

Punks, Apes, and Penguins: A New Cultural Paradigm

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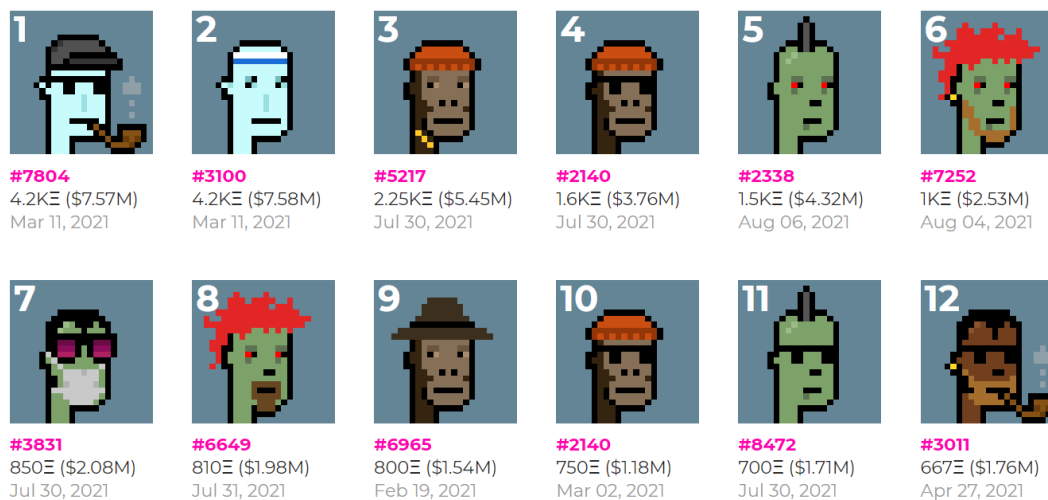
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People have been likening the past few weeks to 2020's DeFi Summer; except this time, Non-Fungible Tokens (NFTs) are the new hot thang. We have seen many sectors within the NFT space blow up. At the top, we have [Axie Infinity leading the gaming/Play-to-Earn revolution](#). Closely following suit is a barrage of NFT Art (sometimes affectionately/maliciously referred to as JPEGs) that mirrors CryptoPunk's iconic avatar-based style.

You might be wondering: what is going on here? Are people actually spending thousands of dollars on a profile picture (PFP)? Well, if you are talking about CryptoPunks (Punks), that's not quite accurate. People are spending **millions of dollars**.

Largest Sales

[See all top sales](#)



Source: Larva Labs

The top 2 sales occurred in March 2021 for a whopping \$7.6M each, but over the last month, many other Punks were bought for millions as well - this does not even account for the [public auction sale of a Punk for \\$11.8M in June 2021](#). The question then becomes, why are people throwing life-changing money into JPEGs?

Answering this is no easy task as it touches on many different areas. Basic assumptions like 'quick flips' do not adequately encapsulate the wider NFT phenomenon. We can try and elucidate some of the things at play, but pretending we have all the answers is delusional at best. Instead, we will try and share the observations we've had, both as an observer and an active participant.

We will start by documenting the journey of three projects: [CryptoPunks](#), [Bored Ape Yacht Club](#), and [Pudgy Penguins](#). We will then discuss the cultural impact these projects have had in the crypto space. Finally, we will explore why they have taken off and what they mean for this new digital age.

CryptoPunks (Punks)



Punks have a long and illustrious history. In 2017, co-creators John Watkinson and Matt Hall, issued 10,000 punks, all of which were procedurally generated and claimed for free (claimers merely had to pay a small minting gas fee).

Based on the creators' curated elements, traits were randomized and funneled through a generator. Different traits sprung up, some rarer than others. Some were aliens (only 9 such Punks) and apes (only 24 such Punks), while most were plain old humanoids.

Despite being one of the first NFT projects on Ethereum (even predating CryptoKitties by months), there was little activity; [according to Hall](#), less than 30 Punks were claimed in the days following launch. Over time, as more people started to learn about the project, especially with [Mashable's article](#), all Punks were eventually minted.

