

Where Are Our Airdrops Going?

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01 / Key Takeaways

- Airdrops have grown to become one of the most widely used means of token distribution. As is however, they are certainly not without certain issues. For airdrops to remain a viable industry practice, there is a need to continue to improve upon the process by learning from past mistakes and refining past successes.
- We categorize the types of airdrops into (1) Retroactive Airdrops and (2) Engagement Airdrops:
 - Retroactive Airdrops allocate token distributions without prior notification to users, based on their historical actions and activities. Their main intent is to retroactively reward users.
 - Engagement Airdrops notify the public of actions that can be taken to qualify for an upcoming token distribution. Their main intent is to bring new users and activity to their products.
- Projects must consider which type of airdrop best serves them, often depending on their stage of product and community development.
- Principles like transparency, community communication and involvement, and equitability are relevant to both types of airdrop, but might be applied in different manners.
- As long as airdrops prove to be a productive activity for both projects and users, the industry should find itself incentivized to continue to invest into technologies that improve upon the airdrop process, such as on-chain monitoring and proof-of-humanity tools. As such tools become more widely used and available, unwanted airdrop farming activity should trend to zero.
- Tokens are a brand new form of asset, and airdrops are an even newer form of asset distribution. While we can expect inefficiencies in the process as the market collectively determines ideal practices and allocations, we encourage users and project teams alike to remain acutely vigilant in their dealings with airdrops. The actions we take today will shape the future means of token distribution.

02 / Introduction

Airdrops have evolved into a widely used strategy for user acquisition and community building in the cryptocurrency space. The first notable airdrop was Auroracoin in 2014, aimed at introducing a national cryptocurrency to Iceland's population. Users only needed to enter their permanent resident ID on Auroracoin's official website to receive tokens.

Hyperliquid's HYPE recent airdrop in November 2024 was perhaps one of the largest as well as the most well-regarded as of late, further cementing the role of airdrops as a powerful engagement tool. **At a peak valuation of over \$10B, the HYPE token airdrop overtook Uniswap** as the largest airdrop to date measured from peak prices.

As airdrops became more widely used by crypto projects, they have also **become part of the on-chain "financial metagame"**. This has led to the utilization of bots by airdrop farmers to acquire as much of an upcoming token airdrop as possible, often selling those tokens for profit as soon as possible (known as "sybil farming"). To combat the rise of sybil farming, projects have also increased the complexity of requirements to qualify for airdrops. Unlike the airdrops of old, **modern airdrops often require users to complete multiple tasks**, such as utilizing testnets, engaging on social media, participating in governance, downloading mobile applications, and bridging funds between chains. **Many of these required actions also serve to directly benefit the project in question**, be it through increased on-chain revenue/activity or heightened social media presence.

This report examines effective and ineffective airdrop practices and proposes possible solutions that could be implemented to bolster community confidence in airdrops as a means of token distribution and community building.

2.1 The Two Types of Airdrop

1. Retroactive Airdrops

Some of the older airdrops like that of Auroracoin, Uniswap, and StarkNet were made with no information made publicly available prior to allotting airdrop distributions. The purpose of these airdrops was to reward and build loyalty within the existing community.

We'll term these airdrops "Retroactive Airdrops":

Retroactive Airdrops tend to be more user-focused. Historically, and likely in the future, **protocols that have already acquired a substantial user base and market share are best positioned to conduct these airdrops.** These protocols benefit from not needing airdrops to bootstrap an initial user base.

2. Engagement Airdrops

Many of the more recent airdrops inform users of an upcoming, or potentially upcoming token generation event, aiming to incentivize beneficial user activity, oftentimes through

the use of a points program. Redstone, Kaito, and Hyperliquid are examples of recent airdrops of this type.

Given the current industry conventions, a fitting name for this type might be “Engagement Airdrops”:

Engagement Airdrops are typically project-focused, primarily utilized by projects aiming to capture initial market share. These airdrops serve as a strategy to **attract new users and maintain competitiveness** with similar protocols that may also be using token incentive schemes.

