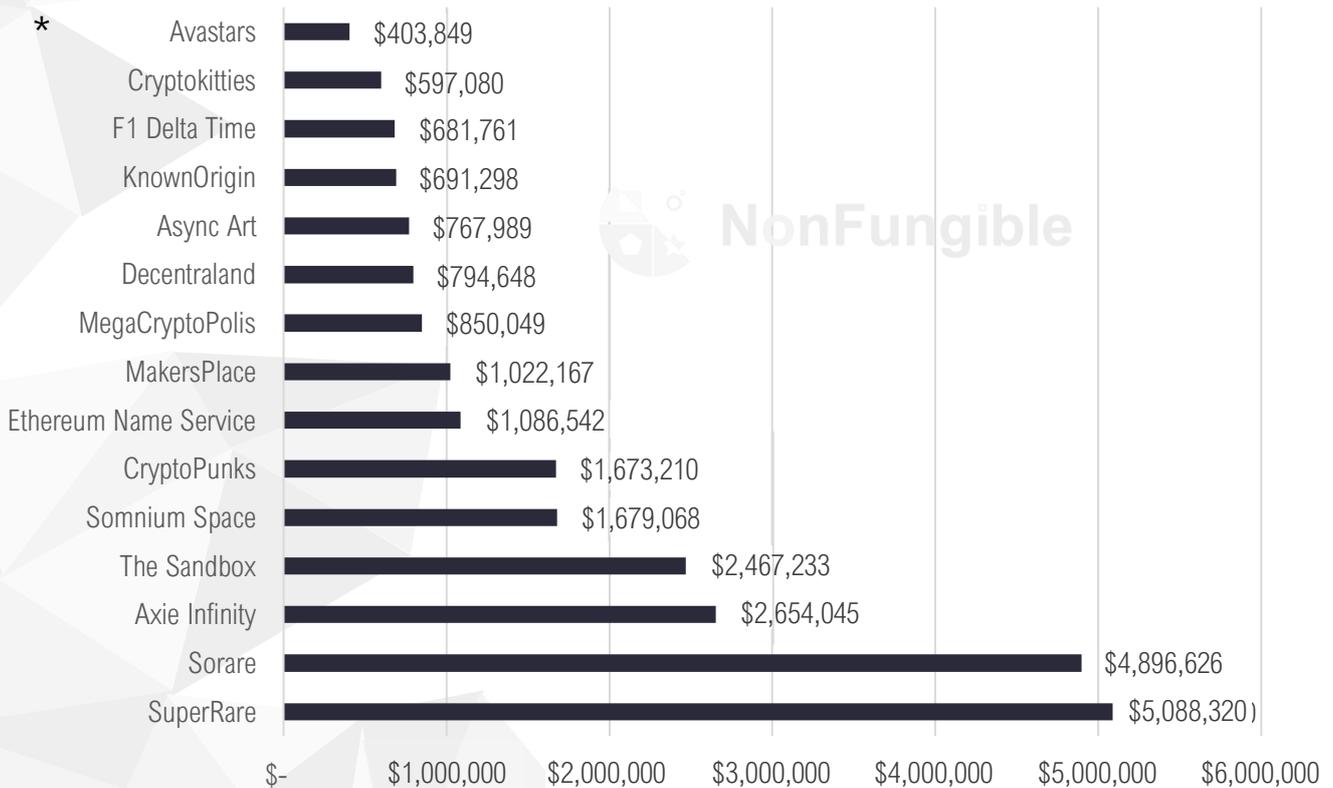


Fig. 47 – Top #15 of the most profitable projects (based on primary market sales) – 2020

*Note that the income generated by these primary sales does not necessarily go to the project. In the case of Axie Infinity and Cryptokitties for example, the user who gave birth to the new creature receives the funds.



For us to delve deeper into the vision of what future economic models might look like and in particular with the development of Metaverses, we wanted to share the Founder of Cryptovoxels point of view on what future major trends might enable users to generate business within the NFT industry.

What are your thoughts about earning a living within the metaverse?

“

I don't know because it's hard but if I was going to guess, my guess would be that ticketed paid events will be the next thing.

So, if it's a conference, a talk, a lecture or something like that, you'll be able to sell tickets and only people with that NFT ticket will be able to attend that event. I do see people getting paid for doing the development in Cryptovoxels, so they're paid to build out parcels for people.

Those are the two things I see at the moment but, I didn't see NFT and Art Galleries coming so I suspect that the next thing to come along I won't have seen coming either!

”



Ben Nolan – Cryptovoxels founder



MAKING PROFIT AS AN ARTIST

Whatever the potential value and prospects offered by NFT Art, the industry will only develop further on one condition: that creating NFT based Artwork is profitable for the Artists who have used their time and talent to make it. Below, we look at the performance of the most popular Crypto Artists in 2020 to identify, if during the development of the Crypto Art segment, these shining stars of the digital art scene are generating sufficient income to make a living from their art.

The data presented in this subsection is based on all primary sales (sold directly by the artist) and on-chain, through the main Art Marketplaces:

SuperRare, Makersplace, KnownOrigin, OpenSea.

Note, that collaborations between artists are only attributed to the account that minted the artwork, regardless of the financial arrangement that has been agreed between co-artists.

Sales taking place off-chain (especially on Nifty Gateway) are not taken into account in the calculations.

Best selling artists

| | Count | Buyers | Total USD | Average USD |
|-----------------|-------|--------|-----------|-------------|
| Kozachok | 546 | 117 | \$21,349 | \$39.10 |
| Gary Cartlidge | 264 | 116 | \$14,819 | \$56.13 |
| Stina Jones | 226 | 78 | \$8,459 | \$37.43 |
| Katy Arrington | 221 | 86 | \$43,260 | \$195.75 |
| Primal Cypher | 219 | 81 | \$13,396 | \$61.17 |
| Lucho Poletti | 216 | 97 | \$23,330 | \$108.01 |
| Hackatao | 205 | 67 | \$203,420 | \$992.29 |
| José Delbo | 205 | 138 | \$84,611 | \$412.73 |
| Yuramiron | 203 | 74 | \$40,789 | \$200.93 |
| miss al simpson | 199 | 115 | \$58,839 | \$295.67 |

*Fig. 48 – Top #10 of the best selling artists
(Based on the total volume of artworks sold) – 2020*



In this table, we can see that the top #10 most popular artists have sold several hundred works over the year (up to more than 500 works in the year). These larger volumes are often due to the sale of a series such as editions of 10, 25, 100 assets.

It is interesting to note however, that despite the large volume, these “best selling artists” are not necessarily among the artists whose works are the most sought after by collectors, as we see in the following table.

We should note the presence of the artist duo Hackatao, who greatly impacted the ecosystem, as well as the Comic Artist Jose Delbo who made a remarkable entry to the Crypto Art scene in 2020.

Most profitable artists

| | Count | Buyers | Total USD | Average USD |
|-----------------|-------|--------|-----------|--------------|
| Pak | 76 | 28 | \$505,503 | \$6,651.36 |
| Hackatao | 205 | 67 | \$203,420 | \$992.29 |
| Trevor Jones | 17 | 12 | \$198,198 | \$11,658.71 |
| Frenetik Void | 115 | 61 | \$134,704 | \$1,171.34 |
| Micah Johnson | 1 | 1 | \$117,238 | \$117,237.50 |
| Reisingerandres | 18 | 12 | \$116,884 | \$6,493.57 |
| Javier Arrs | 139 | 53 | \$102,184 | \$735.14 |
| lilmiquela | 1 | 1 | \$84,976 | \$84,976.42 |
| José Delbo | 205 | 138 | \$84,611 | \$412.73 |
| Android Jones | 10 | 7 | \$82,484 | \$8,248.41 |

*Fig. 49 – Top #10 of the best selling artists
(Based on the total volume of USD from primary market sales) – 2020*

Pak is arguably the best performing artist of the year, with over half a million dollars generated in the Primary Market, an average price of almost \$7,000 per work out of a total of 76 works sold for the year.

In total, these 10 artists alone generated \$1.6MM over the year solely from the primary sale of these works.



A bright future for crypto-artists?

In 2020, a handful of artists helped bring crypto-art to the forefront. Pak, Hackatao, Josie, Peeble, XCOPY, Pascal Boyart and many others have demonstrated that crypto-art is a discipline in its own right, and that it is possible to sell its works to true art collectors worldwide.

The 2020 performances, driven by Art marketplaces, demonstrated that it was possible to make a living from your art, and more specifically from your crypto-art.

Blockchain and NFT have proven once again that they are not just a playground for techies and geeks, but also a great way for all artists around the world to express their creativity and to create and sell their art.

Meanwhile in the « *real* » world...

The famous Sotheby's auction house bought its first NFT "The Cheap" by Pak during the first days of 2021.

Christie's also organized the first sale of a work of art bound to an NFT in October 2020. To everyone's surprise, this work of art estimated between \$12,000 and \$18,000 sold for \$131,250.

Did Christie slightly underestimate the value of NFT? In any case, these signals, coming from established players in the art world, outside the NFT ecosystem, suggest that we are going to see more and more involvement of auction houses and players in the art market and traditional art in the years to come.



Robert Alice Block 21 (42.36433° N, -71.26189° E)
(from Portraits of a Mind)
Sold for \$131,250



The Cheap – Pak
(First artwork purchased by the Head of Sotheby's
Contemporary Art Auction NY)



IS IT IMPORTANT THAT NFT CAN BE PROFITABLE?