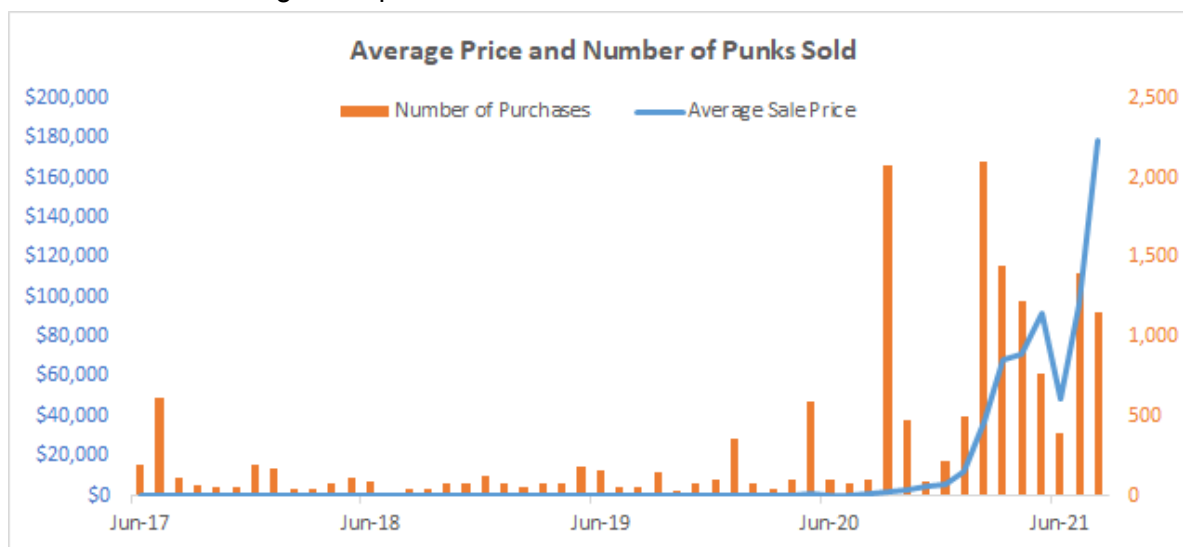
The community was small but passionate. Slowly but surely, however, Punk owners became a status symbol. Provenance has always carried value for any collectibles market, and blockchain technology is no different. Holding a Punk conveyed two (2) things; you were either an NFT/Ethereum OG or derived value from being part of history. Owners recognized the social status it confers and began changing their profile pictures on social media platforms (e.g. Twitter, Discord, etc.) to Punks.

Fast forward a few years, and the Punk scene still flew under the radar. Meanwhile, the NFT hype was already building momentum in 2020. Virtual worlds (often referred to as Metaverses) like Decentraland and The Sandbox increased attention to NFTs. However, the true catalyst came when the Top Shot NFT marketplace was launched in October 2020.

[Top Shot](#) is a partnership between Dapper Labs (the team behind CryptoKitties) and the NBA. Video highlights of basketball plays that are packaged into collectible 'Moments' were the product and saw massive demand. NFTs officially licensed by the NBA commanded huge recognition and marked one of the first successful forays of sports organizations into NFTs.

As the NFT hype grew, we saw big sales of other Art NFTs. Sotheby's, a premier auction house founded in 1744, further legitimized the movement by auctioning off NFT artwork, including [Beeple's historic \\$69M sale](#). While [crypto natives already started accumulating](#), real attention shifted towards Punks when [celebrities](#), [venture capitalists](#), and [business personalities](#) joined the hype train.

Even Three Arrows Capital, one of the most successful crypto venture firms in the space, [started acquiring Punks](#) over the last few weeks, catapulting the average price sold to new highs - it now has an average sale price of \$180k.



Source: [CryptoSlam](#)

Punks have become a symbol of prestige and digital culture, a cross between NFT history and art. Many projects have tried to imitate their success, but there are few and far between. One project, however, stands out, which has successfully developed its following. We are, of course, talking about BAYC.

