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NFTs Explained: What is an NFT and What is Its Use

Explained: What is an NFT and Its Use

Updated: December 6, 2021 4:42 pm



In **Blockchain**, NFT is another word to have entered our lexicon. The buzzword is everywhere and people are wondering what is NFT and what is its use? Well, there is not really a one-line explainer. And that's why we have brought a comprehensive explainer on NFT, what is its use in digital art, and more. So without wasting any time, let's go ahead and learn about NFTs (Non-fungible Token) in complete detail.

What is NFT: A Definitive Explainer (2021)

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that we have covered in this article and click on the link to move to the corresponding section.

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NFTs Explained: What is NFT in Crypto?

Before anything, let me give you a clear-headed definition of NFT and what it stands for. NFT stands for Non-fungible Token. Fungible by its very definition means **something that is mutually interchangeable**. For example, you can exchange a \$10 note with another \$10 note or exchange it with two \$5 notes. In both cases, the value remains the same and you will have no problem exchanging the money. Here, money is a fungible item as it can be exchanged without diminishing the value.



The Mona Lisa / Source: Wikipedia

So when we say Non-fungible, it means something that *can't* be exchanged with a similar item of similar value. To give you a simple example, if you want to replace the Mona Lisa painting kept in Louvre,

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the incomparable **Mona Lisa painting** is a **Non-fungible item** that can't be exchanged with another item having an identical appearance.



Uniqueness is the key here. A Non-fungible item is, therefore, something that is unique and authentic. Something that holds value for its authenticity. Now we come to the token part. **A token is a 40-digit string** of words and numbers that hold the information of the original artist who created the masterpiece, the current owner of the item (it can only be one), and the current price of the item. This storage of information is backed by Blockchain technology which can't be altered by any means due to its decentralized system.

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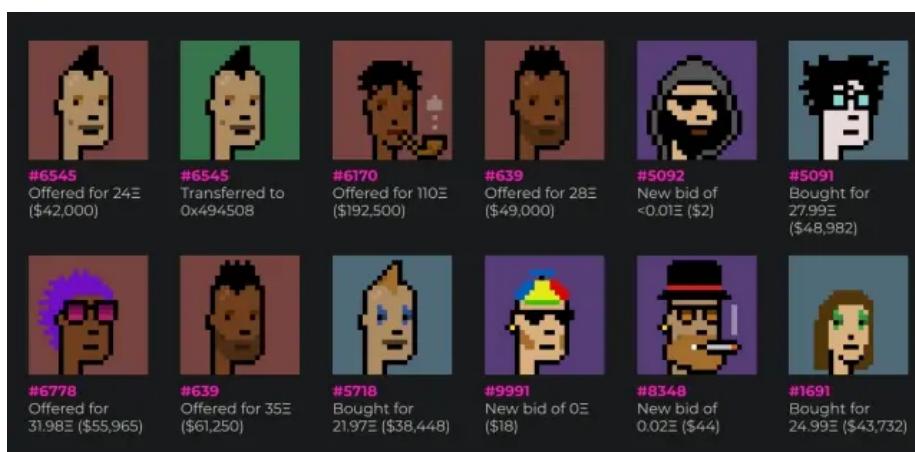
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Finally, when you put all three words together, NFT means an incorruptible token that holds ownership information about an item that is unique and authentic. **NFT is basically a certificate of ownership or authenticity.** This is the general definition of NFT, but if you want to get a complete idea about NFTs then you need to understand the concept with digital art as an example, which I have covered in the next section.

What is the Use of NFT in Digital Art?

Many must be wondering what is the use of NFT in digital art and why is there so much hullabaloo about it? Well, as I explained in the above section that NFT is a signature of authenticity and it provides that authentic stamp of approval on the web while dealing with digital arts. We all know, in today's world anything can be tampered with and people can pass off others' work as theirs. Basically, on the web, it's next to **impossible to find the original creator** of an artwork and that's where NFTs come into the play. NFTs pretty much aim to bring art collecting into the digital age with completely digital art that is sold as NFTs.





NFT provides a means for digital creators to put their work in the public domain without having to worry about proving ownership or authenticity. **Digital artists can generate NFT for their original work** and auction it off to another person while maintaining the information about the original creator, the current owner, and the current value. The best part about NFT is that as many times the digital art is sold to another person, a share of the value will be transferred to the original creator. This makes NFT a great proposition to digital artists for earning money through their artwork.

