Main post - https://forum.pokt.network/t/pnfs-ecosystem-thesis-for-pocket-how-we-become-unstoppable/4353

Supporting analysis for “How we become Unstoppable”

Table of BHAGs, Metrics and Keystone Projects

BHAG	Dimensions	Metrics	Keystone Projects	Additional Projects
v1 is the most successful new protocol launch ever	All (Supply, Demand, Governance, Capital Markets)	North Star: Permissionless and Scalable protocol Secondary Metrics: - Contributor coefficient* - Customization to enable L2 businesses*	- v1 protocol development and launch - v1 economics R&D - v1 governance R&D	- RAD2 - See all marketing and PR-related initiatives under BHAG #3
Pocket has $1B of annual protocol revenue	Demand	North Star: Protocol Revenue Secondary Metrics: - Nakamoto coefficient of relay control	- Decentralising our Demand (supporting the launch of at least one other gateway prior to v1 launch) - The Road to Revenue (activating and scaling demand-side fees)	- Bootstrap a DAO-powered DevRel function
Pocket has the most trusted infrastructure brand in crypto	Demand, Capital Markets	North Star: Customer NPS* Secondary Metrics: - Positive media impressions* - Qualitative trust survey	- Establish a PNF marketing function that serves the whole ecosystem (hire a Head of Marketing, take ownership of all official channels, onboard a Tier 1 PR firm)	- Revamp Pocket's brand, design and website
Pocket has the healthiest culture and governance of any DAO	Governance	North Star: - Culture - Community NPS (Pride, Promote, Stay) - Governance - Nakomoto Coefficient (control protocol, halt protocol, control DAO) Secondary Metrics: - The proportion of proposals from non-PNI and PNF members* - Runway of Pocket's DAO based on annualised burn over the last 3 months	- DNA - GROW - Creds	- Community Moderators Program - Ambassadors and Regional Community Hubs Programs - Upgrades of community channels (Discourse & Discord)
Pocket has the institutional financial rails expected of a	Capital Markets	North Star: 2% Depth Secondary Metrics: - # Tier 1 exchanges	wPOKT	- Tier 1 exchange listing - Messari quarterly research reports

blue-chip token		- Market cap*		

Analysing Pocket's progress towards becoming a Sovereign Cryptonetwork

Decentralising Pocket's supply side

What are our objectives?

1. We want Pocket's supply side to be decentralised to ensure the protocol's service is:
    a. as reliable as possible,
    b. as performant as possible, and
    c. as cheap as possible

Where is Pocket now?

- **Reliability (Availability, integrity, redundancy)**

Pocket currently has over 21,000 nodes staked in its network around the globe, with sufficient diversity to maintain 99.99% uptime, which means great availability as a result of the incentive to get paid to serve data from a broad pool of nodes, as well as redundancy in terms of their geographic and geopolitical distribution. [1]

Data integrity is an issue, though, with the protocol needing more checks and balances to combat the supply side providing incorrect data. Further, service could be more consistent across different blockchains. We want Pocket's supply side to have sufficient coverage across all target blockchains to ensure good reliability across the network, and it's not clear that the current incentives are good enough in this regard.

- **Performance (latency, throughput)**

Latency is pretty good for most locations due to Pocket's distributed network. Still, it varies depending on the request type, as Pocket lacks indexing or caching as part of its core service.

Reliance on the altruist network for session rollovers is also an issue, as it means that demand is diverted to an off-chain network for roughly 3 mins every hour. This creates latency issues and is a single point of failure if such infrastructure fails, as the service isn't reliant on the protocol during such periods. The next upgrade to the current version of the protocol is looking into ways to mitigate the need for altruist networks altogether.

Throughput is also a constraint with the current architectural design as the network is limited to serving 3B relay requests per day, although a probabilistic proof design has also been put together in case the current version of the protocol needs to scale by several magnitudes

(e.g. 4x) without sacrificing risk or increasing the cost of the network. This cap isn't an issue for the next while, but it will be in the near future as Pocket scales.

- **Cost**

Pocket's service is substantially cheaper than any centralised provider, sometimes costing up to 7x cheaper. [2] Pocket is cheaper than most centralised providers thanks to its significant reliance on bare metal infrastructure. However, overall network costs are estimated at around $15m per year across node and gateway operators. [2] [3] [4] Consequently, the costs to the end user are currently artificially low in proportion to current demand levels.

The more decentralised and non-custodial a service, the more distributed its cost structure, which means that Pocket can - in theory - provide its service much more cheaply than a centralised provider can.

How does Pocket compare to the competition?

While Pocket can claim to have better availability/redundancy than almost any other provider, as Pocket still has more node providers on its network than any other RPC service, its first-mover advantage is starting to be eaten into by new competitors such as Lava Network and semi-centralised offerings like Ankr and DRPC, which both act as a permissioned load balancer for a number of different node providers, increasing the redundancy of their service when compared to the market leaders Alchemy and Infura.

