

Bored Ape Yacht Club: Web3 Breakdowns Research

By: [Shiv Socrates Kapoor](#)

Primary Research Sources

- Website
 - [Bored Ape Yacht Club \(BAYC\)](#)
 - [Bored Ape Kennel Club \(BAKC\)](#)
 - [Mutant Ape Yacht Club \(MAYC\)](#)
- Social: [Discord](#), [Twitter](#)
- OpenSea: [BAYC](#), [BAKC](#), [MAYC](#)
- On-Chain Data Analytics: [BAYC](#), [BAKC](#), [MAYC](#)
- [Defiant's episode on BAYC](#) provides a comprehensive sense for the ethos and history of the brand
- [New Yorker article](#) for an in-depth origins story of the Bored Ape YC

Company History & Key People

BAYC is a collection of 10,000 Bored Ape NFTs—unique digital collectibles living on the Ethereum blockchain. Your Bored Ape doubles as your Yacht Club membership card, and grants access to members-only benefits, the first of which is access to THE BATHROOM, a collaborative graffiti board. Future areas and perks can be unlocked by the community through roadmap activation. - [BoredApeYachtClub.com](#)

- Inspired by the success of recent NFT avatar projects CryptoPunks and Hashmasks, two self-described “literary nerds” from Miami enlisted the help of two blockchain programmer friends to launch an NFT project. But this project was different from the NFT avatar collections that preceded it. It aimed to create a larger storytelling arc with rich iconography that allowed for expansion beyond the initial limited release. Thus was born the Bored Ape Yacht Club.

“The year is 2031. The people who invested in the early days of cryptocurrency have all become billionaires. Now they’re just fucking bored. What do you do now that you’re wealthy beyond your wildest dreams? You’re going to hang out in a swamp club with a bunch of apes and get weird.”
- BAYC launched to the public on April 23, 2021 with little fanfare. The pre-sale launch announcement in Discord was met with almost zero reactions. By the end of the week, only a few hundred apes had been minted from the BAYC website, each costing 0.08 Ethereum. The apes were programmatically generated, each bearing a unique combination of attributes. But the artwork hadn’t been revealed yet.
- Once the apes were revealed to the owners on April 30, seemingly overnight, all 10,000 of the initial set sold out. Twitter and Discord profiles everywhere began sporting pictures of Bored apes, with NFT influencers like

Topshotfund and artists 3LAU picking up tens and hundreds of apes (and some like NFT whale Pranksy even picking up ~1,000 pieces). Secondary market prices began heating up.

- The founders wanted their idea to keep growing and knew that continuously generating value for members was crucial to this goal. So, on June 18, each Bored Ape holder was airdropped companion dog NFTs (creating the Bored Ape Kennel Club or 'BAKC'). The BAKC drop was able to raise \$1 million for animal shelters.
- Then on August 28, the founders released a collection of up to 20,000 Mutant Ape NFTs at a minting price of 2.5-3 ETH, raising a whopping \$96 million within the first hour of being dropped. A total of 10,000 "mutant serums" (7,500 M1's, 2,492 M2's and 8 rare Mega Mutant M3's) were dropped to existing BAYC token holders that would allow them to create an additional mutant ape by "ingesting" the serum. Serum vials were burned upon use, and each ape could only inject a serum once. Another 10,000 mutant apes were airdropped with the intention of allowing newcomers into the ecosystem.

"The MAYC is a way to reward our ape holders with an entirely new NFT—a "mutant" version of their ape—while also allowing newcomers into the BAYC ecosystem at a lower tier of membership. Mutants represent the final tier of membership; everything going forward occurs with the intention of accruing utility and member's-only benefits to Bored Apes foremost, but also Mutants, and to a lesser extent, Bored Apes with BAKC companions." - Bored Ape Yacht Club website

- The hype train continued and on August 29, Steph Curry bought an ape for \$180,000. A little later in September, a collection of 101 apes **fetches** over \$24 million in an online Sotheby's auction. The price floor on secondary sales has risen to and stabilized around 40 ETH (=~\$140k and a 500x increase from the original drop a few months back)
- **Roadmap 2.0** is revealed in late September promising IRL meetups, virtual meetups, mobile games, blockchain games, and way down the line a BAYC Ecosystem DAO, among other "dope shit"
- On October 8, BAYC **announced** their plans to launch a "legally compliant" token in Q1 2022 that would provide utility and governance, benefit club members and bring the BAYC ecosystem to a much wider audience. They are partnering with top crypto law firm Fenwick and decentralized blockchain Horizen Labs for the token launch.
 - One analyst **surmises** that BAYC chose Horizen with a view towards:
 - Regulatory compliance - by enabling ease of audit through the "optional privacy" feature of its sidechain Zendoo, and
 - Configurable revenue share - BAYC will likely create fee-generating products to directly benefit token holders. Based on Roadmap 2.0, the areas where revenue share may be implemented include the DAO, the blockchain game, Miami clubhouse and Sandbox Miami 2035
- As of October 8, 2021, the Bored Ape Yacht Club brands (BAYC, BAKC, MAYC) have collectively generated ~\$1Bn USD (~300K ETH) of secondary sales on OpenSea
- The founding team (collectively known as Yuga Labs) is entirely pseudonymous and described as follows on the website:

GARGAMEL. STARCRAFT OBSESSED. EATS SMURFS.

