

Title: NFT Market DD UPDATE

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Created 2022-02-14 14:24:05 UTC

Permalink: /r/TheGloryHodl/comments/ssbtpb/nft_market_dd_update/

Url: /r/FWFBThinkTank/comments/skrc57/nft_market_dd_update/

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Hey Apes,

I appreciate u/Turdfurg23 posting my initial NFT market DD. I have since updated several sections and add more details, including, projected GameStop marketplace GMV (Gross merchandise volume or transaction volume) and estimated revenue.

Note: please turn off dark mode to read graphs and none of this is financial advice.

Lots of numbers have been floated over the past several months due to Opensea's rise and MSM covering the sale of NFTs.

Larry Cheng posted market growth from \$85m in 2020 to \$19.6b in 2021.

<https://preview.redd.it/dc8hxfkjawf81.png?width=590&format=png&auto=webp&s=056be26851fd7749fdf977510c78d7bb816930f6>

DappRadar places the market at \$23b in 2021 up from \$76m in 2020.

<https://preview.redd.it/5kbycygdwdf81.png?width=960&format=png&auto=webp&s=d7c59ac8eb8d8232a53a3f157b4abeff4063c677>

Now that we know the total NFT market size, lets breakdown some NFT sub categories

[](<https://preview.redd.it/t25mro0pawf81.png?width=975&format=png&auto=webp&s=d428fdced93eeb4e7399dbc9e50f80a6394c25e5>)

Below are the two graphs that show the top 5 NFT companies by GMV.

<https://preview.redd.it/nfsjjmkrawf81.png?width=1005&format=png&auto=webp&s=de4228587f23fd7126b826a1652eb1f27228a471>

[You can see above that some NFT company GMV has retraced while others continues to grow.](<https://preview.redd.it/ot10ir1xawf81.png?width=1518&format=png&auto=webp&s=4a6b9f101f2127add923c2c2394d1985386bf264>)

NFT gaming

Spearheaded by Axie Infinity and generated \$4.5b in NFT gaming volume in 2021.

[In Q3 2021, NFT game items accounted for \$2.32 billion in trading volume. That number represents 21.72% of the total NFT trading volumes during the quarter.](<https://preview.redd.it/o5jxpm1bwf81.png?width=966&format=png&auto=webp&s=b0fe6ce0558a55c49b7897102806db39a51174e7>)

[Emerging NFT games include: Axie Infinity, Alien Worlds, Farmer World, Splinterlands, and CryptoBlades.](<https://preview.redd.it/mahkijs2bwf81.png?width=975&format=png&auto=webp&s=163b08ef0dd26571ae12d45745b9abdee4bb52f6>)

<https://preview.redd.it/tajd7ex3bwf81.png?width=866&format=png&auto=webp&s=9b1c6ae7e8df136a56b5d46fc884b165e765b4a4>

[Axie Infinity user growth has skyrocketed.](<https://preview.redd.it/zphsll65bwf81.png?width=975&format=png&auto=webp&s=9b1c6ae7e8df136a56b5d46fc884b165e765b4a4>)

=png&auto;=webp&s;=f3608246986a1a4bacd525d1c86f0298a14732a6)

****Let's look at some competitors to GameStop's NFT Marketplace****

[Opensea has been the largest marketplace by volume. LooksRare launched in January and gained volume quickly.](<https://preview.redd.it/5hwwmm1dbwf81.png?width=975&format;=png&auto;=webp&s;=74cdb5b38d525a6d3a93cbf8c953746fef64b46d>)

****Competitors include:****

****Opensea****

Charges a 2.5% take rate. Does not allow users to profit in the fees (take rate) that is collected during each transaction.

Acquired Dharma Labs. They did this to offer a wallet service that can bridge fiat to crypto, reducing the barriers to purchase NFTs.

Challenges with insider trading and lack of regulation.

****LooksRare****

Launched this January 2022. Take rate of 2%. Already hit with wash trading challenges. Volume has spiked, outpacing Opensea. Volume has been driven by only a handful of users selling between mutually owned wallets to collect LOOKS tokens and share in marketplace profits. This trading isn't indicative of true volume as its coming from wash trading.