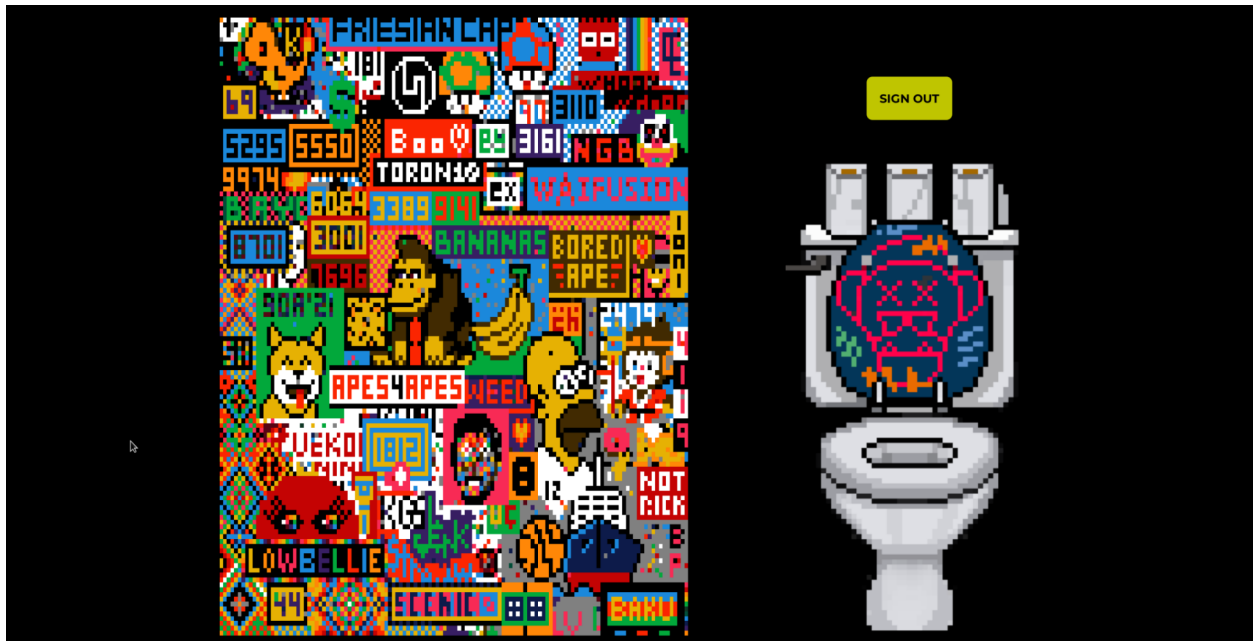
Bored Ape Yacht Club (BAYC)



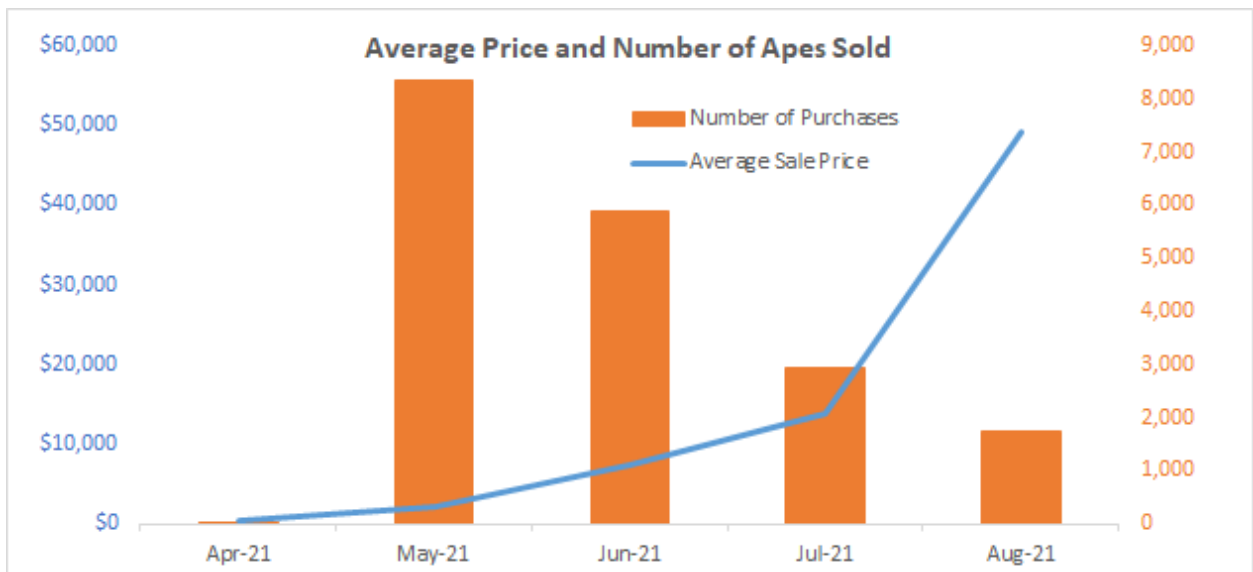
For an extended period, avatar projects tended to rely on Punks' old-school vibe, pixelated and low resolution. However, BAYC was a refreshing change as the founders [wanted to create something with a larger story arc](#).

