

Abstract

Speculation is the best marketing strategy known to us, and it is well recognised that blockchain systems are valued on the attention and network effects they are able to establish beyond all else. Catalysing speculation is traditionally an expensive and risky endeavour, yet DeFi is not traditional, and as such offers us hitherto unexplored opportunities to drive a marketing programme focused on kick-starting on-chain speculation with unparalleled capital efficiency.

To achieve this, I suggest the DAO consider focusing its next incentive programme on driving on-chain speculation through:

- Using treasury to bolster DeFi liquidity, earn yield, then deploy that yield to both pay back the treasury and put a structural bid under DeFi tokens to develop an ecosystem reserve
- Run a seasonal Battlepass style education programme with real rewards drawn from the ecosystem reserve

...and it probably ends up net costing us nothing long-term, even before we factor in the exponential growth in fee revenue this would foster.

Motivation

A seasoned market observer will recognise that, at this late stage, it has become undeniable speculation is the primary vector for attracting attention to blockchain ecosystems. Little to nothing else has the gravity necessary in overcoming the inertia holding new participants back from learning about and taking steps toward actively utilising these novel technologies. Indeed, it can be readily observed that all past crypto cycles have, within the context of the macroeconomic liquidity cycle, been catalysed by a speculation driven attention flywheel.

Beyond the successful inducement of a speculation <> attention flywheel, the endurance of the flywheel itself as well as the stickiness of the capital it attracts is a matter of fundamentals. The long-term success of a crypto ecosystem is found in the success of the apps built within that ecosystem. While DeFi apps evidently need and benefit from attention, to consistently attract the next user they also require visible step-by-step education on how to access and use the protocol, and an abundance of liquidity available when those users arrive.

As such, the question for ecosystem marketing in an increasingly competitive landscape becomes how to foster this type of activity on your chain and in a manner which can be broadly recognised by the market as positive sum and subsequently drive reflexivity. We don't want to issue farming incentives which will actively harm on-chain speculation, such is harshly contrary to our growth goals (anything which generates structural sell pressure is very bad). So our objectives then become something thus: We seek to induce speculation, in order to attract attention, in a manner which is supportive of the native ecosystem. Both in terms of providing entry-level user education, as well as boosting protocol liquidity to allow growing utilisation and keep the flywheel spinning. Finally, we seek to achieve all of this as cost-efficiently as possible, such that the cost of our programme does not risk outweighing the benefit in a worst case scenario. If nothing else, it looks bad when we lose money, and signal is very, very important.

The Holy Grail would be in finding a strategy towards manifesting this in a truly sustainable fashion. I believe exactly this is actually possible, and this proposal outline document will lay out the broad overview of how to achieve a marketing campaign that is simultaneously maximally effective at achieving our noted objectives, and effectively free.

There are two complementary components to this strategy, each of which can be executed to the exclusion of the other, and yet they are much stronger when taken together.

Augment DeFi Liquidity

Currently, attracting market makers and their liquidity to DeFi dapps can be an expensive and slow process, with market makers still facing regulatory uncertainty, and competition at a fever pitch allowing MMs to ask for substantial token incentives in exchange for their patronage on top of whatever they might otherwise be earning.

Using an application process similar to STIP, the DAO could make a treasury allocation to the liquidity available on DeFi applications, where the nascent market has begun to prove that liquidity is able to sustainably earn a real yield. Boosting the liquidity of native dapps in this fashion could dramatically accelerate potential adoption, potential protocol revenues, and begin to provide a pathway to recovery from the on-chain recession DeFi has faced since the beginning of the bear and especially after the merge.

The specifics are simple:

- The DAO takes 50% of any earnings at regular intervals to replenish our treasury
- 50% of earnings are deployed in a TWAP to buy the governance token of the protocol on which yield was earned for an ecosystem reserve (placing effectively a zero cost, structural bid under native DeFi, and inducing speculation)

We could even consider taking 1% of earnings and allocate them across the One and greater Orbit meme economy to foster mass retail attention and broaden ecosystem-wide speculation. If we really wanted to put serious rocket fuel under Arbitrum growth (we do).

Net result would, in theory, be that the DAO gets to eat their cake and then have it too.

