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Crypto Airdrop Explained: What Is It And How It Works

Crypto airdrop is a marketing strategy used to offer tokens to existing cryptocurrency investors for free or in exchange for minimal promotional efforts.

Crypto users that regularly interact with new and existing platforms will likely receive an airdrop at some point. Airdrops refer to blockchain-based crypto projects and developers that send free tokens to their community members in a bid to encourage adoption as part of a broader marketing initiative.

The main idea is to send newly minted tokens to hundreds or thousands of different wallet addresses in the hope that recipients will be more inclined to participate in the corresponding project – even if it's just to learn how to cash out the free tokens into something else.

This concept is similar to finding a free discount card in your mailbox to encourage you to visit a new store in the area. However, a crypto airdrop isn't predominantly about making the recipient spend money but rather raising awareness for new projects and services.

In most cases, a crypto airdrop is issued to users in exchange for completing a certain task. These tasks often involve things such as:

- Following an account on social media.
- Sharing or retweeting one of their posts, including hashtags.
- Sending or receiving a transaction (using a particular crypto platform or [wallet](#)).
- Creating an account and signing up to receive updates.

There are also instances when a crypto airdrop may be issued to users without needing to do anything, as we will highlight below.

What do crypto airdrops mean?

The primary reason for organizing a crypto airdrop is to promote a blockchain startup, project or service. By issuing tokens to users, the team can bootstrap its project and ensure a fair distribution of tokens among its community from day one. Moreover, recipients of these tokens are incentivized to increase awareness and help the project reach a broader audience once the token begins trading on an exchange. The more interest surrounding the token, the more likely it will rise in price.

Airdrops often gain traction by promoting the launch on a project's website, cryptocurrency forums and social media. This is no different from receiving a HelloFresh voucher in your email with a discount code, as those campaigns are designed to bring more people to the platform through a financial incentive.

Legitimate crypto airdrops will never ask users to make any investment. Instead, it is a way to stand out among competitors that have pursued external funding before issuing their tokens.

How crypto airdrops work and are they safe?

There are multiple ways to conduct a crypto airdrop:

- Have users complete one or multiple small social tasks to qualify for receiving the airdrop at a later date.
- Automatically distribute tokens to holders of a particular asset or balance on the blockchain where the airdrop will occur. (For instance, every address with a balance of 0.01 ether or higher gets the airdrop.)
- Taking a blockchain snapshot at a previous date and letting users claim their airdrop tokens from the project's website through a smart contract.

Despite their popularity, however, crypto airdrops aren't always as risk-free as they seem.

Because recipients receive "free money" in their wallets, there will be airdrops that are nothing more than pump-and-dump schemes. More specifically, the creator issues a token and hopes there will be enough hype surrounding it to have it listed on an exchange. Once tokens begin trading, the creator sells their sizeable portion of tokens, crashing the price.

Another potential attack vector is the so-called dusting attack. A scammer will send a small amount of cryptocurrency to an unsuspecting user to erode their privacy. Then, the attacker will track down the transaction activity of the wallet tokens distributed to de-anonymize the person or company operating the wallet.

Finally, since airdrops are considered income by the U.S. Internal Revenue Service, it means whenever you received an amount of “free tokens” you’ll actually need to pay tax on them – whether you wanted the airdrop in the first place or not.

Crypto airdrop examples

The cryptocurrency industry has recently seen a few crypto airdrops that took users by surprise.

OpenDao’s airdrop of SOS tokens rewarded all non-fungible token ([NFT](#)) creators, collections and enthusiasts who had previously made transactions on the [OpenSea](#) NFT marketplace. Recipients did not have to complete any task other than manually claiming the token from the website. The airdrop helped OpenDao grow its Twitter following to over 60,000, and more than 120,000 addresses claimed the token.

A similar initiative came from the LooksRare team that orchestrated LOOKS airdrop. Users with over 3 ether in transaction volume on OpenSea between June 16, 2021, and Dec. 16, 2021, were eligible for LOOKS tokens after listing an NFT for sale on the LooksRare marketplace. Users holding the LOOKS token receive a share of the trading fees generated by the LooksRare platform. Additionally, users can stake LOOKS to earn more tokens.

The third example is the Gas DAO, which issued the GAS token on the [Ethereum](#) blockchain. Anyone who ever paid \$1,559 or more in gas fees on Ethereum was eligible for the airdrop, with tokens claimable via the website. More than 57,000 addresses claimed the airdrop. The GAS token provides voting rights in the Gas DAO, which aims to be the voice of the Ethereum network’s active users.

How to get crypto airdrop?

As a crypto airdrop is primarily designed for promotional and marketing efforts, it can be tricky to ensure you are eligible for future events. Every airdrop has individual requirements to assess eligibility, although most of them are easy to find. An airdrop involving a blockchain snapshot is often communicated after the fact, making qualification difficult. However, there are other options to explore:

- Find dedicated crypto airdrop websites (you will usually get a notification via email) – similar to signing up for promotions from a store you regularly buy from.
- Check the #airdrop hashtag on social media and see if anything new is happening.
- Be an active user of different cryptoproducts, services, blockchains and platforms .
- Explore crypto-related forums and news portals to find out about a recent or upcoming crypto

The main requirement to receive crypto airdrops is to have a [crypto wallet](#) with a balance. You cannot receive or request airdrops without a wallet address. Using an exchange address is convenient, but not suitable for airdrops. Instead, users should research the various crypto wallet solutions they can use to store their funds, such as MetaMask, one of the most popular cryptocurrency wallets.

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