The conclusion of this section is both, Yes and No.

The obvious answer is yes, because NFT allow a large number of actors to get more involved, to be full time and to devote themselves to the development of a project, with their Art and experiment with new things, and ultimately help the entire industry develop.

Also being able to make profit with this new class of asset helps attract the attention of traditional investors, private or institutional, who automatically act as accelerators for the development of the Ecosystem.

On the other hand, necessity places projects in a dynamic of short-term profitability and encouraging over speculation. Which brings with it an Inherent danger of profiteering before any true value creation has been properly established.

Selling a lot, selling quickly and initiating end to end presales will of course finance the project, but on the other hand risks overwhelming the markets with assets that will have less and less value as time goes on.

Traders are necessary players in any market because they ensure its liquidity and are obvious drivers of growth. Nevertheless, traders also gamble on assets whose use value is at risk of evaporating which increase speculative values that are increasingly decorrelated from reality.

To conclude this section on the profitability of NFT, and the impact this new asset class can have, especially on Artists, we would like to conclude by quoting Jose Delbo, famous comic artist, best known for his work on Wonder Woman for DC Comics and The Transformers for Marvel Comics. We asked him what his definition of Crypto Art and a Crypto Artist is.

In the rest of the interview, Jose went on to say that Blockchain and Crypto Art had offered him the possibility of continuing to make a living from his work at a point in his life where he was no longer travelling around the world selling his Art Works.

“

I will let the cool kids define what crypto art and a crypto artist is. But to me crypto art has given me a chance to share my art with an incredible community in an amazing new way. I never thought I would be creating digital art, but the blockchain has given me an opportunity to do that.

”



Jose Delbo – Comic artist



8 ARE NFT BECOMING MAINSTREAM?



HOW TO DETERMINE IF NFT ARE BECOMING MAINSTREAM?

Are NFT mainstream? Are they going to be and if so, when?

Not a week goes by without these questions being asked, the real question we are going to answer is not whether they will, but more how to assess if NFT are in the process of becoming mainstream.

There is no doubt that in some form or another and in some standard or another, one day in the future NFT unique and irreplaceable assets that are issued and circulating on a Blockchain will be Globally adopted.

This section aims to identify, quantify and understand internal and external signals that suggest NFT are no longer just reserved for an elite bunch of techies and geeks.

Among the signals we will study are:

- How many new active wallets?
- What is the behavior of these newcomers?
- Which brands or large companies are starting to take an interest in NFT?
- What is the impact of the new IPs on users / collectors?



NEW USERS

One indicator of the gradual adoption of NFT is the number of new users who interact with the assets (buying, selling or any other type of interaction).

An ecosystem of 1,000 ultra-active people without any growth is not destined to become mainstream but will remain niche. On the other hand, if we observe a significant number of new users over time, it means that the use cases and value offered by these assets appeal to new people outside the ecosystem.

When did you discover the Non-Fungible Token ecosystem?

First let us look at an important nuance: if we only observe the statistics of users who have interacted with the assets, we will only take into account those who have "taken the plunge" and already have an Ethereum wallet. Before that, it is important to have an idea of all those who have heard of NFT without necessarily having bought them.

NonFungible.com launched the following poll on its Twitter account in December 2020 on Twitter in December: "When did you discover the #NFT ecosystem?".

The results are very interesting because almost 50% of voters say that they discovered the NFT ecosystem in 2020 or during the last month (13%!).

These results are all the more surprising if we consider the potential bias from the poll being issued from the NonFungible.com account, whose audience primarily consists of players accustomed to the NFT ecosystem, traders and NFT project managers.

Undoubtedly, the NFT ecosystem made headlines in 2020 and has succeeded in seducing, or at least intriguing, a large number of new players.

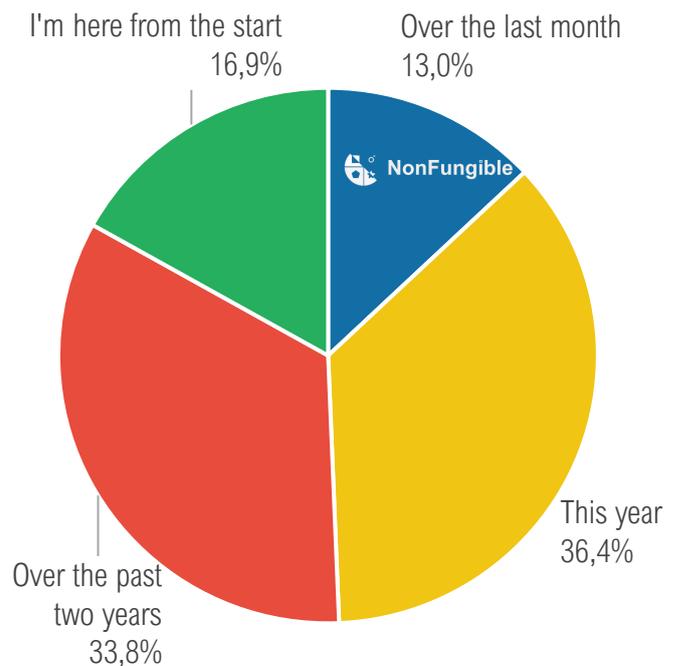


Fig. 50 – Twitter poll to the NonFungible.com community – 12.09.2020 [based on 77 answers]



What is the share of new active wallets?

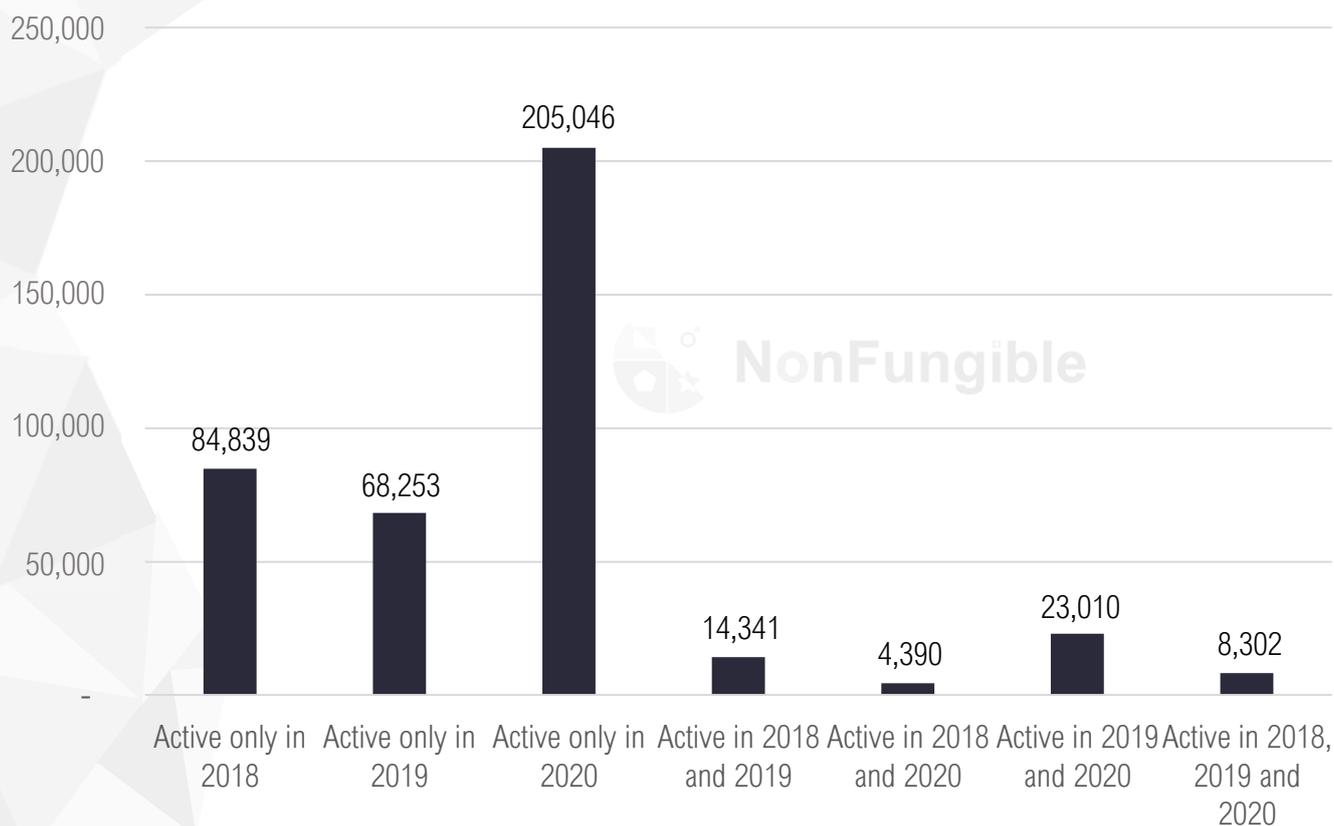


Fig. 51 – Distribution of active wallets based on their activity – 2018 to 2020

The chart above is based on the activity of Wallets between 2018 and 2020 (dApp activity, not only the Buyers & Sellers).

The first conclusion that can be drawn here is that the vast majority of addresses active in 2020 were newcomers and not NFT veterans. Clearly the community that arrived during 2018 gradually has been replaced by a new wave of users. Only about 10% of the 2018 community has remained active in the ecosystem until today.