Imagine the year 2031, and 10,000 apes who are extremely rich and bored; what do they do? In BAYC's lore, these Apes hang out in a swamp club and 'get weird'. Each Ape's traits/designs were heavily inspired by the '80s and '90s, drawing inspiration from punk rock and hip hop genres.

Being an Ape holder also granted member privileges, such as access to a graffiti board and exclusive commercial usage rights over their NFT.



Although the initial minting price was 0.08 ETH, the average sale price has since skyrocketed - the current average sale is around \$50k.



Source: CryptoSlam

So why has BAYC succeeded? Aside from the novel internet-club perks, it is worth noting that a strong community formed right at the beginning. [According to OG Ape, Joshua Ong:](#)

“I was there from day one. There was a magic in the community where everyone was just connecting,” he says. “As Apes, we started changing our profile pics. We started following each other [on social media], like ‘Ape follow Ape.’”

Most of the initial buyers were also Top Shot collectors who had already formed their own groups prior to BAYC - this led to quick camaraderie. On top of that, there were also passionate members of the community. One member launched a publication called the Bored Ape Gazette, while another named their ape “Jenkins the Valet,” with a whole backstory. There is even baseball merchandise, and a crowdfund for an ape-themed novel.

Since its launch in April 2021, the project has achieved many milestones, including airdropping a [dog-based NFT to all Apes](#) and [donating over \\$850,000 to an orang-utan charity](#).

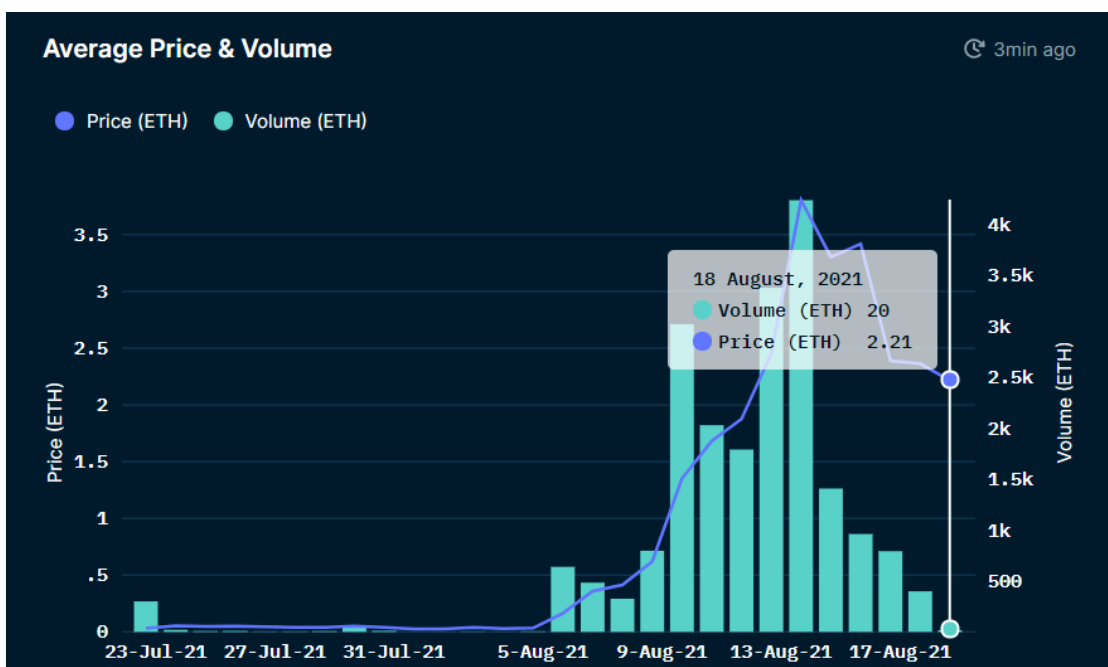
With an interactive community, good chemistry, and openness, a strong culture developed organically. The overall vibe attracted many others who wanted to be a part of the brand i.e. a family of Apes. As the community grew, BAYC eventually became regarded as the 2nd Punks.

