

Exploring the **SocialFi** Landscape in 2024:

Insights on the Path Forward,
Market Trends, and Future
Directions



SocialFi



Abstract

- The SocialFi market is projected to experience rapid growth, with an estimated compound annual growth rate of 45%, reaching \$12.5 billion by 2030.
- Interest in SocialFi is particularly strong in Asia, especially in East Asia and Southeast Asia.
- As of November 2024, the Total Value Locked (TVL) in SocialFi has fallen from \$40.83 million at the start of the year to \$22.17 million, a decrease of 45.7%.
- In 2024, the number of active addresses on SocialFi platforms surged by 170.68%, but transaction volumes plummeted by 73.91%, indicating that while more users are engaging, transactions are not as active.
- Ethereum and Base are the leading platforms in SocialFi, making up the primary competitive landscape.
- Galxe stands out with 4 million active wallet addresses, attracting many users through its comprehensive task system and various rewards.
- The Farcaster protocol saw nearly a 20-fold increase in users in 2024, but its revenue growth slowed significantly after July.
- Friend.tech experienced rapid growth in users and transaction volumes from August to October 2023, but this growth has since decelerated.
- Overall, the SocialFi sector struggled in 2024, with a notable decline in total market value for tokens; the average drop for the top 10 tokens was 36.41%, significantly lower than the overall market trend.
- Financing in the SocialFi sector reached \$469 million, ranking sixth, but the amount is relatively small, with most funding occurring in seed and strategic rounds.

Keywords:

SocialFi, Farcaster, Friend.tech, Galxe

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1 Introduction

In 2021, CZ's hopeful forecasts about SocialFi sparked excitement across the crypto community. However, the crypto winter of 2022 dimmed many projects. SocialFi, a Web3 concept merging social interaction with finance, was expected to transform online communication. Yet, after the market correction, its growth faced significant challenges. Despite its potential, declining user engagement and unsustainable business models quickly diminished its appeal.

SocialFi has made notable progress in the past year, with popular projects like Farcaster, CYBER, Friend.tech, and Fantasy.top emerging. This suggests decentralized social networking is entering a more open and rapidly expanding phase. Although SocialFi's scale in 2024 is still much smaller than other sectors, the strong viral nature and appeal of social projects may draw renewed attention to this space.

This report will provide a data-driven analysis of the SocialFi market's performance in 2024, covering various aspects such as market size, user growth, key project performances, token trends, and funding situations.

2 Overview of SocialFi

2.1 Background of SocialFi

Since ancient times, humans have engaged in social interactions to fulfill various needs. With the rise of the internet, socializing has shifted online, enabling people to connect with others worldwide at any time. Numerous social platforms have emerged to cater to our needs for information, entertainment, and social connections. These platforms have evolved from simple text communication to interactive live streams, offering increasingly diverse ways to engage socially.

The evolution of the social industry can be divided into several key stages:

Figure 1: Development History of the Social Industry

Development History of the Social Industry

Traditional Social Era (Early 20th Century - 1970s)	During this time, people mainly interacted through traditional methods like letters and phone calls. Communication was straightforward, and social circles tended to be quite closed off.
Emergence of Internet Socializing (1980s - 2005)	As the internet began to grow, new platforms like chat rooms, forums, and dating sites started to appear. People began forming social connections online, sharing information and opinions in the virtual world.
Explosion of Social Media (2005 - 2015)	The rise of social media platforms such as Facebook and Twitter created a global wave of social interaction. These platforms expanded their features significantly, moving from simple text exchanges to include photo and video sharing and even live interactions, leading to a massive increase in users.
Maturity of Social Media (2015 to Present)	Social media platforms have become more established, and their user bases have stabilized. However, they now face significant challenges, including protecting user privacy, verifying the authenticity of information, and managing content.
Intelligent Social Era (Present)	The use of artificial intelligence and big data has opened up new opportunities for social media. Platforms can now use algorithms to provide personalized content recommendations, enhancing users' social experiences. Additionally, new trends like social e-commerce and social gaming are emerging, further diversifying the ways people interact online.

Gate Research, Data from : hanghangcha

 Gate Research

However, traditional social media platforms like Facebook and Twitter, while connecting billions of users, also present several challenges due to their centralized nature:

- **Data Privacy Concerns:** These platforms collect extensive personal data from users, which could be leaked, misused, or exploited for profit, compromising user privacy.
- **Algorithmic Control of Content:** Platforms use algorithms to filter and recommend information, often leading to echo chambers that limit users' exposure to diverse viewpoints.
- **Platform Monopoly:** These platforms exert total control over user data and content, making it difficult for users to break free from their constraints, often with rules that may not favor users.
- **Unfair Profit Distribution:** While platforms profit from advertising and user data, content creators often receive little to no compensation.

To address these issues, decentralized social networks have emerged. Utilizing blockchain technology, these networks decentralize data storage, enhancing security and privacy. However, established centralized platforms have created strong ecosystems, making switching challenging for users. The rise of SocialFi, which merges social interaction with financial incentives, offers a compelling reason for users to move toward decentralized social networks.

2.2 Definition of SocialFi

2.2.1 What is SocialFi?

SocialFi, short for social finance, is an innovative internet model that merges social media with decentralized finance (DeFi). It combines the interactive nature of social networks with the security and transparency of blockchain technology, creating an ecosystem where users can engage, collaborate, and earn economic rewards.

Here's how it works:

- **User Registration:** Users create a digital wallet and connect to the SocialFi platform to register.
- **Content Creation:** Users publish various types of content on the platform, including text, images, and videos.
- **Interaction:** Users can engage with each other through likes, comments, and shares.
- **Rewards:** The platform rewards users with cryptocurrencies or NFTs based on their contributions.
- **Community Governance:** Users participate in platform governance through voting and other methods, helping to shape the platform's future.

2.2.2 Advantages of SocialFi

SocialFi effectively combines social interaction with financial incentives, allowing users to earn potential economic rewards for every action they take on the platform, whether it's liking, commenting, or browsing. Thanks to blockchain technology, SocialFi ensures that users own their data and that the platform operates fairly, transparently, and immutably through smart contracts. Additionally, SocialFi utilizes a decentralized governance model (DAO), allowing users to take part in managing the platform. Here are three key advantages of SocialFi:

- **Ownership and Incentives:** SocialFi gives users complete ownership of their data and content through blockchain-native assets like tokens and NFTs. Users can create content, participate in community governance by holding tokens, and share in the platform's economic success. This fundamentally changes the Web2 dynamic where "the platform profits while users get little."
- **Open Data and Interoperable Identity:** SocialFi provides users with a unified and verifiable digital identity using a public-private key system. Users can easily switch between different Web3 applications without re-establishing trust. Moreover, on-chain data is highly interoperable, breaking down the data silos typical of Web2 platforms.

- **Composable Open Ecosystem:** Built on open blockchain protocols, SocialFi allows developers to create their applications based on these protocols. This flexibility enhances the SocialFi ecosystem's vibrancy and fosters innovation.

3 SocialFi Market Size Prediction—Rapid Growth at a 45% CAGR

Decentralized social networks and SocialFi are closely related concepts in the Web3 space, each with its own focus.

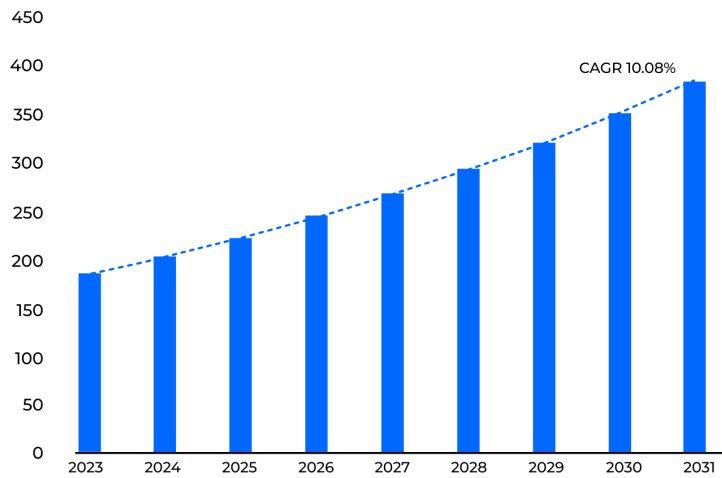
- Decentralized social networks prioritize decentralized infrastructure and governance, aiming to solve issues like data privacy and content censorship found in traditional social platforms. They offer users a safer and more open social experience.
- SocialFi builds on these decentralized networks by integrating financial elements, linking social behavior with economic incentives.

Market forecasts indicate strong growth for decentralized social networks and the SocialFi market.

According to Market Research Intellect, the decentralized social network market was valued at \$18.6 billion in 2023 and is projected to rise to \$36.44 billion by 2031, with a compound annual growth rate (CAGR) of 10.08% from 2024 to 2031.

Figure 2: Global Market Size for Decentralized Social Networks (in 100 millions)

Global Market Size Forecast for Decentralized Social Networks (in 100 million USD)



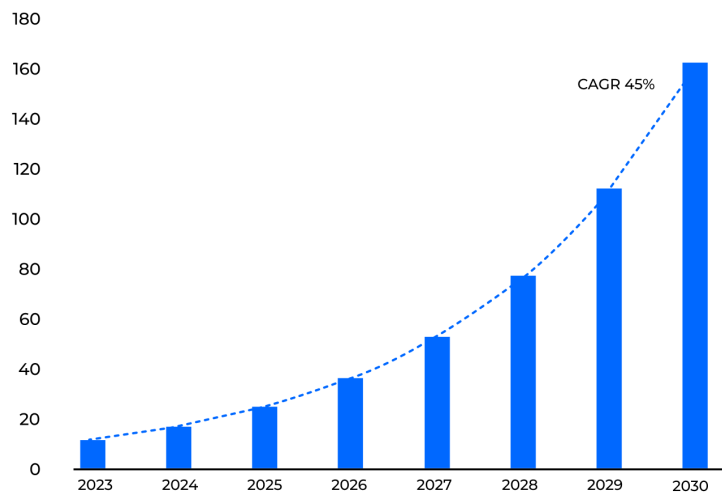
Gate Research, Data from : Market research Intellect

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Verified Market Reports estimate that the SocialFi market will skyrocket from \$1.2 billion in 2023 to \$12.5 billion by 2030, with a staggering CAGR of 45%. By introducing financial elements like token rewards and NFTs, SocialFi directly translates users' social value into economic value, significantly boosting user engagement and driving rapid market expansion. The positive impact of this economic incentive model is evident in the higher market CAGR.

Figure 3: Global Market Size for SocialFi (in 100 millions)

Global Market Size Forecast for SocialFi (in 100 million USD)



Gate Research, Data from : Verified market Reports

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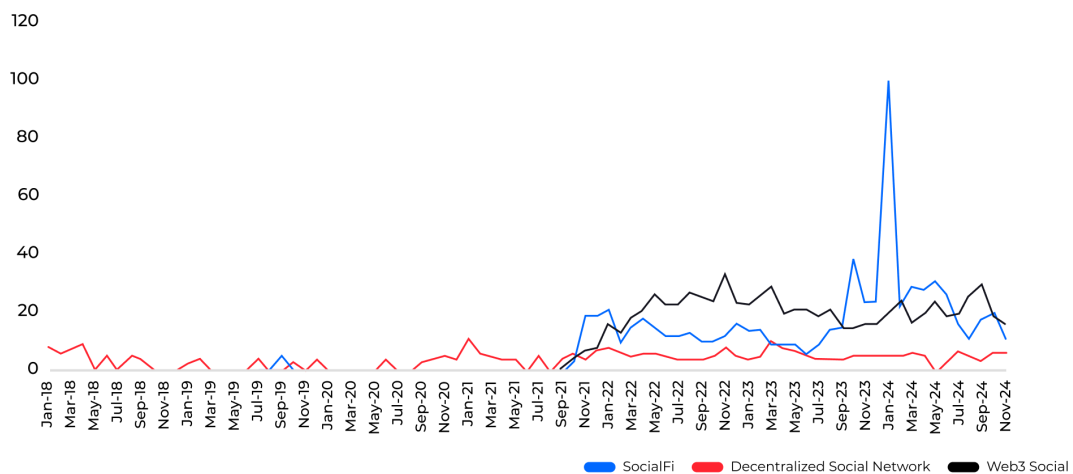
The swift rise of decentralized social networks and SocialFi reflects users' growing demand for social platforms that are safer, more open, and offer economic incentives. As a vital component of decentralized social networks, SocialFi combines social interaction with finance, providing users with a fresh social experience and invigorating the Web3 ecosystem.

