

Pricing your NFTs - A how-to guide

If you're a digital artist just starting in the world of NFTs or an entrepreneur thinking about leveraging NFTs to fund or power your business for the first time, then pricing your creations can be daunting. How do you know what to charge for something completely unique? How do you make sure you don't lose money by minting your digital creations?

Temps de lecture : minute

18 June 2022

This article will take you through all the things you need to consider when putting a price tag on your work. So whether you're looking to create a new revenue stream or simply want to know how much your NFT is worth, read on for some helpful tips!

What are NFTs, and why are they valuable?

NFTs or Non-Fungible Tokens are digital assets stored on a blockchain (a distributed ledger) and identified by a unique ID number. This means they're unique, immutable, indivisible and can't be duplicated or destroyed. These qualities make them ideal as proof of ownership tokens for different types of items, both in the physical world and in the digital domain.

NFTs are created by a process called minting, which consists of registering a new uniqueID and ownership information about an asset on a blockchain like Ethereum through a smart contract. The asset can be almost anything, from a digital image, video or sound file to a real-life

collectable work of art. Like cryptocurrencies, NFTs are stored in crypto wallets such as Binance or Metamask, and they're bought and sold on NFT marketplaces like Rarible and Opensea.

If this is your first time learning about NFTs and cryptos in general, this may all sound a bit confusing. You'll find some excellent blockchain video resources online that will make things much easier to grasp so that you can better understand what NFTs are and why they're valuable.

For the moment, just know that an NFT's value comes from its scarcity and the fact that it can be bought, sold, or traded like any other asset. But how do you quantify that value, especially when it's a brand new NFT no one has ever seen? In the following sections, you'll learn exactly how.

Factors to consider when pricing your NFTs

In some ways, pricing an NFT is similar to pricing a new product you're about to launch in a new market. In other ways, it's more akin to pricing a collectable item. In either of the two cases, there are several things you need to consider before deciding on the right price point:

Costs

If you're starting a business based on NFTs, you obviously don't want to start selling them at a loss. This implies that you need to accurately calculate the cost of creating and selling an NFT to set a minimum price below which you should never go.

Creating and selling NFTs imply different types of costs:

- Creation costs: these include the cost of creating the digital asset itself, e.g., the cost of hiring a professional 3D artist to create a 3D model or the time it takes you to create it yourself.
- Minting costs: on blockchains like Ethereum, you have to pay gas fees

to reward the miners' that work the network. Gas prices fluctuate, so you have to be mindful of the current price when you're about to mint. Other blockchains allow you to mint for free but have a smaller user base.

- Marketplace fees: NFT marketplaces make money by charging different fees for minting and/or listing NFTs on their platform. Some also charge deposit and withdrawal fees, so reading the fingerprint before minting and pricing your first token is important.
- Selling costs: besides listing fees, some marketplaces also charge selling fees (or fees for any transaction). Also, selling NFTs requires marketing efforts that also cost money.

Rarity

The rarity of an NFT is one of the most important factors that affect its value. A rare NFT is more valuable than a common one because it's, well, rarer. The degree of rarity can be determined by different factors, such as:

- The type of asset: some assets are naturally more scarce than others. For example, a digital image is more common than a one-of-a-kind physical painting.
- The supply: the total supply of an NFT also affects its rarity (and, consequently, its price). A limited-edition NFT with only ten copies is obviously rarer (and more expensive) than an NFT with 1,000 copies.

Many NFT collections include hundreds of copies of similar-looking images like bored apes or kittens. In these cases, rarity is determined by certain traits like hair or skin colour, type of hair, unique facial features, clothing, etc. Certain traits are rarer than others, making the NFTs that sport them more valuable and collectable.

Functionality

The functionality of an NFT is another important factor to consider when setting its price. In the world of cryptocurrencies, for example, utility tokens are more valuable than non-functional ones because owners can use them to access certain features or services like free food delivery or subscription-style benefits. The same goes for NFTs, which makes them powerful tools for businesses.

Many businesses launch NFTs with unique features that give holders access to special services, events and get-togethers, early access to new product launches, and more.

When setting a price for these kinds of utility NFTs, you have to consider the costs of providing those services to your customers and make sure you can deliver. For example, if you're running a virtual office business, you could create an NFT that grants the holder a free mail consolidation every month for the following year. If that's the case, the NFT's price should offset the cost of performing 12 physical mail consolidations and all other costs mentioned earlier.

What other similar NFTs are being sold for

Finally, you also need to consider what the market is willing to pay for other similar NFTs. This will give you an idea of the upper and lower limits for pricing your own NFTs. Of course, you don't have to (and shouldn't) always follow the crowd. If you think your NFT is worth more or less than other similar ones, go for it!

Pricing your NFTs is not an exact science, but if you keep the factors we've mentioned in mind, you'll be able to come up with a fair price that will help you sell your tokens and make a profit. Here is a step-by-step guide on how to do just that.

How to price my NFTs to make a profit?

Step #1: Do your research

The first step to successfully pricing your NFTs is to do your research. Familiarise yourself with the NFT space and find out what other similar NFTs are being sold for. Also, research the different NFT marketplaces available and make sure to take note of the most common types of NFTs sold on the platform and their typical price range.

Step #2: Choose a marketplace

Once you've done your research, it's time to choose a marketplace. Not all NFT marketplaces are created equal, and each has its strengths and weaknesses. Some marketplaces have higher fees but reach a wider audience, while others have lower fees but a more limited, yet better-targeted selection of buyers. Some platforms are safer online environments where all users are submitted to strict KYC verification protocols while others are much more lenient in that respect.

Step #3: Consider the costs

Calculate all the costs mentioned above and add them to see exactly how much it will take to create, mint, list and sell an NFT on the chosen marketplace. Remember to consider exchange fees if you have to buy ether or any other cryptocurrency to cover marketplace and crypto wallet fees. Finally, if you're adding functionality to your NFT, determine how much it will cost you to serve the token holder any promised service or benefit you add to the smart contract.

Step #4: Define your token's unique value proposition

It's important to know from the start what sets your NFT apart from the

rest. A unique and desirable value proposition will help you set a higher price for your NFTs and make them more attractive to potential buyers.

Step #5: Choose between fixed price, auction, royalties or a combination of them

The most common way to sell an NFT is by setting a fixed price. This is the simplest option, and it's usually best for NFTs with a clearly defined value proposition. If you're unsure about your NFT's value or want to test the market, you can opt for an auction.

You can also add royalties to your NFT to earn further revenue every time someone sells it. This is particularly popular among artists whose work is sold as NFTs.

Step #6: Set a fair price

Once you've considered all the factors mentioned above, it's time to set a fair price for your NFTs. If you want to maximise profits, make sure to find the sweet spot between what the market is willing to pay and your production costs.

The bottom line

Pricing your NFTs can be a daunting task, but if you take the time to do your research and plan ahead, you'll be able to come up with a price that will help you sell your tokens and make a profit. While it is a riskier endeavour than investing in other assets like GICs or stocks, minting and selling NFTs can become a steady stream of income, especially once you gain more visibility in the space. Keep in mind the different factors that go into pricing an NFT, and use this guide as a starting point to find the right price for your own NFTs to hit the ground running. Once you start selling your first creations and start making a name for yourself, you'll be able to

command higher prices for your work. So don't be afraid to experiment and have fun with it!

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