GORDON GONER. REFORMED LEVERAGE ADDICT.

EMPEROR TOMATO KETCHUP. SPENT ALL THEIR MONEY ON FIRST PRESSES AND PET-NAT.

NO SASS. HERE FOR THE APES. NOT FOR THE SASS.

Business Model

Value Proposition

- Cue **Joe Rogan's very surprised reaction** when shown a \$340,000 Bored Ape YC NFT for the first time. This moment was subsequently minted into a collection of **100 NFTs** (each of which is currently selling for ~\$1,000 USD) to commemorate the podcaster's comments. If that sounds confusing, that's because it is. Both these beliefs around the value of an NFT are "normal" and exist simultaneously in 2021.

- Leveraging [Eugene Wei's Status-as-a-Service framework](#) and excellent follow up by [Packy McCormick](#), we'll analyze the value of a Bored Ape Yacht Club NFT along three axes - [Social Capital](#), [Utility](#), [Entertainment](#). We'll also analyze BAYC's merits in terms of [Financial](#) value, a component enhanced enormously by the speculation-driven price appreciation of NFTs in 2021, and one that seems largely interchangeable with Social capital in an [increasingly financialized culture](#). Best summed up perhaps in [this](#) observation by a BAYC community member:

"Right now, owning a Bored Ape is like owning a Rolex or a Ferrari. It's a status symbol. But we're seeing evidence that it could be something much bigger. I'm envisioning a Supreme, SoHo House, Dead Poets Society all in one combination."

- **Social**

- Status

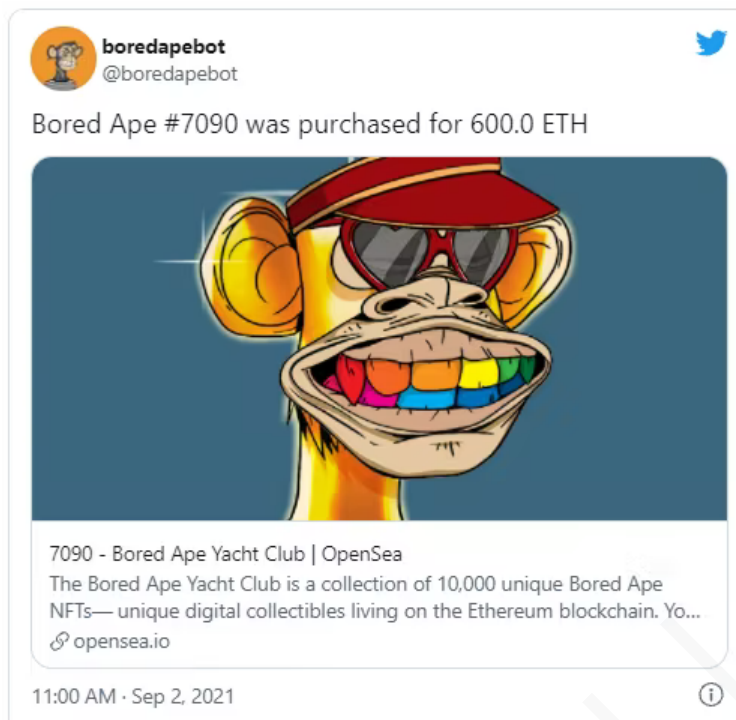
- [NFTs as Collectibles](#) (e.g., baseball cards) - can be understood as digital Veblen goods that confer status upon the bearer/owner. The act of buying one is the ultimate digital flex in some online communities.

"Before I joined [BAYC] I barely had any followers on Twitter, now I have a couple thousand."

"Many NFT connoisseurs will DM you to spark a conversation, ones I wouldn't be invited to without my Ape. Owning a Bored Ape is like having an Ivy League degree in the NFT world."

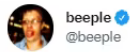


- [NFTs as Art](#) - Securely establishing provenance on-chain is a feature that lends credence to the 'NFT as art' paradigm. Design choices by the founders create value by inducing Scarcity ("There will only ever be 10,000 Bored Apes"), and Uniqueness (each of the 10,000 Apes is unique, programmatically-generated from randomizing 170+ possible attributes, including expressions, headwear, clothing, fur, and so on), and Rarity (randomization generates some combination of attributes which is rarer and therefore more valuable to collectors, e.g., a Bored Ape sale that fetched \$2.25mm USD due its "solid gold fur" trait).