Figure 1: Different types of airdrops may suit different projects, often depending on their stage of development

	Retroactive Airdrops	Engagement Airdrops
Description:	Tokens distributed without informing users of airdrop requirements Examples: Uniswap, StarkNet	Tokens distributed after a period of users understanding airdrop requirements. Projects tend to implement a points program to incentivize specific actions. Examples: Hyperliquid, Kaito
Main Purpose:	To retroactively reward existing users and build community loyalty	To attract new users, encourage beneficial actions, and bootstrap community
Likely best suited for:	Larger, more established projects	Smaller projects aiming to grow market share and user base
Specific considerations for projects:	Ensure a good understanding of your user base when determining airdrop criteria. Misallocation of airdrop tokens could alienate existing valuable users.	Ensure a high degree of transparency when setting airdrop criteria. Avoid changing airdrop criteria and allocations once made public.

Source: Binance Research

03 / Current Issues with Airdrops

Over the past year, we've had numerous airdrops occur - some more well received by their communities than others. In this report, we avoid discussing price performance of airdropped tokens which, especially months or even weeks post-TGE, can be affected by a large variety of factors apart from the way the token was initially distributed.

To throw some color on recent airdrop developments, with the help of the X's Grok AI we've created a brief sentiment analysis of some of the notable airdrops over the past year.

To produce the sentiment scores, **Grok analyzed community feedback from X posts, focusing on positive vs. negative comments, engagement levels, and specific complaints or praises**. Grok also reviewed web articles for official announcements, tokenomics, and eligibility criteria. Sentiment is categorized as positive, negative, or mixed based on the predominance of reactions.

Figure 2: Clear and consistent allocation rules, simple eligibility requirements, and prevention of excess airdrop farming, may help to keep community sentiment positive for future airdrops

Project	Airdrop Date	Score	Key Sentiment Notes
Pudgy Penguins	Dec 17, 2024	10	Highly positive, community expectations largely met - high percentage of token supply went to Pudgy Penguin NFT holders
Hyperliquid	Nov 29, 2024	9	Very positive, early adopters of the protocol were heavily rewarded
Berachain	Feb 6, 2025	8	Positive, strong community support - sizeable percentage of token supply went to ecosystem NFT holders
ZKsync	March 24, 2024	8	Positive, highly anticipated with strong engagement - <u>network congestion reportedly</u> caused some delays in airdrop claims
Grass	Oct 28, 2024	8	Positive, some <u>minor concerns</u> about over-farming
Eigenlayer	May 10, 2024	7	Positive, <u>some discontent</u> expressed regarding the linear distribution model,

			which rewarded whales over smaller early adopters
Story Protocol	Feb 7, 2025	7	Positive, early testers were rewarded
Wormhole	Apr 3, 2024		Positive, <u>some discontent</u> expressed from NFT holders who missed the eligibility criteria, which required obtaining a specific role in the Discord server
Kaito	Feb 20, 2025	5	Mixed, <u>concern expressed</u> regarding over-allocation to insiders
Magic Eden	Dec 10, 2024	5	Mixed, challenging claiming process and <u>concern expressed</u> over the security of Magic Eden's wallet application, which it required users to download in order to claim their airdrop tokens
Starknet	Feb 20, 2025	4	Mixed, <u>some criticisms</u> that airdrop farmers were able to exploit eligibility mechanisms for a larger airdrop share
Scroll	Oct 22, 2024	3	Some negative sentiment, <u>criticism expressed</u> regarding prevalence of airdrop farming and over-allocation to insiders
Redstone	Mar 6, 2025	2	More negative sentiment, <u>significant pushback</u> regarding last minute changes to the community airdrop allocation

Source: Binance Research, Grok AI

If airdrops are to remain a useful tool for decentralized community building, the industry should explore continuous improvements, learning from past experiences to optimize the process.

3.1 Learning from Past Mistakes

Here, we highlight case studies from which the industry can learn. **The goal is not to criticize the mentioned projects, but to provide concrete examples of actions that led to community discontent**. Future projects conducting airdrops can learn from these past mistakes.

Reduced Allocations at the Last Minute

Some crypto projects initially promise a certain percentage of tokens to the community but later reduce this, redirecting tokens to insiders or the treasury. The recent Redstone airdrop stirred up significant community backlash when **the team decided to cut the community allocation from 9.5% to 5% ahead of the token distribution date**. Many members of their community perceived this as unfair.