4 SocialFi Popularity Analysis—High Interest in SocialFi in Asia, High Searches for Decentralized Social Networks in Europe and America

Google Trends data indicates that interest in SocialFi surged significantly in 2022, peaking notably in early 2024. This trend shows a widespread interest in the potential of merging social media with blockchain technology.

Figure 4: Search Interest for “SocialFi,” “Decentralized Social Network,” and “Web3 Social” from 2018 to 2024

Search Popularity Trends for "SocialFi", "Decentralized Social Network", and "Web3 Social" (2018-2024)



Gate Research, Data from: Google Trend

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Comparing interest in SocialFi and Decentralized Social Networks across different regions reveals some intriguing differences.

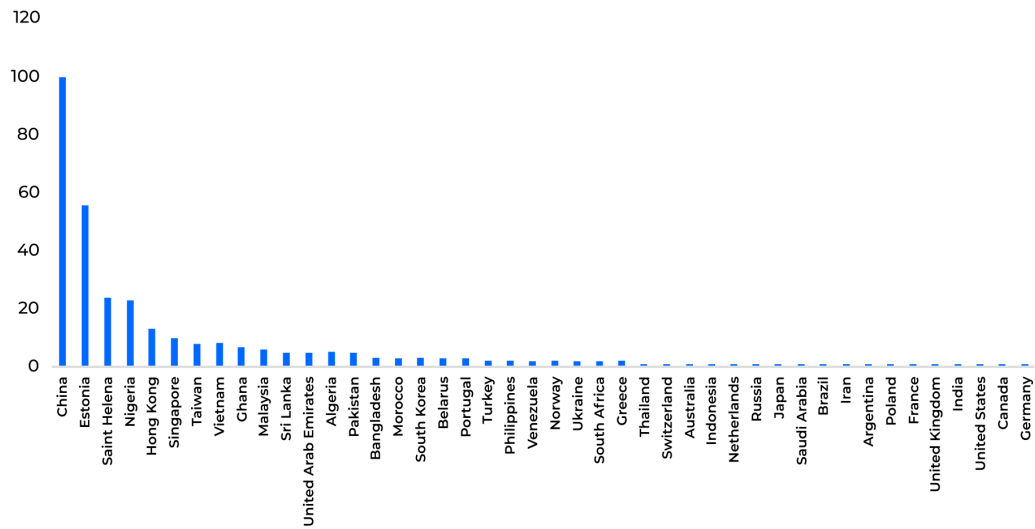
- In Asia, particularly in East Asia and Southeast Asia, there is a strong interest in SocialFi. This aligns with the rapid internet development in these regions, high acceptance of new technologies, and a strong reliance on social media. The SocialFi model, which combines social and financial elements, meets Asian users' demands for an efficient and convenient online lifestyle while offering them additional economic incentives.

- In contrast, Europe and America show greater interest in Decentralized Social Networks. Areas like Hong Kong, Israel, and Switzerland place a high value on data privacy and user sovereignty. As mentioned earlier, Decentralized Social Networks emphasize decentralized governance and data privacy, aligning more closely with the values of users in these regions regarding the digital landscape.

Overall, these differences highlight the varying needs and values related to social media among users in different areas. As Web3 technology advances, these differences may gradually lessen, but regional preferences for social media are likely to persist over the long term.

Figure 5: Search Interest for "SocialFi" in Various Countries from 2018 to 2024

Search Popularity Trends for "SocialFi" by Country (2018-2024)

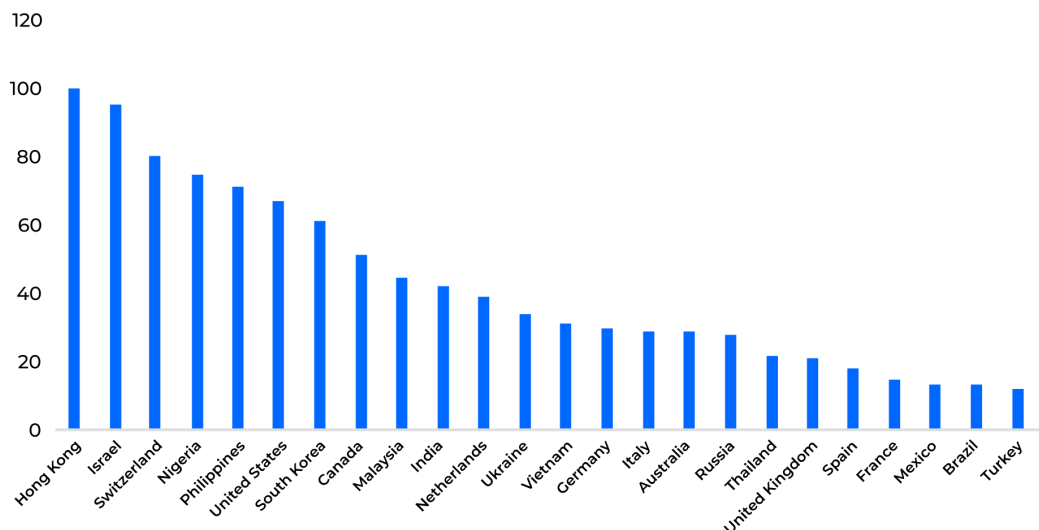


Gate Research, Data from: Google Trend

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Figure 6: Search Interest for "Decentralized Social Network" in Various Countries from 2018 to 2024

Search Popularity Trends for "Decentralized Social Network" by Country (2018-2024)



Gate Research, Data from: Google Trend

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5 2024 SocialFi Market Fundamental Analysis

Currently, SocialFi's total market capitalization is approximately \$1.262 billion, which is only about one ten-thousandth of the total cryptocurrency market. This figure is significantly lower than mainstream sectors like DeFi and GameFi, placing SocialFi in a relatively marginal position. Compared to Web2 social giants, the scale effects of Web3 social platforms are not very pronounced. While Web3 social solutions offer more decentralization and privacy, traditional platforms like Twitter and Telegram have already established large user bases and ingrained usage habits, leading to high costs for users to switch platforms. This creates significant challenges for Web3 social platforms in attracting new users. Moreover, the SocialFi space has yet to see a truly dominant killer application and remains in its early development stage. In 2023, projects such as Lens, CYBER, and Friend.tech gained popularity, highlighting a clear upward trend in SocialFi. These projects not only became hot topics within the community but also revitalized the entire social sector.

As we move into 2024, the SocialFi space continues to gain momentum with ongoing innovations. At the start of the year, the second version of friend.tech was launched, Holoworld officially debuted, and Forgotten Playland secured significant funding, bringing fresh energy into the sector. Fantasy.top quickly followed suit, launching strongly in early April, with daily active users surpassing ten thousand. Additionally, Farcaster completed a \$150 million funding round at the end of May, and following this news, its daily active users hit an all-time high.

5.1 Analysis of Total Locked Value (TVL) in the SocialFi Market

SocialFi incorporates DeFi elements to enable users to manage and grow their assets through social interactions, offering features like staking, lending, and trading. This encourages users to lock their assets on the platform for returns. However, according to Defillama, as of November 15, 2024, the total locked value (TVL) in the SocialFi market has fallen from \$40.83 million at the beginning of the year to \$22.17 million, marking a decline of 45.7%. In August 2023, the launch of Friend.Tech sparked excitement in the SocialFi market, leading to a rapid increase in TVL. Following this, introducing projects like Friend.tech, CYBER, Farcaster, Fantasy.top, and Galxe kept the social ecosystem vibrant, further boosting market TVL. However, since early May 2024, the TVL in the SocialFi market has begun to decline, likely due to changes in the macroeconomic environment, stricter regulations, decreasing market enthusiasm, and underperformance of certain projects.

Figure 7: Trend of Total Locked Value (TVL) in the SocialFi Market in 2024

Trend of Total Value Locked (TVL) in the SocialFi Market in 2024 (USD)



Gate Research, Data from: Defillama, 2024.11.15

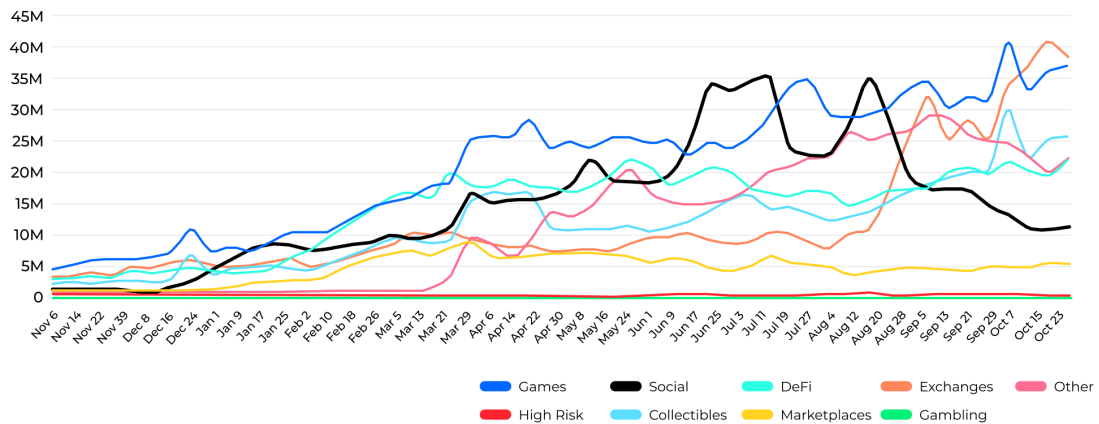
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5.2 User Analysis of the SocialFi Market

Data from DappRadar indicates that early 2024 saw strong growth in user activity on SocialFi platforms. Notably, the number of unique active wallets (UAW) in the SocialFi sector surpassed that of exchanges, DeFi, and NFT sectors, ranking just behind the gaming industry. This suggests that interest in SocialFi platforms continued to rise at the start of 2024.

Figure 8: Trend of Unique Active Addresses (UAW) for Different Types of Dapps in 2024

Trend of Unique Active Addresses (UAW) for Different Types of Dapps in 2024



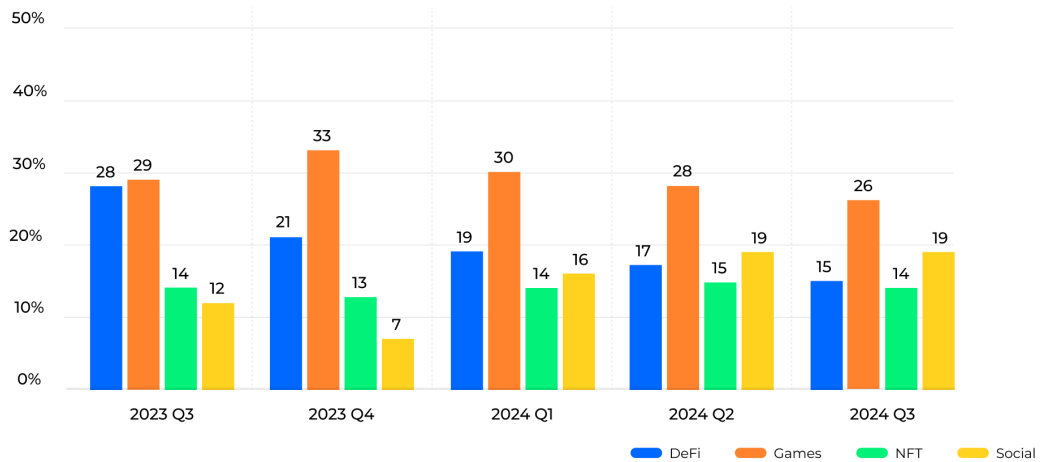
Gate Research, Data from: DappRadar, Nov.4,2024

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According to DappRadar, the user activity share of Social Dapps steadily increased throughout 2024. The first quarter saw a 9% growth, and the second quarter experienced a remarkable 66% increase, attracting nearly 2 million UAW daily on average. This growth is largely attributed to innovative features on Social Dapp platforms, such as DappRadar's Quests, Farcaster's Frame, and Galxe's staking, as well as the overall rising popularity of the Web3 ecosystem. Farcaster, in particular, saw rapid user growth after launching its Frame feature, while popular Dapps like Fantasy.top also contributed new energy to the social ecosystem.