Pudgy Penguins



We have already seen the impact of strong NFT communities from the start. But what happens when there is none to begin with? Enter the Pudgy Penguins.

Pudgy Penguins was only launched less than a month ago, in July 2021. There were 8,888 Penguins up for grabs with a minting price of 0.03 ETH each. Like most NFTs, each Penguin had different traits/rarities such as skins, clothing wear, and hairstyle. A roadmap did not really exist, which presumably only attracted buyers who liked the art style.



Source: Nansen

All Penguins were fully minted within the first 20 minutes, which suggested that there would be more widespread interest. The average sale price stagnated for the next two weeks, even dropping to the mint price of 0.03 ETH. In the 3rd week, however, both volume and the average sale price rapidly ramped up.

Average daily sale prices hit a 3.8 ETH all-time-high while weekly trading volume surpassed incumbents like Punks, and BAYC during the peak. The Pudgy Penguin mania even ended up in the [New York Times](#) and on a [billboard](#). Since then, however, interest appears to have slowed down.

So what happened? Why did Pudgy Penguin take off despite a lack of ‘social fundamentals’?

Although there have been [public allegations](#) that the project might have been manipulated, including claims that both [CoinGecko](#) and the [New York Times](#) were bribed to market them (*Editor note - CoinGecko was not sponsored*), we believe there is something else at play.

From the outset, the Penguins had an arsenal of memes led by Crypto Twitter (CT) influencers, [Jebus](#) and [0xElm0](#). According to [CL from eGirl Capital](#):

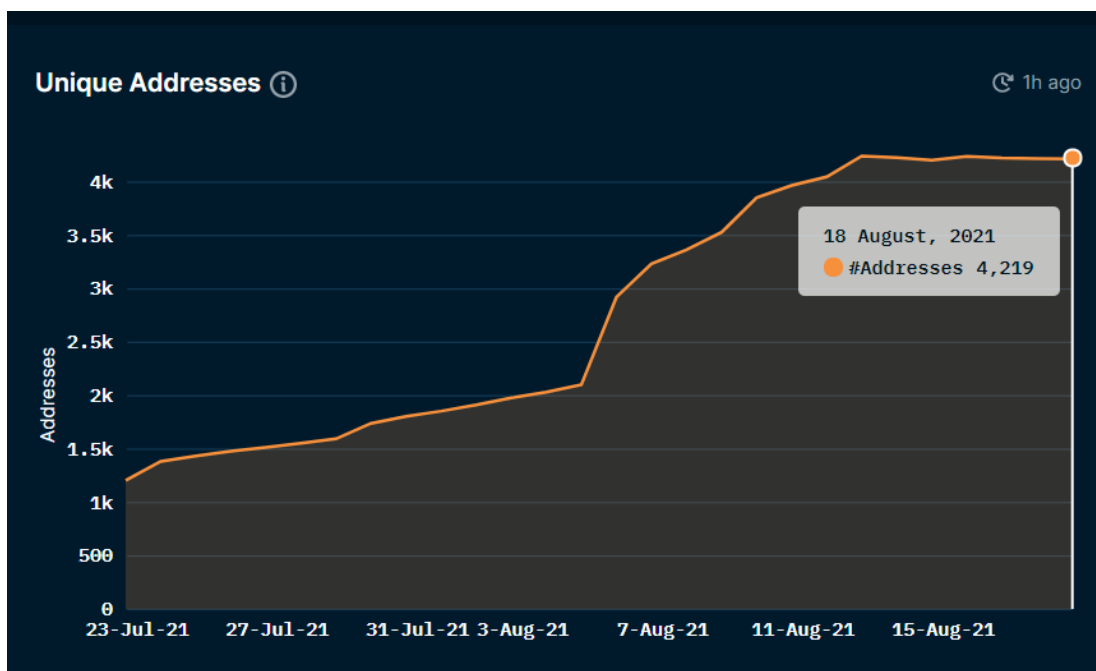
“Memes are hard to define, they are like... very memorable units, usually associated with humor or other message, an imitation, with social cues, with wide reach, and mobility,

