

STRATEGY REPORT

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HUOBI STRATEGY WEEKLY REPORT:

X to Earn Signals New Investment Opportunities

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Abstract

With the rise of Play to Earn, Move to Earn and other modes, *X to Earn* has appeared in many application scenarios of Web3, and *X to Earn* mode may become the "flash point" for launching Web3 applications.

The essence of *X to Earn* is to reward the original contributors for their participation actions, and the background is that in more current scenarios, the participants who are the biggest contributors cannot get their corresponding benefits. Part of the revenue is owned by project developers, or by centralized companies or organizations. Therefore, the essence of *X to Earn* is an interest revolution, returning participants with the rights and interests that originally belonged to them.

To judge whether an *X to Earn* is good or not, or whether it is sufficiently decentralized, would be to assess whether the decentralization of the distribution of benefits is realized, and the interests of the participants are returned to the participants themselves. Instead of just performing centralized actions under the guise of *X to Earn*.

I. The rise of X to Earn

With the rise of Play to Earn, Move to Earn and other modes, *X to Earn* has appeared in many application scenarios for Web3, and *X to Earn* mode may become the "flash point" for launching Web3 applications.

The concept of *X to Earn* was first proposed by Ben Schechter, head of operations at RabbitHole, in an article published on the a16z official website. X can be any human behavior, such as eating, exercising, sleeping, shopping, studying, playing games, creating, watching dramas, etc. Earn would be the financial gain generated by performing these specific actions. It is foreseeable that in the Web3 era, people can obtain benefits through their daily actions, playing games, learning skills, exercising regularly, or exerting their imagination and creativity, and the money will follow. At present, *X to Earn* has appeared in many application scenarios of Web3, such as Play to Earn, Move to Earn, Learn to Earn and so on. *X to Earn* may already be building a new economic model centered around user behavior.

Development of STEP N on the Solana blockchain started in August 2021. The developers participated in the Solana Ignition Hackathon in August to October and started private beta testing the app in November, with the public beta launched in December.

In January, STEP N secured seed-round funding from Sequoia Capital, Folius Ventures, Solana Capital and Alameda Research, among other investors.

The STEP N app uses move-to-earn NFT sneakers to track players' movements outside based on the GPS signal from their mobile device. The game uses a dual-cryptocurrency token structure, with Green Satoshi Token (GST) as the in-game utility token and Green Metaverse Token (GMT) acting as the governance token for participating in the project's development.

The GMT price has soared by as much as 1,925% since it launched on the Binance exchange on 9 March, trading at a high of US\$3.11 on 1 April.



Figure 1. STEPN to USD Chart, Source: CoinMarketCap

Cryptocurrency forecast sites like DigitalCoinPrice and PricePrediction were bullish on GMT's future prospects, predicting that the price could move into the double-digit range over the coming years.

II. Why is X to Earn so popular?

1. The essence of X to Earn

The essence of *X to Earn* is to reward the original contributors for their participation actions, and the background is that in more current scenarios, the participants who are the biggest contributors cannot get their corresponding benefits. Part of the revenue is owned by project developers, or by centralized companies or organizations. Therefore, the essence of *X to Earn* is an interest revolution, returning participants the rights and interests that originally belonged to them.

The essence of *X to Earn* is the redistribution of benefits, and the participants who are contributors get their contribution rewards that should rightfully belong to them. This aims to break the distribution method of centralized control that was more common in traditional Web2 era. The core theme of *X to Earn* is decentralization, which is directly reflected in the decentralization of benefits distribution.

The significance of *X to Earn* is also to realize the redistribution of benefits: Let every contributor get

corresponding rewards.

2. What to do with X to Earn

The economic model of *X to Earn* requires participants to earn the rewards they deserve through X (that is, various actual behaviors). And these will be rewards that can be converted into currency, unlike the points, and virtual items distributed during Web2.