Figure 9: User Activity Share for Different Types of Dapps in 2024

Proportion of User Activity for Different Types of Dapps in 2024



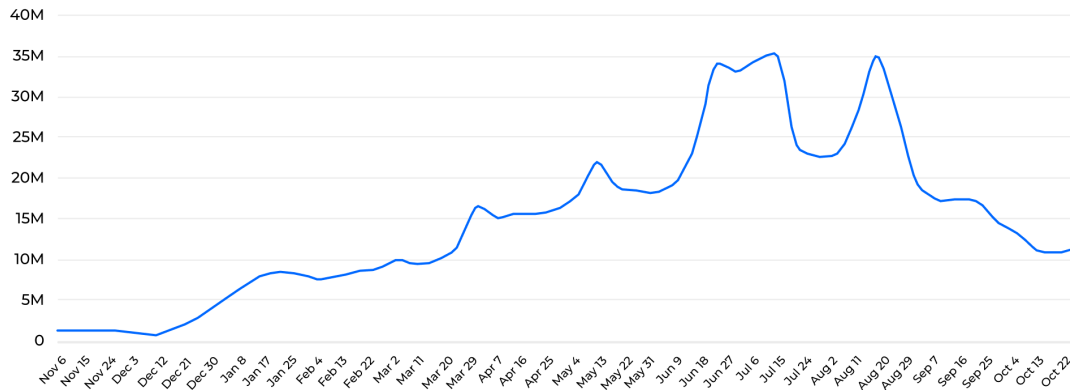
Gate Research, Data from: DappRadar

Gate Research

In 2024, there was a significant increase in active addresses on SocialFi platforms. As of November 4, 2024, active addresses reached 11.91 million, a 170.68% increase from 4.4 million at the start of the year. There were also two small peaks in active addresses between June and August, primarily driven by airdrop campaigns from "familiar social" Web3.0 platforms like UXlink and CARV, as well as the introduction of DappRadar's Quests feature, financing news from Farcaster, new features from Warpcast, and Galxe's GAL staking. The airdrop activities from UXlink and CARV likely played a significant role in triggering these peaks.

Figure 10: Trend of Unique Active Addresses (UAW) on SocialFi Platforms in 2024

Trend of Unique Active Addresses (UAW) for SocialFi Platforms in 2024



Gate Research, Data from: DappRadar, 2024.11.04

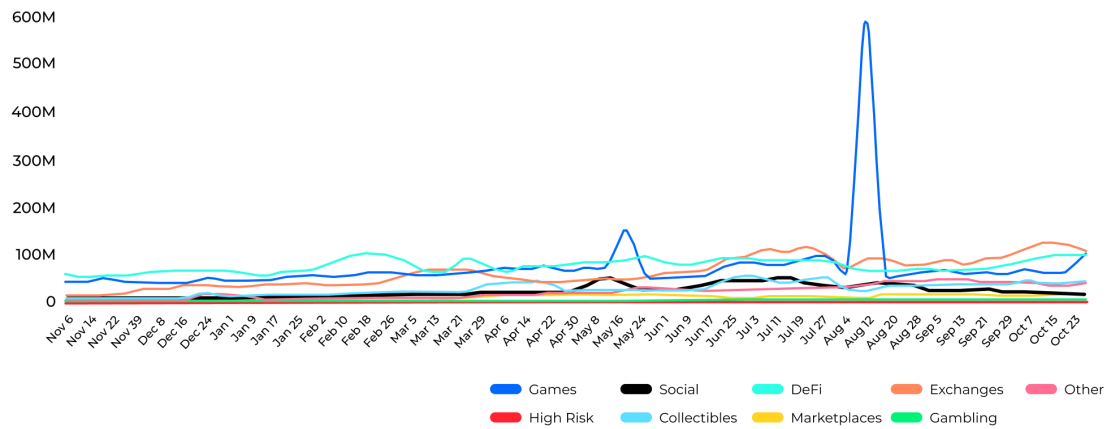
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5.3 Analysis of Transaction Numbers in the SocialFi Market

Based on transaction data from various platforms on DappRadar, trading platforms and games continue to lead in transaction numbers. As of November 4, trading platforms recorded 109.42 million transactions, a 236.99% increase since the beginning of the year; the gaming industry reached 107.99 million transactions, growing by 48.58%. The DeFi sector followed closely with 101.09 million transactions, an increase of 54.69%. Although SocialFi platforms recorded only 21.55 million transactions, which is significantly lower than the gaming and DeFi sectors, it still saw a remarkable growth of 102.35%, outpacing other sectors.

Figure 11: Transaction Trends for Different Platforms in 2024

Trend of Transaction Numbers for Different Platforms in 2024



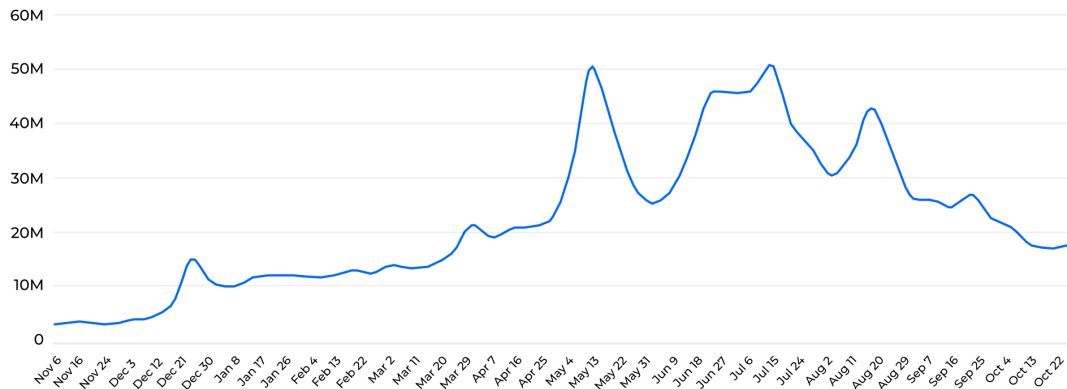
Gate Research, Data from: DappRadar, 2024.11.04

Gate Research

Comparing the trends of unique active addresses (UAW) on SocialFi platforms, it's clear that there is a strong positive correlation between transaction numbers and active addresses in 2024. This indicates that as the number of active addresses increases, the frequency of transactions also rises. A combination of similar factors contributed to this growth trend. The launches of projects like UXlink, CARV, and Farcaster, along with the introduction of Galxe staking and DappRadar Quests, successfully attracted a large number of users through incentives, innovation, and platform promotion, thereby driving the increase in transaction numbers.

Figure 12: Transaction Trends on SocialFi Platforms in 2024

Trend of Transaction Numbers for SocialFi Platforms in 2024



Gate Research, Data from: DappRadar, 2024.11.04

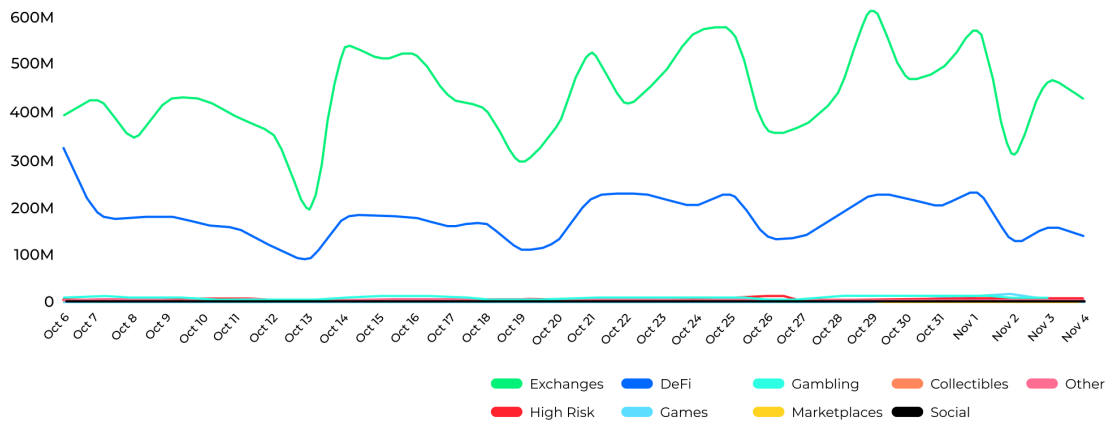
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5.4 Analysis of Transaction Volume in the SocialFi Market

Trading platforms and DeFi have long dominated transaction volumes, closely related to the characteristics of these two sectors. However, since 2024, there has been a significant decline in transaction volumes across other sectors, particularly on SocialFi platforms. The transaction volume on SocialFi platforms dropped from \$98.68 million at the beginning of the year to \$25.75 million by November 4, reflecting a 73.91% decrease. This trend may be attributed to the inherent volatility of the SocialFi industry, unstable user participation, and the continued decline in token prices.

Figure 13: Transaction Volume Trends for Different Platforms in 2024

Trend of Transaction Volumes for Different Platforms in 2024



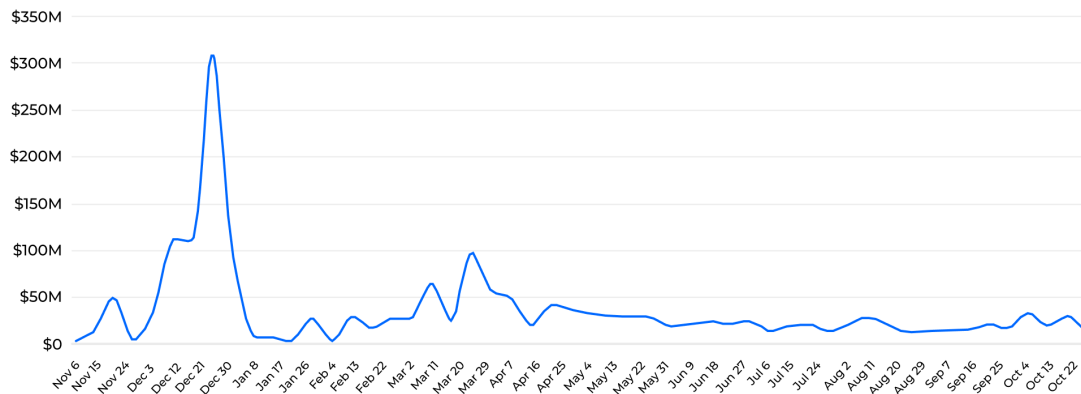
Gate Research, Data from: DappRadar, 2024.11.04

Gate Research

Compared to the fluctuations in active addresses and transaction numbers, the transaction volume on SocialFi platforms in 2024 demonstrates a more stable downward trend. While the launch of some popular projects, like the initial success of Farcaster, briefly generated excitement in the market, transaction volumes quickly returned to previous levels as the market began to cool down. Although interest in SocialFi platforms has grown, the absence of attractive financial mechanisms has hindered sustained growth in transaction volumes.

Figure 14: Transaction Volume Trends on SocialFi Platforms in 2024

Trend of Transaction Volumes for SocialFi Platforms in 2024



Gate Research, Data from: DappRadar, 2024.11.04

Gate Research

Despite the decline in transaction volumes, the number of active addresses and transaction counts on SocialFi platforms continues to rise, particularly with a notable increase in active addresses. This suggests that the SocialFi ecosystem is still drawing in many new users, contributing to the industry's growth.

6 2024 Data Analysis of Various SocialFi Protocols

The evolution of SocialFi protocols can be divided into two main phases: the SocialFi 1.0 phase, which was primarily driven by tokens and focused on data ownership, profit sharing, and user control, but faced challenges such as poor user experience and product uniformity. Projects in this phase mainly concentrated on building infrastructure, decentralized content platforms, and issuing Social Tokens.