Last minute changes to token allocations may result in discontent amongst a project's community. They may also signal a lack of thought and planning, **which could undermine the community's trust** in the project team.

Lesson: Communicate token allocations well ahead of TGE. Avoid any last-minute changes to these allocations. If changes are absolutely necessary, avoid making unilateral decisions. Instead, discuss the changes with major stakeholders (e.g., investors, community, exchanges) and ensure proper communication.

Opaque Eligibility & Misaligned Expectations

Projects in the past have communicated unclear criteria for airdrop eligibility, leading to uneven rewards that don't necessarily reflect user activity. Scroll's October 2024 airdrop, which distributed 7% of its total SCR token supply (70 million tokens), faced criticism for its arbitrary snapshot and hidden rules.

The snapshot, taken on October 19, 2024, aimed to reward users based on their interactions with the Scroll mainnet, such as transaction volume, frequency, and dApp engagement. However, the lack of transparency in the snapshot mechanics appears to have caused confusion and dissatisfaction. Despite guidelines encouraging asset bridging, contract deployment, and consistent activity, **post-airdrop analysis** reportedly indicated that rewards may not have consistently aligned with these metrics, leading to **accusations of favoritism and arbitrary decision-making**.

Given the prevalence of sybil airdrop farming, projects must balance providing enough information for genuine users to participate while **keeping enough hidden to prevent large-scale exploitation**. As the industry refines airdrop distribution, **improved monitoring** tools should reduce sybil farming, eventually enabling clearer and more transparent airdrop rules.

Lesson: Communicate rules for distribution clearly. Avoid requiring excessive guesswork on the part of users which can often lead to misaligned expectations. (To counter sybil farmers, consider making use of on-chain monitoring or proof-of-humanity tools)

Insider & Influencer-Heavy Distributions

Many projects allocate a larger share to their team, investors, and VCs, leaving less for the community. KAITO's February 2025 airdrop gave 43.3% to team/investors and only 10% to the community, which sparked public debate on X.

In a similar vein, projects may allocate large token amounts to influencers, who may choose to sell immediately, diluting the value for genuine users. KAITO seems to have also sparked controversy for reportedly distributing large allocations to influencers who sold soon after TGE, impacting token price and community trust.

It is important to note that **a portion of tokens must be allocated to the team and investors to provide the project with sufficient runway** to develop their products.

Tokens represent a new method of capital formation, allowing retail investors to access stakes in projects early in their life cycles and giving VCs access to liquid markets at an unprecedented stage. Most revolutionary, **airdrops enable users to acquire stakes in projects without capital investment**, simply by using their products.

The market and industry are still collectively determining the most efficient and fair allocations for this new asset class and its novel distribution methods. Factors such as community sentiment and the appetite of retail and VC investors will continue to guide token allocations for different projects at various development stages. It's crucial to **strike a balance between allocating sufficient tokens to fund ongoing development and rewarding the projects' communities**.

Implementing **vesting periods and token lock-ups for insiders and influencers** are one way of aligning them with the long-term goals of the project, and can help to reduce the impact of selling shortly after the TGE.

Lesson: Be vigilant and take signals from recent and past market responses to token allocation breakdowns by projects of similar nature or size. Implementation of vesting periods can help to reduce initial sell pressure and better align insiders with the project's long-term goals.

Technical Barriers to Claim Processes

While not always 100% preventable, complicated or buggy claim processes can hinder users from claiming tokens, effectively reducing payouts and largely undermining the intended purpose of an airdrop claim process.

The technical barriers posed by such processes, as may be seen in Magic Eden's December 2024 airdrop, directly counteract the goal of onboarding new users and encouraging specific behaviors. **Magic Eden aimed to promote its mobile wallet application through the airdrop, but reports of glitches and reportedly unclear instructions on X appears to have led to user frustration** instead of excitement.

A poor user experience not only reduces the number of successful claims, allowing the project to retain more tokens, but also **conflicts with the objective of fostering positive first impressions and sustained interaction**, as discouraged initial users are less likely to explore the product further.

Lesson: Airdrop claims are a key initial touchpoint for many potential users. Ensure the process is smooth and convenient to increase the chance of user retention.