□ Belonging

- The Bored Ape YC has acquired “blue-chip” status by bundling internet culture, crypto and art into a vibing community. A sort of cultural Schelling point for iconoclastic chill. Celebrities such as Steph Curry, Tyrese Haliburton, [Shaq](#) “aping-in” adds to the exclusivity component, but a common theme that underscores the community’s ethos since its origins is inclusivity and non-elitism.
 - Kevin Rose notes ([1:01:50](#)) that the first members viewed Bored Ape YC as their own Cryptopunks, an accessible and approachable alternative given they had been priced out of the OG Cryptopunks NFT collection a few years back.
 - Meebits (3D avatars of Cryptopunks) and Bored Apes both dropped around the same time and were hyped up as a battle of [Commerce versus Community](#) (Cryptopunks was astronomically priced while the first drop of Bored Apes at 0.08 ETH was priced for accessibility), the conflict memorialized in [this artwork by Beeple](#).

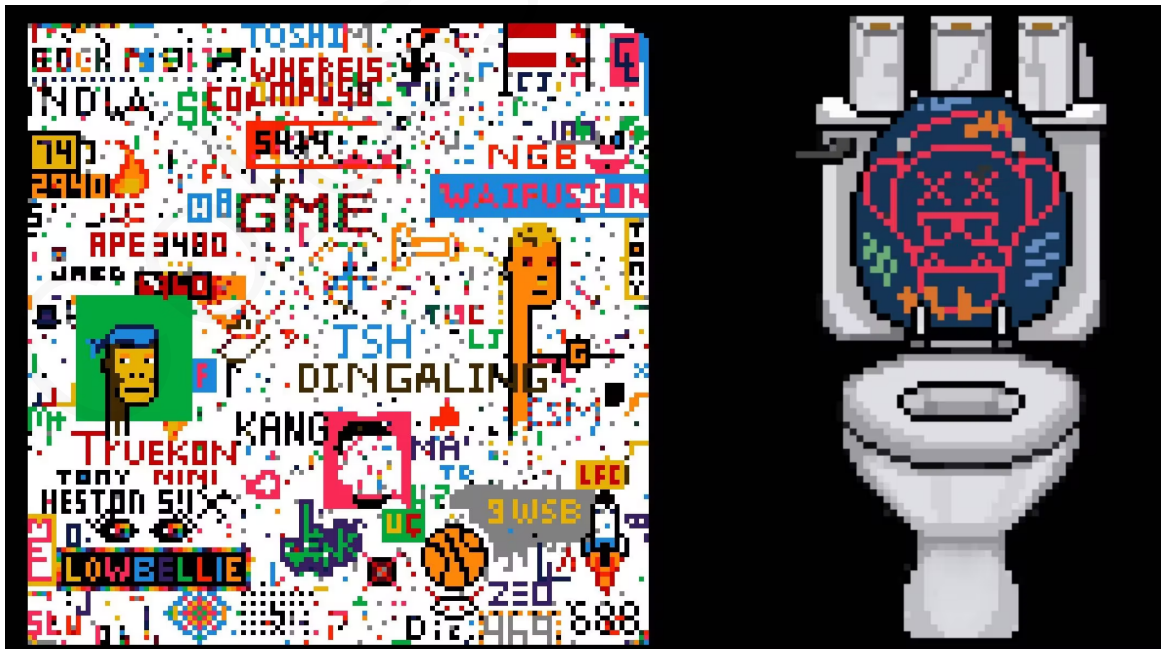


REVENGE OF THE PLANET OF THE BORED APES



11:59 PM · Jun 1, 2021 · Twitter Web App

- BAYC also made a key departure from the previous generation of NFTs by gamifying and incentivizing community collaboration along a planned roadmap, from simple activities such as scribbling graffiti on a members-access-only digital BATHROOM wall to more ambitious projects such as co-creating community IP and media, such as a [newsletter](#), a [podcast](#), a [streetwear brand](#), a [rave pool](#) and most recently the [first ever NFT-native, community-generative book](#). It's like [NFT Improv](#), and the community continues to respond with innovative takes on populating the Bored Ape universe.



□ Identity

- Bored Apes are cool, personable primates reminiscent of [Gorillaz album artwork](#). They are expressive art that people want to tie their identities to, in the same way super-fans of sports teams or bands do. Profile pictures (PFPs) everywhere are being changed to reflect Ape avatars. Endowment bias is also at play, and members report becoming increasingly attached to the unique traits of their “forever

Apes". As Chris Dixon puts it, NFTs will be like "skins" and allow for social graph and identity portability across metaverses.