and an element of culture that may be considered to be passed on by non-genetic means, a global language that connects generations.”

When you gather a community through memes, you offer global appeal. Many people wanted to be part of the ‘meme movement’ because it provides a medium of relatability through a sense of humor. We have already seen this take place elsewhere through meme coins and stocks.

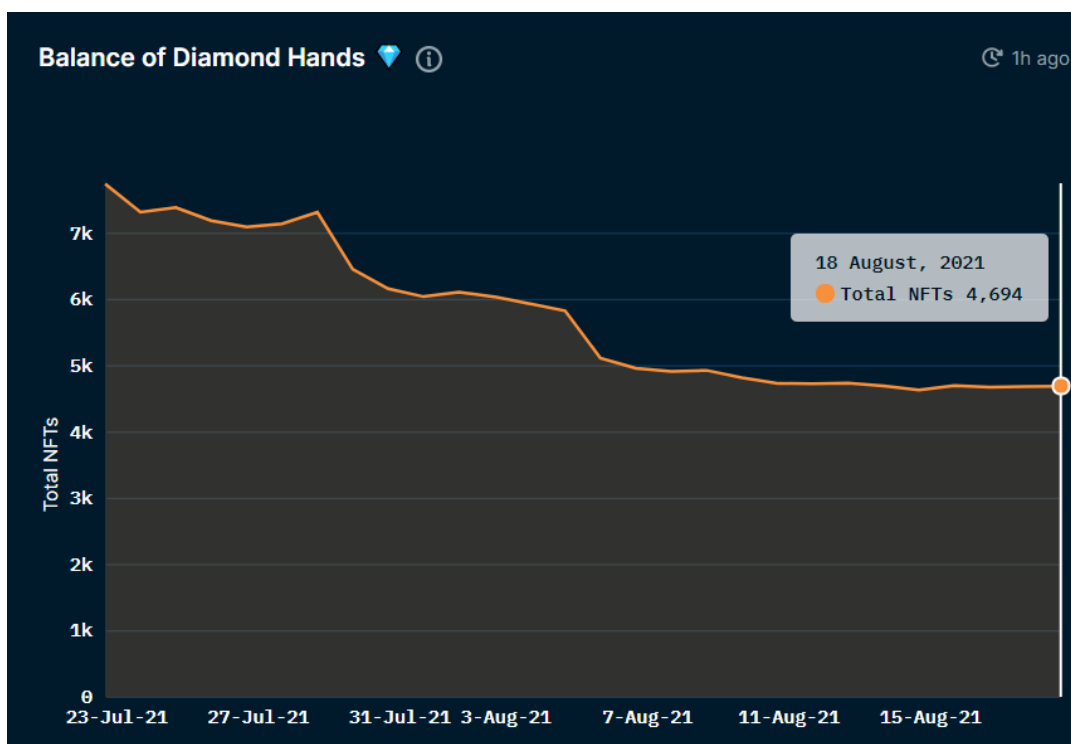
The GameStop/AMC saga showcased the power of a virtual community [driven by a singular ‘memetic’ purpose](#). Despite the lack of business fundamentals, both companies' stock prices were pumped by an [anonymous group of individuals on Reddit](#) because they wanted to [punish hedge funds heavily shorting the companies](#). The strength of memes even warrants regular market reports by [business news sites](#) and a [detailed retail strategy breakdown by Barclays for Options trading](#).