Interestingly, the 4,390 wallets that were active in 2018, showed no activity in 2019 but returned in 2020, perhaps the reselling of assets bought early or renewed interest in a booming industry?

Finally, it should be noted that only 14,000 wallets from 2018 remained active in 2019, while more than 23,000 wallets continued to be active between 2019 and 2020. This proves that users who arrived in 2018 were attracted by the shiny and speculative side of this asset class but that more people in 2019 wanted to invest in the ecosystem for the long term.



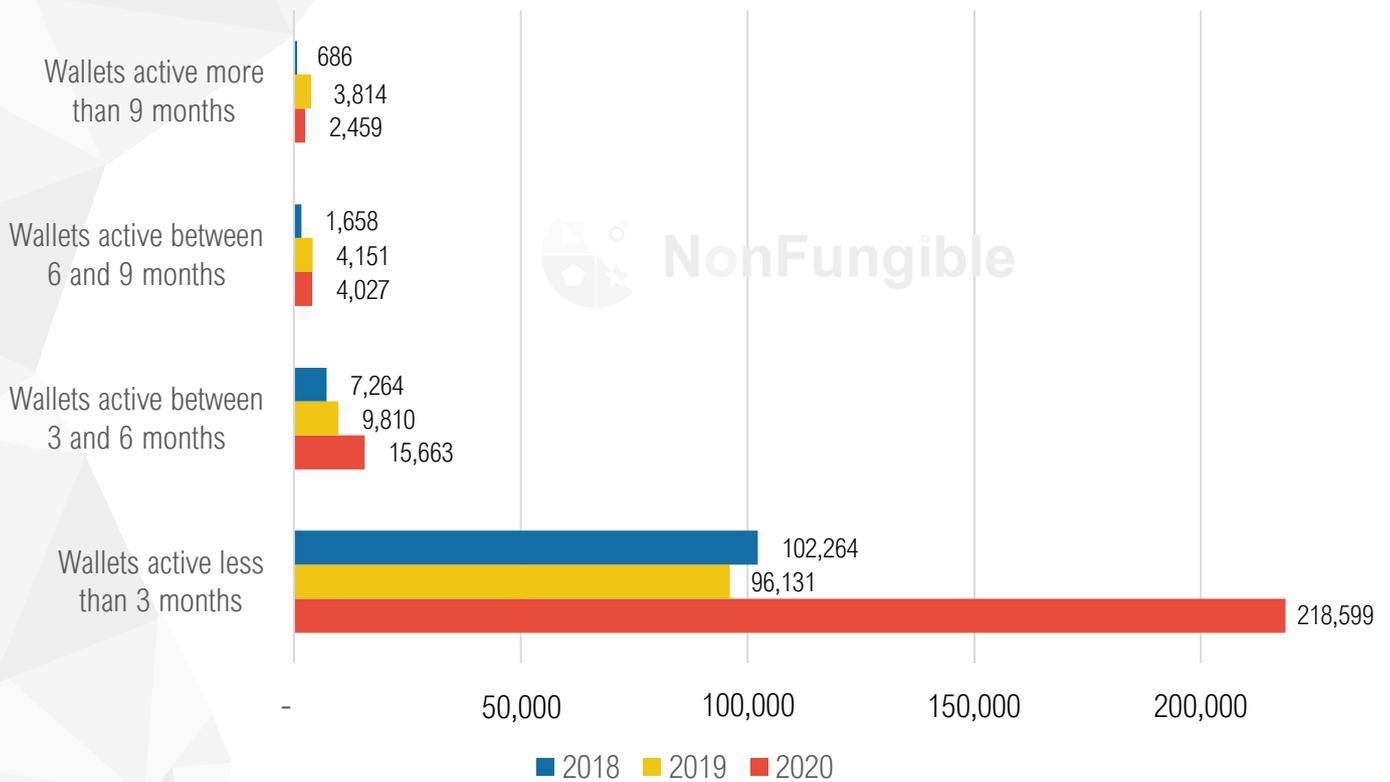


Fig. 52 – Distribution of active wallets based on their activity over each year – 2018 to 2020

We can see here that despite the very large number of wallets that arrived in the ecosystem during 2020, they remain relatively inactive, with a very large proportion of wallets that were active for less than 3 months out of the year.

We note that more wallets were active between 6 and 12 months in 2019 than in 2020. We believe that this trend is mainly due to the development of Layer-2 (Sidechains) which allow a more fluid daily activity, without the constraint of Ethereum network fees or potential latencies.

As this activity on sidechains is not covered within the framework of this report, we assume that wallets have increased their off-chain activity, to the ongoing reduction in on-chain activity.



If we focus more on 2020, it appears that the fourth semester was an extremely rich time for the development of the community. Almost 140,000 active wallets in Q4, which is practically twice the number of Q3, and 3 times the active community of Q2.

We believe that these are extremely encouraging development indicators which can be explained by various factors: the buzz around DeFi x NFT, the end-of-year Crypto Bull run which has restored confidence to buyers and investors, and the various impactful announcements during the year of major brands and licenses which have proven their interest in NFT and their potential, see following pages.

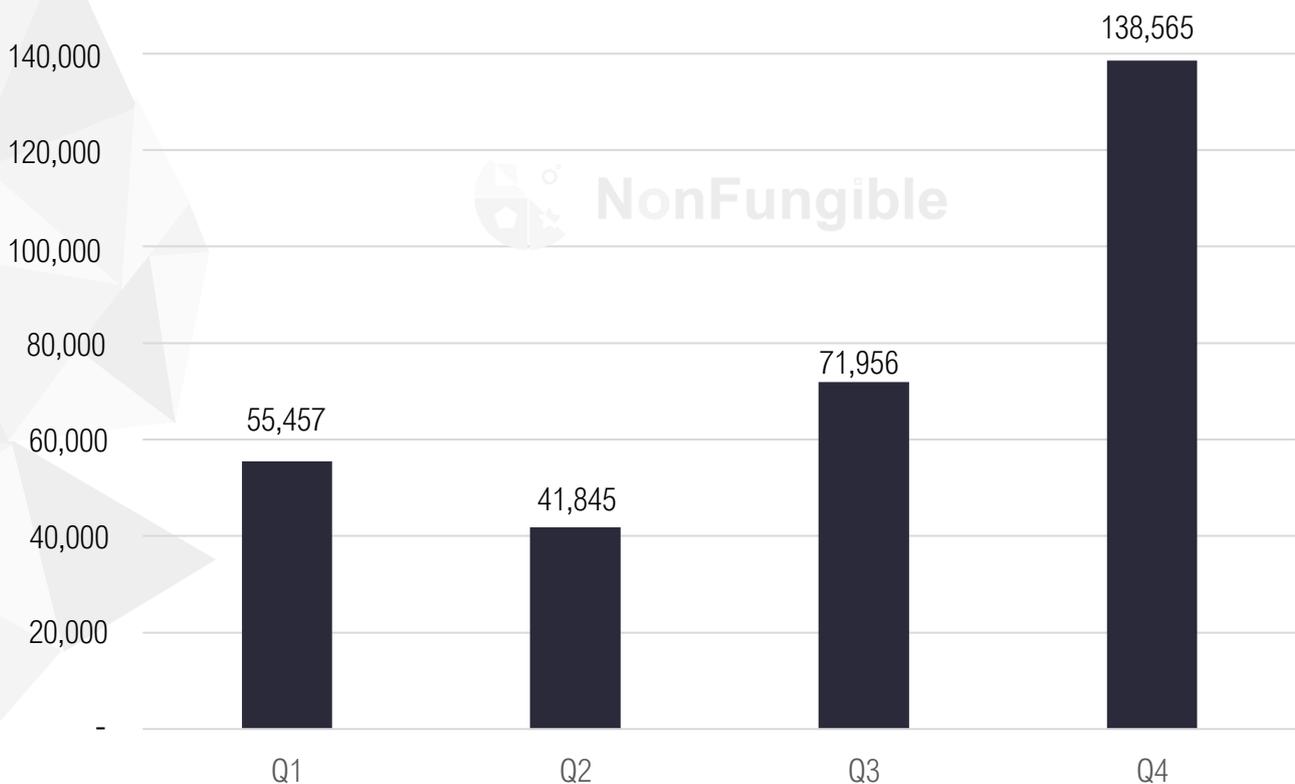


Fig. 53 – Volume of unique active wallets per Quarter – 2020

Conclusions about new users

Overall, the NFT community has grown considerably during 2020, with the arrival of extremely large numbers of newcomers, resulting in very few veteran NFT holders.

However, user loyalty to projects and to the ecosystem, is partly masked by off-chain activity and sidechains. However, we can say by the end of 2020 that the industry has reached a level of maturity sufficient to no longer just serve a niche community of tech lovers but to convert users outside the ecosystem on a large scale.



IPS AND BRANDS ENTERING THE NFT JUNGLE

There have been so many new projects emerging that it has been a challenge to keep up with every announcement from each project testing their ideas.

To help you understand the landscape of the brands and licenses that have shown interest or have already started to issue NFT, we have organized them by categories. Some are already very advanced; others are just curious about the potential of this new asset class.

Video-game Studios



Ubisoft (Rabbid Tokens, several other activities, Validator or Ronin's testnet for Axie Infinity)



Mythical Games (Team and management from Activision, Blizzard, Yahoo!)