04 / How Can We Improve Airdrops?

4.1 Increase Focus and Transparency

Transparency has always been one of the core tenets of the crypto industry, and is one of the key tools in a team's arsenal for building robust and loyal communities.

Crypto is often a community-driven, even community-reliant space. Crypto projects and founders **not only need to ensure their products are robust and useful, but also that their community is well-led and purpose-driven**. This is even more important during the early stages of a project, particularly if that project has launched or is about to launch a token.

When used correctly, **airdrops and token incentives can encourage behaviours that benefit a project's products and ecosystem**. We urge projects to develop a clear focus for any airdrop or token incentive programs and communicate this focus clearly to their communities to minimize misalignments and misunderstandings.

Airdrops generally serve to either reward (in the case of "Retroactive Airdrops") or encourage (in the case of "Engagement Airdrops") specific behaviors from a project's user base. **These behaviors should align with what the project team deems most beneficial for the project's health**. By clearly communicating their focus, project teams can **align their community with their goals and vision, reducing discontent regarding the weight given to different behaviors** in airdrop allocations.

For Retroactive Airdrops	For Engagement Airdrops
<p>Ensure your distribution metric is clearly communicated to your user base before the airdrop is made claimable.</p> <p>Continuously communicate with your community to ensure the majority are aligned with the types of behaviours that would be most beneficial to the project's health.</p>	<p>Provide airdrop distribution metrics (point-to-token ratios, wallet activity thresholds, task weightings etc.) as clearly as possible to your community, and avoid making changes to them once publicly published.</p> <p>This helps to set expectations and provides a clear signal to your community about what actions are most</p>

This can help to reduce negative sentiment arising from any misalignment of expectations.	beneficial to the protocol at an early stage.
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4.2 More Community Involvement

Software and products can be built fast; but community building often takes more time. A project's token often encompasses both aspects; a software product as well as the community behind it. Our industry rightfully applauds teams that can execute and deliver quickly, but **we encourage teams to take more time when it comes to the community-linked aspects of their project - of which a token makes a large part.**

While transparency from a project team regarding the project's goals and mission can help to align their community, it can only align to a certain extent. Especially for goals and missions that may be more complex or abstract, **a project may need to put in further efforts to involve and receive direct feedback from their community** in order to grow it.

Crypto is an incredibly open and barrierless industry; and we should strive to keep it that way. The lower the barriers to entry however, the lower the barriers to exit. **Open blockchain protocols make it easier than ever for our users to move elsewhere with their funds and attention.** In the long run, people will gravitate towards projects that not only communicate their vision clearly and transparently, but also **make their communities feel valued and heard.**

For any airdrop:

Consider including your project's community in the decision-making process for airdrop allocations and weightages. This can alleviate the amount of misalignment by (1) giving users a voice in the decision process, and (2) giving the project team a direct line of feedback to user preferences.

4.3 Better Monitoring

As the industry continues to mature, we've begun to **develop more sophisticated on-chain tools for execution and monitoring.** We've seen projects like [LayerZero](#) and work with Nansen (an on-chain analytics firm) to identify and disqualify sybil airdrop farmers from receiving tokens.

Although we haven't seen them take-off en masse yet, **proof-of-humanity tools which preserve user anonymity and privacy could also be useful** in preventing the "gaming" of airdrops in the future.

We can likely expect that as the industry's monitoring tools continue to improve and become more widely available, it will become easier for projects to identify and disqualify unwanted airdrop farming activity; thus such activity should eventually be reduced to a minimum in the long run.

For any airdrop:

Especially for larger and more valuable airdrops, **consider the benefits for your project and community of utilizing on-chain monitoring or proof-of-humanity tools** to identify and disqualify sybil farming activity from receiving tokens. Greater leadership from projects on this front signals their commitment to ensuring fairness, and contributes to reducing unwanted farming activity for the industry as a whole.

05 / Closing Thoughts

Crypto tokens are a new type of asset; and token airdrops are an even newer type of distribution mechanism. Once a project decides to launch a token, that asset often becomes the Schelling point behind which their entire community will rally. **The airdrop process is the community's very first interaction with this asset - and can set the tone for months, if not years to come.**

Moving forward, we can likely expect further inefficiencies as the market continues to collectively determine how to price and allocate this new asset and its revolutionary means of distribution. As an industry however, projects and users alike should remain vigilant and acutely aware that **the actions we take with regard to the handling of airdrops today, will shape the way airdrops and other forms of token distribution develop** for the future.