- There's also tribal signaling that reinforces digital identity through in-group language ("gmi", "wagmi") and memetic hashtags (#ApeFollowsApe, #ApesTogetherStrong).
- Identities are further reinforced in the real world through Ape-inspired / community-generated merch and [tattoos](#).

◦ Utility

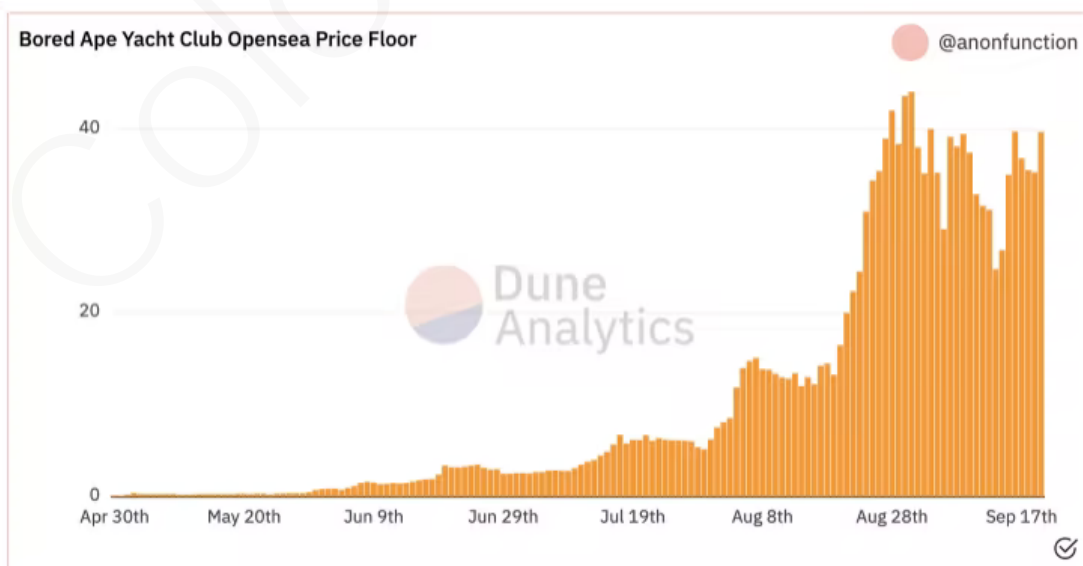
- Access - "Your Ape is your Amex black card", per Gargamel, which in addition to giving you NFT cred online, could potentially provide access to exclusive pre-sales and events, and additional benefits through roadmap activations.
- Full Commercial Rights - Ape holders have full commercial rights to the apes that they own. This helps unlock a plethora of community-owned and created derivative IP. The founders believe this only serves to enhance the IP of the master brand (the rights to which are retained by the founding team), thereby creating incremental value for all token holders. A community member explains the attraction -
*"Although the idea of club-based art NFTs was not new, BAYC distinguished itself by giving Intellectual Property rights to any Ape that you own. This means that I can use my Ape for my personal brand, merchandise, logo, or anything I want. **True ownership.**"*
- Staking fees - With the BAYC token launch planned for Q1 2022, token holders would likely have the option earn staking fees for providing liquidity

◦ Entertainment

- BAYC is fun - Speculating in a rising market is fun. Speculating together or "aping into" richly priced NFTs is even more fun. Random drops like the BAKC and MAYC that increase the value of your OG ape and allow you to mint new apes for free are fun. The possibility of minting a rare ape at a new drop is fun. Collaborating to "sweep the floor" is fun. Increasingly, [Investing is a Consumption good](#), and that's fun.

◦ Financial

- Investment returns - All social, entertainment and utility rewards are greatly sweetened by the incredible price appreciation that Bored Apes (and blue-chip NFTs in general) have seen.
 - The **price floor has increased 500x since launch**, from 0.08 ETH at time of first mint to ~40 ETH today.



Source: Dune Analytics

- Potential for Outsized Gains - Apes with rare attributes such as trippy skin or golden fur have sold for as high as 769 ETH, or \$2.7mm USD. There is a powerful financial incentive to screen for rare attributes, as also entertainment value in [studying traits](#) to discover the proverbial diamond in the rough (BAYC

community created tools [Rarity.tools](#) and [Nftexp.io](#) provide “unofficial” valuation estimates as do third-party tools such as those from [DappRadar](#)).

□ Asset Stores of Value of the future?