Capcom (Street Fighters)



SquareEnix (The Sandbox)



Atari (Atari Token)

Sport



NBA (NBA Top Shot)



MLB (MLB Champions)



Formula 1 (F1 Delta Time)



PSG, FC Bayen München, Real Madrid & more than 100 football / soccer clubs (Via Sorare)



Fashion & luxury



Nike (CryptoKicks)

LVMH

LVMH (Louis Vuitton, Christian Dior, ...)



Breitling (Luxury watch digital certificates)

Entertainment & cinema



BBC Studios (Doctor Who)



Turner Sports (Blocklete Games)



WARNER MUSIC GROUP

Warner Music (Investment in Dapper)



Paramount Pictures (The Godfather, Top Gun, Sunset Boulevard, vFlect)



LEGENDARY

Legendary Entertainment (Lost in Space, Pacific Rim)



Topps (GPK)



MGA Entertainment (Bratz)



Columbia Pictures (Smurfs)



Dr. Seuss (Dapper Labs)



Tech & Infrastructure



AMD (Robotcache, Partnership with BGA)



Microsoft Azure (Azure Heroes)



IBM (Custom blockchain with NFT support)



HTC (Exodus 1)



Samsung (Wallet Supporting NFT)

Art & Auction House



CHRISTIE'S

Christie's (NFT-bound artwork sold for \$131,000 during live auction)

Sotheby's

Sotheby's (Showed interest for crypto-artists – Pak)



deadmau5

deadmau5 (\$100,000 worth of NFT collectibles launched on WAX)



Lil Yachty (Sold a unique NFT collectible for \$16,050)

And so many others....



WHY LARGE BRANDS & IPS ARE GETTING INTO NFT?

Behind this list of big companies, licenses, gaming studios and businesses from various industries who are becoming interested in blockchain and the potential offered by NFT, there are also underlying technical stakes, business challenges to be faced and important questions to discuss regarding the future of these business stakeholders.

In order to understand what leads some of these companies to be interested in NFT, we chose to interview one of the most active companies to date in the on-boarding of large IPs in the ecosystem of Non-Fungible Tokens,; Animoca Brands.

We had the opportunity to discuss with its CEO, Robby Yung, in order to better understand the motivations of a group like Animoca Brands, and the place that NFT now occupy in the group's strategy.

What about NFT that interests Animoca Brands?

“

I think there are two macro trends at work:

- 1) mass adoption of blockchain*
- 2) property rights for gamers, and these two trends are complementary.*

We believe that blockchain technology, via NFT's, gives property rights to gamers. For the first time, gamers can now take ownership of the digital assets they acquire in games - they're not merely renting them as a service. This is enormous, as it represents the final stage in the evolution of free-to-play gaming, where players spend money to acquire, enhance, and personalise their in-game items. Now that they can own them, as NFT's, they have the ability to trade them, sell them, and also a huge incentive to invest further into them, since they actually own them. Because gaming is the largest entertainment medium in the world, with a consumer audience almost as big as the global population, we think that NFT's are the way to on-board the universe of gamers to blockchain (rather than fintech, for example).

”



What are the mistakes to avoid when you want to bring an IP on the blockchain?

“

The most important thing you can do is to respect the brand. You need to be faithful to the brand and understand the fan base and make sure that you deliver an experience that meets everyone's expectations. If you can do that, then you can also make money, but staying faithful to the brand is job #1.

”

In your mind, what part will NFT play in the gaming industry within the next 10 years?

“

I think once players realise that they can own the content in a game for the same price rather than renting it, they will choose ownership, and this simple principle will lead all games to become blockchain games. It's like when we asked the question, 15 years ago, "now that the Internet is more widely used, will more games go online?"

”

Do you think NFT represent the logical evolution of traditional gaming or a total disruption?

“

I think it's both. As games evolved from single player offline experiences to multiplayer online experiences with virtual economies, it's only natural that we reach a stage more like the metaverse, where we replicate physical economies inside game economies, and NFT's allow us to do this. That said, like previous major technological shifts such as offline to online, premium to free to play, and console to mobile/everywhere, I think NFT's will disrupt gaming just as much, if not more.

”



In your opinion at what stage of its development is blockchain gaming today? How mature is it?

“

We've barely scratched the surface. I think companies getting into the field in 2021 will look back and think of themselves as early adopters.

”

Are all licenses / IPs suitable for the NFT industry or is it reserved only for a certain category?

“

There is no reason why all game content should not exist in NFT form, or why all in-game currencies shouldn't be tokenised. However, at this early stage of development of the industry, the focus for players has been on collectible content, and so the natural IP partners have been those who have the most loyal fanbases, like sports or sci-fi. As blockchain games become more and more mainstream, the focus of players should move from collecting more to coincidental ownership (meaning, "I play this game that's cool, and oh, I just happen to own the content as well").

”



Robby Yung – Animoca Brands CEO

The early days of an incredible journey...

This asset class of NFT presents incredible opportunities for both users, brands and licenses. It is in the intersection between interest in the brand, decentralization, true ownership, and all these new use cases where the largest licenses will develop, and they will manage to integrate Non-Fungible Tokens into their chain of value and business model.

“We've barely scratched the surface” potential of NFT and what traditional brands and businesses can do with them. The next few years will definitely be extremely rich in innovation in this space!





SO... ARE NFT MAINSTREAM?

No, we cannot say that NFT have become mainstream.

Ask someone on the street or ask at your grocery store what they think of NFT, you will immediately discover that NFT are still niche assets!

Today the important thing is not to observe the industry from a static point of view, as in where the NFT are held but rather to understand the forces present that are driving the development of the entire industry, including looking at the strength of the sector and at how and at what speed it develops.

Remember that the Non-Fungible Token industry is an extremely young sector that only emerged in the final quarter of 2017: NFT were only blowing out the candles on their third birthday in 2020.

However, this young industry is closely followed by global companies around the world, which have already initiated their first research and experimentation into the space, ranging from exploring technological infrastructures through to use cases around Art, Finance, Entertainment and more.



SIDETCHAINS S*CK. USE A ROLLUP INSTEAD.

Our words may be brash, so take NFT scaling advice from a guy more eloquently spoken.

“The Ethereum ecosystem is likely to be all in on rollups as a scaling strategy in the near and mid-term future” – Vitalik Buterin



Immutable X eliminates the high costs and scaling constraints holding back NFT, without compromising on what's most important to users: security and decentralization.

- *Instant NFT minting, trading and transfer*
- *Zero gas fees, no network congestion*
- *Supports ERC20 and ERC721*
- *User maintained asset custody*
- *Same security as mainnet Ethereum*
- *Lightning-fast setup*
- *Noob friendly end-user experience*
- *And so much more...*



immutable.com



9 COMMUNITY BEHAVIOURS



USER MOTIVATIONS AND COMMUNITY BEHAVIOURS IN THE NFT MARKET

At present the majority of reports covering the world of NFT tend to only look at the ecosystem from a financial and economic perspective. However, markets and asset values are just the tip of the iceberg as these types of indicators are quantitative and only reflect a perceived value. Ultimately, it is the collective human mind and its focus, real use value, the commitment within the community as a whole and the network of tens of thousands of people around the globe who dedicatedly build day after day, that are the real drivers here. Most commonly known as 'The NFT Community' these are the true leaders and indicators of this space.

With a global ecosystem as rich and diverse as this, if we wish to properly understand the trends, it is almost more important to observe the behavior and the typology of its participants than to simply look at market figures. The use value and the utility of tokens are not very well transcribed through the speculative potential of assets, but rather by the frequency of their use and number of users. Also of impact is the attachment that people have to their digital assets as well as other such factors which come into play, making this more about psychology and the human anthropology than anything else.

One of the first challenges in taking an overview of these human behaviors is paradoxically also one of the key characteristics of the ecosystem itself: users are by definition anonymous, and the same person can own several "Wallets". The very nature of the NFT ecosystem itself makes it almost impossible to map users from a social or geographic perspective.

In this section we aim to put into perspective our data analysis of NFT Community users through insights we have gained from speaking to the community leads and founders of successful NFT projects. The following pages summarize our teams research, carried out in order to better understand the following questions:

- Who are the NFT users and what are their motivations?
- Why are they buying NFT?
- What does it mean to be part of an NFT community from a user and a community lead perspective?
- Is there actually an NFT Community and if so, what does it look like?



This section of our report has only been made possible due to the valuable insights shared with us by these NFT industry professionals. We would like to thank them for their time and the wealth of information they agreed to share with us.

Rudem00se (NFT Collector)



An active member of the Gaming Community for years, Rudem00se became an early adopter of the CryptoKitties Community, discovering the ecosystem in early 2018 during the buzz surrounding the digital kittens on the Ethereum Blockchain who famously managed to congest one of the main public Blockchains. At the last count she owned nearly 10,000 NFT, including around 8,000 CryptoKitties and has grown into leadership roles within the CryptoKitties, NBA Top Shot and \$WHALE Communities.

Jeffrey Zirlin aka Jihoz (Sky Mavis / Axie Infinity Growth Lead)



Jeffrey Zirlin, better known as Jihoz, is a famous figure in the NFT ecosystem. Passionate about video games and biology, he started his NFT Journey as an Axie Infinity player, then gradually got involved until he became Growth Lead of one of the most popular projects in the Blockchain Gaming industry. Jihoz shared with us his feedback as a player, but also as a Community Lead of Axie Infinity from its inception until today.