The SocialFi 2.0 phase emphasizes soulbound tokens (SBTs), data value, and the development of social protocol ecosystems. With the introduction of SBTs, users can possess more representative identities in the Web3 space, while exploring and utilizing data value have become new focal points. Projects in this phase are categorized into foundational infrastructure and upper-level applications, creating an ecosystem of internal and external interactions.

As technologies like SBTs mature and application scenarios expand, the SocialFi 2.0 ecosystem is thriving. Various protocols showcase diverse technological approaches and applications.

A detailed analysis of key data allows us to gain a more comprehensive understanding of the SocialFi ecosystem’s structure.

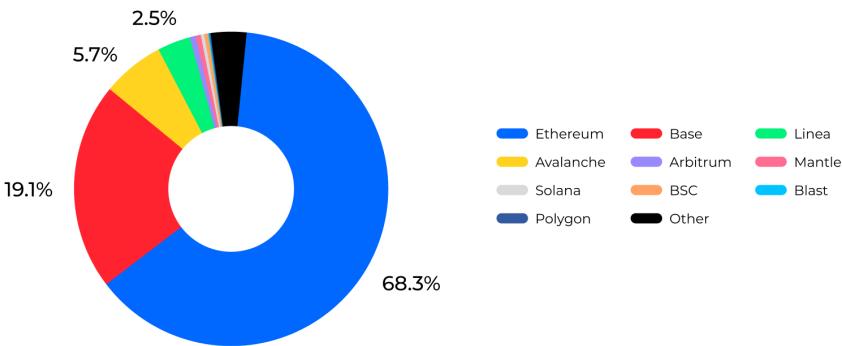
6.1 Distribution of TVL among SocialFi Protocols: Ethereum and Base as the Main Battleground

According to Defillama data, Ethereum commands a 68.3% share of the total locked value (TVL) in SocialFi protocols. This is closely linked to its mature ecosystem, robust developer community, and extensive DeFi infrastructure. Base, as a Layer 2 solution for Ethereum, has quickly risen in prominence due to its low-cost and high-efficiency features, capturing 19.1% of the market. Other chains, such as Avalanche and Linea, also hold some market share, but Ethereum and Base remain the primary battlegrounds for SocialFi protocols.

Base has rapidly established itself as a leading Layer 2 option for Ethereum, attracting numerous SocialFi projects due to its low transaction fees and strong ecosystem support. Its focus on social and consumer applications, combined with backing from Coinbase, has drawn many users and developers. Social products like Friend.Tech are flourishing on Base, demonstrating its potential in the social realm. Farcaster, closely associated with Base, further strengthens Base’s position in the social sector. Overall, Base’s emergence has injected new energy into the SocialFi ecosystem, while Ethereum’s foundational strength and influence remain significant.

Figure 15: TVL Share of Public Chains in SocialFi Protocols in 2024

Proportion of Total Value Locked (TVL) for SocialFi Protocol Public Chains in 2024



6.2 Active Wallet Addresses in SocialFi Protocols: Galxe Leads by a Wide Margin

According to Dune data, as of November 2024, Galxe leads the SocialFi protocols with around 4 million active wallet addresses. This indicates that Galxe has achieved notable success in community engagement and user growth, with its comprehensive task system and diverse reward mechanisms effectively attracting a large user base.

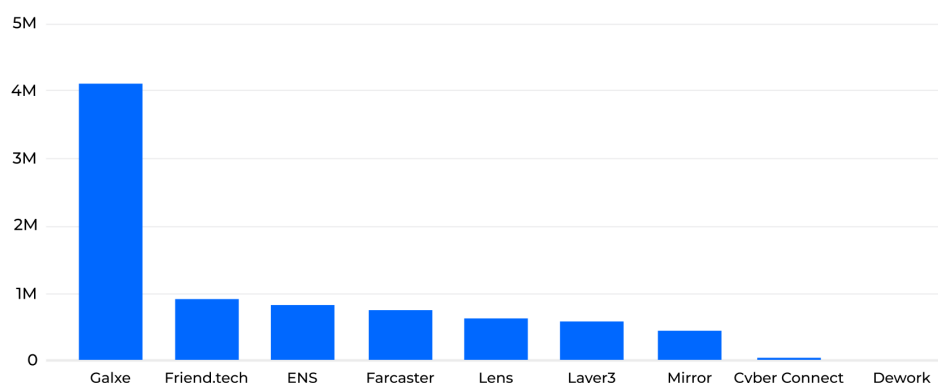
Following closely is Friend.tech, which has over 90,000 active wallet addresses.

Friend.tech's innovative social trading model has successfully engaged many users. Other protocols like ENS, Farcaster, and Lens also performed well, with over 80,000, 70,000, and 60,000 active wallet addresses, respectively.

While having fewer active wallet addresses, protocols such as Layer3, Mirror, Cyber Connect, and Dework still showcase unique advantages in their specific niches. For instance, Layer3 focuses on decentralized identity verification, Mirror emphasizes decentralized content creation, Cyber Connect offers social graph protocols, and Dework is dedicated to decentralized collaboration.

Figure 16: Active Wallet Address Counts on SocialFi Platforms (November 2024)

Number of Active Wallet Addresses for SocialFi Platforms in 2024 (as of November 2024)



Gate Research, Data from: Dune Analytics, 2024.11

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6.3 Analysis of Representative SocialFi Protocol Data

Based on the ranking of SocialFi protocol addresses mentioned earlier, we can categorize the currently active SocialFi protocols into three main types:

- **Social Infrastructure:** These protocols support SocialFi applications, such as identity verification, data storage, and social graphs. Representative projects include Farcaster, Lens Protocol, and CyberConnect.
- **Social Applications:** These protocols focus on creating social products that enable user interaction and content creation. Representative projects include Friend.tech and Mirror.
- **POAP Task Rewards:** These protocols incentivize user participation in community activities by issuing POAPs (Proof of Attendance Protocol) and providing rewards. Representative projects include Galxe and Layer 3.

Next, we will detail representative SocialFi protocols from each category.

6.3.1 Social Protocol: Farcaster

6.3.1.1 Project Overview

Farcaster is a decentralized social protocol built on the Ethereum and Optimism mainnet, designed to create a social ecosystem fully controlled by users. Unlike traditional social platforms, Farcaster does not rely on centralized servers, allowing users to freely create, own, and transfer their social identities and content. Since its inception, Farcaster has garnered support from several renowned investment firms, including a16z and Coinbase Ventures. In July 2022 and May 2024, Farcaster completed funding rounds of *30millionand*150 million, respectively.

Farcaster is constructed on Ethereum and Optimism L2, featuring a three-layer technical architecture:

- **Chain Layer:** Responsible for registering and verifying user identities, ensuring each user has a unique identity on the chain.
- **Data Layer (Delta Graph):** Utilizes distributed storage to keep user-generated content across multiple nodes, enhancing data reliability and security.
- **Application Layer:** Enables developers to create a variety of social applications based on the

Farcaster protocol, including mobile and desktop apps. Developers can leverage the APIs and SDKs provided by Farcaster to quickly build their social products.

6.3.1.2 Protocol Data

Since early 2024, the Farcaster protocol has demonstrated strong user growth. According to Dune Analytics, as of November 2024, its daily active user count (DAU) has skyrocketed from 2,500 at the start of the year to over 47,000, marking an increase of nearly 20 times. The platform peaked user growth in July 2024, with DAU exceeding 100,000. Farcaster is gaining increasing recognition and attention in the decentralized social network space.

Figure 17: Daily Active Users (DAU) Trend of the Farcaster Protocol

Daily Active User Count (DAU) Trend for the Farcaster Protocol



Gate Research, Data from: Dune Analytics, 2022.05-2024.11

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The growth of Farcaster can be categorized into several distinct phases:

Phase One:

Since its inception in 2020, Farcaster's user growth has been slow. However, after gaining the attention of notable investors in 2022 and launching version 3 in 2023, the user base began to expand, stabilizing at around 2,500 daily active users. The real acceleration in growth began with the launch of the Frames plugin in 2024.

Phase Two:

In February 2024, Farcaster's user growth displayed clear stages. With the introduction of the Frame feature by Warpcast and the excitement around meme coins, Farcaster experienced its first significant user surge, surpassing 50,000 daily active users. However, as market enthusiasm waned, user growth began to plateau.

Phase Three:

In April 2024, increased activity in the Base ecosystem revitalized Farcaster, particularly with the ongoing popularity of meme coins like DEGEN, which pushed daily active users above 60,000.

Phase Four:

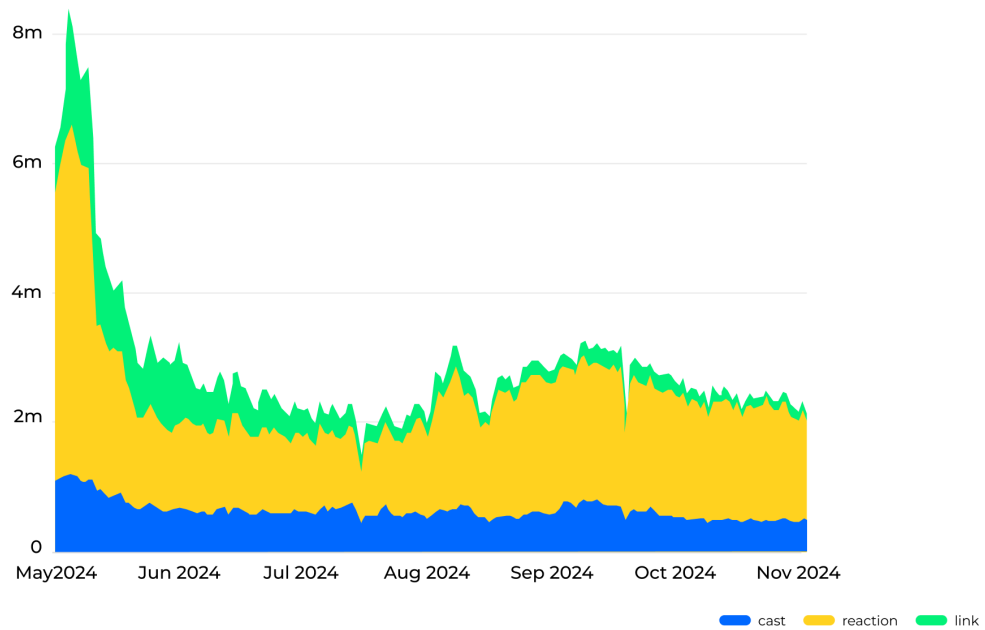
The true breakout occurred in May. Farcaster secured \$150 million in funding and saw a rapid rise in the community-driven meme coin DEGEN, which provided substantial liquidity to the platform. Since Farcaster has not yet issued a native token, DEGEN became the main medium of exchange, greatly facilitating transactions and interactions on the platform. These factors combined led to a peak in user growth in July. Afterward, as initial excitement faded, user growth slowed down.

Farcaster primarily offers three interaction methods: posting content (casts), liking (reactions), and sharing links. Among these, liking is the most commonly used interaction, indicating high user engagement within the Farcaster community, where users express their approval of content through likes. The new Frames feature transforms posted content into interactive applications, further enhancing user engagement and potentially attracting more new users while increasing retention.

Data shows that throughout the observation period, the total number of likes consistently exceeded the number of posts and links shared. This indicates that Farcaster users prefer to express their opinions through likes, contributing to an active community atmosphere. In contrast, the growth of posts and links has been more stable, suggesting that user enthusiasm for content creation and sharing remains steady.