- A [thought-provoking analysis](#) by Tascha Labs argues that NFTs meet the three necessary criteria for an asset Store-of-Value, viz. limited supply, durability, and social agreement and are strongly placed to perform SoV functions across Metaverses in the future. She predicts that NFTs (such as BAYC tokens) will grow because they democratize asset creation.

Economics

□ Revenue sources

- Primary Sales / New Drops / New Tokens

- Similar to an IPO, the creators “raise” money with new drops. For instance, Yuga Labs earned ~\$2mm USD from their first drop of 10,000 BAYC apes in April 2021 (0.08 ETH, or ~\$200 USD at the time x 10,000)
- To provide a sense of scale of the wild growth of this community, Yuga Labs set a Dutch auction price of 2.5-3 ETH for new members to mint 10,000 Mutant Apes. That generated [~\\$96MM USD of primary sales](#) within the first hour of the drop itself!
- Yuga Labs’ recently announced plans to launch a BAYC token in Q1 2022 may likely include a primary sale component

- Royalties on Secondary Sales

- Yuga Labs is entitled to perpetual royalties on secondary sales via the NFT smart contract. This seems to be the industry standard for now.
- Estimated royalty rate of [5 or 10%](#) (unconfirmed) on secondary sales through marketplace platforms such as OpenSea or auction houses such as Sotheby’s. A senior member of the community notes elsewhere that the royalty owed to creators for a private P2P sale is [2.5%](#)
- Bored Ape Kennel Club had noted royalties of 2.5% for the first 6 weeks after the initial mint to be donated to charitable causes
- [Punk 4156](#) provided an interesting take on the power of Artists (or Creators) to behave like Central Banks - they can create “value” by minting new drops at any time - while arguing against monetization through royalties. The most prevalent monetization model should be proven out over time as a function of industry/competitive dynamics.

- Merch - a % of sale price

- Brand deals - In a bid to become the first crypto-native mainstream content brand, [Larva Labs \(creators of Cryptopunks and Meebits\) recently signed with UTA](#) for representation across film, TV, video games, publishing and licensing. Yuga Labs could also elect to pursue this monetization strategy for its Master brands BAYC, BAKC, MAYC.

- N.B. Unlike Larva Labs, Yuga Labs does not retain the right to individual apes, whose full commercial rights are owned by the community members

- Future Revenue streams

- Licensing P2E game characters or, rather creatively, [lending out NFTs for social status signaling](#) a la Cryptopunks

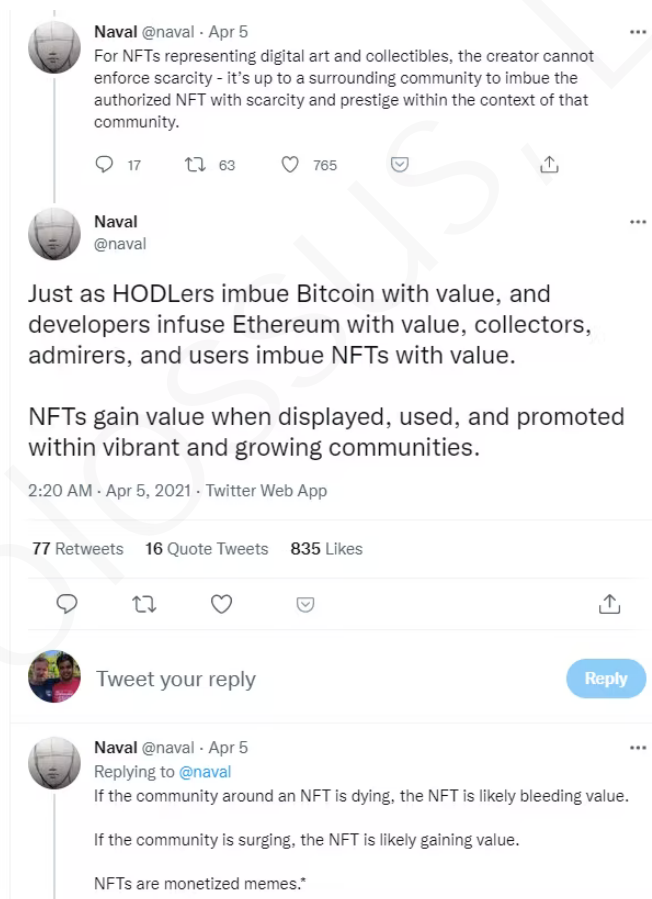
□ Key Costs

- OpenSea take rate of 2.5% on all primary sales listed on the platform
- Developer costs, Blockchain storage costs, Hosting Services and APIs
- “R&D” costs - Artist salaries, Native IP development costs (e.g., video games)

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Interestingly, because the community members hold full commercial rights to their apes, BAYC simultaneously follows a “distributed” IP development model. The development costs to Yuga Labs are zero, while the master brand (and all BAYC/MAYC/BAKC tokens) share in the brand value upside from the success of any spinoffs.