Big difference between Opensea and LooksRare. Anyone that stakes their "LOOKS" tokens shares in the fees the marketplace collects on each transaction. Opensea does not allow this type of participation and keeps 100% of their take rate.

You earn LOOKS tokens from buying and selling NFTs. You can then stake those tokens to receive a portion of the marketplace fees. To earn tokens, you must sell or buy from an NFT collection that has surpassed 1000 ETH trading volume, or \$2.5m dollars (based upon a \$2.5K price for ETH).

Up until mid-January, Opensea held 90%+ of the NFT market. LooksRare launched this January and has quickly gained market share due to their unique community profit sharing approach.

Why has LooksRare succeeded in taking initial market-share? My assumption is the community drive structure, allowing users to profit for marketplace fees.

It remains to be determined if users can truly participate in profits in a meaningful way or if we will see several users (with capital) be able to stake a majority of tokens to revenue more of the marketplace profits.

****Steam (Valve)****

This is a legacy centralized marketplace. They allow you to trade CS:GO skins and weapons for Steam Cash or other skins. Steam Cash can be used to buy other PC games on the marketplace but cannot be converted to fiat money or crypto to use outside the marketplace.

Third party sites have been created to offer gamers the ability to sell CS:GO skins/weapons for fiat but lack security and regulation. OpSkins was recently shutdown giving Steam users few options to convert skins/weapons into cold hard cash.

Valve has banned crypto- and NFT-based games on Steam, the biggest PC storefront, inhibiting NFT growth on PC.

****Coinbase****

Partnered with MasterCard to allow consumers the ability to purchase NFTs using fiat instead of buying crypto first then making an NFT purchase.

****FTX****

Crypto exchange that has created an NFT marketplace. Very little has been covered on the marketplace side of their business.

FTX is extremely well capitalized and could be competitor in the NFT market.

****Rarible****

Most of the information from Dune Analytics is from months or years ago. My gut feeling is this marketplace has unfortunately lost substantial market share and is struggling. Any Ape with further insight to this company would be greatly appreciated!

Below compares take rates (transaction fees) by marketplace.

[Microsoft isn't just a marketplace.](<https://preview.redd.it/i4bmtsagbwf81.png?width=870&format=png&auto=webp&s=c438efa3f603ac9f6f8fceebb056eb238925fa66>)

****Opensea Comparable Analysis****

Take rate: 2.5%

Why: tough to convince someone to sell a \$100K NFT with a 10% transaction fee attached that either the seller or buyers has to pay (\$10K transaction is crazy high).

[GMV spiked in August due to Axie Infinity and the previously mentioned NFT companies.](<https://preview.redd.it/ri6w5lmnbwf81.png?width=1043&format=png&auto=webp&s=f5a8979870a86a01ed9a452be00d6e7f9d6f0f82>)

[Estimated monthly revenue by applying their take rate to their GMV.](<https://preview.redd.it/ttcczgnxbwf81.png?width=1080&format=png&auto=webp&s=16213d7b8a71b1812c45e0cd0c23197f8ef198b0>)

[Active traders have significantly increased.](<https://preview.redd.it/awqf06wzbwf81.png?width=1066&format=png&auto=webp&s=c30766d273c3a04a362f4f4bde017bf6c22b335c>)

****Opensea vs. LooksRare****

<https://preview.redd.it/zdda8tj2cwf81.png?width=1046&format=png&auto=webp&s=579638258b9b6fba749dffde10627f579cef5201>

LooksRare volume significantly increased since their launch. This is driven by their marketplace structure which allows the top performing NFT projects, by volume, to receive LooksRare tokens and participate in all marketplace transaction fees.

<https://preview.redd.it/pct5lr4cwf81.png?width=920&format=png&auto=webp&s=2b312aae91dbb98a97cee7a968a26d35e9046896>

You can see that users haven't significantly grown for LooksRare. Since users haven't grown yet volume did, this could be indicative of washing trading between mutual parties in order to receive tokens and participate in the marketplace transaction fees.