Figure 18: Interaction Volume by Different Methods on the Farcaster Protocol

Farcaster 协议不同交互方式交互体量



Gate Research, Data from: Dune Analytics, 2024.11

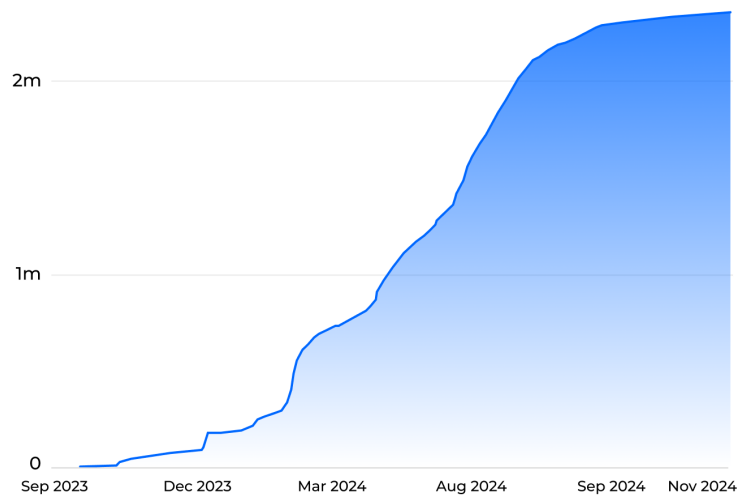
Gate Research

Farcaster's economic model mainly consists of application developers and users. Developers create applications that bring users to the platform and generate storage fees, while users incur on-chain transaction fees through their interactions and data storage. Together, these fees form the primary income source for Farcaster.

Since its launch, Farcaster's revenue has shown clear phase-based growth. As of November 2024, the total revenue of the protocol has reached \$2.6666 million. However, after surpassing the \$2 million mark on July 1, revenue growth has significantly slowed. In the last five months, the protocol has only added about \$600,000 in revenue, indicating sluggish growth.

Figure 19: Accumulated Revenue of the Farcaster Protocol

Cumulative Revenue of the Farcaster Protocol (USD)



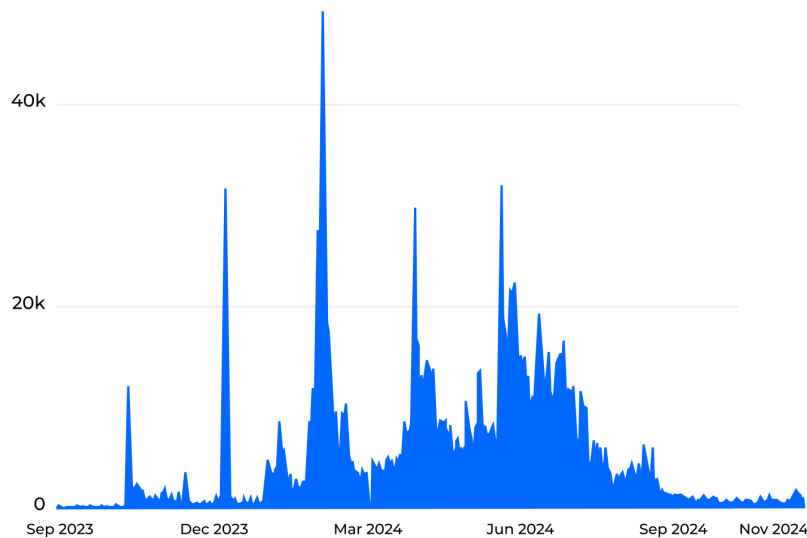
Gate Research, Data from: Dune Analytics, 2024.11

Gate Research

The daily revenue of the Farcaster protocol has experienced significant fluctuations. On February 5, 2024, daily revenue peaked at \$49,725. Following this peak, there was an overall decline, with daily revenue stabilizing around \$10,000 from February to July. However, in October 2024, daily revenue plummeted, falling below \$1,000, a stark contrast to the February peak. User activity and revenue on the platform have reached their lowest point in nearly five months.

Figure 20: Daily Revenue of the Farcaster Protocol

Daily Revenue of the Farcaster Protocol (USD)



Gate Research, Data from: Dune Analytics, 2024.11

Gate Research

6.3.1.3 Summary

In the Web3 social protocol space, Farcaster represents a different approach compared to another protocol, Lens. Lens gives users complete control over their data by fully chaining user identities and profiles. While this design offers significant advantages in data security and user privacy, the costs and performance issues associated with on-chain storage become more pronounced as the user base grows. In contrast, Farcaster employs a more flexible hybrid storage model, storing identity information on-chain while keeping user data in a distributed hub. This design enhances data security while improving system scalability, better accommodating the demands of a large user base.

Farcaster and Lens illustrate two different technological paths in decentralized social networks regarding data storage and scalability. Farcaster emphasizes users' absolute control over their data, while Lens focuses more on system scalability and performance. The choice between these methods ultimately depends on the trade-offs users and developers prioritize between data control and network performance.

Figure 21: Comparison of Core Advantages of Farcaster and Lens

Comparison of Core Advantages Between Farcaster and Lens

Features	Farcaster	Lens
User Growth	User growth is rapid, especially among crypto-native users.	The user base is solid, with high community engagement.
Product Form	More inclined towards the social layer, with strong scalability.	Focuses more on profile NFTs, emphasizing data ownership.
Developer Ecosystem	Encourages developers to build applications, with a rich ecosystem.	Open protocol, attracting many developers to participate.
User Experience	With the help of the Frames plugin, the user experience is close to Web 2.0.	Emphasizes user autonomy and strong customizability.

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In summary, Farcaster takes an innovative approach by positioning itself as a "social layer," allowing developers to build various applications on top of it. This open ecosystem helps attract developers and creators, providing users with more options. However, challenges remain in building a content ecosystem, fostering user growth, and developing a sustainable business model. Farcaster needs to continuously enhance user experience, attract quality content creators, and explore diverse business models to stand out in the competitive landscape and become a leader in the Web3 social space.

6.3.2 Social Application: Friend.tech

6.3.2.1 Project Overview

Friend.tech is a decentralized social platform built on the Base chain that tokenizes Twitter users, allowing for the monetization of social relationships. Users can purchase "Keys" from others to gain private chat access and share earnings on the platform. This innovative social model combines elements of social networking, NFTs, and DeFi, offering users a novel social and investment experience.

Core Features:

- **Exclusive Chat Rooms:** Users can enter exclusive chat rooms by purchasing another user's "KEY," enabling private one-on-one interactions.

- **KEY Mechanism:** KEY represents a user's social influence on the platform and can be traded.
- **Social Financialization:** The price of KEY is influenced by market supply and demand, allowing users to earn profits through buying and selling KEY, transforming social relationships into economic value.

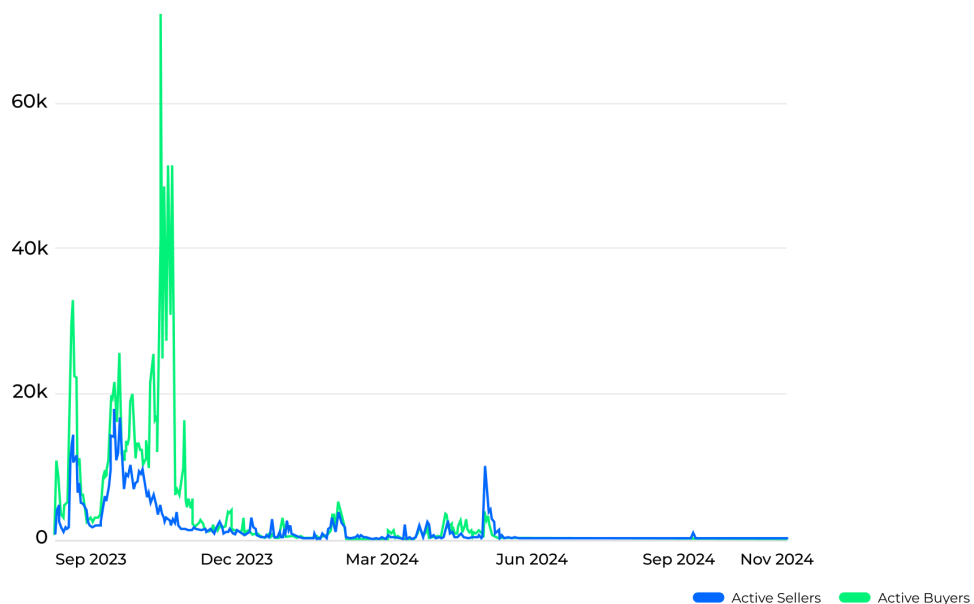
6.3.2.2 Protocol Data

Friend.tech was launched on August 10, 2023, on the Base chain by an anonymous developer known as Racer. Taking advantage of the early popularity of the Base chain and market excitement, along with a clever invitation system, Friend.tech attracted 136,000 daily active users on its first day, showcasing impressive growth. By integrating with Web2 social accounts, Friend.tech effectively tapped into users' curiosity and social needs, leading to viral spread.

As of November 2024, data from Dune Analytics shows that Friend.tech has reached 916,586 unique buyers and 273,371 unique sellers. Daily active buyers peaked at 72,456 on October 15, 2023, while daily active sellers peaked at 21,929 on September 16, 2023.

Figure 22: Daily Active Buyers and Sellers on Friend.tech

Daily Active Buyer and Seller Users of Friend.tech



Gate Research, Data from: Dune Analytics

Gate Research

The development of Friend.tech can be broken down into several phases:

Phase One:

The first wave of user growth began in early August 2023. Factors such as the popularity of the Base chain, expectations of airdrops, and seed funding, combined with its unique social finance model, fueled rapid growth. However, as the platform gained traction, the scarcity of invitation codes and a Rug Pull incident on the Base chain undermined user confidence, causing growth to stall temporarily.

Phase Two:

This phase commenced in late August 2023 and quickly reached a peak growth period. The release of invitation codes and the excitement generated by Paradigm's investment were key drivers. On August 21, various metrics for the platform peaked: daily revenue exceeded 1,000 ETH, total trading volume and user market cap hit all-time highs, and the 24-hour protocol fees even surpassed those of Uniswap and Bitcoin. However, this surge was short-lived, with trading volume plummeting to just 5% of the peak by September 1.

Phase Three:

This phase began in September 2023. As technical issues were gradually resolved, user trust in Friend.tech began to recover, increasing protocol revenue. As more users started selling their "KEY," the number of sellers surged, peaking at 21,929 on September 16. The activity of sellers contributed to overall user growth, with daily active buyers peaking at 72,456 on October 15.

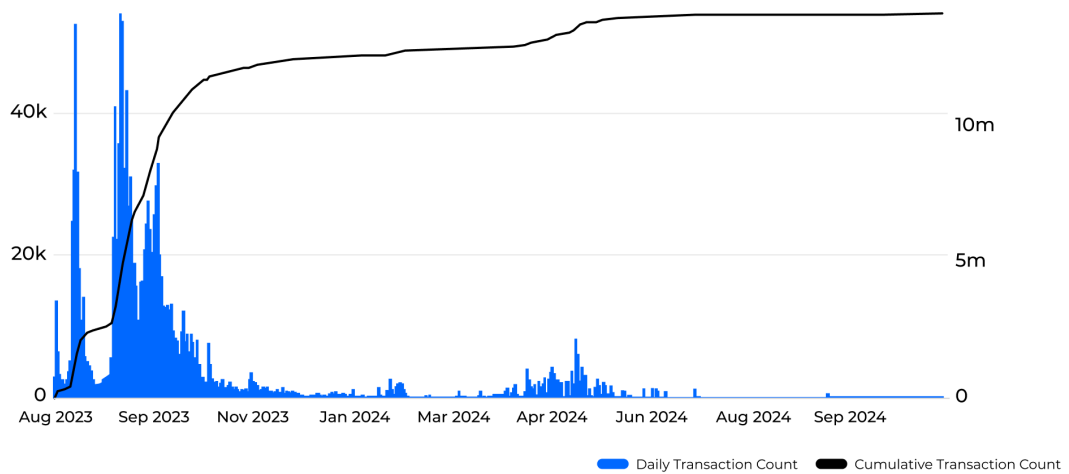
Phase Four:

This phase started in October 2023. As initial market enthusiasm waned, user growth slowed and stabilized. Factors such as declining market interest, technical challenges, and competition affected platform growth. In May 2024, the release of version 2 revitalized the platform, sparking a slight increase in growth.

Since its launch, Friend.tech's transaction numbers quickly rose, peaking in September. After that, growth slowed significantly. By November 2024, the total number of transactions on the platform exceeded 14 million. Data indicates a strong positive correlation between transaction numbers and daily active users. As user activity declined and market enthusiasm faded, transaction numbers also decreased. While the social investment model has strong short-term appeal, achieving long-term sustainable growth will require overcoming several challenges.