Liquidity that doesn't end up being productive can just be withdrawn, treasury doesn't stand to lose much of anything in the worst case besides opportunity, the exception being hacks. Nevertheless, such a programme would, quite literally, be infinitely more efficient than grants for incentives. Moreover, it would be correctly targeted to achieve growth in the metrics which matter the most for snowballing further growth (liquidity and speculation).

This programme would manifest a positive sum speculation <> attention flywheel for DeFi, driving a rapid acceleration in on-chain activity. I'm entirely confident in asserting that it will end up being so successful that it becomes a core component of the default best practices growth strategy for all chains, once Arb proves the concept (exactly as Solana has proven for memes). Besides, this programme would make the DAO so much money in fee revenue growth due to the speculation it would foster that the initial capital outlay would be insignificant in comparison, and thusly allow a rapid expansion of the programme (moar flywheels).

It is also important to recognise that the exact dollar amounts a programme like this could generate in bids for the reserve are far less important than the signal itself. Just like fear over Mt Gox or government selling has a far greater impact on the market than the dollar amounts in question would ever cause relative to average daily volume. Knowing that the DAO was there with a structural bid under native DeFi and actively looking to include successful new protocols in the programme would cause an explosion in attention, building and speculation on Arbitrum.

On the subject of signal, let's also take the opportunity to look in the mirror and recognise that if the Arbitrum DAO itself is too meek to use the dapps on Arbitrum, why should anyone else? What are we even doing here? Arbitrum is in the business of selling blockspace and a platform for development, so the DAO needs to lead by example and use the dapps. The DAO can profit from and accelerate adoption by using the dapps, so the DAO needs to use the dapps.

Regulatory uncertainty is a trap. Step over it. The DAO is immune anyway.

A BattlePass

At Arbitrum, we like the games. So let's run a gamified education campaign that operates on the capital we earn from the above liquidity strategy. Galxe quests are great, but we have the opportunity to run very high quality step-by-step education with the potential to reward active users in a portion of tokens generated for the ecosystem reserve. The main reason people come to crypto is to make money, let's give them money to learn.

Successful applicants to the DeFi liquidity programme are automatically included in a seasonal battlepass. 3-4 month seasons. Follow battlepass guides to utilise their dapp and generate points, earn enough points and get rewarded with a little bit of native token. All of this can be further augmented by the incentive of naturally qualifying participants for any potential airdrops or existing native incentive programmes these dapps are already running.

Have the dapps included in the programme provide art, infographics, as well as step-by-step written and importantly video guides on how to perform the actions the dapp wishes to encourage through the programme. The DAO can have oversight on a unified aesthetic and central UI hub. We could work with Galxe or anyone else with the expertise to help bring all of this together.

It is very important to provide high quality step-by-step video guide content in particular, and this should really be the central focus of this programme, as the vast majority of people will be turned away at written content. Reading is for intellectuals and nerds (congratulations, that's you). Video is the key to unlocking the masses. Onboarding to crypto and participating in DeFi is actually very easy, arguably no more complicated than using a typical banking application and certainly no more complicated than any popular modern video-game. Getting attention on step-by-step video guides is how we break through the perception that any of this is at all arcane, and far beyond the ken of the average good folk. Anyone can successfully navigate Arbitrum, they just don't know it yet.

This type of programme is also a perfect corresponding event to tie in with approaching media. It provides a trust and accessibility touchstone for the media and audience alike. Dapps in the latest Battlepass can and should be encouraged and aided in running the broader media circuit to explain their protocol to a fresh audience (not just preaching to the choir on Twitter spaces, niche enthusiast YouTube, etc), with the step-by-step guides and incentives of the Battlepass in the background to encourage audiences to take the opportunity to try out what they're hearing about in as frictionless a manner as possible.

Again as above, the actual dollar amounts distributed through this programme are very much secondary to the signal, as knowing that any of this stuff even exists is 99% of the battle. I know from experience (and so do you if you stop to think about it) that natives who live crypto have very little appreciation for just how completely invisible this side of the industry remains to even mildly curious would-be participants. We desperately need attention and education on this side of the industry and that means marketing outside the bubble, with structures in place to ease the novice into the ecosystem as seamlessly as possible.

Overall Cost

Opportunity cost of allocating a portion of the DAO treasury to DeFi liquidity instead of yeeting it all into Fartcoin

Risks