- Community organization costs - IRL meetups and exclusive events
 - Critically, as Chris Dixon notes, unlike Web 2.0 models these highly engaged communities have **zero CAC** (for now) because of the hyper-early adopter stage of the industry (~400K active wallets trading NFTs) and relative alignment of incentives. Worth keeping an eye on how these variables and assumptions are affected over time and through a cycle/bear market.
 - Legal - there may be some uncertainty because of the newness of NFTs. IP rights, while enforceable through smart contracts, might still require legal enforcement in certain cases with several licensees, sub-licensees and creators of derivative artwork
[constrained in different ways depending upon the marketplace.](#)
- Profitability
- Based on the current scenario and monetization strategy, extremely profitable in the short term with low to moderate fixed costs.
 - Long term profitability tied directly to duration of community growth and brand innovation, as well as a function of competition.

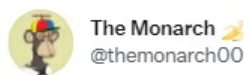


Secret Sauce: Competitive Advantage

- Community is everything in Web 3.0. And Bored Apes YC has an incredibly vibrant and growing community for the following reasons:
 - Alignment of Incentives through Full Commercial Rights to Individual Ape-holders
 - Chris Dixon makes an important point about the initial conditions that fostered the innovation unlock for Web 1.0 - the early internet was a set of decentralized protocols.

"You knew if you build a search engine on the web that the web wasn't going to go say, "Oh, thank you for doing that. I'm going to now change the rules and charge you money."

- Bored Ape YC can similarly be thought of as the "protocol" layer of this new NFT-native social network that unlocks a plethora of community-owned and generated derivative IP built on top of it. By granting full commercial rights upfront, they give Apeholders the confidence and financial incentives to innovate freely. BAYC realized early on that the community's long-term growth and success is linked inextricably to the value created for and captured by community members.
- Early examples of mainstream content success include community member and ape [Jenkins the Valet signing with CAA](#) for publishing rights to "The Writer's Room" project, which aims at being the first ever community-generative book. Though there is no contractual agreement, the success of Jenkins (or any other of the thousands of ape characters) imbues the OG master brand of BAYC with incremental value. Win-Win.
 - Note that the degree of alignment of incentives varies across NFT communities. For instance, Dapper Labs restricts the use of any purchased NBA Top Shots to advertise or market to any third party services, and caps benefits from the commercial use of CryptoKitties at \$100,000.
- Cult-like Bottoms-up Brand
 - Several other spinoffs and derivative projects have been launched across [newsletters](#), [podcasts](#), cosmetics, [artwork](#), [apparel](#), [comic books](#), [music](#), [gaming](#), [the Metaverse](#), among others that leverage the cult-like following and cool/punk ethos of the Bored Apes.



Stu is holding a debate for NYC Mayor on the moon. Hey [@AndrewYang](#), do you need a lift?

[#BAYC](#) 🍌
[#StuForMayor](#)

[@boredapeyc](#) [@MELOD1P](#) [@tyhaliburton22](#)
[@BoredElonMusk](#) [@pranksyNFT](#) [@garyvee](#)
[@stoolpresident](#)



4:27 PM · Jun 14, 2021 · Twitter Web App

- Strong community-ownership of derivative IP is also a method of outsourcing development costs to the community while benefiting from an increase in the value of the master brand should one of these experiments become a runaway success. By running thousands of mini-experiments, BAYC increases its chances of creating a decentralized Disney, or the next [Supreme](#).
- Community-oriented Founding team with maniacal execution focus