Figure 23: Daily Transaction Numbers and Cumulative Transactions on Friend.tech

Daily Transaction Count and Cumulative Transaction Count of Friend.tech



Gate Research, Data from: Dune Analytics, 2024.11

Gate Research

Friend.tech's total locked value (TVL) also showed strong growth initially, peaking at \$52.04 million in early October 2023. However, unlike transaction and user numbers, TVL did not continue to decline after its peak but remained stable for a long time, only starting to drop significantly in early May 2024. Currently, TVL has fallen to around \$4 million, a decrease of about 92.3% from its peak.

Figure 24: Daily TVL (Total Locked Value) of the Friend.tech Protocol

Daily TVL (Total Value Locked) of the Friend.tech Protocol



Gate Research, Data from: Defilama, 2024.11.19

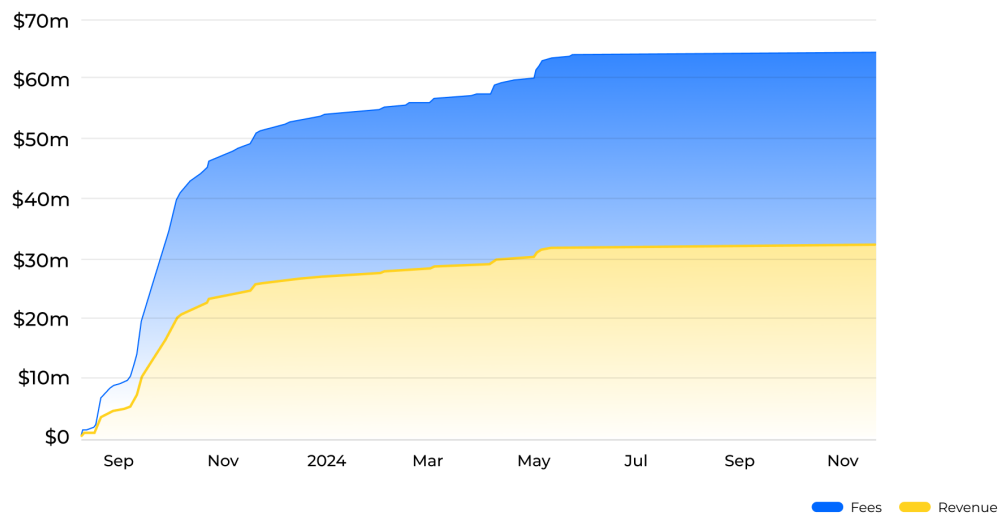
Gate Research

The core of Friend.tech's revenue model is transaction fees. By quantifying social relationships, the platform successfully combines fan economics with on-chain gaming. It charges a 10% fee on every transaction, which is shared between the platform and Key holders, providing a primary income source for both the platform and leading influencers (KOLs).

Since launching, Friend.tech's fee income surged in the short term, but long-term growth has noticeably slowed. As of November 2024, total fees reached \$64.23 million, with total protocol revenue at \$32.06 million. However, revenue growth has significantly slowed since surpassing the \$20 million mark in October 2023. The platform's revenue growth appears to have entered a relatively stable phase, indicating that its growth potential may be diminishing.

Figure 25: Cumulative Transaction Fees and Revenue of the Friend.tech Protocol

Cumulative Transaction Fees and Revenue of the Friend.tech Protocol



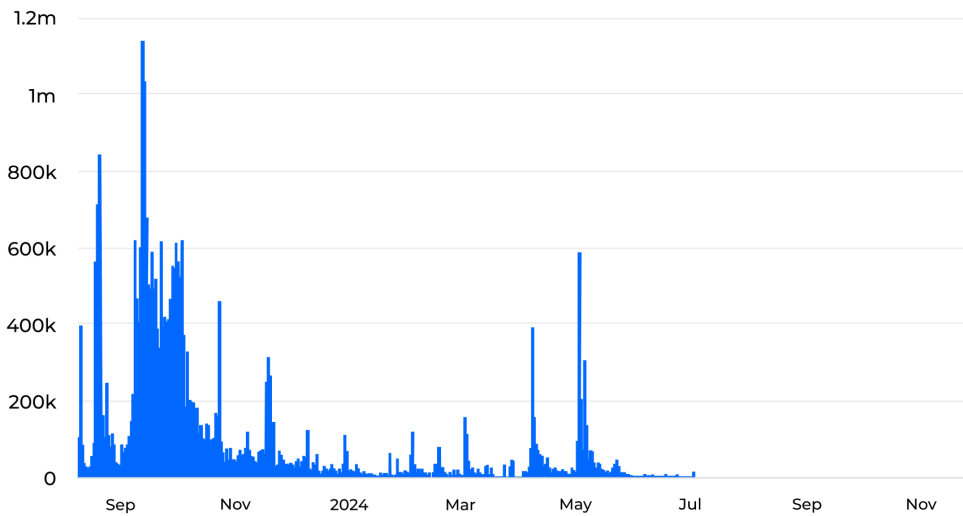
Gate Research, Data from: Defillama, 2024.11.19

Gate Research

According to Defillama, on September 13, 2023, Friend.tech's daily revenue peaked at \$1.14 million. However, this peak did not last long. Following this, daily revenue showed an overall downward trend, experiencing a significant drop by the end of October. Notably, daily revenue fell below \$1,000 after the end of July and completely dropped to zero in August. This drastic situation was primarily due to a decisive action by the Friend.tech development team on September 8, when they permanently transferred control of the smart contract to an empty Ethereum address. This move meant the development team relinquished control over the platform, and all revenue generated would no longer belong to them.

Figure 26: Daily Revenue of the Friend.tech Protocol

Daily Revenue of the Friend.tech Protocol (USD)



Gate Research, Data from: Defilama, 2024.11.19

Gate Research

6.3.2.3 Summary

Friend.tech was once a standout star in the SocialFi sector. By tokenizing social relationships, it cleverly merged the social aspects of Web2 with the financial features of Web3, rapidly rising during the Web3 boom. However, over time, Friend.tech's popularity faded, leading to its decline.

The success of Friend.tech can be attributed to its timely launch, innovative tokenization mechanism, and the influence of key opinion leaders (KOLs). The combination of financial incentives and social interaction successfully attracted a large user base. However, the platform's heavy reliance on financial incentives led users to shift their focus away from the essence of social interaction, instead chasing short-term gains. Additionally, the lack of a clear core value and a diversified business model contributed to its downfall.

The rise and fall of Friend.tech offer valuable lessons for developing SocialFi projects. Successful SocialFi initiatives must balance financial incentives with genuine social value, providing users with real social benefits and useful features. Building a healthy, active community and exploring diverse business models are also critical.

6.3.3 POAP Task Rewards: Galxe

6.3.3.1 Project Overview

Galxe (formerly Project Galaxy) is a decentralized Web3 credential data network designed to help users establish and verify their digital identities through NFT credentials. Users can earn NFTs that symbolize their identity and achievements by completing tasks and participating in community activities. These NFTs can be utilized across various Web3 applications, such as for participating in airdrops or joining communities. Since its inception in 2021, Galxe has raised about \$25 million in funding, including \$10 million led by Multicoin in January 2022. In February 2022, Galxe conducted a token public sale, raising \$15 million at a valuation of \$300 million.

Galxe offers a diverse array of functional modules for the Web3 ecosystem, including:

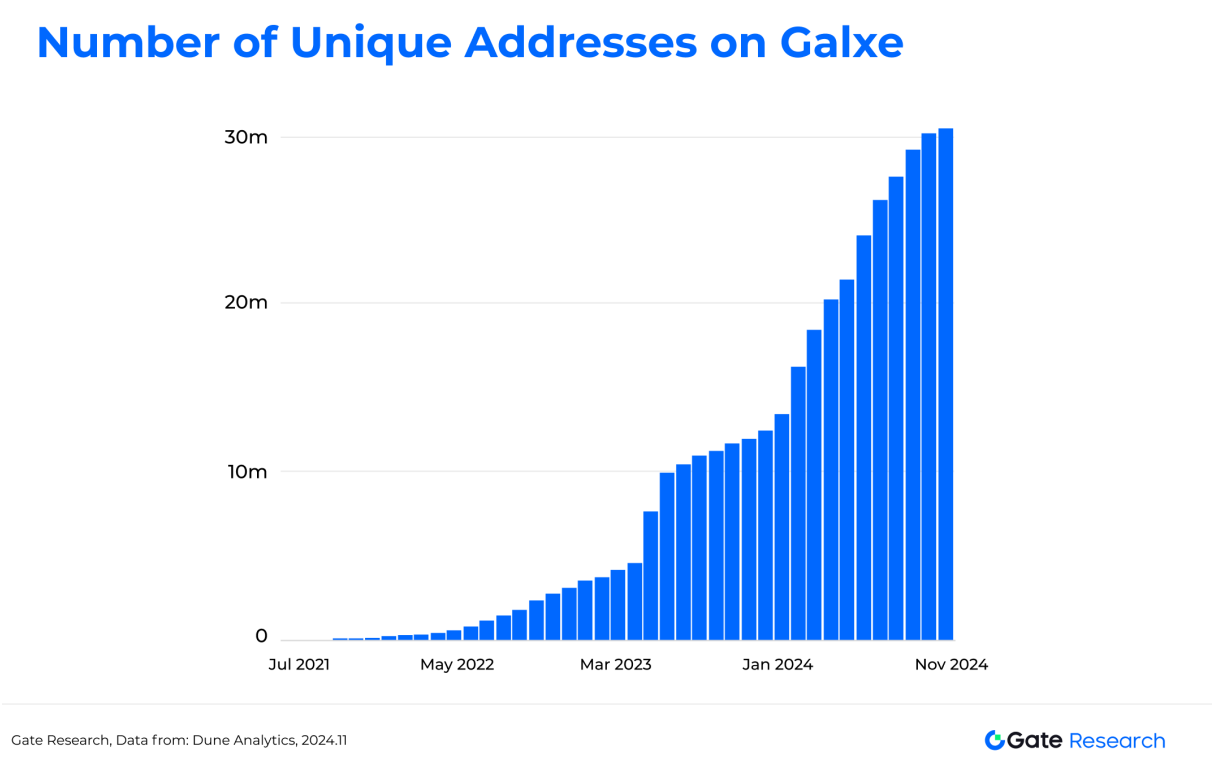
- **Credential Data Infrastructure:** Galxe has created an open platform where users can contribute and access data from various sources, both on-chain (like Ethereum, BSC, etc.) and off-chain (like Twitter, GitHub), resulting in rich user profiles.
- **Customized NFT Credentials:** Galxe enables project teams to create unique NFT credentials to reward users for their contributions and engagement, enhancing user loyalty.
- **Flexible Application Modules:** Galxe provides various application modules, such as Galaxy Vote and Galaxy Credential API, to assist developers in building tailored Web3 applications that meet specific project requirements.
- **Comprehensive User Identity Management:** Galxe ID acts as a digital identity for users, linking on-chain and off-chain data to provide a unified Web3 identity.
- **On-Chain Achievement Tokens (OAT):** Through OAT, users can transform their community contributions into verifiable NFT credentials, granting them additional rights and rewards.

6.3.3.2 Protocol Data

Since its launch in 2020, Galxe has quickly become one of the most active task data platforms in the Web3 space. Millions of users engage in various tasks daily, providing project teams with vast amounts of user data. Most projects choose to publish tasks on Galxe to build their communities.

As of November 2024, the latest data from Dune Analytics shows that Galxe has reached 30,485,728 unique addresses, an increase of 17,033,474 since January 2024, representing a growth rate of 126.62%. Compared to November 2023, this marks an increase of 18,473,858, with a growth rate of 153.79%.

Figure 27: Number of Independent Addresses on Galxe



Galxe’s growth can be divided into several phases:

Phase One:

From late 2021 to early 2022, Galxe focused on brand development. Collaborating with leading DeFi projects like Yearn Finance, it successfully hosted the Woofy NFT event, boosting brand awareness. Following this, the "Shadowy Super Coder" event targeted core developer groups and further solidified Galxe’s industry influence. These events laid the groundwork for Galxe’s initial user base and subsequent rapid growth.