Pudgy Penguins appear to have followed the same trajectory. While **it is impossible to definitively approve/disprove the existence of a shadowy cabal of Penguin schemers**, we can look at specific data metrics to help justify its organic growth.



Source: Nansen

Based on the distribution of holders (as of 18 August 2021), we can see that there is close to a 50% threshold of unique wallet addresses - this suggests that **whale accumulation is limited and is driven by real demand instead**.



Source: Nansen

Moreover, let's consider the number of diamond hands (total number of NFTs belonging to addresses who have not sold any NFTs from this collection). As of 18 August 2021, the market appears to have stabilized as 4.7k Penguins belong to holders who have not sold any at all. Since the average price sale has dropped by more than 60% from the peak, this **suggests that there are fewer traders and more holders**.

Despite all this data, though, some might be wondering, will Pudgy Penguins survive? Unlike Punks and BAYC, the Penguins have yet to establish their lindyism. The project is only less than a month old, and it is still too soon to tell. Community strength is crucial, and it would be up to the founders to execute their planned roadmap well. Regardless, if there is anything we have learned in 2021, it is never to underestimate the power of memes.

Skimming the Canvas

Certain things come to mind when observing the developments of these projects.

We explored some of the social dynamics in our [earlier article](#) and found that humans have always had an innate desire to collect things; what we latch onto, however, is entirely based on

taste. For some context, just look at the [traditional collectibles market](#) and see how big the industry is.

More importantly, it is clear that collecting has evolved from the tangible to the intangible. Everest Ventures Group (EVG) first [highlighted this](#) with gamers and virtual avatar clothes.

According to EVG, more **prolonged periods spent in-game correspond with greater emotional attachment** – this applies to all aspects of the game, especially the community. Many players grow attached to their virtual possessions and respective communities. Some even prefer their virtual communities over reality, which makes in-game appearances and good community perception essential.

Over the past month, this point was further validated in the Metaverse. In June 2021, Decentraland allowed users to customize and sell their own virtual clothing (wearables) for avatars to wear in-game. [Reuters interviewed a kimono designer](#), Hiroto Kai who sold kimonos for around \$140 each and ultimately made \$15,000-\$20,000 in just three weeks. According to Kai:

"It was a new way to express yourself and it's walking art, that's what's so cool about it... When you have a piece of clothing, you can go to a party in it, you can dance in it, you can show off and it's a status symbol."

In short, people are willing to spend \$140 on 'fake' clothes, which cost as much or more than actual garments. Not only that, people are willing to pay for all sorts of things, including memes like the [Overly Attached GF](#), [Doge](#), and [overpriced Unisocks](#)

As the NFT world expands, we see the exact same phenomenon occur. The only difference this time is that it is happening on social media platforms. Rather than acquiring in-game skins, people are changing their PFPs to signify the acquisition of their respective NFTs.

However, the critical difference is that not everyone plays the same game, but almost everyone is on Twitter, Facebook, etc. PFPs, thus, have the most significant audience reach in the digital space.

With greater reach, a PFP becomes a better tool to advertise your digital identity. People are spending more and more time online; a digital identity is (if not) more relevant than our physical counterpart. For many, a PFP confers greater status than a Rolex. On the Internet, our digital identities are on display to the world 24/7. In contrast, in the material world, our diamond-laden watches can only be seen by a small fraction of society at any one time.

Basing a PFP after your NFT signifies that you have decided to identify as a member of an exclusive NFT tribe, similar to how some people identify themselves based on their preferred religious or political beliefs.