To judge whether an *X to Earn* is good or not, or whether it is sufficiently decentralized, would be to access whether the decentralization of the distribution of benefits is realized, and the interests of the participants are returned to the participants themselves. Instead of just performing centralized actions under the guise of *X to Earn*.

In addition, the popularity of the *X to Earn* model does not mean that everything can be "X to Earn". Whether the *X to Earn* model can be designed depends on whether the behavior brings a contribution other than itself, and this contribution has to generate benefits for another subject. If this income is occupied by a subject other than itself, the model design of "X to Earn" is required at this time to realize the redistribution of interests. This is also the basis of the "X to Earn" model and the necessity for the existence of "X to Earn".

III. What are the X to Earn apps worth paying attention to?

1. Play-To-Earn

Play to Earn (P2E) - Gaming behavioral economy. Making money in the form of games is not restricted by centralization, which corresponds to the Free to Play (F2P) mode of traditional games. Players play P2E games and earn in-game basic assets (NFTs) or game tokens. These assets are owned by the players themselves and no longer belong to the game developers. Players can earn real money by trading their game assets on the open market.

According to a report by Dutch market research firm Newzoo, the traditional game market was worth about US\$175 billion in 2020 and about US\$180 billion in 2021. In contrast, the current market size of

tens of billions of blockchain games is only small game. From another perspective, the market development space for blockchain games is extremely huge.

The game scene will undoubtedly embrace the Web3 world. Compared with other money-making models, the P2E model is currently the largest. Axie Infinity alone, has more than 1,000 000 daily active users who are mainly distributed across Southeast Asia. . During the COVID-19 pandemic, Axie Infinity was a life-saver for lower-income players in the Philippines who could still play games to earn a living after losing their jobs due to the pandemic. For those who understand strategy and have plenty of time on the hands, the benefits of earning income at Axie are several times that of ordinary jobs. Some people use the tokens earned in Axie for conversion into fiat currency, which is subsequently used to buy milk powder, motorcycles, and other daily necessities. Some players have even bought digital real-estate through their earnings in this game.

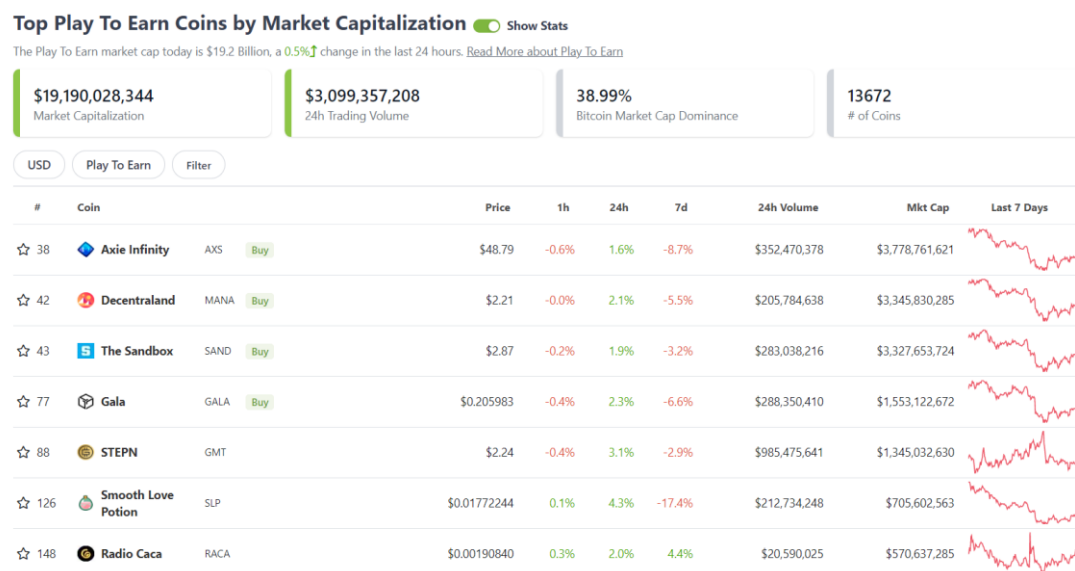


Figure 2. Top Play To Earn Coins, Source: CoinGecko

● Axie Infinity

Axies are little creatures you can use to explore the World of Lunacia and interact with its participants. At the moment, the main gameplay is a card-based battler.