Leading players have much better QoS, although Pocket can often do better on latency due to the greater geographic spread of its nodes thanks to its distributed network architecture. It is important to note that this QoS is constrained by the performance of the current sole gateway (the Portal) operated by PNI.

Centralised providers usually have a mix of their own infrastructure plus reliance on cloud providers, meaning it can take a while to scale up or down their infrastructure, depending on the market conditions. This means that centralised providers are overprovisioned to ensure they can handle spikes in demand. Naturally, this eats into their margins.

In the case of a marketplace model like Pocket's, the supply side has no CAC (Customer Acquisition Cost), so if Pocket can provide sufficient demand and ensure that such demand translates into a healthy token economy, it will likely always be profitable for the supply side to support Pocket's service, meaning that the bargaining power of suppliers is relatively low, and that Pocket should be able to keep the cost of its service very low at maturity.

However, there is a risk in the meantime that node runners may leave Pocket for new competitors like Lava with a new token that offers node providers higher token incentives for getting in early. This could result in many smaller node runners leaving if the incentives don't improve, making Pocket's supply side more concentrated. Alternatively, if incentives align on multiple networks, the marginal cost of running the dRPC (e.g. Pocket, Lava) node is very

low related to the cost of running other (e.g. Ethereum nodes), so node runners would be incentivised to support multiple networks.

This type of consolidation would likely increase the bargaining power of the remaining supply-side participants and reduce Pocket's benefits from a more decentralised supply side. On the other hand, Pocket has an early mover advantage from being the first dRPC meaning that it likely knows the most about the pitfalls to avoid, and what areas need to be improved.

What do we need to do next?

The biggest gains to Pocket's reliability, performance, and cost will come with v1 and the whole host of innovations and mechanisms that come with it.

Our Big Hairy Audacious Goal for Pocket is for v1 to be the most successful protocol launch in crypto history

To achieve this goal, we need three things:

1. Additional community contributions to the various v1 workstreams, which include owning and ideating projects, contributing code/documentation and catching bugs
2. Participation from the community to help with supporting the protocol team to get to a successful testnet and mainnet, introduce key hires, and bring new ideas to the protocol (before and after launch) to keep up with the industry.
3. Outstanding marketing (which we will cover separately) to ensure the benefits of v1 are communicated to all of the relevant audiences so that developers understand why and how to use pocket, node runners, or centralised RPC providers to participate as gateways, and more individuals continue to join the DAO.

Additional measures to improve the reliability, performance and cost of Pocket's service prior to v1 include:

- Design scalable tokenomics that create a utilitarian economy creating a value proposition for both supply and demand, and develop it in a way such that it can evolve long-term.
- Innovate on new paradigms related to the Gateway & Fisherman actors to ensure high on-chain QoS.
- Create the truly most decentralised network along every pillar (validators, servicers, fisherman, political distribution, geographic distribution, etc…)
- Enable autonomous protocol development and evolution that does not require support from the core protocol team
- Leverage the power of a permissionless and decentralised RPC network to scale out of just blockchain RPC
- Making network infrastructure costs and token emissions more proportional to end-user demand

Decentralising Pocket's demand

What are our objectives?

1. We want Pocket's demand side to be decentralised to ensure we:
    a. don't rely on one access point (gateway) to Pocket, and
    b. maximise the revenue flowing through the network

Where is Pocket now?

- **Access points to Pocket**

Pocket first launched with no gateway on the network, as the assumption was that the demand side would use the protocol directly. However, over time the need for gateways on Pocket became clear due to latency and performance issues faced by applications trying to use the protocol directly. PNI's gateway was subsequently developed after the realisation that a gateway could reduce the friction associated with using Pocket Network and grow its obtainable market.

Although the gateway has been a great success for Pocket, Pocket's demand side is a major area of weakness for the project, as all demand-side UX, innovation, and growth is put into one basket controlled by PNI.

- **Revenue maximisation**

In Pocket Network's roadmap, the goal was always to activate app stake burns allowing the protocol to monetise usage of the network and shifting towards an increasingly net deflationary issuance over time in a similar fashion to the EIP-1559 upgrade on Ethereum. However, due to technical issues in implementing this in v0, app stake burns have not been enabled yet, leaving the network inflationary until v1 of the protocol in which app stake burning can be enabled.

Although PNI - as the sole gateway operator - uses some of its revenue to buy POKT directly on the market for its customers, Pocket currently has zero protocol revenue as defined by the likes of Token Terminal and Web3Index.

Despite Pocket supporting over 30 different blockchains, 75% of Pocket's relays come from just 4 different blockchains. [5] So lots of market opportunities, just no capitalisation in revenue for the protocol to date.

The RPC Market Opportunity

While Pocket's ultimate Total Addressable Market is huge, looking directly at what Pocket does today, it provides an RPC service for blockchains and developers. [6] The RPC market is Pocket's Serviceable Available Market (**SAM**).

