# Harvard FinTech Online short course

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## Introduction:

OpenSea is the world's first and largest web3 marketplace for NFTs and crypto collectibles. It allows users to buy, sell, create, and manage their NFT collections. OpenSea is built on the Ethereum blockchain, which means that all transactions are secure and transparent.

OpenSea was founded in 2017 by Devin Finzer and Alex Atallah. The company is headquartered in New York City. OpenSea has raised over $300 million in funding from investors such as Andreessen Horowitz, Paradigm, and Sequoia Capital.

In 2021, OpenSea processed over $23 billion[1] in NFT trading volume. This made OpenSea the most popular NFT marketplace in the world.

OpenSea is a pioneer in the NFT space. The company has helped to popularize NFTs and make them accessible to a wider audience. OpenSea is also at the forefront of innovation in the NFT space. The company is constantly adding new features and improving its platform.

OpenSea is a transformational company that is changing the way we think about digital ownership. The company is well-positioned to continue to grow and innovate in the years to come.

## Our edge:

- **Wide selection of NFTs:** OpenSea offers a wide selection of NFTs, including art, collectibles, gaming items, and domain names.

- **User-friendly interface:** OpenSea has a user-friendly interface that makes it easy to buy, sell, and create NFTs.

- **Low fees:** OpenSea charges low fees for transactions.

- **Security:** OpenSea is a secure platform that uses the Ethereum blockchain to protect users' NFTs.

## Challenges facing our dominance:

With 43% marketshare and first mover advantage, we're up for a lot of challenges, to name a few:

**Increased competition:** a number of new NFT marketplaces are emerging, and these new marketplaces offer lower fees and more features. OpenSea must continue to innovate and enhance its platform in order to remain ahead of the competition.

**Security:** NFTs are stored on the blockchain, which is a secure network, thereby mitigating security risks. However, there have been a number of security vulnerabilities on NFT marketplaces, and OpenSea will need to take measures to safeguard its users from these risks.

**Regulatory obstacles:** NFTs are a novel technology, and it is still unclear how they will be regulated. OpenSea will be required to comply with all applicable regulations and statutes.

**Impact on the environment:** The production of NFTs requires a great deal of energy, which has an impact on the environment. OpenSea will be required to discover ways to lessen the environmental impact of NFTs.

Despite these obstacles, OpenSea is well-positioned to continue expanding and innovating in the coming years. The business has a strong team, a large user base, and a diverse variety of NFTs. OpenSea could become the dominant NFT marketplace in the world if it can overcome the obstacles it confronts.

Here are some additional difficulties that OpenSea may face in the future:

**The emergence of decentralized NFT marketplaces**
Decentralized NFT marketplaces are platforms that are not managed by a single entity. These marketplaces are becoming increasingly popular, and they could pose a threat to OpenSea's dominance.

**Ethereum is the blockchain on which OpenSea is based**, and it is experiencing a decline. However, Ethereum faces scalability issues, and it is conceivable that a different blockchain will become the dominant platform for NFTs.

**The erosion of user faith:** If OpenSea suffers a significant security breach or if users lose faith in the platform, it could experience a decline in market share.

OpenSea faces numerous obstacles on the whole. However, the company is well-positioned to face these challenges and continue to expand in the coming years.

## Future scenarios and how to be ready:

The level of uncertainty in the future of NFT and the business model with the current use cases is very high, our efforts must not only focus on predicting the market moves, but also on shaping the future of the whole market, which is a responsibility we have to tackle as the market leader, this will prevent competition from beating us to dominate the market, and will also enable us more wiggle room in the future to navigate the market issues.

Focusing on 4 outcomes in the market the decisive factors were:

 The future of NFT (prolific / fizzle out) due to any number of reasons, to name a few: user trust, legality, issues with the technology, security …etc

The future of web3: since the whole model of web3 is not picking up as fast as it should, it could be either a threat or a big help to further dominate the market.