Axie Infinity sees you collect cute monsters to battle with. Image: Axie Infinity

Figure 3. Axie Infinity screenshot, Source: Axie Infinity

Axie Infinity Play-to-Earn Mechanics

Players in Axie Infinity can earn by collecting the daily rewards, adventuring in PvE mode, or winning games in the Arena. The only coin players can earn in-game is called SLP (Small Love Potion), and it can't be used as a governance token. Top PvP players can earn AXS (Axie Infinity's governance token) by ranking in the top 50.

AXS can be bought and exchanged on the most popular exchanges and can be staked in Binance. Axie Infinity will feature an in-house staking mechanism soon. In the future, players will be able to earn SLPs by hosting events on their lands, playing different games in Lunacia with their Axies, and generally having a fun time in this creative environment.

In terms of real-world money, all in-game assets are NFTs and can be traded in the open marketplace. Marketplace data can be accessed by APIs and led the way to multiple tools and external resources, such as Axie Zone.

Axie Infinity Tokens

Tokenomics in Axie Infinity is actually quite simple. There are only two tokens: SLP and AXS.

SLP is only used in the game and can be exchanged for fiat money or another crypto on famous

exchanges like Pancake Swap, and even on Binance. As of now, SLP is mostly used as a reward mechanism, and has no real in-game utility other than breeding. However, breeding is too expensive for the average player to turn a profit, and that's one of the main reasons SLP has lost its value.

However, if you're interested in investing in the game's future and submitting proposals, you'll need AXS – the governance token.

Axie Infinity Shards are an ERC 20 governance token for the Axie universe. Holders will shape the future of Axie Infinity by signaling their support for upgrades to the ecosystem and directing usage of a Community Treasury. AXS will be accepted as currency within the Axie NFT marketplace. AXS may also be used to determine eligibility for participation in certain sales/auctions conducted by the Axie team. Additionally, AXS holders receive revenues generated by Axie Infinity as well as a portion of staking rewards.

In short, SLP is only used inside the game, and is the coin you can earn by playing Axie Infinity. AXS can be purchased outside of the game or earned if you make it to the top 50.

SLP's value is quite low right now and its value wildly depends on the current game balance. Sky Mavis had to intervene quite frequently to avoid sudden increases or drops in price.

AXS's value is quite stable and only grew in the past year, as it's the one determining the future of Axie Infinity and managed by investors rather than players.



Figure 4. SLP to USD Chart, Source: CoinMarketCap



Figure 5. AXS to USD Chart, Source: CoinMarketCap

2. Move-To-Earn

Move to Earn (M2E) - The movement behavioral economy. Simply understood as making money while exercising, it is a brand new earning model that combines exercise and getting paid, which is represented by STEPN on Solana.

In M2E, users no longer play for the sake of playing. Users can start from their own subjective initiative and open the M2E application to earn profits when they want to exercise or go out to play. Players will

not lose their enthusiasm for exercising by forcing themselves to exercise, nor will they lose their fitness due to the conventional P2E model that includes sitting in front of the computer for a long time.

Taking STEPN as an example, users can equip "NFT sneakers (Sneaker)" in the app and can also equip them with gems (Gems) to increase the attributes of sneakers; and users can earn rewards by walking, jogging or running outdoors. Rewards can be NFT assets or tokens, which can also be traded on the market for real money.

This M2E model, which combines blockchain games with real-life mobile devices, not only promotes a low-carbon and environmentally friendly life, but also promotes the construction of the Web3 world. It can be said to kill two birds with one stone.