Pocket's SAM is valued at approximately $23B, with roughly 200-400B daily paid relays up for grabs; PNI currently captures about c. 0.1% of this SAM. [2] [7] [8] We estimate that Pocket has captured c.7% of its Serviceable Obtainable Market (**SOM**), ie the market Pocket can capture based on its current quality of service, feature set, as well as the limits of the v0 protocol architecture. [9] However, the SOM is roughly 1% of the overall SAM, so there is still a huge market for Pocket to capture.

Given that nobody can currently compete with Pocket on costs or redundancy as a result of its unique marketplace model and architectural design, it is clear that reliability (most likely integrity) and performance (latency and QoS) are two of Pocket's current "invisible asymptotes," the ceilings that Pocket's growth curve is bumping its head against, putting the brakes on further growth. **It is evident that it is not enough for Pocket to have the cheapest service and/or be the most redundant; Pocket must score highly on all three factors of Reliability, Performance and Cost if every possible customer in the market is to use Pocket.**

Competitive landscape

Alchemy and Infura dominate the current market.

Alchemy's competitive advantages relate to its deeply embedded service within key developer toolsets and communities. Alchemy also offers a lot of value-added services and features that go much further than just plain old RPC, including APIs, developer SDKs, real-time alerts and developer tooling to improve the developer experience.

Infura, on the other hand, does offer additional services and features but has succeeded largely from its first-mover advantage as the first major RPC service on Ethereum, as well as its institutional relationships with key Ethereum infrastructure providers, such as Metamask.

The most interesting new competitors are - similar to Pocket - leveraging a distributed supply side to lower end-user costs and improve their service's guarantees around performance and reliability. However, while most of these competitors are more centralised than Pocket, they generally have much better sales and marketing and have better control over performance by limiting the supply side of their network to professional operators only. These are important trade-offs that have their consequent advantages and disadvantages.

A future existential risk for Pocket relates to the rise of light clients, as well as adjacent RPC services such as Kyve, The Graph, Laconic, as well as optimisation at the gateway level - eg Alchemy - and how each of these approaches could result in the reduction of Pocket's available market.

To date, Pocket's key advantages over the competition appear to be its ability to spin up infrastructure for new blockchains faster than any other provider and to offer a lower price than anyone else.

Pocket needs to lean into its community to develop true long-term competitive advantages.

Defensibility

Switching costs are quite low in the RPC market, as the only hindrances are changing endpoints and any tie-ins to long-term contracts. This is an opportunity for Pocket if we improve how the service is sold as well as the underlying quality of its service.

Brand is the main moat for the major RPC providers in the current market, as end-users care about reliability and performance more than cost and are willing to pay more for reliable service. This is clearly an area that Pocket needs to lean into.

Another relevant area is economies of scale, which the larger players, such as Alchemy and Infura, can benefit from by owning data centres and using their scale to leverage greater bargaining power to achieve better discounts from suppliers. Still, Pocket should have a much bigger cost advantage at scale thanks to its marketplace model and the overall efficiency of its protocol business model. [10] In time, there are plenty of synergies between Pocket and more centralised players as Pocket can serve the cheapest and most reliable relays for larger centralised teams with better customer service and additional developer tools to resell to their customers.

Brand Awareness and PR strategy

The other area where Pocket is falling behind is its branding, communications, design, and marketing, which don't currently reflect Pocket's ambitions as a best-in-class project. It will take too long to expand on all of the issues from the past, but thankfully this is an area that is very much within our control to solve.

What do we need to do next?

One of our Big Hairy Audacious Goals is for Pocket to have $1B of annual protocol revenue.

It is becoming clear that PNI's Portal - as the sole access point to Pocket - limits Pocket's potential. Pocket can benefit from coopetition - the phenomenon where organisations both cooperate and compete at the gateway level by opening up access to additional gateway operators. Our first priority is to launch the first community-owned and run gateway. [11]

However, having a new gateway operator is not enough by itself. To improve Pocket's economy, we need to start driving protocol revenue and reduce the overall costs of providing Pocket's service. To do this, we need to solve the economics of Pocket's ecosystem, starting with how we monetise traffic through the gateway, how much end-users pay for relays, and how nodes are rewarded.

In tandem with decentralising the gateway, we will propose to activate demand-side fees by charging the gateway operators in order to set Pocket on the path to generating protocol revenue.

More detail will follow soon on decentralising the gateway, POKT economics R&D, and switching on protocol revenue.

One other Big Hairy Audacious Goal we have is for Pocket to become the most trusted and loved infrastructure brand in Web3.

Notwithstanding efforts to improve the quality of Pocket's service, there is still a massive share of the market that is up for grabs if Pocket can improve its brand, design, and marketing to maximize awareness of Pocket's value proposition and improve top-of-the-funnel opportunities, and avoid spending any time on customers that are not currently a good match for Pocket's product offering.