06 / References

1. <https://www.bitget.com/news/detail/12560604235522>
2. <https://beosin.com/zh/resources/a-closer-look-at-the-anti-sybil-mechanism-under-the-arbitrum>
3. <https://members.delphidigital.io/reports/do-airdrops-hurt-more-than-they-help>

07 / New Binance Research Reports

The Future of Bitcoin #4: DeFi [Link](#)

A detailed breakdown of Bitcoin's emerging role in DeFi



Monthly Market Insights - March 2025 [Link](#)

A summary of the most important market developments, interesting charts and upcoming events



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Binance Research is the research arm of Binance, the world's leading cryptocurrency exchange. The team is committed to delivering objective, independent, and comprehensive analysis and aims to be the thought leader in the crypto space. Our analysts publish insightful thought pieces regularly on topics related but not limited to, the crypto ecosystem, blockchain technologies, and the latest market themes.

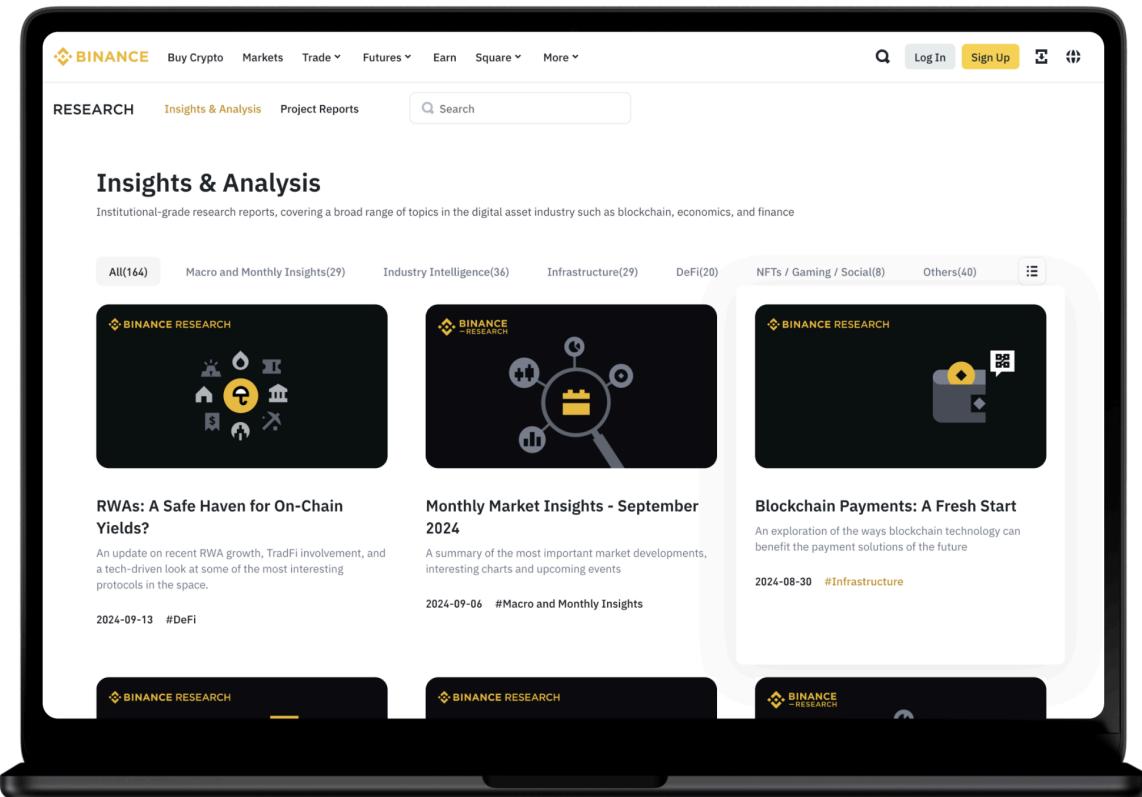


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