****GameStop NFT Marketplace Assumptions****

Assumptions that we need to consider include:

Take rate (inclusive of the Immutable X 2% fee on all primary and secondary sales). We need to consider a sliding take rate. Credit to u/Ok-Target-2825 for the insight on a sliding take rate. Opensea charges 2.5% because they can't justify a 10% take rate on a \$100K NFT sale. At that percent it becomes too expensive. But a 10% take rate on a \$100 NFT makes sense.

Thus, we need to consider GameStop's marketplace will incorporate a sliding take rate based upon the listing price of the NFT. eBay has a similar structure ranging from 5% to 20% dependent on the category and listing price.

****Take Rate****

Assumption: GameStop's take rate could fall in between marketplace only competitors and software engines. According to Immutable, GameStop's marketplace wants to process billions in transaction volume. We should then look to current physical good marketplaces that process similar amounts; this would be eBay. eBay's TTM GMV was \$105bn. eBay's take rate is between 12-15% on most goods and 5% specifically on NFTs.

My take rate assumption is 12%. Immutable's fee is 2% thus GME's effective take rate is 10% (I will update my assumptions with a sliding take rate).

****\$100m Grant****

Assumption: This incentivizes independent and AAA game developers to build blockchain based games from GME's marketplace. We could assume this will quicken the release and adoption of the marketplace. Meaning faster scale, reaching higher GMV quicker.

****GameStop Milestones****

Assumption: GameStop will release their marketplace within 2-3 months. They have 12 months to release the marketplace or be fined \$25m and miss out on their first 3.7m IMX tokens. GameStop stated two sales metrics, \$1.5bn and \$3bn within 24months.

****GameStop NFT Marketplace GMV Projection****

****Growth Assumptions:****

After Opensea's massive August 2021 growth, they averaged monthly growth of 6%.

I have estimated lower monthly millions GMV for the first several months as users become fluent with the marketplace and awareness grows.

I used a 6.5% average growth rate inclusive of seasonality to forecast GameStop's growth through 2023. Taking into consideration video game's historic seasonality, you can see GMV and sales increase in Q4.

GMV grows 2.7x in 2023 versus 2022 due to the timeframe of developing, testing, and releasing games. Blockchain based games can differ in development time due to varying reasons but on average take 12 – 36 months to build.

GMV significantly increases in 2023 due to the release of blockchain based games.

My projected GMV of \$3.7bn over the next two years supports GameStop's stated sales metrics in their agreement with Immutable.

[I project GameStop's marketplace GMV to hit \$1.025bn in 2022 and \$2.7bn in 2023.](<https://preview.redd.it/p96q0yi6dwf81.png?width=1049&format=png&auto=webp&s=3c7d716eae3fea805652965b3645f3c12428a914>)

[Applying the assumed take rate, I estimate GameStop will generate \$102m in revenue in 2022 and \$270m in 2023.](<https://preview.redd.it/g9lbrmj7dwf81.png?width=1091&format=png&auto=webp&s=e9cc739db9d2d521f90463d31d1dd2d0c8095944>)

<https://preview.redd.it/oe33nimlewf81.png?width=1528&format=png&auto=webp&s=6d139b9a068de97db015fc7a18d6fc5381e9ed93>

****I believe my assumptions, GMV, and revenue projections to be conservative for GameStop. We could see significantly higher GMV comparable to OpenSea's GMV.****

****Supporting evidence****

In a recent survey conducted by market research firm

[Interpret](<https://www.linkedin.com/company/interpret/>), 57% of gamers indicated that they are interested in earning NFTs from playing games. Meanwhile, 20% are neutral and 23% are not interested. The survey included 1,502 participants that represent gamers across consoles and PC.

According to the results, incorporating NFTs into games could also be a driver of retention. Roughly 45% of respondents indicated that it would increase their current engagement levels with games, while just 13% cited that it would negatively impact playing habits. The remaining 42% noted that their engagement would not change.

****NFT Marketplace Comps****

<https://preview.redd.it/bwczgegbdwf81.png?width=975&format=png&auto=webp&s=5a756366f979a79884295256eef0138a9350938e>