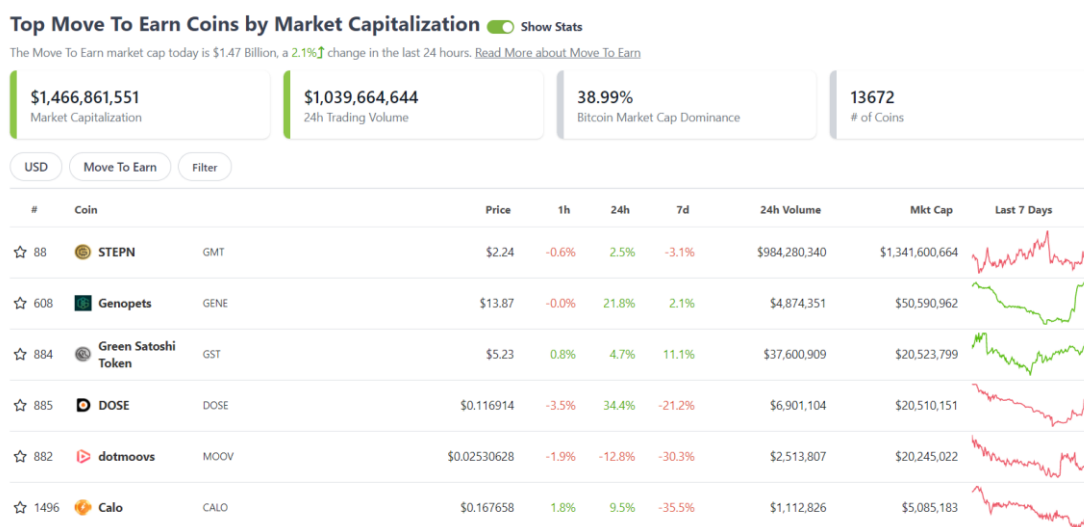


Figure 6. Top Move To Earn Coins, Source: CoinGecko

Since Huobi Research Institute has released a research report on StepN, this article will briefly introduce Genopets.

● Genopets

Genopets is a free NFT game. It combines the breeding and evolution of Tamagotchi, the training and combat of Pokémon, and the crafting and collecting aspects of Animal Crossing, while rewarding players with cryptocurrency as they hone their skills through physical activities and mini-games. By exercising and completing step challenges, players will be able to accelerate the evolution of their Genopets, thereby increasing the value of their in-game assets. Rather than incentivizing players to tap their screens mindlessly, Genopets provide players with financial incentives to improve their personal health.

Unlike many other play-to-earn games, Genopets is a free-to-play game. For example, if you want to play Axie Infinity, users have to buy 3 Axies from the market, which costs thousands of dollars at peak prices, making it prohibitively expensive for many users. Similar requirements exist for other play-to-earn games, which eventually pushed "gaming guilds" (like YGG) to offer players Axies in exchange for a portion of their earnings.

There is no upfront fee to play Genopets. In fact, players can mint their Genopet, evolve it through their sports and in-game performance, and sell it on the open market for a profit. There are two main benefits to such a mode over play-to-earn type games.

First, it greatly expands the game's total target market. By ensuring there is a free track, the game will attract a larger and more diverse set of players.

Second, it can also improve the sustainability of the game economy. Other games, like Axie Infinity, have been criticized for relying too heavily on user growth to fund other players' revenue. As user growth slows (less capital artificially injected into the ecosystem), some claim this could have a trickle-down effect on other parts of the gameplay and overall user rewards. By studying game economics from a different perspective (gaining value from engagement, rather than user entry), Genopets seeks to build an ecosystem that is resilient in the long term.

