## Summary (TL;DR)

88% of LTIPP dApps & Protocols that spent $ on off-chain ads & content campaigns in 2024 indicated that it's the 2nd most effective user acquisition strategy. However, only 54% of dApps have used it last year, with only 21% being able to calculate their CAC and 0% calculating their users' LTV.

Patterns proposes a 1st iteration of a program for dApps & Protocols to cover the costs of their off & on-chain user acquisition campaigns

- up to a level they manage to achieve out of self-declared category KPIs. Participants can design their campaigns freely with a requirement for all of them to be measurable and Patterns will calculate ROI (CAC + on-chain LTV) for all campaigns to focus on the most efficient strategies in the next iteration.

## The challenge

- The main goal of incentive programs such as STIP & LTIPP is to increase the user inflow into the ecosystem that will lead to higher network usage, TVL and finally - the price of $ARB.

- Even though the budgets for these programs are increasing, their results are temporary and most metrics fall back to their baselines right after the program is finished, which is underlined by many ecosystem stakeholders, including IOSG in their latest proposal

Patterns team (f.k.a. Tokenguard) analyzed projects that took part in the LTIPP program and identified multiple reasons of this and similar programs not achieving long-term results that were expected:

- No off-chain marketing - most protocols didn't communicate rewarding to new users in other ways than using existing SM channels such as Twitter and Telegram.

- Lack of knowledge of on-chain user acquisition funnels - only 37% of protocols have off-chain tracking tools installed for marketing purposes, which makes it impossible to run successful user acquisition campaigns.

- No consideration for ROI and over-expenditure on non-performing projects - as discussed during ARB Liquidity Incentive calls, most teams don't have any active marketing & growth teams that would take care of CAC & LTV ratios for their marketing campaigns.

These insights along with the supporting data were presented at ARB Liquidity Incentives calls organised by L2Beat (thanks to Kaerste & Sinkas):

- 09.10.2024 - summary, recording & transcript are available here

- 27.11.2024 - summary, recording & transcript are available here

The above reasons make most incentivization programs attract only a small group of existing Arbitrum users and / or users that interact with cross-chain protocols available on Arbitrum.

## Insights from dApps & Protocols

While working on this proposal, our team conducted surveys amongst LTIPP participants to understand their perspective on user acquisition and most efficient strategies they used. Out of 40 protocols we've contacted, 19 filled out the survey. The results bring in some significant new conclusions:

- 84% of surveyed protocols indicated covering user gas fees & airdrops as the most efficient user acquisition strategies

– However, 53% of protocols haven't spent a single dollar on off-chain user acquisition in 2024

– Out of 47% of protocols that spent $ on off-chain user acquisition in 2024, 88% indicated 2 off-chain strategies (paid posts & ads; newsletters) as the second most efficient user acquisition tool.

- Only 21% of surveyed protocols know their CAC ("Customer acquisition costs")

- 0% of protocols know their LTV ("Lifetime value of a user")

Further questions uncovered more interesting insights about user-related development plans of dApps & Protocols:

- Even though 84% of surveyed protocols mentioned covering gas fees & airdrops as the most efficient user acquisition strategies, only 37% of protocols are aware of or have plans to implement ERC-4337 standard (Account Abstraction standard allowing to easily onboard users and cover their gas fees).

- Only 37% of dApps & Protocols have some kind of off-chain tracker installed - which is a crucial prerequisite for running successful user acquisition campaigns and calculating CAC & LTV

- As many as 68% of surveyed dApps & Protocols mentioned metrics other than TVL as the most important for them.

## The solution

Patterns would like to propose an iterative program, complimentary to the one proposed by IOSG, that would solve these challenges by helping protocols run and measure their off & on-chain user acquisition campaigns. The aim of the program is for protocols & ecosystem to learn how to run these campaigns successfully and build a culture of web3 user acquisition through measurable marketing that finally allows to calculate the LTV / CAC and ROI.

Duration

: 3 months per iteration

Budget

: $3m (first iteration)

Scope

: Patterns will run a program to boost user acquisition by dApps & Protocols into the $ARB ecosystem. All projects will be divided into categories, based on the ecosystem user acquisition funnel:

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Ecosystem User Acquisition

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Budget will be spent on helping these projects achieve predefined measurable goals through all the steps of the above user acquisition funnel:

- Off & on-chain performance campaigns - consisting of measurable ad campaigns in networks such as Meta, Google Ads, Linkedin and on-chain networks such as Hypelab and Slise; Paid content and landing page creation; Setting up off-chain tracking tools.

- On-chain incentivisation - including gas fee coverage, rewards and long-term on-chain incentives; Setting up Account Abstraction infrastructure to make Arbitrum products user-friendly and easily acquire new users.

Goals & metrics

: Each project category will have a different goal connected to its role in the Arbitrum Ecosystem according to the user acquisition funnel:

- Bridges & On-ramps - the main purpose of bridging & on-ramp projects is to bring in as much funds into the ARB ecosystem as possible and make them as hard as possible to move out. This strategy has worked really well in LTIPP projects and should be continued.

- DeFi - this segment is characterized by high to medium value transactions and wallets. Its main purpose is to generate as many high volume trades as possible to keep users' capital engaged in the ecosystem for as long as possible. Additionally, offering assets available only on ARB would be highly appreciated.