To complement the efforts of the gateway operators, PNF is in the process of hiring a top PR firm to ensure that Pocket is continually getting in the news for all the right reasons, particularly around the technical developments happening in the protocol, as well as the overall ecosystem, ensuring that everyone is aware of Pocket's unique value proposition and why Pocket's target audience should care about Pocket. Next is a new Head of Marketing at PNF to develop a coherent marketing strategy for the whole ecosystem and coordinate all relevant agencies and community members who can contribute to this workstream so that we make the maximum impact with the talent and resources we have available to us.

This is all in addition to POKTnews taking over the main Pocket Network Twitter handle to improve the overall quality and tone of Pocket's communications, a revamped Pocket Network website, and upgrades to our community channels (Discourse & Discord).

This continuous workstream will feed into all other priorities for Pocket (across supply, demand, governance, and capital markets) and contribute to the success of PNF's BHAGs.

Decentralising Pocket's governance

What are our objectives?

1. We want Pocket's governance to be sufficiently decentralised/representative so that no one entity or group has outsized influence to avoid the ossification of power by a plutocracy or cartel
2. We want Pocket's community to be as productive and impactful as possible

Where is Pocket now?

- **Decentralised/representative governance**

Decentralised governance adds legitimacy to the ecosystem. Also, it provides security guarantees to all participants that Pocket Network will not be co-opted by any special interests or easily attacked.

Regarding power distribution within Pocket's DAO, governance is perfectly equal, thanks to Pocket's 1-person, 1-vote proof-of-participation governance model. While smaller coalitions within the voting base have similar interests, it is difficult to point to any person or group that has the casting vote on any matter of importance. Furthermore, Pocket DAO's constitution offers further protections against proposals that negatively impact Pocket's purpose and mission.

However, in terms of representation, the voter demographic is massively skewed away from customers, it overly represents the supply side and doesn't have any official representation for investors at the moment. [12]

And the overall voting base is still relatively small, with only 58 voters. Yet, it is good to see that looking at every DAO proposal from the genesis of Pocket's DAO, there is now an almost exactly equal split of proposals from the initial Pocket institutions (PNI and PNF) as compared to the rest of the community. And the trend is towards more community ownership and leadership, as shown by 75% of the last 36 proposals proposed by the community.

Using the Nakamoto coefficient, a common measure for testing the decentralisation of a network, only six validators would be required to cooperate to control Pocket's protocol, and only two entities need to go down or collude (the top two validators) to halt the network. [37] Both of these measures are too close for comfort. They are a genuine medium to long-term risk for Pocket, which we need to remediate if Pocket is to achieve its vision of becoming a sovereign cryptonetwork.

- **Productive, impactful community**

Despite having fewer voters than almost every other major DAO, the activity on Pocket's forum ranks close to some of the most active DAOs in the space, who have up to 100x more voters. [14] This metric alone demonstrates the strong sense of ownership of Pocket's community over the future of the project. A factor also shown by the number of community-owned projects in the ecosystem. [15]

Saying all of this, Pocket's community is not perfect. There has been a lack of alignment over the last 12 months concerning the direction of the project, with not enough impactful contributions being made - given the quality of the community we have - and too much time spent arguing in the forums, resulting in extremely high coordination costs to pass a proposal. [16]

Further, there has been a general lack of respect shown toward each other sometimes, and too many teams still work in silos. GRIP, LeanPOKT and Geomesh remain exceptions to the rule in this regard.

A recent optimistic trend is the number of outside contributions to the protocol, which is now at three, up from zero at the start of the year.

How does Pocket compare to the competition?

Pocket is the only RPC service with a properly functioning DAO. This helps with differentiation and gives Pocket the potential to leverage its community and create a stronger lock-in with both its supply and demand sides of the marketplace.

It is clear that Pocket's community, along with the design of its DAO, how the foundation is set up to support the overall ecosystem, and the mechanisms in place to support contributions from across the many individuals and entities supporting Pocket's development, are competitive advantages for Pocket when compared to many other more centralised/unequal Web3 projects.

Leveraging Pocket's community across all dimensions of supply, demand, governance, and capital markets is key to Pocket's future success.

What do we need to do next?

- **Decentralised/representative governance**

Pocket needs to make a concerted effort to expand its political franchise to include token holders and to represent applications better. PNF will soon share plans to launch an upgrade to how voters can claim a vote in the coming months. This will leverage verifiable credentials that will increase voting power for the most impactful contributors and reduce overall coordination costs for everyone, making it easier for potential voters of every type to claim a vote and join the DAO. And will most likely include a new voter path for token holders.

Increasing validator diversity and distribution of voting power is a key priority too. PNF will likely sponsor this by distributing its validator stake across many different validators, particularly smaller validators, and will work with the community to share more data on validator health and performance.

- **Productive, impactful community**

Our Big Hairy Audacious Goal is for Pocket to have the healthiest culture and governance of any DAO

Leveraging Project DNA's clear sense of direction about where we are going as a community, along with a robust set of guiding principles (values) to get there should make a big difference in terms of how we work together as a community.

Additional initiatives include GROW to reduce coordination costs for contributor funding and RAD for new contributor bounties and onboarding opportunities.