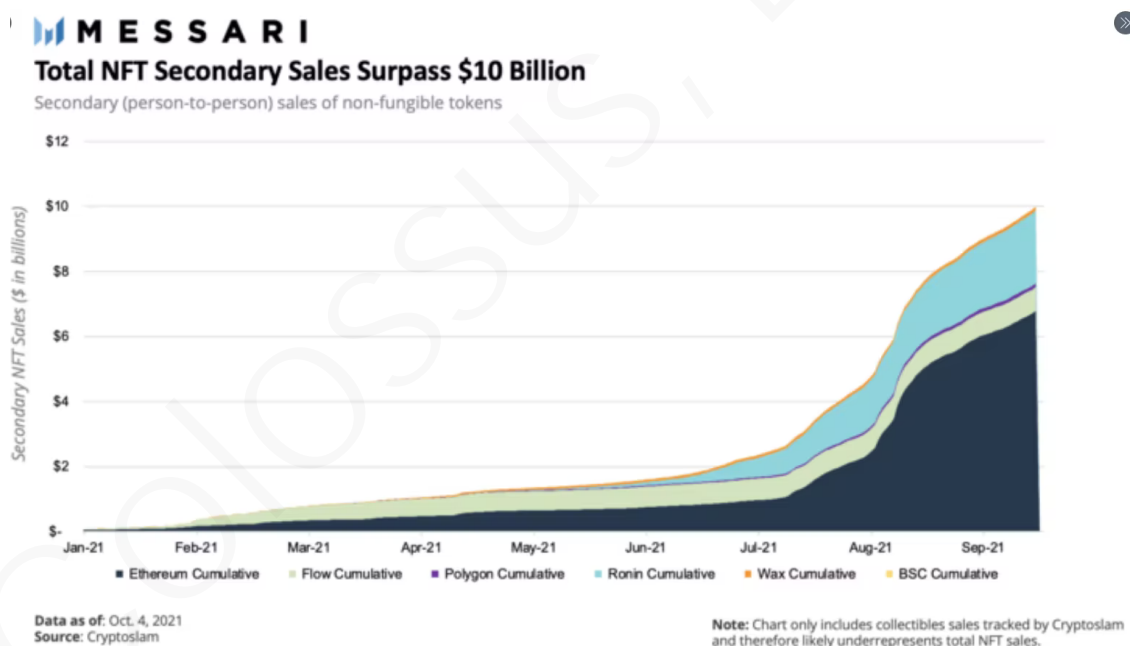
- The creators have shown that they aren't in it for a pump and dump, and truly believe in creating value for the community - be it through free airdrops worth millions of dollars or pro-community grant of commercial rights
- Strong track record of innovation and execution. In the words of an investor in the community -

“A bet on a startup is a bet on the team, and we think [@CryptoGarga](#) and [@GordonGoner](#) are as impressive as anyone in NFTs. Launching a viral product, staying engaged, delivering on their original roadmap, and quickly launching roadmap 2.0. We want to keep betting on them.”
- This [thread](#) provides a sense for the tremendous development and user activity afoot and a deeply engaged 40,000+ Discord community
- Increasing Diversity implies a resilient, growing community
 - Unique Ownership ratio of (~0.56) / one of the lowest Gini coefficients
 - Number of Unique Wallets holding tokens ([link](#)) - 73% hold 1, 15% hold 2, 5% hold 3; Top holder has 103

Competitive Position

Industry

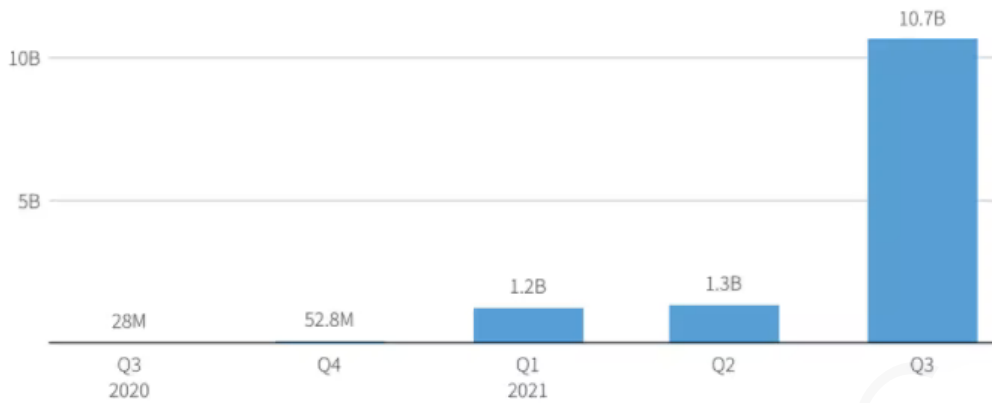
- The NFT industry has been in [hyper growth mode in 2021](#), ramping up from almost zero activity at the start of the year to ~\$10 billion USD in secondary sales in a few months.



- Total NFT sales surge to \$10.7 billion in Q3

NFT sales surge to \$10.7 billion in Q3 - DappRadar

Quarterly non-fungible token sales volumes across multiple blockchains, in U.S. dollars



Note: DappRadar is a company which tracks on-chain NFT sales across multiple blockchains including Ethereum, Flow, Wax, and BSC.
Source: DappRadar

Reuters Graphics

- The NFT market cap for Top 100 Ethereum collections + NBA Top Shot is estimated at \$14.19 billion. The barriers to entry to this market are very low, if nonexistent at the moment.
- Games continue to drive usage within the industry (Axie Infinity leads the way). Unique Active Wallers (UAW) connecting to game dapps increased 140% QoQ, while DeFi and NFT connected wallets decreased by 11% and 2% respectively from the previous quarter. Nonetheless, usage increased in all categories compared to August.
- Despite the tremendous growth, NFTs are still very early - only 0.009% of internet users own an NFT