Robbie Ferguson (Immutable / Gods Unchained Founder and President)



Robbie was featured in Forbes 30 under 30 in 2019, is a 2020 Thiel Fellow, and the co-founder of Immutable, makers of Gods Unchained and Immutable X.

Robbie kindly agreed to share valuable insights based on their experience in developing Blockchain Video Games and facilitating large communities of players on the Blockchain.



WHY DO PEOPLE PURCHASE NFT?

Let's start by looking at the entry point for NFT:

- What drives people around the world to spend money and to buy fully digital assets?
- Are users buying to speculate or do they have other motivations for spending very large sums on virtual assets?

“Are you emotionally attached to the contents of your NFT wallet?”

In December 2020, a survey was launched on the NonFungible.com Twitter account to understand and learn more about the connection between NFT owners and their assets.

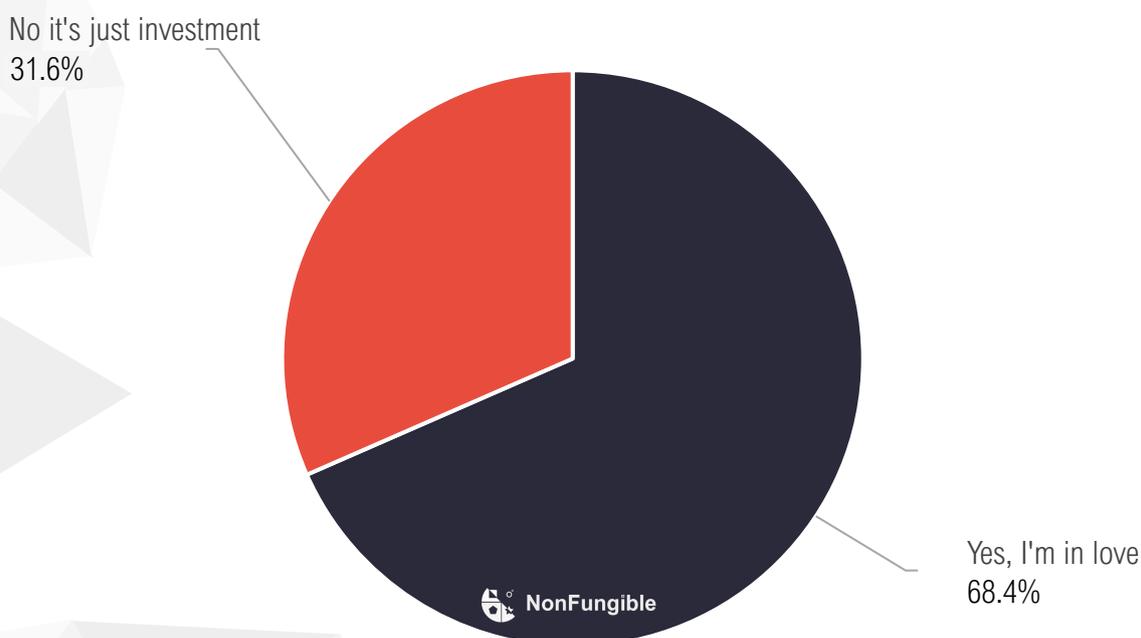


Fig. 54 – Twitter poll to the NonFungible.com community – 12.09.2020 [based on 76 answers]

The results we obtained suggest that the majority of NFT owners who participated in the survey might not view their assets from merely a financial perspective, but also tend to feel personal attachment to the content in their portfolio.

Building upon the results from our survey, we also wanted to gain a more nuanced understanding of the motivations of NFT Collectors. In a series of interviews, NFT collectors and project owners shared with us their personal experiences and insights about participating in and building NFT communities.

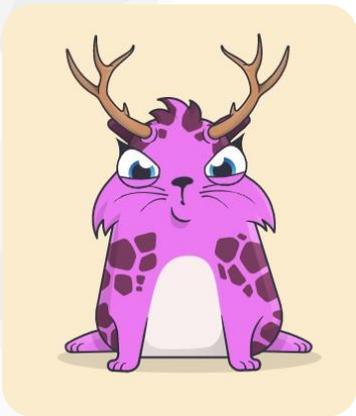


Could you illustrate why owning NFT matters to you?

Rudem00se told us of her experiences with CryptoKitties (virtual kittens) and the personal value that some of these Kitties have to her, regardless of their financial value.

CryptoKitties founding feature is that it's possible to breed two different Kitties, with characteristics (Cattributes) to create a third, which will inherit certain characteristics from the parents and, in some cases, new and unseen characteristics.

“



The 'Rudem00se'
Cryptokitty

It took me months and months to create this cat, which is not a highly desirable CryptoKitty based on traditional collectability standards like anything that people would be out looking for. It is something that I value because I see it as a cat that represents me: the body shape, the eyes, the mouth - I always make that face when I'm thinking! So, I was like "Oh my god, it's me!". This is the Rudem00se of the CryptoKitties.

In terms of external value to anybody else, they're not going to buy it. But I'm not going to sell it, so it doesn't matter. It's an accomplishment that I made. It doesn't have a value.

”



Rudem00se – NFT Collector

The experience Rudem00se had with CryptoKitties did not represent a simple asset on a blockchain, but a true representation of itself, a unique and custom-built avatar through hard work, totally echoes the emotional attachment seen in the previous Poll. The stake here is not financial, it is more a question of identity.



WHAT DOES IT MEAN TO BE PART OF A NFT COMMUNITY?

We wanted to look into the social dimension around NFT by asking Rudem00se what it means to her to be part of a community of NFT users.

What emerged is that the richness of these digital experiences no longer lies solely in the user's relationship with their assets, but in their interactions with other users. From this point of view NFT have acted as catalysts for digitalized social interactions.

Despite the complex dynamics of 2020 which impacted people globally both economically and socially, Through the communities of \$Whale and CryptoKitties, Rudem00se had the opportunity to build relationships with a large number of people from around the world.

“

People enjoying the same thing, learning new things, being able to learn and grow together - it's really huge, especially over the last year when most people have been quarantined and they haven't been able to participate in the types of social interaction that they normally would. They're hanging out online more and more, using these experiences as the filler for their social interaction that they would have otherwise had. That is an aspect of the NFT space that shouldn't be underestimated because it's hugely motivational, forming those bonds.

”



Rudem00se – NFT Collector

Buying an NFT, whether it's a collectible, a work of art or a video game asset is also an opportunity to create real relationships with other users who share in the same passions. Here we begin to understand part of the value that resides in the NFT ecosystem and that remains perfectly intangible and very difficult to quantify: the commitment and strength of communities.

The multiplication of communities with a common interest is absolutely one of the factors to follow closely and this element will certainly participate in the mass adoption of NFT.

What better than a community of close-knit enthusiasts who have even more to offer than an appetite for technology, but also to share common passions?



When thinking about NFT as being catalysts for social relations, we looked further into this dynamic from the perspective of its community management and more specifically, through the experience of the Axie Infinity community.

Here Jihoz places emphasis on the role that certain community members play in ensuring its proper functioning and how these roles are all the more important, if not vital, once the community grows.

What has changed since the beginning of the NFT ecosystem for you in terms of community management?

“

Because you cannot interact with each member individually, you need to make sure that your official communication, blog posts, things like that speak to all elements of the community and use a language that resonates with them. As Axie has grown the ecosystem has become an organism, like an ant colony, we need to have a very good nervous system for communication between all actors. NFT communities are strongest when the hive mind is unified.

”



Jihoz – Axie Infinity Growth Lead

This image of the Ant Colony is very evocative and echoes the role that Rudem00se has taken within the \$Whale and CryptoKitties community, now having a role of Community Lead of CryptoKitties and Moderator of the \$Whale community with nearly 5,000 users on Discord.

It seems that being part of an NFT community in 2020 no longer simply means sharing tips and tricks, but acting as a link between members, guaranteeing a life in a digital society.

When we asked the founder of Gods Unchained about how the NFT ecosystem and community has evolved since its inception, the focus was on two key ideas:

- The importance of maintaining interpersonal relationships with community members.
- The issues (and risks) associated with hype around certain presales, which do not necessarily have a positive long-term impact on the development of the ecosystem.



“

The community started off very small, and very close. I am close friends with many of the traders and players in Gods Unchained and the ecosystem, which allows us to develop our product to make sure it fits them.

Ultimately, the community has been remarkably friendly and non-competitive, which makes sense: we're a tiny group of crazy people saying asset ownership is broken right now, and it should be different. It's not about Gods Unchained vs. another game - it's about us taking on the entire game development industry, together. [...]

The community has been quite circular - aggressive incremental sales structures kicked things off with Etheremon, and then went out of fashion. Now we're seeing the same thing become popular again with sales like HashMasks. I'm not sure if that's the long-term future of NFT (I think that's in powering massive games and applications with hundreds of millions of users), but it's certainly a bit of fun right now.

”



Robbie Ferguson – Immutable co-founder and President



ONE GLOBAL COMMUNITY OR SEVERAL NFT TRIBES?

Whether it's \$Whale community, Axie Infinity or CryptoKitties, it seems obvious that there are at least several communities of interest within the NFT industry.

We did a cross-sectional study of overlapping between communities in some of the main NFT projects to identify whether they are intermingling or congregate around certain areas of mutual interest.