Phase Two:

Starting in early 2022, Galxe entered a rapid growth phase. Thanks to successful brand building and product iterations in 2021, the platform attracted more Web3 projects. By opening the platform and granting more autonomy to project teams, Galxe stimulated user growth.

Phase Three:

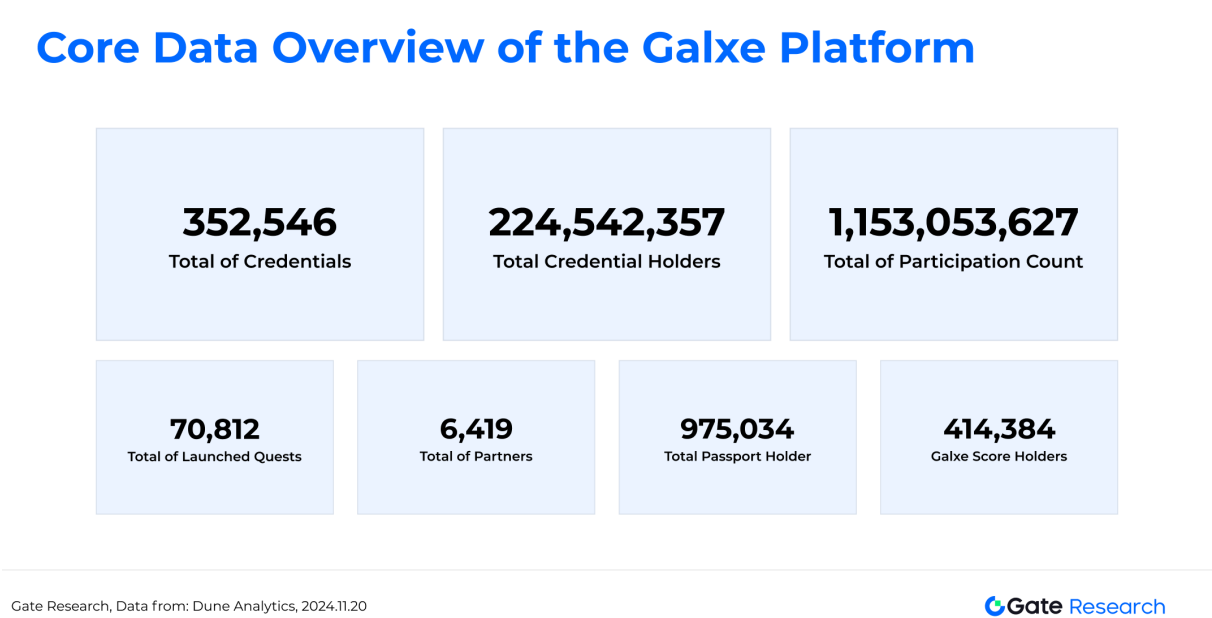
Beginning in March 2023, Galxe entered a stable growth phase. The platform ecosystem matured, and user habits formed, with growth driven by the ongoing participation of existing users and the influx of new users. To enhance user privacy, Galxe launched the Galxe Protocol, a decentralized identity protocol based on zero-knowledge proofs, in August, allowing users complete control over their personal data and improving platform security and trustworthiness.

Phase Four:

Starting in January 2024, Galxe experienced explosive growth. The launch of Galxe AI was a key driver during this phase. By integrating an AI chatbot, Galxe provided smarter and more convenient services, covering industry analysis, project information, market trends, and more. Additionally, Galxe launched large-scale events like the "March Expedition," collaborating with numerous leading projects to offer substantial rewards to users, further boosting participation. The introduction of token staking also revitalized the platform ecosystem.

According to Dune Analytics, as of November 20, 2024, the core data for the Galxe platform includes:

Figure 28: Overview of Core Data on the Galxe Platform



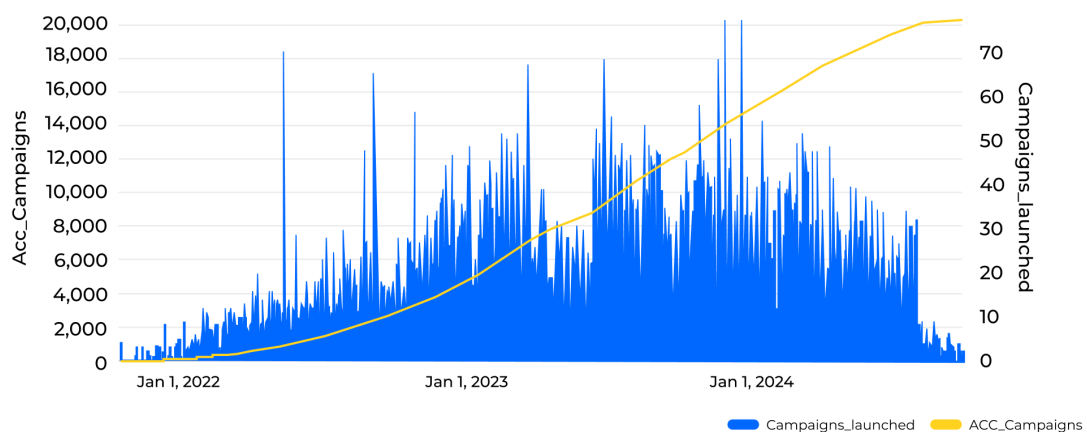
By November 20, 2024, Galxe had accumulated over 350 million identity credentials across more than 220 million users. The platform has completed 1.15 billion tasks, indicating a large user base and high engagement within the Web3 community. The addition of over 6,400 partners has

enriched the platform's ecosystem. The increase in passport holders and score holders shows that users are actively participating in the Galxe community. These statistics confirm that Galxe is a leading task data platform in the Web3 space with significant growth potential.

Furthermore, the number of daily activities initiated on the platform has steadily increased, showing fluctuations but an overall upward trend. By October 2024, the cumulative number of activities reached 20,233, reflecting ongoing improvements in platform activity and user engagement. Through continuous innovation and optimization, Galxe has solidified its position as a leading task data platform in the Web3 space.

Figure 29: Daily Activities Initiated and Cumulative Activities on the Galxe Platform

Daily Number of Activities Initiated and Cumulative Activities on the Galxe Platform



Gate Research, Data from: Footprint Analytics, 2024.10

Gate Research

6.3.3.3 Summary

As a Web3 task platform, Galxe has achieved remarkable success in just a few years. By providing a space for project teams to publish interactive tasks, Galxe has successfully attracted a large user base. The platform's rapid growth can be attributed to several key factors:

- **First-Mover Advantage and Brand Effect:** Galxe has built a substantial user and project base as an early player, creating a strong brand presence.
- **Strong Product Capability:** The platform offers a wide range of products, excellent user experience, multi-chain support, and robust technical strength, particularly its unique advantages in

on-chain transactions.

- **Thriving Ecosystem:** Collaborations with numerous leading projects have drawn in a large user base.
- **Active Community:** Through task activities, Galxe has cultivated a significant number of Web3 users, fostering community growth.

Despite its notable achievements, Galxe faces challenges. Competing products are emerging, intensifying market competition. Besides charging project teams, the platform has yet to establish a more stable revenue model. Regulatory uncertainties in the Web3 sector could also impact the platform's development. However, Galxe can tackle these challenges through ongoing innovation and business expansion. For instance, collaborating with other blockchain projects could broaden its application scenarios. Integrating with DeFi projects might offer users additional financial services, further enhancing Galxe's value. Continuous optimization and technological innovation will bolster Galxe's competitiveness, attracting more users and developers.

6.4 SocialFi Token Analysis

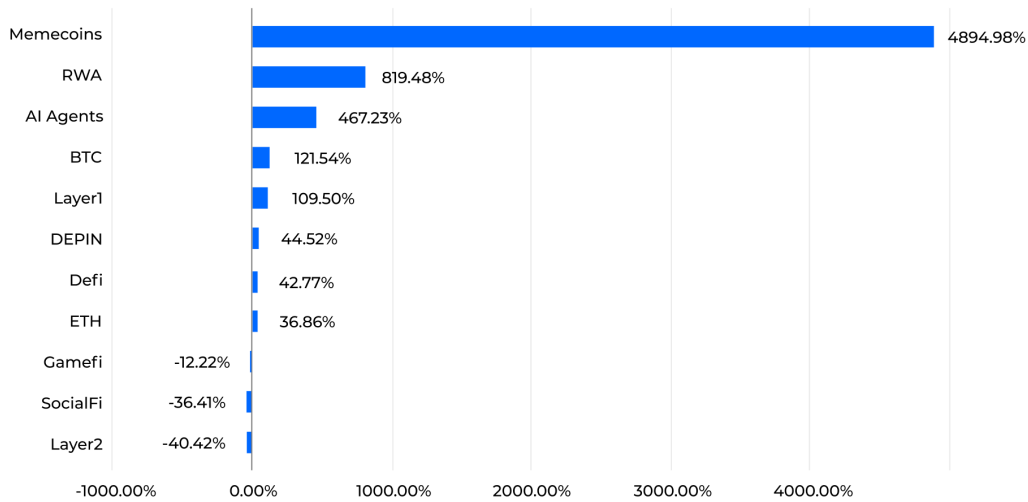
In 2024, mainstream cryptocurrencies like Bitcoin performed well, but the SocialFi sector struggled overall. The total market capitalization of SocialFi tokens has dropped significantly to \$1.262 billion, indicating a lack of confidence from investors in this area.

Analyzing the average year-to-date price returns of the top 10 tokens in each sector as of November 2024 reveals that the average return for the top 10 SocialFi tokens was just -36.41%, which is far below Bitcoin's 121.54% and Ethereum's 36.86%. This shows that the SocialFi sector has underperformed compared to the broader market, resulting in negative investor returns.

Specifically, with the exception of the newly launched UXLINK token, which saw a positive return of 75.33%, the other nine major tokens all experienced declines. While some SocialFi projects, like GAL and CYBER, have achieved some user growth, the overall sector is facing challenges.

Figure 30: Investment Returns in Various Web3 Sectors in 2024

Investment Return Rates for Different Tracks in Web3 in 2024



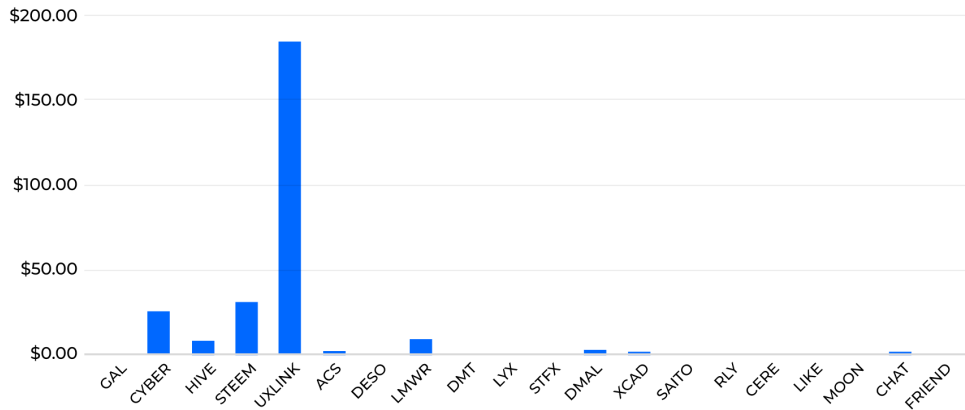
Gate Research, Data from: CoinGeck, 2024.01.01-2024.11.20, Average Returns of the Top 10 Tokens in Each Sector

Gate Research

When tracking the daily trading volume of the top 20 SocialFi tokens in 2024, we found that UXLINK stands out, with daily trading volume more than six times that of the average for other tokens. This is largely because UXLINK is a new project launched in June, and new projects typically attract more market attention, boosting trading volume. In contrast, most other SocialFi tokens, especially older ones, have seen their trading volumes decline as user interest fades. This trend suggests that SocialFi projects often have high short-term popularity but struggle with long-term sustainability. Even Galxe, which boasts millions of users, has relatively low token liquidity, indicating that a large user base doesn't necessarily translate to active trading.