Position within the industry

- Bored Apes YC is a “blue-chip” project with ~\$1 Billion USD of secondary market sales on OpenSea alone. This makes it the third-highest grossing NFT collection on OpenSea behind Cryptopunks and Art Blocks.

| Collection | Volume | 24h % | 7d % | Floor Price | Owners | Assets |
|--------------------------|--------------|---------|---------|-------------|--------|--------|
| 1 CryptoPunks | ↕ 544,750.22 | -70.71% | +34.51% | --- | 3.1K | 10.0K |
| 2 Art Blocks Curated | ↕ 214,977.1 | -29.97% | -27.79% | ↕ 1.18 | 7.7K | 40.2K |
| 3 Bored Ape Yacht Club | ↕ 180,243.41 | -52.75% | +4.88% | ↕ 38 | 5.6K | 10.0K |
| 4 Rarible | ↕ 97,204.85 | +9.11% | +79.94% | --- | 192.8K | 316.7K |
| 5 Mutant Ape Yacht Club | ↕ 84,917.89 | +8.43% | -16.82% | ↕ 3.95 | 9.1K | 15.9K |
| 6 Meebits | ↕ 71,315.51 | -48.26% | +22.59% | ↕ 3.88 | 5.2K | 20.0K |

Source: OpenSea

Biggest risk(s) to competitive position

- Business model risk: The model shares “pyramid” characteristics of MLMs in that the economic value of the community depends strongly on the ability to grow users constantly, given the absence of

utility/any other revenue streams right now. This is a speculation-heavy investment - in the event of a crypto price crash, or an inability to grow the user base (and therefore, prices) sufficiently, there's likely a real risk of a rush to the exits and the network effects unwinding quickly.

- **Brand/IP:** Execution risk on IP/media roadmap, dilution from too many derivatives, plus risk of damage to master brand IP from a single instance of poor/distasteful execution of a spinoff.
- **Market Risk:** Given the proliferation of long-tail of copycats and high levels of speculation at rich price levels, durability of asset value is suspect and the market may dismiss NFTs as a fad, impairing value.
- **Innovation Risk:** The management team may not be able to introduce sufficient new Proofs-of-Work to extend the half-life of the status games that is an NFT project.

Useful Resources

| Title | Type | What You Will Learn (140 Characters) | URL (Must be https://) |
|--|---------|--|---|
| JPEG Summer | Podcast | Kevin Rose's interview with DCInvestor covers the gamut on the financialization, valuation and cultural significance of NFTs. | https://play.anghami.com/episode/1026473171 |
| The rise and rise of the Bored Ape Yacht Club | Video | Comprehensive overview of the origins story and cultural ethos of BAYC | https://youtu.be/JXJqQi7r5E |
| Bored Ape Madness with the Infatuation's Andrew Steinthal | Video | Excellent interview with a BAYC community member covering financials and brand considerations. | https://youtu.be/YL73Zx6mde0 |
| Status Monkeys | Article | Packy McCormick analyzes NFTs using Eugene Wei's Status-as-a-Service framework. | https://www.notboring.co/p/status-monkeys |
| NFTs and a Thousand True Fans | Article | An explanation of how NFTs change creator economics, allowing them to monetize their work more efficiently than ever before. | https://a16z.com/2021/02/27/nfts-and-a-thousand-true-fans/ |
| How the BAYC took over the NFT world in the matter of a few months | Article | An essay discussing BAYC's competitive advantages | https://nft1nsight.substack.com/p/how-the-bayc-took-over-the-nft-world |
| Why people are paying \$100K+ to change their profile to a digital ape | Article | Peter Yang analyzes the Bored Apes phenomenon | https://creatoreconomy.so/p/bored-ape-yacht-club-community |
| NFTs as financial assets, status, identity, community and fun | Article | Outlines how NFTs can serve a different set of jobs for different people | https://tanay.substack.com/p/nfts-as-financial-assets-status-identity |
| NFT Projects are just MLMs for Tech Elites | Article | An impartial review of NFT business models drawing analogies with multi-level marketing schemes (MLMs). | https://every.to/napkin-math/nft-projects-are-just-mlms-for-tech-elites |
| Why NFTs aren't the next asset bubble | Article | NFTs as a technology will remain relevant in the future, whether or not individual projects survive. | https://digitalnative.substack.com/p/why-nfts-arent-the-next-asset-bubble |
| Using token incentives to bootstrap networks | | Chris Dixon's tweetstorm analyzing the trade-off between financial utility and native app utility at different stages of bootstrapping networks. | https://twitter.com/cdixon/status/1444072365822857219?s=20 |

Colossus, LLC