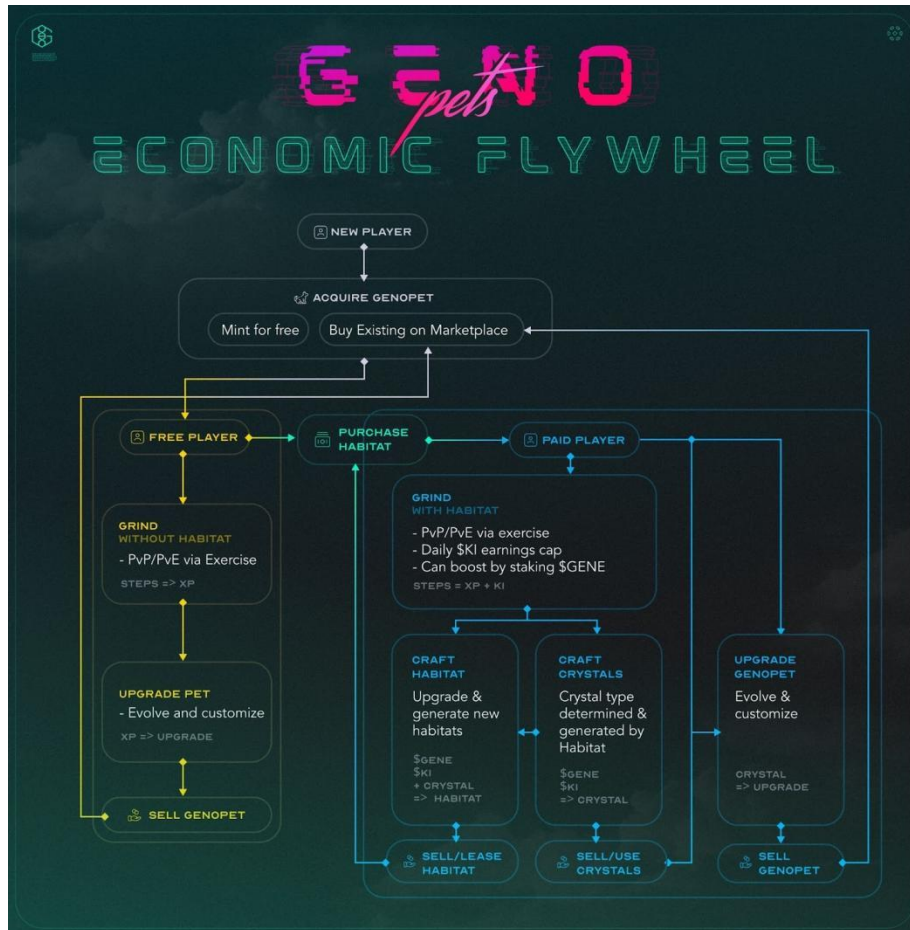


Figure 7. Genopets economic model, Source: Genopets

Solana's high throughput, fast settlement, and low transaction fees make it an attractive candidate for many new blockchain games, so it's no surprise that Genopets chose it as its primary layer 1 underlying blockchain.

There are two main categories of on-chain elements in Genopets. The first category is NFTs, which contain the Genopets themselves, refined crystals, Habitats, and other (upcoming) unique elements. These are fully owned by the user, which means they can be transferred between wallets, combined with other games, or sold on the open market - all the power of an open economy is given to Genopets players. The second category is the in-game currency system, including \$GENE (governance) and \$KI (utility) tokens.

\$GENE is the governance and staking token that represents ownership of Genoverse. As a \$GENE token holder, you can vote on the future of the game and stake \$GENE tokens for rewards.

\$KI tokens are in-game revenue tokens that can be earned when purchasing Habitat. Use \$KI to evolve Genopets, refine crystals, generate new habitats, and battle other players.

Although the core of Genopets and STEP N are both on the track of sports and fitness, Genopets seems to be able to attract a wider group, because unlike STEP N, it is not just about running, upgrading running shoes, and trading sports shoes. It is integrated into a Pokémon -style game system. The experience points gained by players through sports are used to upgrade and evolve Genopet NFTs, and they can fight with other players' Genopets. Habitats also have the potential for the development of virtual real estate. Of course, as the game becomes more and more popular, the production team can introduce more content from the development of the community, thereby further promoting the development of the economic cycle.