Exclusivity and like-mindedness are what follow. Social signaling manifests in the form of community approval, where community members will start socializing with you and publicize their support (e.g. follow on Twitter). Members even start role-playing or change how they speak. For example, Penguins will #HUDL instead of #HODL.

The Bigger Picture

Aside from collectability traits (e.g. scarcity and aesthetics), it is clear that NFT projects are highly dependent on social fundamentals. But what constitutes social fundamentals may vary from person to person; we believe there are three main types:

1. Capitalism
2. Community
3. Culture

The capitalistic aspect is the most obvious one. Many in the space will buy NFTs, hoping to make a quick flip. Just take a look at Nansen's profit leaderboard, and you will see how profitable it can be for NFT flippers.

Profit Leaderboard ⓘ				
Name	Total Profit (ETH) ↕	Profit % ↕	Spent (ETH) ↕	Revenue (ETH) ↕
 Pranksy	2,185	39%	5,620	7,804
vasp.eth	1,096	49%	2,218	3,314
atblank.eth	818	3,064%	27	845
natealex.eth	803	96%	834	1,637
des.eth	797	807%	99	896
ugot.eth	762	650%	117	879
cryptodubs.eth	660	178%	372	1,031
Zonked	624	194%	321	945

Source: Nansen

Speculative value is prevalent in just about any type of collectible (e.g. [sneakers market](#)), which is hardly surprising. The more interesting observation, however, is the communion and cultural aspect.

Punks reaffirmed the value of provenance - as the project matured and earned its clout, its perceived value and thus price skyrocketed. This led to an exclusive group - the crème de la crème and the NFT elites. People who bought a Punk are buying themselves into this community. In other words, exclusivity begets desirability.

BAYC has long been perceived as a community that was initially priced out of Punks. However, the project blossomed over time with strong interactive social features (e.g. graffiti board), a passionate/tight-knit community, and other novel features (e.g. merchandising rights).

Penguins challenged our preconceived notions about what is required to form a community. Rather than having any roadmap or plan at all, the project grew based on the internet's biggest commodity, our attention through memes. Unlike most projects, the community formed after the culture of memeing was established. Whether or not this community will last, however, remains to be seen.

If we consider the entire sequence of events, we can extrapolate some fascinating social insights.

Firstly, there are no boundaries or logic when it comes to value. We have already seen this in the diamond industry, where natural diamonds are functionally similar to artificial diamonds yet average a [30% premium](#).

Since the 18th century, the diamond industry has been propped up by De Beers, who just so happens to [control 80% of the market](#). By [influencing the masses through marketing and advertising](#), it has now been culturally accepted that diamonds (ideally natural) make valuable gifts as engagement rings. And if De Beers can convince the entire world that diamonds are essential for an engagement ring, it seems plausible that the same principles can apply to NFTs too.

People are already ascribing value to NFTs through shared consensus. For example, NFTs are replacing [engagement rings](#). Moreover, unlike De Beers, both Punks and Apes show that the community can build a brand, where culture and value follow suit. Even [memes can generate value](#) if you are Penguin enough.

If we take a step back and analyze this further, we are witnessing **the tokenization of communities, culture, and even ourselves**. However, whether this is a good thing or not is difficult to say.

On the one hand, NFTs allow us to break down abstract social constructs into dollars and cents - this offers all sorts of exciting opportunities to develop decentralized brands and communities.

On the other hand, some might argue that we are approaching a digital dystopia and might end up [like Bing from Black Mirror](#).

Regardless, we here at CoinGecko have long believed that almost everything will eventually be tokenized - the cat is already out of the bag, and there is nothing we can do to stop it.

So the next time you ask yourselves why people are willing to throw millions of dollars into an NFT, remember this; **the lines between the virtual world and reality are becoming increasingly blurred, and there might be a swath of identities, cultures, and communities behind it who provide intangible social value.** Su Zhu, the co-founder of Three Arrows Capital, [summarizes this thesis beautifully](#):



(Disclosure: the Author has purchased Pudgy Penguins for its memeability and cute aesthetics.)