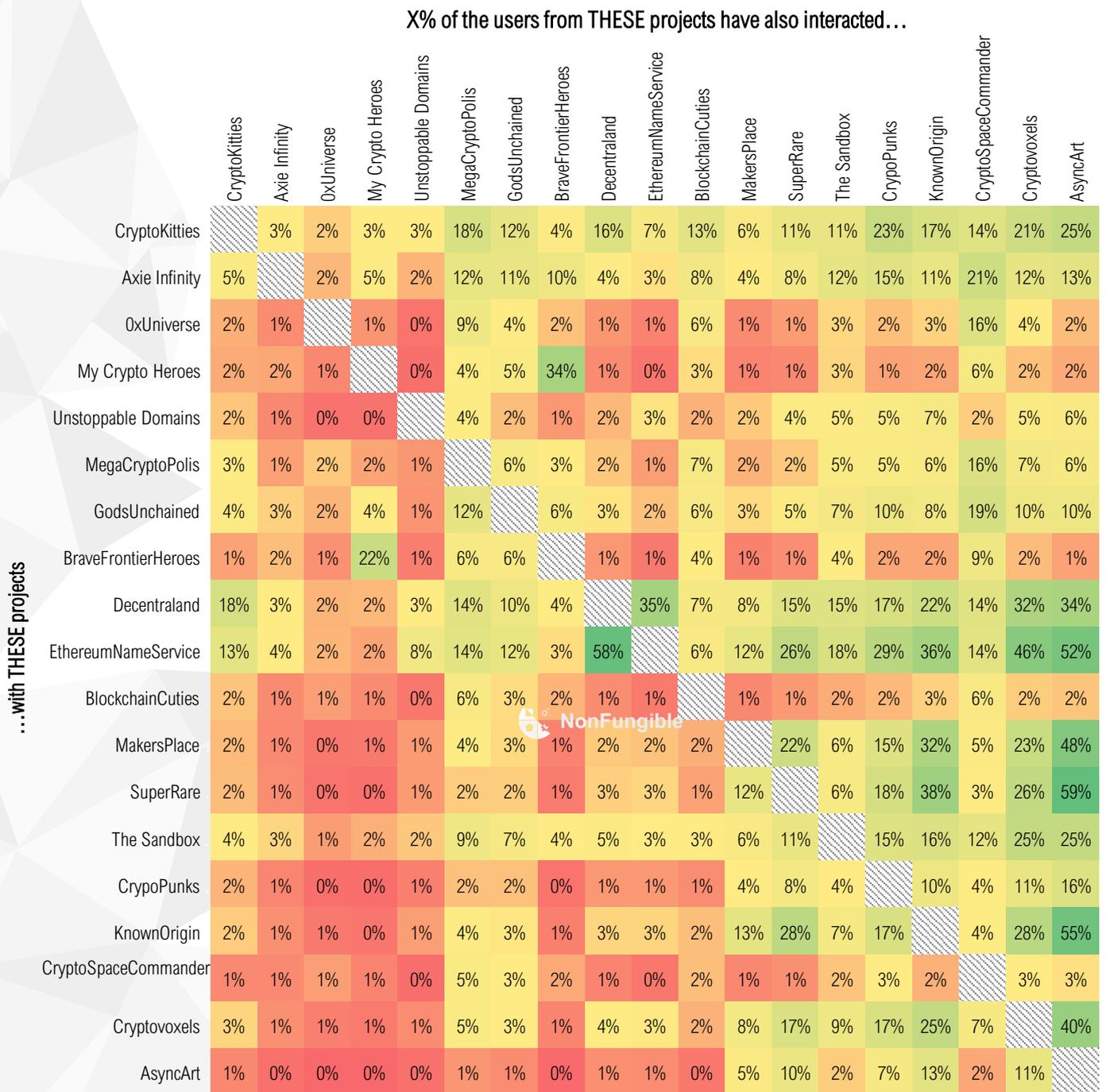


Fig. 55 – Cross-project activity of all active wallets – 2020



The first observation when looking at this table is that NFT communities remain relatively compartmentalized. The most obvious crossovers are in the art world where we regularly see intersections of communities greater than 10%, specifically for Async Art, whose community is smaller and seems to be composed mostly from other art marketplaces. It is interesting to note Cryptovoxels position in the world of Crypt Art, visible at these intersection rates and ranging from 8% to 40% with art marketplaces.

In general, the intersections we see are within the same segments, for example with Metaverses: The Sandbox, Cryptovoxels, Decentraland all have a large number of users in common.

Based on these figures, it does not yet appear that there is a “big NFT family” in which everyone shares common interests for the industry as a whole. On the contrary, we see most communities being very focused on their own segment.

What about cross-project communities?

During 2020 we saw the emergence of a new kind of community, like the \$Whale community initiated by WhaleShark, which saw the issuance of the \$Whale Token and also the monthly evaluation of their NFT Vault by NonFungible.com and above all, the creation of a community of nearly 5,000 people from all walks of life, active almost daily on Discord.

Rudem00se, who joined the community from its inception before becoming a Moderator, shares with us their experience of what a community of broad interests in the NFT ecosystem is like, and what it means to be part of such a social group.

“

Joining the Whale community was huge. This community is not focused on collecting any one specific project, obviously we're holding \$Whale, but it's more focused on bringing all the different communities together, so people from these communities could share interests and learn more about the crypto space as a whole. This is huge.

”



Rudem00se – NFT Collector

The vision that Rudem00se shares with us here puts more emphasis on the exchange between communities than on a financial dimension: this community sees itself as a hub centralizing the different NFT communities through a common passion around the potential of these new crypto-assets. If the trend described here grows, we should see further overlapping between NFT communities in the coming years. The future may confirm this trend..



HOW LOYAL ARE NFT USERS?

For the time being NFT communities remain relatively compartmentalized, forming a multitude of 'villages' or social structures which have formed around specific centers of interest such as gaming, card games, art and so on.

It appears that users' attachment to their center of interest or segment is very strong and if so, we can also assume they interact with their projects on a regular basis. For us to look in more detail into the loyalty users have with their projects we developed a specialized indicator called "Retention Rate".

This exclusive NonFungible.com indicator gives a score of 0 to 5 to any NFT project, depending on the recurrence of interactions of their users. Simply put, if users only visit a project once every 6 months, the Retention Rate will be low, on the contrary, if all users log in daily to play the game, the Retention Rate will be 5.

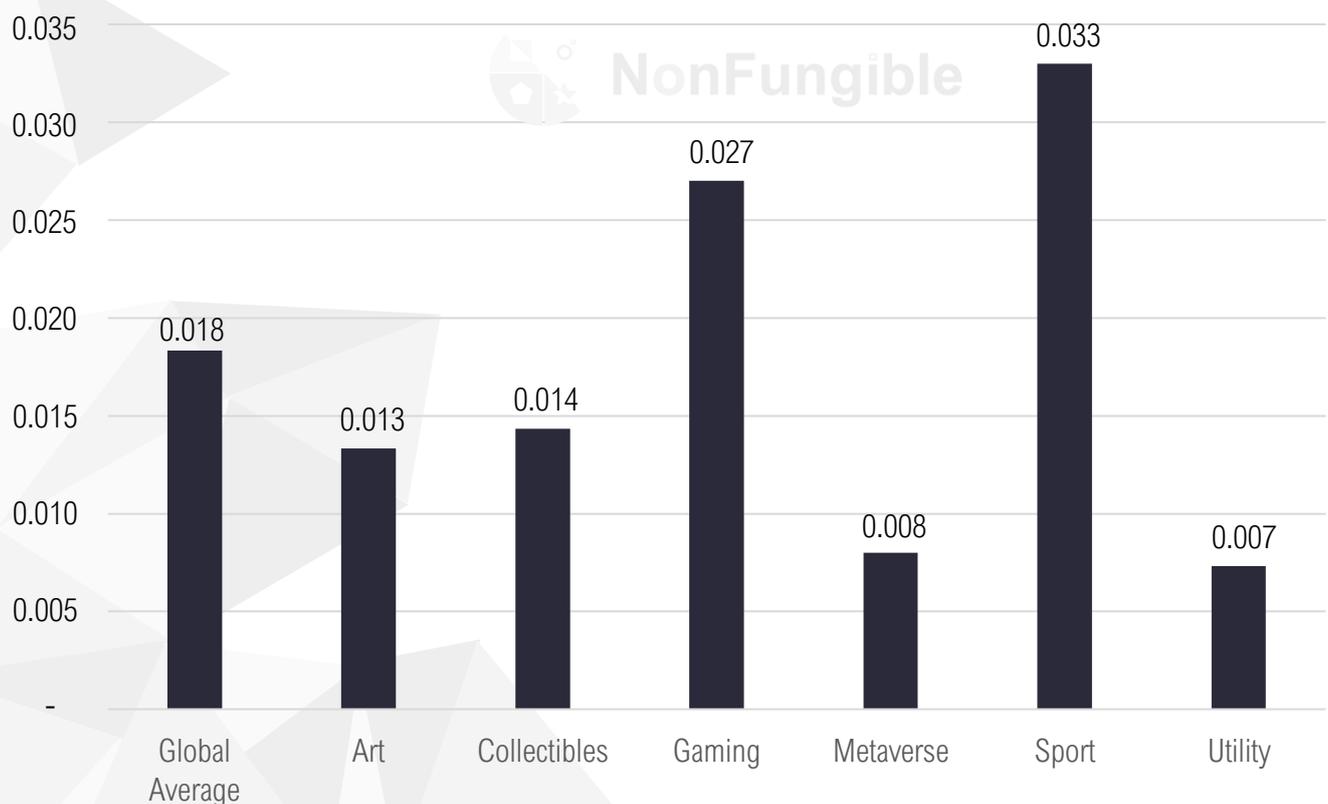


Fig. 56 – Retention rate per segment – 2020



Users of Sport and Blockchain Gaming are the most loyal to their projects, some of the projects around Sport offer the additional dimension of video which also may attract regular use.