3. Learn-To-Earn

Learn to Earn is to earn money while learning. By learning professional knowledge of a certain industry and participating in question-and-answer tests to obtain monetary benefits, it can motivate users to learn certain technical knowledge. This is a revenue model that promotes trading activities and popularizes knowledge.

- **Let me speak**

Let me speak is an English learning app launched on the iOS platform. It is also the most popular Learn to earn app recently. The official announcement will be followed by an Android version and a web version.

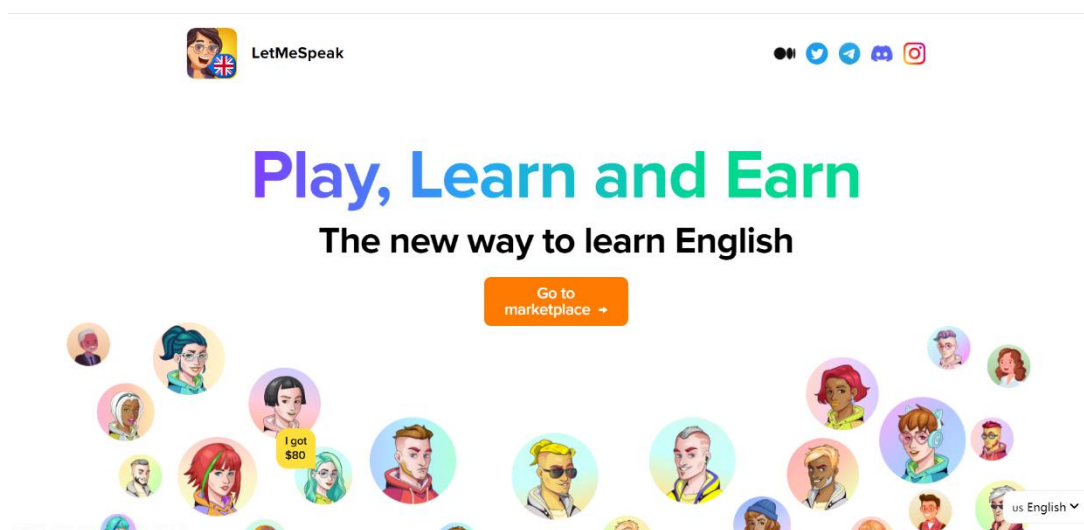


Figure 8. Let me speak website Screenshot, source: Let me speak

The main way to make money in Let me speak is to buy NFT characters on the LMS market and start learning English in the Let Me Speak learning app. Every few minutes, players will be rewarded with instant tokens for the player's learning progress, claim the tokens from the player's wallet, and convert them to USDC in the LMS market. Daily income is limited by character energy and can be used up in 30-40 minutes, the perfect language learning time every day.

The LMS economy itself encourages NFT owners to share their NFTs with other players and learn and earn together. This creates a unique opportunity for a large number of people who are not ready to buy their own NFTs to start earning and learning with zero cash outlay. This simple mechanism for sharing NFT access and rewards is what we call scholarships.