- Gaming & Social - this segment is characterized by low value transactions and low value wallets. From an ecosystem perspective, incentivizing these projects can be beneficial only if users stick with the game for long, making their lifetime number of transactions high enough to generate sequencer fees.

- NFT - speculative in its nature, this category is characterized with medium value transactions and medium value wallets. The common denominator of a successful NFT project is the speculative increase of its collections value.

Goals

KPIs (1st iteration)

Bridges & on-ramps

- Maximize inflow of new funds into $ARB ecosystem; - Minimize outflow of funds out of $ARB ecosystem

- Net inflow balance ($inflow - $outflow)

DeFi

- Maximize number & value of trades; - Steady TVL growth; - Increase TVL & trade volume on assets available only in $ARB

- Number & volume of trades; - TVL

Gaming & Social

- Maximizing number of interactions; - Maximizing stickiness; - Increasing value of NFTs

- Number of interactions per user; - Stickiness (DAU / MAU)

NFT

- Maximizing number of collections; - Maximize collections and single NFT trade value

- Number of collections; - Floor price increase

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dApp & DeFi User Acquisition

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Process

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1. Arbitrum dApps & Protocols apply to the program by filling out a predefined form, where they specify:

1.2. KPIs levels they declare to achieve within a timeframe

1.3. Requested budget with expected items & costs

1.4. Tools used for running and off-chain measurement of the campaign. *All activities must be measurable

and Patterns will receive access to tools used (eg. Google Analytics, Mixpanel, Meta Ads, etc.). If activities include KOLs, paid content creation, SEO - all of these need to be fully measurable.

1. After all applications are collected, Patterns team assesses all applications and chooses ones that offer the highest KPI to budget ratio

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1. User acquisition campaigns start and are independently run by dApp & Protocols teams.

2. Patterns monitors and optimizes campaigns, delivering on-chain reports & insights about users acquired - including LTV value of users

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1. Once campaigns are finished, their results are compared to initially declared KPIs levels.

2. Funds are paid out according to the level of KPIs achieved - meaning that if 60% of the KPIs was achieved, 60% of the agreed budget is paid out.

3. Unused funds are returned to the Arbitrum Treasury.

4. Insights & takeaways are collected and if results are satisfactory for the Arbitrum DAO, the program runs a second iteration.

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Program framework

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Reporting

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Project's results will be measured for each campaign separately and for the program as a whole. Patterns will be transparently showcasing information following the below frame:

1. Applications closed (1 month): Publishing information about which campaigns were accepted along with an explanation for the decisions made. All KPIs declared by applicants will be displayed publicly.

2. Campaigns run (2 months): The first results of campaigns ran by dApps & Protocols will be showcased to the Arbitrum community with community Q&A section.

3. Results (4 months): Results of the whole program will be published, along with the information about KPIs, CAC & LTV achieved by each campaign financed within it.

Budget & costs

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The $3m budget dedicated for the program will be divided as follows:

- $2.85m will be disbursed to dApps & Protocols after achieving their previously set KPIs. All unused funds will be returned to the Arbitrum Treasury. We expect to support 10-20 applicants with this budget.

- $100k will be spent on Patterns KPI off & on-chain LTV tracking for all participating dApps & Protocols as well as setting up required external tooling - GA, Mixpanel, etc.

- $15k / month will be spent on 2 dedicated data analysts from Patterns to facilitate and help dApps & Protocols achieve their goals.

## Who are we?

Patterns (formerly known as Tokenguard) is an experienced team of web3 data & user activity analysts who build a web3 user acquisition tool with DeFi & dApp builders in mind. Our tool offers a web3 CRM for builders and growth specialists to boost their conversions & revenue. We started working on this idea in early 2023 and quickly gained traction with protocols and companies such as Optimism Foundation, Polkadot, Aleph Zero, Astar Network, Sygnum Bank, Bitcoin. com and others. Our work includes:

- Optimism Foundation - co-developing on-chain activity metrics for Account Abstraction ERC-4337 standard ERC-4337 Data & Attribution Standards for the Superchain)

- Polkadot DAO - delivering on-chain user acquisition insights for Polkadot DeFi protocols (including Hydration, Bifrost, StellaSwap)

- Aleph Zero Foundation - boosting on-chain growth through actionable user acquisition insights for dApps & DeFi

## Discussion & sources

Most important materials and insights regarding user acquisition & incentivization in the Arbitrum Ecosystem (from newest to oldest):

- IOSG proposal on increasing liquidity depth to attract DeFi trading (04/12/2024)

- Patterns aka Tokenguard discussion on new user acquisition program (27/11/2024)

- Gauntlet insights on LTIPP results (10/11/2024)

- OpenBlock Labs insights on LTIPP results (14/10/2024)

- VendingMachine thoughts on STIP & LTIPP (30/10/2024)

- Patterns aka Tokenguard LTIPP insights & user acquisition funnel discussion (09/10/2024)

- [L2Beats incentive detox proposal (22/07/2024)](#)
- [OpenBlock Labs on sybil & mercenary users in STIP (25/02/2024)](#)

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