We also need to continue to attract new talent and maximise the impact of our current pool of talent.

Decentralising Pocket's capital markets

What are our objectives?

1. Improve liquidity and access to $POKT
2. Improve the interoperability of Pocket Network and integration of $POKT with key DeFi and DAO tooling and infrastructure
3. Improve institutional infrastructure for $POKT

Where is Pocket now?

- **Improve liquidity and access to $POKT**

Higher interest rates have prompted a clear swing in investor sentiment from qualitative factors - narratives, ideas, and so on - to quantitative factors - such as revenue, profit and defensibility. The market no longer rewards superficial measures such as growth for growth's sake, with POKT's token price suffering dramatically in the process.

Another issue with the protocol prior to v1 is that the demand side is permissioned, meaning that applications aren't staking for the relay throughput they want access to. Consequently, there is relatively little natural demand for POKT yet. Of course, nodes still have to stake POKT to act as a node runner, but there is little incentive to stake more nodes unless 1) overall demand picks up and/or 2) the price of POKT increases.

While POKT is listed on some major venues, volume is predominantly concentrated on a small handful of venues, such as Gate and Kucoin. Overall, POKT has poor liquidity with the 2% depth (the amount that can be purchased within 2% of spot price) on the largest market for POKT at the time of writing is $18k.

- **Improve the interoperability of Pocket Network and integration of $POKT with key EVM networks**

As Pocket Network has no interoperability with any other EVM infrastructure, there is currently no way to access POKT on any of the leading EVMs or DEXs.

- **Improve institutional infrastructure for $POKT**

Custodian integrations are very expensive and time-consuming, but they increase the overall attractiveness of POKT to institutional players. Out of the major custodians, POKT is currently only integrated with Copper. Ledger is in progress but is taking more time than anyone expected. And talks with new custodians are put on hold until PNF's treasury increases substantially to justify paying for such integration costs.

How does Pocket compare to the competition?

Ankr is the only competitor with a listed token, which is interesting as Ankr is a relatively centralised project, meaning its token has much less utility than Pocket's. ANKR's token is approximately 4x the market cap of Pocket's, with an order of magnitude more daily trading

volume, is integrated into the Ethereum ecosystem as its token is an ERC-20, and has listings from major exchanges, including Coinbase. POKT needs to catch up on all of these measures.

Newer decentralised competitors will likely also have tokens. They may also be able to capitalise from improved market conditions and a fresh slate to launch at a higher market cap than POKT.

Ultimately, all of Pocket's major competitors - ie those with the most market share, such as Alchemy and Infura - don't have a token, so Pocket still has a good opportunity to drive more value to its ecosystem by leveraging POKT in the right way.

What do we need to do next?

Our Big Hairy Audacious Goal is that Pocket has the institutional financial rails expected of a blue-chip token

For Pocket's economy to win, the lifeblood of the economy, $POKT, should be as freely accessible as possible for new node runners, applications, and DAO contributors looking to get paid for their work. We also need to remove the volatility and lack of market depth for POKT as a barrier to entry for new entrants to the Pocket ecosystem.

Liquidity and volatility is a multi-faceted problem involving the economics of POKT, the need for protocol revenue, and improved narratives around Pocket and its future direction.

All of these need to be solved to encourage tier 1 centralised exchanges to list POKT. We also want liquidity on decentralised exchanges, as they provide direct access to the broader world of DeFi, unlocking financial legos, such as streaming payments, DAO budgeting, and other integrations that will help the DAO to scale and onboard new contributors.

PNF is currently stewarding a project - with the community's help - to design a "wrapped" version of POKT, "wPOKT," that can represent the value of native Pocket 1:1 yet benefit from the smart contract features and tools available within the Ethereum ecosystem. wPOKT as a programmatic primitive will unlock more advanced forms of DAO contributor payments and can be the foundation for more sophisticated Pocket products that the community may want to build.

Lastly, POKT's token economics need to be improved, including but not limited to the activation of demand-side fees, the economics for node runners, an appropriate free tier to enable startups to try Pocket without paying first, and economics for gateway operators too. Getting the economics right will also be a key component of v1's launch.

In summary, to achieve Our Big Hairy Audacious Goal for Pocket to have the institutional financial rails expected of a blue-chip token, we need to focus on the following as a community in the coming months ahead:

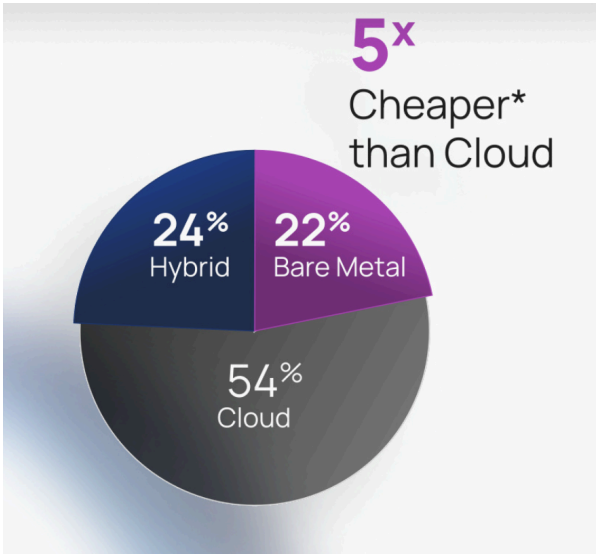
1. Launch wPOKT and integrate it into key EVM infrastructure, including decentralised exchanges
2. Steward a new economics research program to improve POKT's token economics
3. Create the conditions to incentivise at least two of the tier 1 global centralised exchanges to integrate POKT
4. Massively improved marketing (as described by the BHAG to make Pocket the most trusted brand in crypto)
5. More top-tier custodian integrations

Appendices

1. See [Poktscan] for direct data and the infographic below for the results of a survey of all node participants.

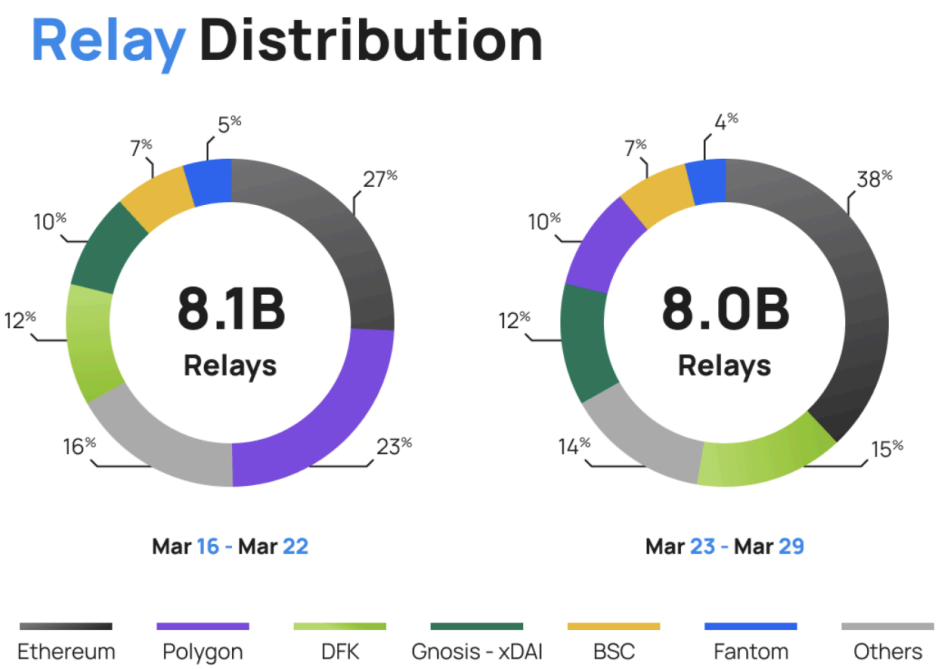
2. We know anecdotally that Pocket's main competitors, in the aggregate, earn over $1B annually in gross revenue, so it is clear that PNI is undercharging for its service at the moment, with competitors charging up to 7x more.

3. Results of a survey of Pocket's supply side conducted by PNI on their respective infrastructure setups:



4. The estimate for the supply side network costs of $15m per year is calculated using the value of token emissions on an annualised basis using the price per POKT as of 5 April 2023.

5. Pocket relay distribution as per the blog post on 31 March 2023:



6. The broadest interpretation of Pocket's market is encapsulated in its purpose to "power unstoppable open data and open infrastructure governed by its users." Ultimately, Pocket's marketplace model can coordinate access to any public data source, which gives it a huge Total Addressable Market (**TAM**). Just like how Eigenlayer can leverage ETH to secure many other networks and applications, Pocket can leverage its network of infrastructure providers staking POKT, along with the core functions of the protocol, to expand horizontally into several other adjacent

markets, such as indexing, oracles, and retrieval of cryptographic proofs as well as data retrieval for storage - and other DePIN - networks. This means that the competitive landscape for Pocket's service will grow as its market size grows as well.

7. We know that there are roughly 1-2T daily relays across all major blockchains, with approximately - using the Pareto principle as a guide - 20% of such relays (200-400B) paid for, and the other 80% (800B - 1.6B) free. PNI currently receives payment for approximately 200m relays per day (out of its 1.2B daily relays), ie c. 0.1% of the SAM.

8. Another proxy for the value of the current blockchain RPC market is the valuation of the top 10 RPC providers - based on the latest fundraising announcements - for Alchemy, Infura, Blockdaemon, Ankr, etc, which gives a rough estimate of $23B in 2023. This is likely based on a revenue multiple of approximately 20x, which maps to an estimated $1B annual revenue for Pocket's SAM.

