

Return-on-investment

This page covers the potential return-on-investment (ROI) for storage providers (SPs) and how each SP can calculate their ROI.

Calculating the Return-on-Investment (ROI) of your storage provider business is essential to determine the profitability and sustainability of your operations. The ROI indicates the return or profit on your investment relative to the cost of that investment. There are several factors to consider when calculating the ROI of a storage provider business.

First, the cost of the initial hardware investment and the collateral in FIL required to participate in the network must be considered. These costs are significant and will likely require financing from investors, venture capitalists, or banks.

Second, the income generated from the block rewards must be factored into the ROI calculation. However, this income is subject to the volatility of the FIL token price, which can be highly unpredictable.

Third, it is important to consider the cost of sales when calculating the ROI. Sales costs include the cost of acquiring new customers, marketing, and any fees associated with payment processing. These costs can vary depending on the sales strategy and the size of the business.

Fourth, the total cost of ownership must be considered. This includes the cost of backups, providing access to ingest and retrieve data, preparing the data, and any other costs associated with operating a storage provider business.

Finally, the forecasted growth of the network and the demand for storage will also impact the ROI calculation. If the network and demand for storage grow rapidly, the ROI may increase. However, if the growth is slower than anticipated, the ROI may decrease.

Overall, calculating the ROI of a storage provider business is complex and requires a thorough understanding of the costs and income streams involved. The storage provider Forecast Calculator can assist in determining the ROI by accounting for various factors such as hardware costs, token price, and expected growth of the network.

Calculating the ROI of your storage provider business is important. Check out the [Storage Provider Forecast Calculator](#) for more details.

For more information and context see the following video:

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It takes more variables than the cost vs. the income. In summary, the factors that influence your ROI are:

- Verified Deals:
- How much of your total sealed capacity will be done with Verified Deals (Filecoin Plus)? Those deals give a far higher return because of the 10x multiplier that is added to your storage power and block rewards.
- Committed Capacity:
- How much of your total sealed capacity will be just committed capacity (CC) sectors (sometimes also called pledged capacity)? These deals give a lower return compared to verified deals but are an easy way to get started in the network. Relying solely on this to generate income is challenging though, especially when the price of FIL is low.
- Sealing Capacity:
- How fast can you seal sectors? Faster sealing means you can start earning block rewards earlier and add more data faster. The downside is that it requires a lot of [hardware](#)
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- Deal Duration:
- How long do you plan to run your storage provider? Are you taking short-term deals only, or are you in it for the long run? Taking long-term deals comes with an associated risk: if you can't keep your storage provider online for the duration of the deals, you will get penalized. Short-term deals that require extension have the downside of higher operational costs to extend (which requires that the data be re-sealed.).
- FIL Collateral pledged:
- A substantial amount of FIL is needed to start accepting deals in the Filecoin network. Verified deals require more pledged collateral than CC-deals. Although the collateral is not lost if you run your storage provider business well, it does mean an upfront investment (or lending).
- Hardware Investment:
- Sealing, storing, and proving the data does require a significant hardware investment as a storage provider. Although relying on services like [sealing-as-a-service](#)
- can lower these requirements for you, it is still an investment in high-end hardware. Take the time to understand your requirements and your future plans so that you can invest in hardware that will support your business.
- Operational Costs:
- Last but not least there's the ongoing monthly cost of operating the storage provider business. Both the costs for technical operations as well as business operations need to be taken into consideration.
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