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Christie's is proud to offer "Everydays - The First 5000 Days" by [@beeple](#) as the first purely digital work of art ever offered by a major auction house. Bidding will be open from Feb 25-Mar 11.

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digital art is called “Everydays – The First 5000 Days” was made by Mike Winkelmann who goes by the name of Beeple. The digital image was sold for \$69 million and the **buyer got a 319MB digital file (JPEG image) along with the NFT (token)** which holds the information about its ownership, et al.

The screenshot shows a light gray rectangular area with a thin black border. At the top right, there is a small blue 'i' icon followed by a red 'X'. Below this, the text "Source from Alibaba.com" is displayed in a large, bold, black font. To the right of the text, there is a small, semi-transparent button-like element with the word "Visi" visible. At the bottom left, the URL "Alibaba.com" is written in a smaller, gray font.

The screenshot shows a tweet card from Jack Dorsey (@jack). The card has a white background with a thin gray border. At the top left is the user's name "jack" with a blue checkmark, and below it is the handle "@jack · Follow". To the right is the Twitter logo. The main text of the tweet is "just setting up my twttr". Below the text are the timestamp "3:50 PM · Mar 21, 2006" and an info icon. At the bottom are engagement metrics: 190.4K likes (represented by a heart icon), 1.7K replies (represented by a speech bubble icon), and 1.7K retweets (represented by a circular arrow icon). There is also a "Copy link" button. A blue button at the bottom says "Read 11.7K replies".

The thing about NFT is that it's **no longer just limited to paintings**, but now people are using it to buy digital collectibles of all kinds. For example, [Jack Dorsey](#) has started an NFT auction about his first tweet which currently holds the value of \$2.5 million. Similarly, [Kings of Leon](#) — a rockband — has announced that their new music album will be released with NFT. Strangely, the [Nyan Cat GIF](#) has been sold for \$587,000 with NFT and many new NFT marketplaces have opened up such as [OpenSea](#), [CryptoPunks](#), etc. that sell digital collectible with NFTs. It's still a niche market, but growing rapidly in the crypto world.

How is Blockchain Related to NFT?

I have explained above that Blockchain technology is the bedrock on which NFT is built. We already know Blockchain is foolproof and it's massively used in managing several cryptocurrencies. Every transaction through NFT is put on a public ledger which means the



the original creator.



One thing to note is that you can only buy NFTs with cryptocurrency and particularly, from Ethereum. Currently, **Ethereum is the market leader** in issuing and managing NFTs because of its early headstart. However, some services also accept Bitcoin for buying and selling them.

A Brief History of NFT

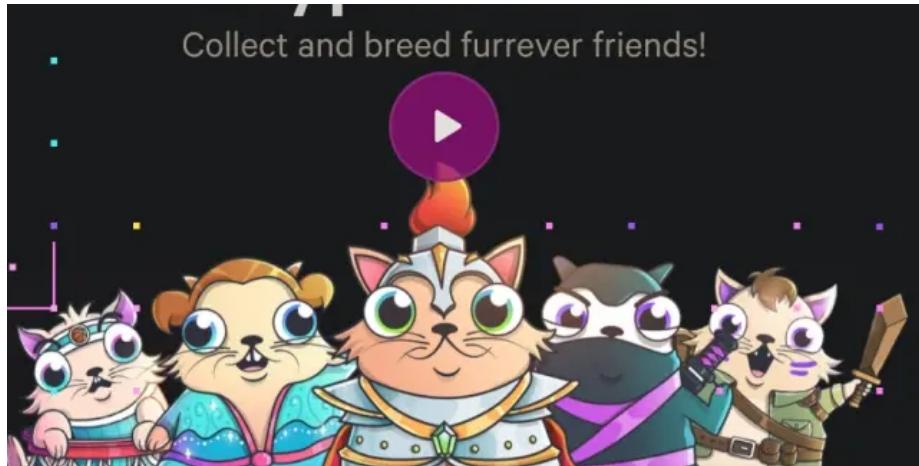
Now that we have learned about NFT in detail, let's find out how NFT was originated. First off, the reason Ethereum has an early headstart is because **they were the ones who started this project** with their new NFT blockchain system called ERC-721 in 2015. Subsequent to that, Ethereum brought ERC-1155 and advanced the technology before Bitcoin and Flow could catch up.