9. Due to the limits of the v0 protocol architecture, the protocol can currently only serve up to 3B relays per day. Even on this measure, Pocket has a small share of its immediately obtainable market, having captured less than 7% of it to date.

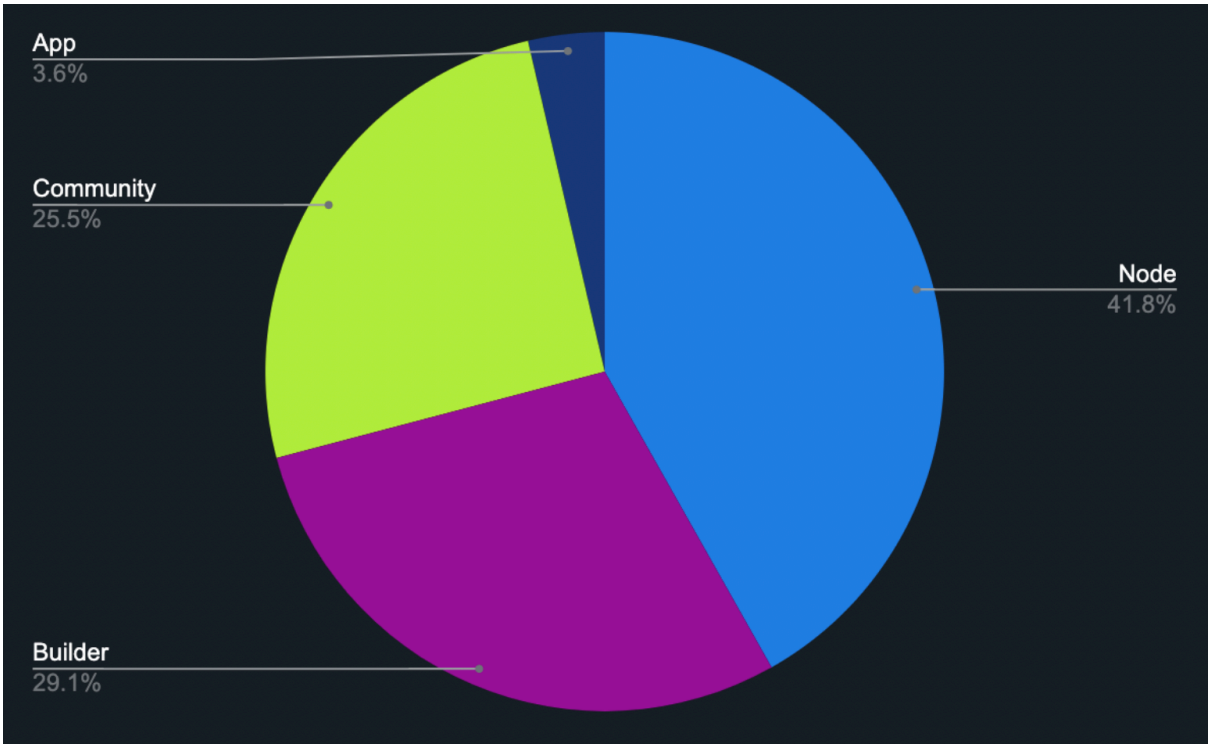
10. Pocket likely has two paths to achieving true sustainable competitive advantages over the competition and to building a moat:

    - In a world of open source, creating skin-in-the-game for your supply-side (node runners) and demand-side (applications) is the true modern lock-in effect as you can't fork integrations, customer relationships, your brand, trust in how you maintain your code, how functional and productive your DAO is, or your culture of collaboration and innovation. There is a real opportunity for Pocket here.
    - Become a platform: if Pocket can provide brilliant performance at the lowest possible cost, it creates the incentive for every other RPC provider/gateway to leverage Pocket for their respective customers and end markets, generating a compounding flywheel effect that will continue to attract more supply and demand to Pocket. An early example of this possibility is demonstrated in the number of other top 10 RPC providers sending traffic through Pocket.

11. The reasons for decentralising the gateway include, amongst other considerations:
    a. Drive better QoS, more relays, and more protocol revenue through coopetition of the demand-side in areas such as:
    b. Relay quality-of-service (QoS) - data integrity, latency, throughput
    c. Operational quality - marketing, sales, support
    d. Specialised services (e.g. QoS optimised for specific chains, customer service localised to specific regions)
    e. Value-add services (e.g. opinionated SDKs/APIs a la Alchemy)
    f. App-specific gateways (e.g. ERC-4337 account abstraction gateway)
    g. Bootstrap gateways so they can hit the ground running in v1 (and so we're not launching v1 with just one gateway)