These two segments tend to lend themselves to regular, if not daily, interaction with assets by their users, players visit to improve their character, buy and sell equipment, create teams for the next match and so on.

Retention & Growth: the two pillars of community management

The growth of a project is based primarily on two key factors which are linked to its community: building user loyalty (see Retention Rate) and growing it by recruiting new users. The question that arises for Project Leaders & Growth Leads is how to continue this growth?

What strategy works for today to continue growing a community? Is the focus on other users of the NFT space or rather to look outside and towards the crypto-sphere? Or more broadly, towards traditional players?

“

The scope of the people that we can attract has broaden. At the beginning it was mostly early NFT adopters, Ethereum adopters, now we're starting to see first of all like mainstream crypto people that have started to learn about NFT, people who might have been using big exchanges like Coinbase or Binance, there are millions of people like that. [...]

There are also people from the developing world, because of the pandemic they might not have a job. The prospect of earning a few dollars an hour could be something that really changes their lives and get them some much needed income.

That's primarily where we see the growth of users coming from.

”



Jihoz – Axie Infinity Growth Lead

The focus of Community Leads is now on the population of users who have not yet integrated the NFT ecosystem. While it takes more work to convert non-NFT people into crypto-gaming, the potential for growth is infinitely greater outside of the small world of NFT.

But how do you convert your traditional gamers to blockchain gaming?



BRING TRADITIONAL GAMERS TO NON-FUNGIBLE TOKENS

We are specifically interested in the Blockchain Gaming segment as a catalyst for the adoption of NFT because it has been proven in the past that NFT offer True Ownership to a whole host of players not yet active in the ecosystem who dislike (or have already suffered) the tight hold Gaming Studios have on their in-game assets.

To better understand the place that Gaming has in the industry, we asked Jihoz to share with us his vision of what Blockchain Gaming is.

What is the place of gaming in the NFT ecosystem?

“

I think that gaming has the potential more than any of the other kind of segments of the NFT ecosystem to really engage, everyday, normal people. There is a concrete benefit.

What we have seen with Axie is that we've started to really engage people that are owning crypto for the first time, using their first decentralized application, acquiring Ethereum specifically to play Axie, rather than playing Axie because they happened to have some Ethereum.

”



Jihoz – Axie Infinity Growth Lead

The two key takeaways from this quote is the notion of daily engagement with the community and its concrete benefit.

The people who come to play a Blockchain Game tomorrow will probably never have heard of NFT technology, or maybe even Blockchain, but they will have been won over by something much more universal:

The possibility of generating income (Play To Earn), associated with a fun, social experience worthy of any video game outside the Blockchain.

This is why Gaming is one of the significant growth catalysts for the future development of the industry and remains a major use case for NFT.



What do Gamers think of the added value NFT offer them compared to a traditional Gaming system? What has convinced them to abandon some of the big historical licenses to get into a new genre of games?

We asked this question to a Gamer who has many years of experience with a large number of traditional gaming licenses, from FPS (First Personal Shooter) to MMORPG (Massively Multiplayer Online Role-Playing Game).

What do you think makes the difference between NFT and video game assets?

“

For Non-Fungible tokens, they're awesome, because if I acquire an asset it is mine, it's in my account. There is no subscription that is required. It's something that cannot be taken from me. Those are valuables because it's not dependent upon a third party for my assets to exist.

I recently sold a skin in CS:GO for \$500, but it just lives in Steam, I cannot cash that out and use it in other games, the money is kind of stuck in there.

”



Rudem00se – NFT Collector

The parallels with the Counter-Strike license emphasizes two concepts that appear to be key for the player:

- True Ownership which is not time limited and does not depend on a paid relationship with the game publisher (subscription, etc.)
- The owner's freedom to resell and enjoy the value of assets outside of the game.

The elements that seem to be important for a Blockchain Gamer are the characteristics that register the assets full ownership to them, allowing the value contained in the assets to be converted into "real world" value.



In order to explore this question further and identify the added value that should be highlighted in order to convert a traditional Gamer into a Blockchain Gamer, we wanted to hear the opinion of Axie Infinity Growth Lead on the subject.

Do NFT Project Managers share a united vision on the arguments for the use of Blockchain Gaming?

How to convert regular players to blockchain gaming?

“

You need to have something that's fun, that's beautiful and you need to have a compelling pitch or tagline. Play To Earn is something we have seen to be compelling. If someone that you know has been able to earn some money by playing a game and he tells you how to do it, then you may try it out.

So, I think Play To Earn is going to be the narrative that gets people to try out blockchain games. Skepticism around Play To Earn is similar to Skepticism around crypto [...] it sounds crazy that you can make money by playing a game, as it sounds crazy that there could be money that only lives on the internet and doesn't rely on banks or governments.

”



Jihoz – Axie Infinity Growth Lead

It looks like the most effective argument in the space is Play To Earn: being able to make a living from playing a game. Jihoz's quote puts into perspective how hard it can be for people outside of the space to believe.

Getting paid for playing a video game with money that is not regulated by a central body, State or Bank, where buying, selling and earning items that have real financial value, is a key argument for the use of Blockchain Gaming, but can have a “too good to be true” feel for newcomers who require reassurance that it is not just some gigantic scam.



What are the challenges compared to traditional gaming communities? Are they in any way different?

“

Yes, massively. Running a blockchain gaming community is much more akin to running a public company.

You have to constantly communicate and listen to feedback from your community - much more so than in a traditional game where you just flog off the sale and work on what you think is best. It's this constant tension of listening and building and helping to coordinate to build the most amazing game possible.

”



Robbie Ferguson – Immutable co-founder and President

The vision shared here by Robbie Ferguson highlights the very strong codependence between the game and its community. Community members are not merely customers, they are identified stakeholders in the construction of the game, which should not be underestimated.

This is no longer a top-down relationship, Studio > Players, but a parallel relationship with direct interaction between Players and the Studio.



HOW TO BUILD A LONG TERM, HEALTHY AND SUSTAINABLE COMMUNITY?

We wanted to end this section by sharing some tips and tricks from Project Managers on community facilitation.

The world of NFT is evolving extremely fast and is already showing signs of maturity which were not present merely three years ago. The whole industry has become structured, the community is growing quickly, uses for NFT are diversifying, in short, the NFT space of 2021 has moved on in leaps and bounds from its beginnings at the end of 2017.

What does this imply for Community Leads and are development and community building strategies the same? Also how do the projects now meet the expectations of new users?

Do you think the strategy you have used during the early days of Axie Infinity would still be efficient today?

“

I don't think that it would be as effective today, there are more players, you have to make more of a splash at the beginning to attract attention and put-up numbers that would make you relevant against some of the other projects and catch the eye.

So, I won't think it would be as relevant, but I also think that's a strength of some of the early projects, just like Bitcoin in 2009, 2010, the people there had a very long-term view and were interested in the vision and a new kind of future, whereas now, projects have to check all the boxes. [...] and provide a lot of value right upfront. Some of the magic gets lost.

”



Jihoz – Axie Infinity Growth Lead

The Gods Unchained Team have kindly shared with us a few things about their Secret Sauce which has allowed them to build one of the largest Blockchain Gaming communities in the world.



What are the tips & tricks you can share about building a community in the blockchain gaming industry?

“

Focus on building long term value, and constantly communicate and build trust with your audience. Of course - Gods Unchained has had bugs along the way - but the community knows we're in it for the long term (to be the biggest TCG in the world), not for a quick buck, and how much we're putting into it in terms of resources.

Of course, incentive alignment never hurts and we're hoping to have some updates here soon!

”



Robbie Ferguson – Immutable co-founder and President



WS WHAT IF YOU COULD WEAR YOUR NFT IN YOUR DAILY LIFE?



When we talk about NFT Wearables, it's normal to imagine something which is purely virtual and exists only in digital realms. Not true of Watch Skins, an originator in the intersection between reality and Blockchain and a shining example of how NFT can be used to ensure authenticity and traceability of High-End Brands.

Let us introduce you to the next generation of Watch design.

The next wave of virtual collectibles

Aimed towards the booming world of smartwatches and their digital skins, Watch Skins provides both wearers and designers the opportunity to create, collect, trade and monetize NFT watch skins. Launched in 2019 and backed by Blockchain Technology, Watch Skins importantly provides security against counterfeit designs for Fashion Brands and designers alike.

Much more than simply a connected watch with design options, not only can you display your NFT collection to the world from your wrist, but tokens can be bought, sold and traded via a peer-to-peer marketplace which enables safe trade directly with other users, where each skin has a traceable life and origin.



 watchskins.com



10 2021 PREDICTIONS



WHAT TO EXPECT FROM NEXT YEAR?

Following a globally very turbulent year, economically and even technologically, the landscape within the NFT Ecosystem has changed significantly.