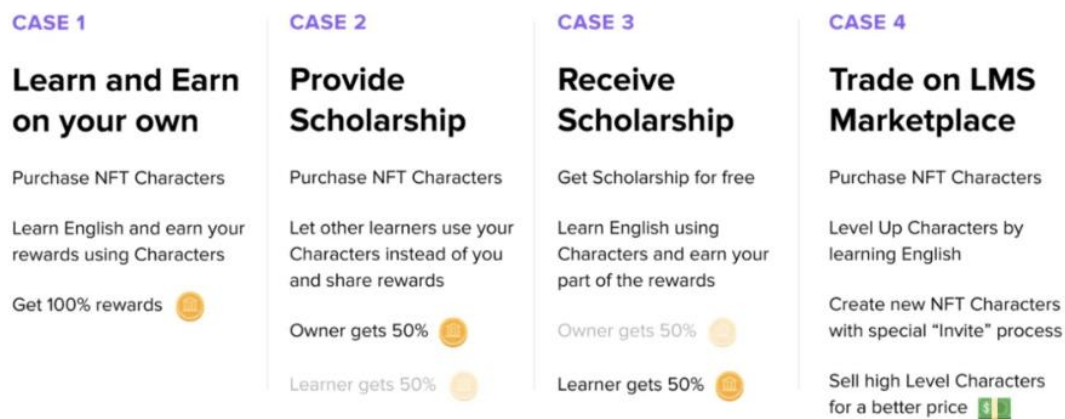


Figure 9. Let me speak economic model, source: Let me speak

4. Sleep-To-Earn

Sleep to earn is the next-generation Web3 lifestyle, advocating the philosophy of work-life balance. It combines the concepts of SocialFi, GameFi and the Metaverse, allowing users to earn money while sleeping.

- **Sleep Future**

Sleep Future is the world's first blockchain-powered sleep health ecosystem designed to improve sleep quality and health in the global community. Sleep Future introduces the world's first Sleep-To-Earn mechanism to reward the global community for sleeping and earning \$SLEEPEE tokens, with the dual goals of innovative sleep technology R&D and real-world utility within the Sleep Future ecosystem.



Figure 10. Sleep future sleep health ecosystem, source: Sleep future

Users can earn \$SLEEPEE by sleeping and redeem additional rewards by staking \$SLEEPEE. Daily earnings based on user sleep score: 100% = 10 USDT worth of \$SLEEPEE tokens, eg: 84% = 8.4 USDT worth of \$SLEEPEE tokens. Daily bonuses are based on the user's membership level. Earned \$SLEEPEE will be stored in the Sleeppee app, \$SLEEPEE will be reflected in the wallet balance and available within the app's "Store" and "Town" ecosystem.

Figure 11. \$SLEEPEE token application, source: Sleep future

IV. The future development of X to Earn

From a business model perspective, *X to Earn* is a way to retain users for a long time, which can give users a high sense of belonging to the application. This sense of belonging makes users no longer stand on the opposite side of applications or service providers, but become co-builders instead. Just like the commercial crowdfunding model that first appeared in Web2, when a project has 100,000 users with a co-builder mentality, what it has are 10 million potential users connected behind the 100,000 users. Then, in the end, such a business model would no longer be a psychological battle waged between B to C, but

a win-win situation of B+C.

However, it is worth noting that many projects in the *X to Earn* scenario are facing loopholes and hidden dangers in the design of the economic model in the race to quickly enter the market. While the economic model is the core of *X to Earn*, potential problems in design have already appeared in some head projects. For example, Axie's inflation has been too rapid, resulting in a sharp drop in user revenue, a long payback period, and insufficient user retention motivation. Therefore, how to design a long-term sustainable economic model and continuously stimulate users' continuous use motivation through the bottom layer of the product and economic model is the foundation for *X to Earn* to succeed in the market.

The application layer war has been ignited in the game field, and other scenarios are also waiting on the sidelines. However, no matter the scenario or ecosystem, a successful project is one that can continuously produce applications with excellent user experience and economic model, and build applications from a long-term life cycle point of view, so that users can remain engaged and participate in its development to achieve a win-win situation.

About Huobi Research Institute

Huobi Blockchain Application Research Institute (referred to as "Huobi Research Institute") was established in April 2016. Since March 2018, it has been committed to comprehensively expanding the research and exploration of various fields of blockchain. As the research object, the research goal is to accelerate the research and development of blockchain technology, promote the application of blockchain industry, and promote the ecological optimization of the blockchain industry. The main research content includes industry trends, technology paths, application innovations in the blockchain field, Model exploration, etc. Based on the principles of public welfare, rigor and innovation, Huobi Research Institute will carry out extensive and in-depth cooperation with governments, enterprises, universities and other institutions through various forms to build a research platform covering the complete industrial chain of the blockchain. Industry professionals provide a solid theoretical basis and trend judgments to promote the healthy and sustainable development of the entire blockchain industry.

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