The helping factors in our fight against certainty are:

1- **the limited use cases of NFT** still, we have a huge room to grow

2- **our great userbase,** which enables us to maneuver much more effectively against changes.

3- **our position as the market leader:** which enables us to have the right connections and influence to create the impact we need, especially in the fields of market education and regulation.

In our 2x2 scenario we have included the possible outcomes and responses as per the presentation, we will further elaborate on each one of them below:

## Outcome 1: more prolific NFT, wide adoption of web3:

This scenario includes more competition, fiercer regulations and definitely much more rapid changes to the market, since the proliferation is going to rise quickly, we need to be ready via expanding the current business model on both verticals, userbase and transactions, facilitating access to minting and using NFTs, striking deals to tokenize the world, starting from artists, universities, museums and brands, ending with independent artists.

Staying up to date in this case is vital, we should be able to move more nimbly if we expanded also in the value chain via providing a more seamless user experience to capture not only new comers, but convert different segments of users to use our services.

## Outcome 2: less prolific NFT, wide adoption of web3:

In this scenario we have the biggest disadvantage of all scenarios, due to the fact that the decentralization will take central stage but the NFT will wither going further into less use, paving the way to

competition to dominate the market, in this case we need to act upon 2 axis strategy:

- acquire/ enter a new place in the value chain, maybe decentralized model using our big userbase and active community.

- expand into new use cases for NFTs which will be an uphill battle but one of them can easily turn into the more dominant use case and this will revive the business altogether.

## Outcome 3: less prolific NFT, less adoption of web3:

This will put our recent investment into web3 technology at the center stage, enabling us to use the username to move our dominance to a new realm without the web3 space and to own the NFT universe.

## Outcome 4: More prolific NFT, less adoption of web3:

As this will be a good scenario however, the regulators challenge is more likely to become the issue here, we need to exist in the web3 space anyway, we also need to be ahead when it comes to technology.

## Risks and mitigation

here are some risks and ways to mitigate them in the future

## Risk: Increased competition from new entrants

- **Continue to innovate and improve the platform.** OpenSea will need to stay ahead of the competition by constantly innovating and improving its platform. This includes adding

new features, improving the user experience, and making the platform more secure.

- **Partner with other NFT marketplaces.** OpenSea could partner with other NFT marketplaces to create a more unified marketplace. This would make it easier for users to buy and sell NFTs, and it would also help to increase the liquidity of the market.

- **Acquire smaller competitors.** OpenSea could acquire smaller competitors to consolidate the market and increase its market share. This would give OpenSea a larger pool of users and liquidity, which would make it more difficult for new entrants to compete.

## Risk: Security risks

Mitigation:

- **Invest in security.** OpenSea will need to invest in security to protect its users from cyberattacks. This includes implementing security measures such as two-factor authentication and security audits.

- **Educate users about security risks.** OpenSea will need to educate its users about security risks so that they can protect themselves from cyberattacks. This includes providing educational resources on its website and in its user interface.

- **Work with law enforcement.** OpenSea will need to work with law enforcement to investigate and prosecute cyberattacks. This will help to deter future attacks and protect users from harm.

## Risk: Regulatory challenges

Mitigation:

- **Stay up-to-date on regulations.** OpenSea will need to stay up-to-date on regulations that apply to NFTs and the blockchain industry. This will help to ensure that OpenSea is compliant with all applicable regulations.

- **Work with regulators.** OpenSea will need to work with regulators to understand their concerns and to develop solutions that address those concerns. This will help to ensure that OpenSea is able to operate in a compliant manner.

- **Educate regulators about NFTs.** OpenSea will need to educate regulators about NFTs so that they understand the technology and the risks involved. This will help to ensure that regulators develop regulations that are appropriate for the NFT industry.

Overall, the future of NFTs is uncertain. However, there is a lot of potential for these technologies. If OpenSea can successfully mitigate the risks and challenges, it could be well-positioned to capitalize on the growth of these technologies.