

Background:

In May 2022, Pika Protocol submitted a proposal to the OptimismDAO requesting \$OP governance funds to help grow their user base and drive adoption of the Optimism ecosystem.

In August 2022, Pika Protocol received 900,000 \$OP tokens as part of the OptimismDAO's governance funding program. The tokens were distributed in three categories, as outlined in the proposal.

Traders Acquisition: 150,000 OP(30% for early supporters and 70% for future traders)

Liquidity Providers: 600,000 OP(20% for early supporters and 80% for future users)

Grants: 150,000 OP(10% for early contributors and 90% for future rewards)

As of August 31, 2023, Pika Protocol has allocated 793,984 \$OP tokens to approximately 40,000 addresses.

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Pika Grant Reserve

2476x864 111 KB

](<https://global.discourse-cdn.com/business7/uploads/bc41dd/original/2X/3/30b95f8bb047eec15ed2b84f787ad196b0444e1b.png>)

Analysis

By examining relevant metrics and comparing statistics over different time periods, we can determine whether the incentives had a positive impact on both the Pika and Optimism ecosystems.

Here are the key metrics to be looked at.

- Total value locked
- Trading volume
- Fee revenue
- No. of trades
- No. of active traders

Metrics #1:

Total value locked (TVL)

- The \$OP incentives had a significant positive impact on Pika Protocol, helping them to increase their liquidity from \$1m USD on 1 Sep 2022 to over \$9m USD on 1 Oct 2022. This resulted in a 9x growth in TVL.
- Following the initial growth spurt, the TVL in Pika Protocol grew slowly until June 2023, when it reached a peak of \$15m USD. However, there was a significant drop in TVL in July 2023, falling to around \$5m USD.
- The largest withdrawal from the Pika Protocol was around \$7m USD in size. It was made by the address labeled @overnight_fi

on Arkham. This may be due to Pika Protocol's announcement of a "Retroactive Airdrop", which will give out ~6.2% of esPIKA tokens to liquidity providers (LPs), traders, and community contributors. The snapshots for the airdrop were taken on January 26, 2022 (v1), July 17, 2022 (v2), and April 1, 2023 (v3).

- Overall, the \$OP incentive had a positive impact on Pika Protocol's TVL. The current TVL is around 6 times greater than it was when the incentive was announced, showing that Pika has successfully retained the liquidity inside the protocol.

Metrics #2:

Trading volume by month

- The \$OP incentives had a positive impact on Pika Protocol's trading volume. In August 2022, the monthly trading volume was \$17m USD. After Pika Protocol published the "OP Token Distribution" announcement on August 29, 2022, the monthly trading volume rose to \$86m USD in September 2022 and peaked at \$165m USD in January 2023.
- The trading volume on Pika Protocol fell by \$50m USD in February 2023. This is likely due to the completion of the Optimism #2

airdrop snapshot on January 20, 2023. The snapshot captured all eligible addresses that had generated transactions and spent gas fees on Optimism. As a result, many traders who were only interested in the airdrop no longer had to trade on Pika Protocol.

- The trading volume on Pika Protocol remained stable between February and June 2023, even during the \$PIKA Token Generation Event (TGE) in May 2023. However, the trading volume dropped by half in July 2023 to \$55m USD. This was likely due to the announcement of the “Retroactive Airdrop” and the withdrawal of liquidity from the platform in July 2023.
- The trading volume on Pika Protocol saw a slight recovery in August 2023, with \$55m USD monthly trading volume, which is still significantly lower than the \$165m USD trading volume in January 2023. However, the trading volume in August was still 4.3 times higher than the monthly trading volume in August 2022, before the \$OP incentives were announced. This suggests that the incentives have had a positive impact on the growth of Pika Protocol.

Metrics #3:

Fee revenue by month

- The trend of the trading fee chart is very similar to the trading volume chart since these two metrics are highly correlated. This means that when the trading volume increases, the trading fee also increases, and vice versa.
- The trading fee has been increasing steadily since the \$OP incentive announcement in August 2022. The highest trading fee was recorded in January 2023 with \$128k USD, when the trading volume also reached its peak.
- Since then, the trading fee has been decreasing and reached around \$30k USD in August 2023. Based on this metric, it is unlikely to say that the \$OP incentive had zero positive impact on Pika Protocol. However, it is debatable whether the performance justifies the 900k \$OP incentive allocation.

Metrics #4:

No. of trades by month

- The number of trades on Pika Protocol increased steadily after the \$OP incentive announcement in August 2022. The number of trades peaked at more than 435k transactions in January 2023. However, the number of trades experienced a 99% drop in February 2023, after the Optimism #2

airdrop snapshot was taken on 20 January 2023.

- This suggests that most of the trades on Pika Protocol were motivated by the desire to generate interaction and become eligible for the airdrop. Once the snapshot was taken, there was no longer any need to trade on Pika Protocol to be eligible for the airdrop, and the number of trades dropped significantly.

Metrics #5:

No. of active traders

- The number of monthly active traders on Pika Protocol also increased steadily after the \$OP incentive announcement in August 2022. The number of monthly active traders peaked at 110k in January 2023. However, the number of active traders experienced a steep decline in February 2023, after the Optimism #2

airdrop snapshot was taken on 20 January 2023.

- This decline is similar to the decline in the number of trades on Pika Protocol after the airdrop snapshot. This suggests that the majority of the users who were active on Pika Protocol in January 2023 were only interested in the airdrop and not in the platform itself.
- The decline in the number of active traders is a setback for Pika Protocol, but it is not necessarily a sign that the platform is doomed. The platform can still recover if it can attract new users who are interested in its services and not just the airdrop.

Conclusion

- The \$OP incentive had a positive impact on Pika Protocol's TVL and trading volume, increasing the TVL from \$1 million to over \$9 million in the months following the announcement and the trading volume to \$165 million in January 2023.
- However, the trading volume and number of active traders declined significantly after the Optimism #2

airdrop snapshot was taken in January 2023. This suggests that most of the users who were active on Pika Protocol in January 2023 were only interested in the airdrop and not in the platform itself.

- The decline in the number of active traders is a setback for Pika Protocol, but it is not necessarily a sign that the

platform is bad. In fact, the platform retained the traders with larger trade orders. Those airdrop hunters who made up 99% of the users were actually contributing around one-third of the trading volume to the protocol.

*Dune analytics dashboard: https://dune.com/kit_kwan/pika-protocol-op-rewards-deep-dive-analysis

*Report: [OP Rewards_Pika Protocol deep-dive analysis.pdf - Google Drive](#)