Figure 31: Daily Trading Volume of the Top 20 SocialFi Tokens in 2024

Daily Trading Volume of the Top 20 Tokens in the SocialFi Track in 2024 (Million)



Gate Research, Data from: CoinGecko, 2024.11.20

Gate Research

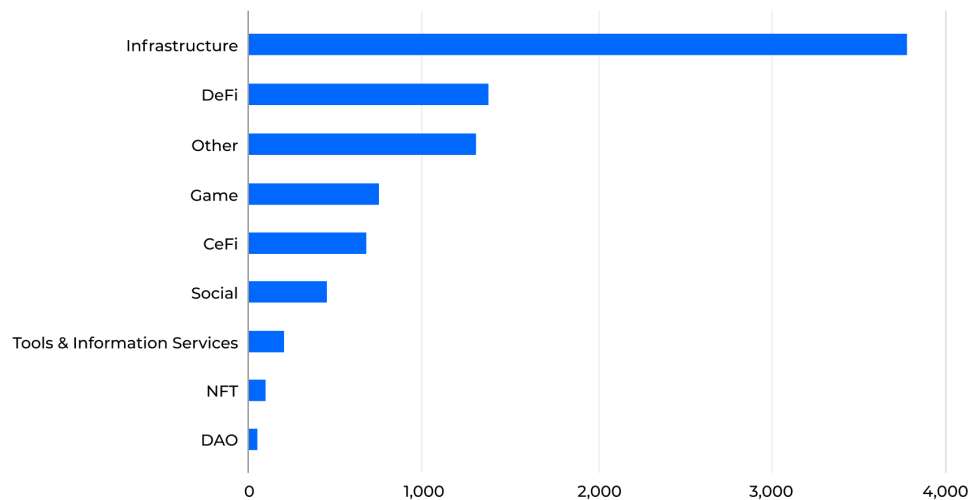
7 2024 SocialFi Sector Financing Performance

7.1 Overview of SocialFi Sector Financing

Looking at the financing data from 2024, the overall funding landscape in the Web3 space appears robust, with the infrastructure sector leading significantly at \$3.775 billion. The DeFi sector follows closely with over \$1.3 billion raised. Although the social sector has raised only \$449 million, ranking sixth among various sectors, it has lagged behind other emerging areas. While the market may not focus as much on social entertainment Web3 projects as infrastructure and DeFi, there is still some investor interest.

Figure 32: Investment Amounts in Different Tracks Various Web3 in 2024

Investment Amounts in Different Tracks of Web3 in 2024 (Million USD)



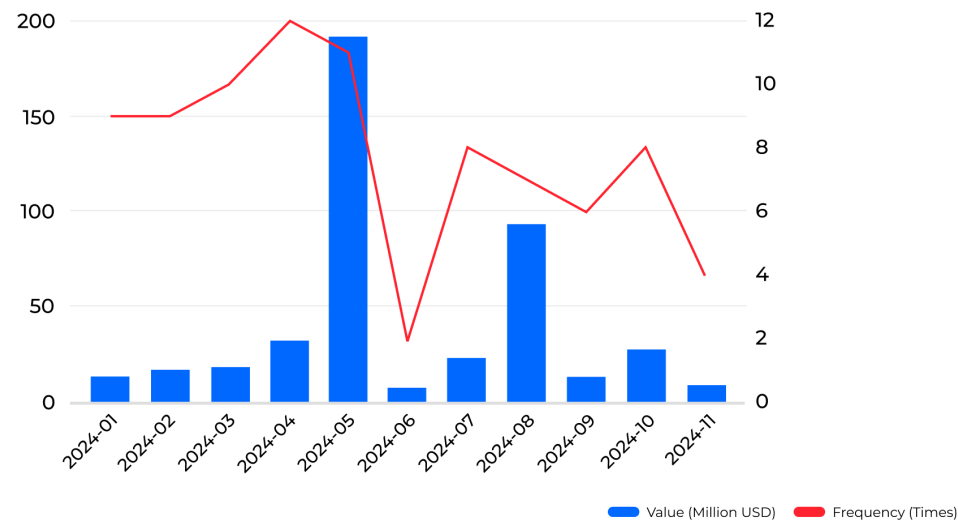
Gate Research, Data from: RootData, 2024.01-2024.11

Gate Research

By November 2024, the social sector had completed 86 funding rounds, totaling \$449 million. A standout moment came in May when Farcaster raised \$150 million at a valuation of nearly \$1 billion, driving significant growth in financing for that month. This suggests that investors are optimistic about the prospects of decentralized social networks, particularly with representative projects like Farcaster, which are expected to play key roles in the Web3 era. Although the current financing in this sector is relatively small, the influence of leading projects and ongoing technological advancements are likely to create greater opportunities for growth in the future.

Figure 33: Investment Amounts and Number of Investments in the Social Sector in 2024

Investment Amount and Number of Investments in the Social Track in 2024



Gate Research, Data from: RootData, 2024.01-2024.11

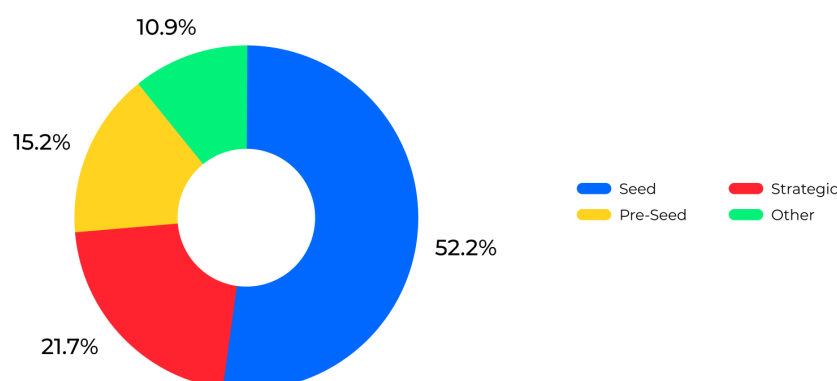
Gate Research

7.2 Analysis of Financing Trends in the SocialFi Sector

From the financing data between January and November 2024, it is evident that funding rounds in the social sector are primarily focused on seed and strategic rounds. Seed funding makes up the largest portion at 52.2%, indicating that investors are keen on early-stage social entertainment projects and are willing to invest in their initial phases. Strategic rounds follow at 21.7%, showing strong interest in early exploration within the social entertainment sector.

Figure 34: Distribution of Financing Rounds in the Social Sector in 2024

Distribution of Investment Rounds in the Social Track in 2024



Gate Research, Data from: RootData, 2024.01-2024.11

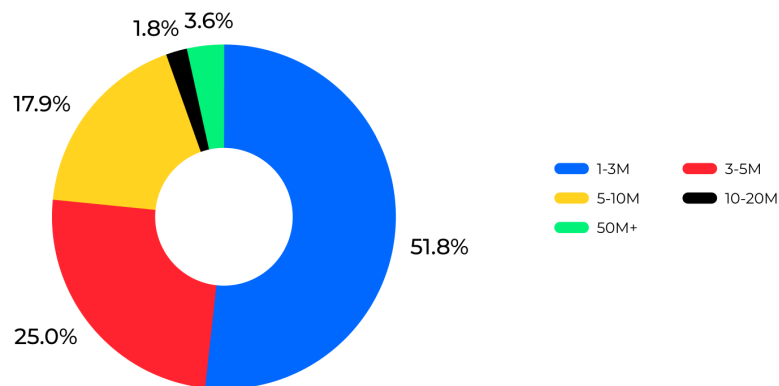
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Regarding funding size, the social sector's financing is mainly concentrated in the \$1 million to \$5 million range. Projects in the \$1 million to \$3 million category account for the highest proportion at 51.8%, indicating that investors prefer smaller-scale social entertainment projects. This suggests that the market is optimistic about the future of this sector, but investors are also cautious due to the uncertainties surrounding projects.

While some projects have secured tens of millions or over a hundred million in funding, the overall financing scale in the social entertainment sector remains relatively small, with funding rounds primarily in the early stages. This reflects that the market is still exploring this sector, with investors adopting conservative project valuations.

Figure 35: Distribution of Financing Scale in the Social Sector in 2024

Distribution of Investment Scale in the Social Track in 2024



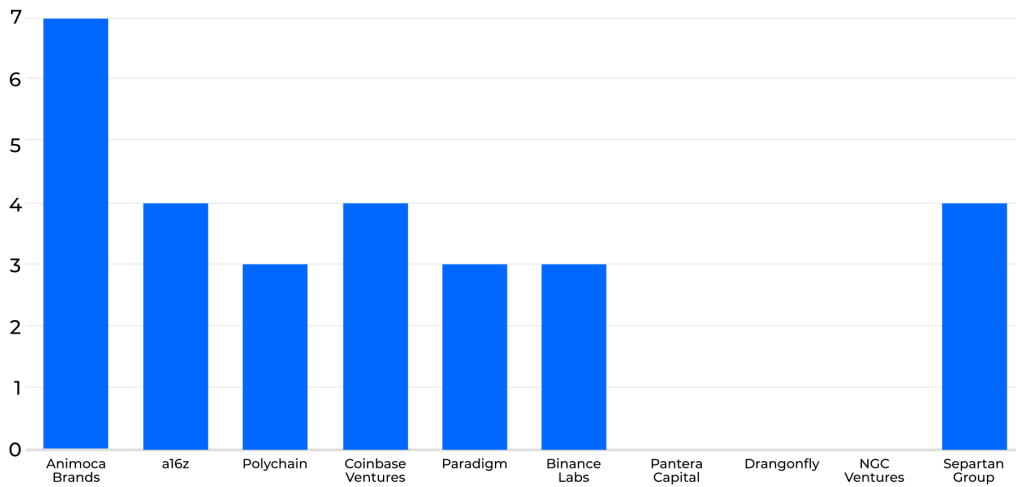
Gate Research, Data from: RootData, 2024.01-2024.11

Gate Research

Among the top investment firms, Animoca Brands leads with seven investments, showing a strong interest in the social sector and active engagement. Following closely are a16z and Coinbase Ventures, each with four investments. Polychain Capital and Binance Labs have also been active, with three investments each.

Figure 36: Number of Investments in Social Projects by Top Investment Firms in 2024

Number of Social Projects Invested by Famous Investment Institutions in 2024



Gate Research, Data from: RootData, 2024.01-2024.11

Gate Research

8 Conclusion

As an innovative attempt in Web3 social, SocialFi has explored many avenues to combine social and financial elements. However, balancing decentralization with user growth has become a significant challenge for the industry. Throughout its development, SocialFi has produced several notable projects.

Farcaster is a leader, attracting many developers and creators with its flexible hybrid storage approach and open ecosystem. Friend.tech quickly rose to prominence with its innovative tokenization model, but its over-reliance on financial incentives shifted user focus away from the platform, leading to its decline. Galxe has successfully built a large user community through task-driven initiatives and a rich array of product features.

SocialFi is still in its early stages, facing challenges such as user growth, content ecosystem development, token economic model design, and regulatory compliance. Key issues for SocialFi projects include converting Web2 users into loyal users, incentivizing quality content, balancing community development with investor interests, and adapting to the constantly changing regulatory environment.

Despite these challenges, the future of SocialFi looks promising. With advancements in blockchain technology and the maturation of the Web3 ecosystem, SocialFi is expected to show several positive trends:

- **Multi-Chain Interoperability:** SocialFi platforms are set to gradually enable cross-chain interoperability, which will help expand their user base and improve asset liquidity.
- **Leveraging Social Graphs:** Social graphs will become a key asset for SocialFi platforms. By analyzing data, these platforms can offer users more accurate recommendations and services, leading to the development of innovative business models.
- **Integrating AI Technology:** AI will play a crucial role in areas such as content creation, community management, and user profiling, thereby enhancing the overall user experience and improving platform efficiency.
- **Incorporating GameFi Features:** Introducing gamified elements like tasks, achievements, and rewards will boost user engagement and strengthen community loyalty.

SocialFi projects will need to continually innovate and adapt to market changes to ensure sustainable growth and success in a competitive market.

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