All of the research, analysis, meetings and interviews carried out by the team over this year have allowed us to identify underlying trends that should potentially impact the World of NFT during 2021.

Whether it is technological or economic factors that impact the behavior of Communities, each of the 10 predictions that follow are likely to profoundly and lastingly change the Non-Fungible Token industry.

NonFungible.com predictions for 2021

Communities are precious



The importance of a Community's commitment and size is still largely underestimated in the field of NFT. Assessment of community sentiment is highly qualitative and notoriously difficult to measure, but it will become increasingly important to understand well this vital aspect of the ecosystem.

At some point in the future, community sentiment and its power to motivate will have a direct and visible impact on the adoption of NFT Technology to new audiences. Which in turn, will ultimately have an indirect impact on the markets via greater liquidity of assets and significantly higher trading volumes.

New uses cases and experiments



Whether through interacting with the Physical World, AR, Mixed or Virtual Reality, through connected objects, watches and connected devices, NFT have shown they have the technology to facilitate, innovate and just downright disrupt established systems. Many initiatives have already explored some diverse use cases in which NFT can add value.

No doubt many speculative initiatives testing NFT boundaries will fail, but they will have brought with them new perspectives and ideas in regards to what an NFT can be, worth and do. 2020 has been a relatively quiet year in terms of new experimental use cases, but signals from the last quarter suggest that 2021 will be rich in promising innovations.



Pay to win is dead. Long live play to earn!



The traditional economic gaming model of Pay to Win does not appear to be the most suitable system for Blockchain Gaming. In the world of Blockchain, the Play to Earn model is favored, offering players in-game rewards and assets with high monetary value based on their participation in the game.

This Play to Earn model will continue to develop, offering innovative and attractive economic dynamics for both players and game developers.

Layer-2 is inevitable



Almost all the projects will use Layer-2 solutions (Side-chains mostly) to smooth the Global user experience and will use on-chain transactions only for long term recording purposes for asset minting, trades and so on.

NFT as a reserve of value



We will see VAULTs and the largest portfolios multiply, backed by different use cases: DAO, VC, Charity, Social Tokens etc. The ability for NFT to be a store of value is no longer something needing to be proven. The next step will be to explore use cases associated with these enormous reservoirs of value built by the Whales.

Half a million NFT active users



Community size almost doubled between 2019 and 2020 and we are likely to see the same trend continue in 2021 if not increase even more. Half a million NFT active users is almost a pessimistic prediction after taking into consideration the Global boom of the Ecosystem through all the different segments.

Secondary takes over Primary market



All projects will continue issuing assets, but the volume of Users, Traders and Whales active in the Secondary Market will increase volume, which should match, if not completely overtake the Primary Market in certain segments, particularly in Art and Gaming.).

Large IPs come out to play



Luxury brands, Game Studios, VC and many big-name Brands that have been creating NFT in their secret laboratories will finally be ready to launch NFT related products and services. Financial tools? Physical x Digital bound assets? NFT based Triple MMORPG? Who knows, but their input is going to change the landscape forever.



Two communities. OG vs. Millenials.



With an increasing volume of new NFT users and growth in Blockchain Gaming, communities will likely divide between those who consider themselves to be pioneers, the OGs of the NFT Game and the new users who will not come for the NFT but instead for the gaming experiences.

It's a safe bet that there will be distinct economic and market trends which will be specific to each of these distinct communities ie. CryptoPunks for OGs, Gala Games for newcomers?

Art goes BOOM



Art was clearly the best performing segment of 2020. With more Artists participation and the arrival of big names from the traditional Art scene coming into the Crypto-Art space with sales approaching \$1 Million, inciting interest from a major Auction House. 2021 is set to be dominated by the Art segment in terms of USD traded volume and will play an important role in making the NFT industry more visible to new audiences, new adopters and non-techies.

To complete this last prediction, we would like to share with you the wisdom-filled word of Jose Delbo, famous Comic Artist who entered the Crypto Art Ecosystem in 2020. We asked him what he predicted for 2021 and here is his answer:

“

I think many more established artists will enter the space after seeing the successes artists have had here. I think that will lead to many of their fans coming along too and a huge expansion of the space. I just hope this old man can hang on for the ride. Personally, I hope that I can continue to create art for what I think is one of the most wonderful and receptive communities I have ever seen.

”



Jose Delbo – Comics artist





Credit: Decentraland metaverse | Medieval Plaza | Location: X -59, Y -64

Prospective

To bring the final touch to this report, we would like to pore over a perspective John Egan, CEO of L'Atelier BNP Paribas, shared with us during our interview.

Far from a 2021 prediction, this is an enlightened view of some attention-grabbing future prospects. Of course, not forgetting that we, the NFT Ecosystem Players, Developers, Investors, Analysts, and Creators are all part of the building of our Non-Fungible Token future.

“

Mixed and Augmented Reality will become more and more integrated, with new realms of virtual reality which are layered over the real-world infrastructure that surrounds us.

These new virtual realms are going to be populated by virtual assets, in 10 to 15 years time when you look around your physical environment, depending on your profiles data subscription and on how you connect to your network and people, you will see a certain virtual environment. You might see dragons in the sky and those dragons are going to be virtual assets owned by somebody, maybe it's part of a life-gaming event. The future is a space in-between physical and virtual reality.

”



John Egan – L'Atelier BNP Paribas CEO



1 1 REPORT CONCLUSIONS



GLOBAL CONCLUSIONS

The 2020 edition of the Yearly Report, fresh out the oven!

The dynamics during 2020 suggest that 2021 is poised to be an eventful year, the massive acceleration during the second half of 2020, driven by the Crypto Bull Run, is just the harbinger of a new Bull Market in the NFT industry. This will not simply be driven by one or two use cases or just one flagship project, but through a multitude of mature use cases and structured projects, built on the foundations laid by previous NFT initiatives from the preceding years.

The Ecosystem is overflowing with internal and external signals that indicate that its development is about to accelerate dramatically.

Several major realizations about the NFT Ecosystem have enabled it to move on to the next level:

- NFT are no more than a vehicle, capable of deploying a vast array of new use cases and possibilities.
- We are only at the very dawn of starting to explore how NFT can be utilized by many industries.

The value generated by the industry does not lie in the short-term financial value of assets, but more in complex socio-economic constructs. These community sentiments expand into areas such as the owner's emotional attachment to certain assets, community engagement and the attitudes toward a potential use case which relates to its perceived relevance in the space, both at the time and in the future.

To all the Project managers, Developers, Media Reps, VCs, Whales, and Gamers. Don't forget that you are also the pioneers of what is currently growing and about to become one of main blocks of the future.

Step by step, project by project, use case by use case, together, we are building the future and not only a digital one.



Global pandemic x Metaverses. The perfect fit for NFT mass adoption?

If we are to believe the concepts developed in a film like Ready Player One, the world will turn into a digital and virtual world following a global catastrophe (war, economic crisis..) This dystopian view, although somewhat pessimistic, is not entirely unrealistic.

The likelihood we will see a continued time of growth and adoption for the Non-Fungible tokens industry seems strong under these circumstances.

The Covid-19 pandemic has forced populations into a more sedentary lifestyle due to generalized lockdowns across the world. These populations, of all ages and of all origins, have had to find alternatives for social interaction whose confinement had deprived them.

For the time being, these alternatives often go through channels such as videoconferencing or chat.

But in a hypothetical (very probable) future in which the home office becomes widespread and further confinements remain a threat, populations lacking social interaction will necessarily turn to these spaces offering richer, more intense and diversified social interactions.

Credit: Ready Player One, Steven Spielberg, 2018



Do these alternative spaces offer us our social interactions for the future? After all, these are spaces where all the NFT industries such as Gaming, Utilities, Art, Sport etc, cross over one another.

Individuals with unique avatars (Utility) who are living video-game experiences (Gaming) on their own LAND (Metaverse).

Professional and personal interactions, similar to what we were offered by social networks in the late 2000s, could take place in a 3D digital way enabling real-world interactions, without the geographic, social or health boundaries of the physical world.

Jihoz, Growth Lead at Sky Mavis (Axie Infinity), develops this idea in the form of what he calls opt-in nations:

“

Many Axie players identify as a citizen of the Axie universe, in some cases perhaps more-so than being an American or Pinoy (Phillipino). It's become an important identity that can replace attachment to the Nation state. I believe in opt-in Nation where people choose what ecosystems they contribute to and identity with.

For so long, we humans have been forced to associate with people based off physical proximity, which is not optimal.

”



Jeffrey Zirlin (Jihoz) – Axie Infinity Growth Lead



THANK YOU

WE'D LOVE TO HEAR FROM YOU IF YOU HAVE ANY
QUESTION OR FEEDBACK ABOUT THE REPORT



NonFungible.com is the world's leading platform in NFT data and market analysis.

Each year, the NonFungible.com market research team publishes an annual report covering different industry dimensions of this emerging class of digital assets: Non-fungible tokens.

This 2020 edition, published with the precious help of L'Atelier BNP Paribas, provides the most comprehensive overview to date of the NFT industry. It analyzes macro market trends as well as those at the asset level, but also all the qualitative indicators linked to the individuals, passions, and creative powers which shape this ecosystem day after day.

This report is your invitation to discover the asset class that has the potential to massively impact society over the next decade.

 Dan Kelly | Gauthier Zuppinger

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