**Source from
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In what was the first introduction of NFT to the masses, in 2017, Ethereum introduced a blockchain game called **CryptoKitties**. In this game, players could purchase, collect, breed, and sell virtual cats using Ether (Ethereum's cryptocurrency). At that time, the highest-selling cat was sold at \$117,712 which was mind-boggling. Getting a cue, Ethereum incorporated the NFT system into its cryptocurrency and now they are leading the market.

To give you some numbers, in 2018, NFT had a total market share of \$50 million; in 2019, it reached around \$150 million and in 2020, the NFT market ballooned to a **massive \$338 million**. Now with the current boom, it's anyone's guess where the market will go from here.

The Cons of NFT

While we discussed the pros of NFT from above and beyond, there are some major cons that you should keep in mind before investing in a digital collectible through NFT. First off, it takes up an enormous amount of energy to generate and maintain the system which makes it unsustainable and **makes a negative impact on the ecology**. It's because, unlike cryptocurrency, a non-fungible token runs on a proof-of-work blockchain which is less energy-efficient. As an aside, expect GPU prices to go even higher in the near future due to extreme mining.



Apart from that, critics warn that NFT is a bubble, and people who are buying a strange GIF or collecting a rare video clip at such a high cost will come crashing down. Experts say that paintings and rare collectibles do not hold value just because of the sheer artistry, but also because there is an **established audience who want to own and collect rare paintings** or an artwork that no other person has.



Experts point out that those who are buying digital artwork are not paying huge sums because they appreciate art. Instead, they want to create a bubble to earn money by reselling it at a higher price. It's worth noting that the **digital world does not have a scarcity of artwork** — unlike physical masterpieces — so the prices will likely come down once the bubble bursts.



Source from Alibaba.com

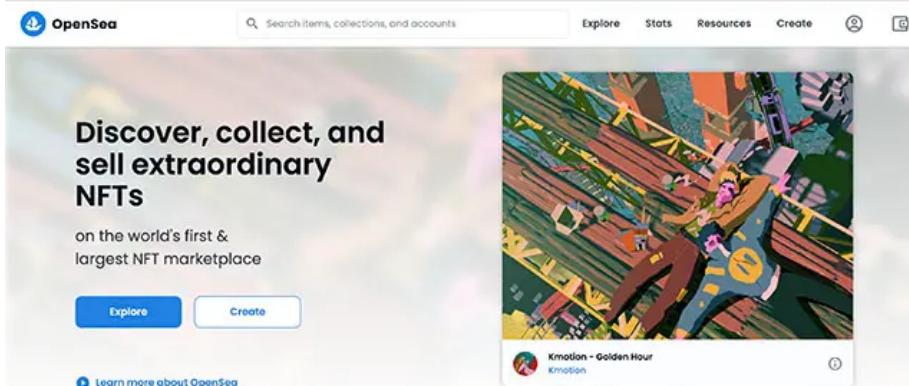
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How to Buy NFTs

Buying an NFT is as simple as heading to any of the NFT marketplaces, and making a purchase. However, there are certain things you need to take into consideration before you make your first NFT purchase.

First, you need to ensure that you have a crypto wallet that supports NFTs. Second, you need to see which marketplace you want to buy from, as well as the cryptocurrency required to purchase the NFT you're interested in. For example, while Ethereum (ETH) is one of the leading players in NFTs, there are marketplaces that use other cryptocurrencies as well. So make sure you have enough of the currency to pay for your desired unique piece of digital art.



Some of the NFT marketplaces you can check out are OpenSea, Rarible, Mintable, Nifty Gateway (this is the one Grimes sold her video on), and others.

How to Sell NFTs

If you're the owner of a piece of digital art or any other content that you want to sell as an NFT, you can do the same on NFT marketplaces as well. Though the details may differ, all you need to do is upload your



Then, your NFT can be purchased by people looking to buy NFTs. Whenever your NFT is sold, you will get paid for your work. However, do note that some marketplaces have fees that they will charge you for hosting and selling your NFT. So make sure that you read the fine print well, before choosing the marketplace you want to sell your NFT on.

The screenshot shows a search interface for 'PeopleLooker'. At the top, it says 'Search Peo' (partially visible). Below that is a 'First Name' field with a blue border and a cursor. Underneath is a 'Last Name' field with a black border. Below the fields is a 'Start Search' button with a brown background. At the bottom is the 'PeopleLooker' logo.