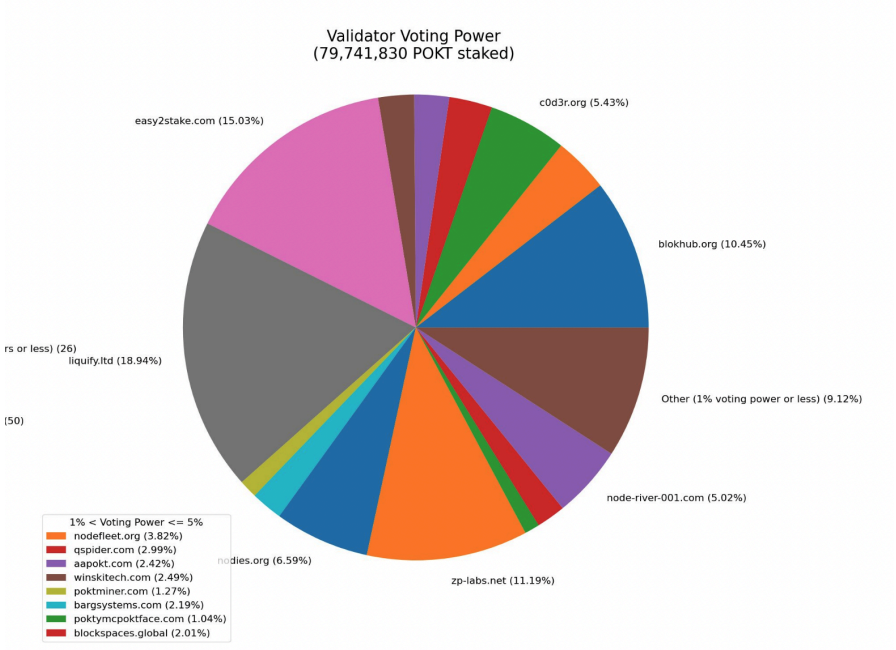
h. Develop economies of scale through sharing costs between gateways (where possible)
i. Provide Pocket Network with second chances to acquire customers (e.g. churn by one gateway can be picked up by another gateway)

12. The representation of Pocket's current stakeholder groups:



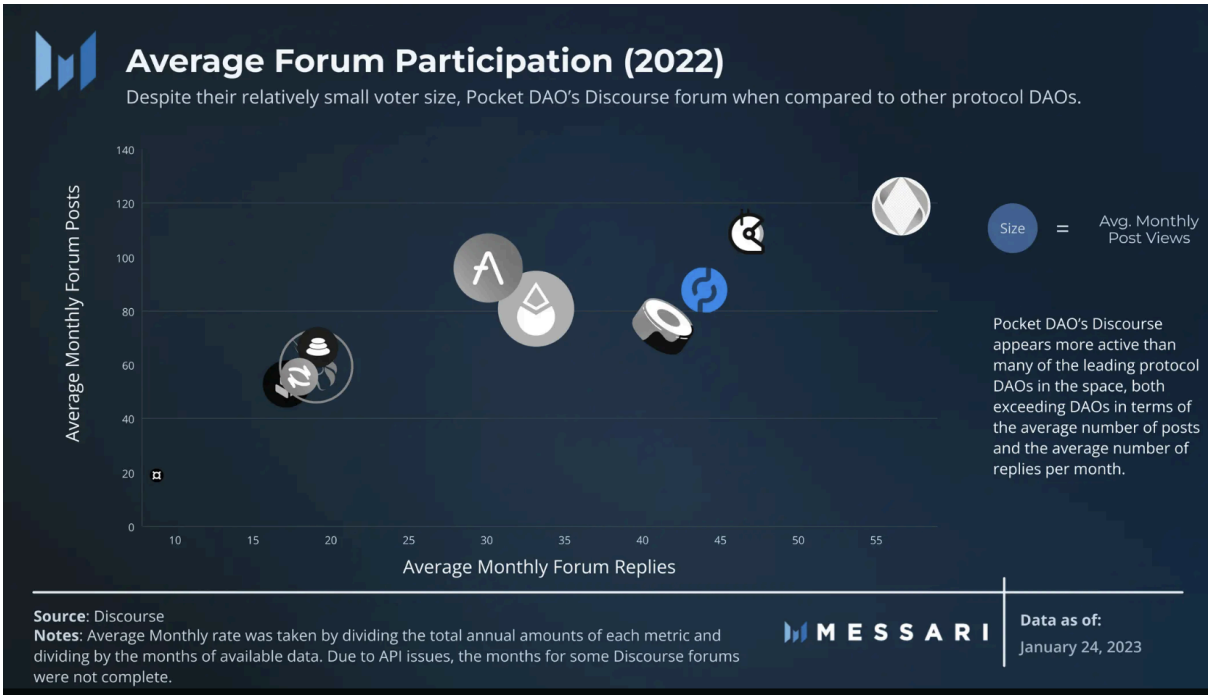
13. Validator snapshot taken on 31 March 2023:

66% of the validator voting power is required to control the network and 33% of the validator



voting power is required to halt the network.

14. Forum participation



15. Community contributions

16. High coordination costs

In the period of January 2021 to 31 March 2023, there has been an average of one grant payout every 1.5 months, with only 16 unique contributors having received funding from Pocket's DAO since inception (with many multiple-time grant recipients), and an average grant size of $150,000, which is large.