How to Make NFTs

Making NFTs is fairly straightforward once you're done with the initial set up. The difficult part is actually figuring out the rest of the stuff. Basically, you will need a wallet that can be used with NFTs, such as MetaMask.

Once you've created your wallet, you can connect it to the platform where you want to sell your art (such as OpenSea, Rarible, etc). Now, you can upload your digital piece of art to the platform, choose a price for it, and start an auction.

However, things are slightly complicated. In Rarible, for example, you will have to pay a small fee to list your art. Further, you will have to pay additional money to get your art converted into an NFT, and then, once your NFT is sold, Rarible will also charge you a commission, as well as some money for transferring the cryptocurrency from the buyer's wallet to yours.

Overall, making a non-fungible token art is easy, but selling it involves a bit of work. So make sure you have plenty of time on your hand



Frequently Asked Questions (FAQs)

Is Ethereum an NFT?

No, Ethereum is one of the blockchains that hosts NFTs. It's also a cryptocurrency you can use to buy NFTs. However, Ethereum itself is not an NFT.

The screenshot shows a snippet of a webpage from Alibaba.com. At the top right, there are two small icons: a blue circle with an 'i' and a red 'X'. Below them, the text "Source from Alibaba.com" is displayed in a large, bold, black font. To the right of this text, there is a partially visible button with the word "Visi". At the bottom left of the screenshot, the URL "Alibaba.com" is visible.

Where can I sell NFTs?

There are many NFT marketplaces out there, including OpenSea, Rarible, Atomic Market, and many others that you can use to sell your NFT.

Verdict: Where is NFT Heading?

That was our comprehensive explainer on NFT and what it means in digital art and other digital collectibles. While NFT does add a new dimension that can **help in verifying authenticity**, I think the current craze of owning a digital item at a sky-high price is misplaced.

It's a great technology that can have a **huge impact on the music industry** and other creative professions. It will surely reduce intermediaries and artists will be able to reap the benefits directly from the consumers. Anyway, that is all from us. But what do you think about NFTs? Do tell us your opinions in the comment section below.



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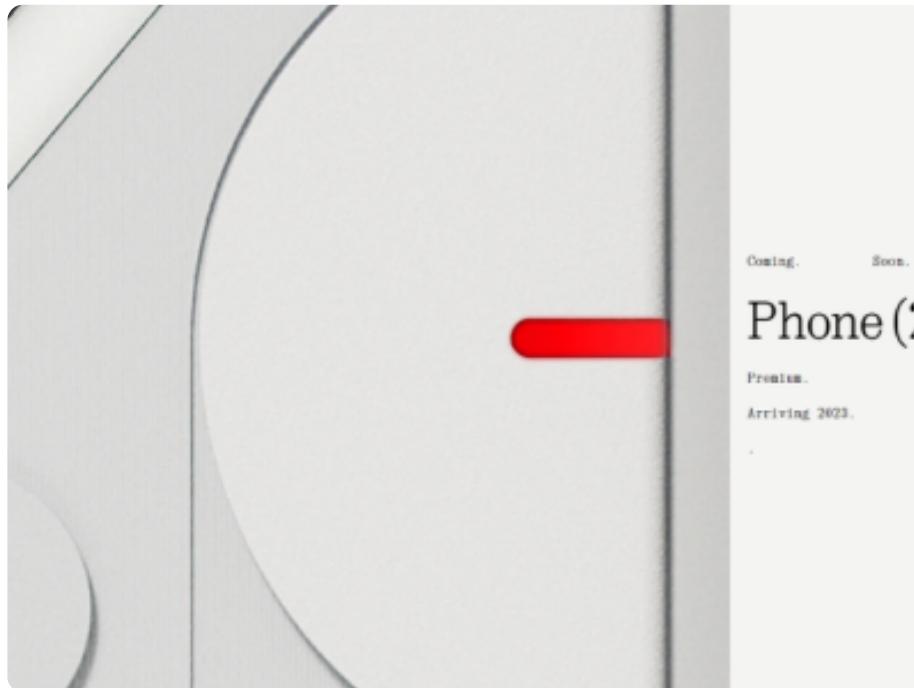
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chandragupta maurya Apr 23, 2022 at 8:16 pm

i can agree that this is one of the best article on NFTs ,before i was not able to understand about NFTs

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Rizwan Apr 15, 2022 at 12:16 am

The best article about NFTs I've read. I know absolutely nothing about Crypto, but I understood it without any problem. Big up for the author! Also about NFT Marketplaces

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