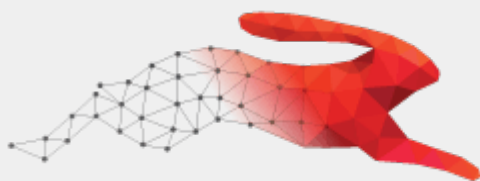


A comprehensive guide to Series A funding for product development



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A comprehensive guide to Series A funding for product development

Reading time 9 mins

Key Points

- A guide to Series A funding and its role in product development
- It's generally the first round of venture capital financing, enabling companies to increase production, hire more talent, step up their marketing efforts, or expand into new markets
- Prepare for Series A funding by ensuring you're able to deliver on what investors are looking for, e.g. a robust business model, demonstrable product/market fit, proof of traction, and a credible path to growth
- Timing is everything. Make sure to carefully weigh the advantages of securing additional funding (e.g. fuel for growth) against the disadvantages (e.g. loss of control or equity dilution)
- Carefully consider the potential implications and impact of Series A funding on the future growth of your product and business

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Managing Director

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As you wade into the deep waters of product development, you'll face many crucial sink-or-swim decisions. The choice of whether to pursue Series A funding for product development is significant: it's the first round of external fundraising and [venture capital financing](#), and its implications will reverberate through the entire life cycle of your product.

Unlocking the ins and outs of Series A funding, understanding what investors are looking for, weighing potential advantages against anticipated drawbacks, and envisaging the long-term impact on your venture can shape the course of your business journey.

Suggested articles

How to secure early-stage product idea funding: A beginner's guide

Free product/market fit template to ensure you're meeting customer needs

How to find investors for your product idea

Laying the foundations for Series A funding

Firstly, it's crucial to understand what Series A funding is and its place in the funding ecosystem. When you're developing a new product, there are various stages of funding to tap into to help you progress. Series A is one such stage, typically following on from seed funding rounds.

Seed funding, as the name suggests, aims to help a business sprout from an idea into a functioning entity. You might be refining your product prototype or testing the market's appetite at this stage. Read [our guide to securing early-stage funding](#) for your product idea if this is where you are.

When it comes to Series A, you're no longer in the realm of proving your concept: you're seeking to build upon an established foundation and scaling up. You may need to ramp up production, broaden your marketing efforts, hire more talent, or expand to new markets. According to [data from Pitchbook](#), as of 2021, the average Series A round in the UK was roughly £5 million. This figure is by no means prescriptive; your needs could be above or below this average.

What are Series A investors looking for?

A significant part of gearing up for Series A investment for product development begins with getting your house in order. This includes everything from your financial statements to customer feedback surveys and demonstrating how you'll meet expectations. Investors at the Series A stage will look for a few key things:

Firstly, they will scrutinise your business model. While seed investors might be content with a promising concept, Series A investors require a robust business model that shows a clear path to profitability. A study by Startup Genome reported that over [70% of tech startups fail due to premature scaling](#) – meaning that many startups focus on spending money to expand the business before nailing what customers want, how to reach them, and [ensuring the right product/market fit](#). A robust business model will help you prevent this from happening.

Investors also look for proof of traction. You need to demonstrate a growing user base, increasing sales, positive customer feedback, or any other indicators that show your product has a place in the market. A 2020 [Silicon Valley Bank outlook survey](#) showed that for 92% of investors, evidence of traction was a crucial consideration for Series A investments.

Additional [proof-points that investors look for](#) in startups looking to fundraise:

- A credible path to growth: What are your growth levers (e.g. acquisition, retention, referrals), and how do you intend to scale them? Do you have a demand pipeline waiting to be unlocked if you can scale your services or supply with more funding?
- A small but well-defined and well-understood niche that points to a bold, inspiring, and grander vision
- A clear and compelling narrative: Frame the problem, describe how to solve it, and explain what makes right now the opportune moment for your solution
- A talented team: Demonstrate your ability to attract and hire people that will bring a diversity of perspectives and qualities beyond those of the founding members
- A world-class pitch deck that leaves a lasting impression of how outstanding, knowledgeable, and insightful you are
- Social proof: Highlight any endorsements from top customers, angel investors, business partners, press stories etc

Preparation is key. Please read the rest of our [tips on how to find investors](#) if you're considering Series A funding for product development to help ensure you've got all your bases covered.

The pros & cons of Series A funding for product development

Like all significant business decisions, Series A funding has its pros and cons. It's crucial to be aware of both sides before diving in.

Series A funding advantages

Fuel for Growth: The capital injection is the most apparent benefit of Series A funding. This funding allows you to scale your operations, hire new talent, and expand into new markets.

Credibility: Securing Series A funding often brings a certain level of prestige. It can be a signal to the market that you're a business worth watching, which can, in turn, attract more customers, partners, and even future investors.

Strategic Partnerships: Series A investors often bring more to the table than just funds. Many come with industry experience, connections, and strategic advice. According to a 2022 Harvard Business Review working paper, startups that utilise their investors' expertise and networks often fare better and [benefit more from their investor's reputation](#) than those who don't.

Series A funding disadvantages

Loss of Control: With Series A funding comes new shareholders, who will likely want a say in how you run your business. You may find yourself answering to your investors, which can limit your control.

Pressure to Perform: With external funding comes the expectation of growth and returns. A 2022 report from [Beauhurst](#) showed that nearly 40% of startups that secured Series A funding faced considerable financial pressure to deliver results quickly.

Equity Dilution: Raising funds in a Series A round will dilute your equity. While this isn't inherently negative, it does mean you'll own a smaller piece of the pie.

How will Series A funding impact your business in the long term?

Finally, it's crucial to consider the long-term impact of Series A funding for product development. The decisions you make at this stage can shape your product's future and your company's direction – allowing you to finance expansion plans, hire new staff, invest in new equipment, and refine product features to fit the market/customer better. On the other hand, it could also lead to premature expansion if the timing isn't right.

Securing Series A funding can also pave the way for future funding rounds. Each round allows you to reach new heights but also comes with unique challenges and requirements. Don't miss out on our next post, where we'll explain everything you need to know about Series B funding.

A final word on product development financing

Remember, Series A funding isn't the end of your funding journey – it's just another step.

The world of Series A funding is exciting but challenging, lucrative but stressful. It's what will allow you to pivot from the survival mode mindset of an entrepreneur to the sustainability mode of an established business. However, you can navigate these waters successfully with a solid understanding of the pros and cons, a clear vision for your product backed by data, and a well-prepared pitch delivered with enthusiasm, expertise, and insight.

If you're ready to propel your product to new heights of success and looking for a partner to help you get there, [get in touch](#). [Book a free and confidential consultation with our team of experts](#), and let's see what we can do to bring the vision for the future of your product to life!

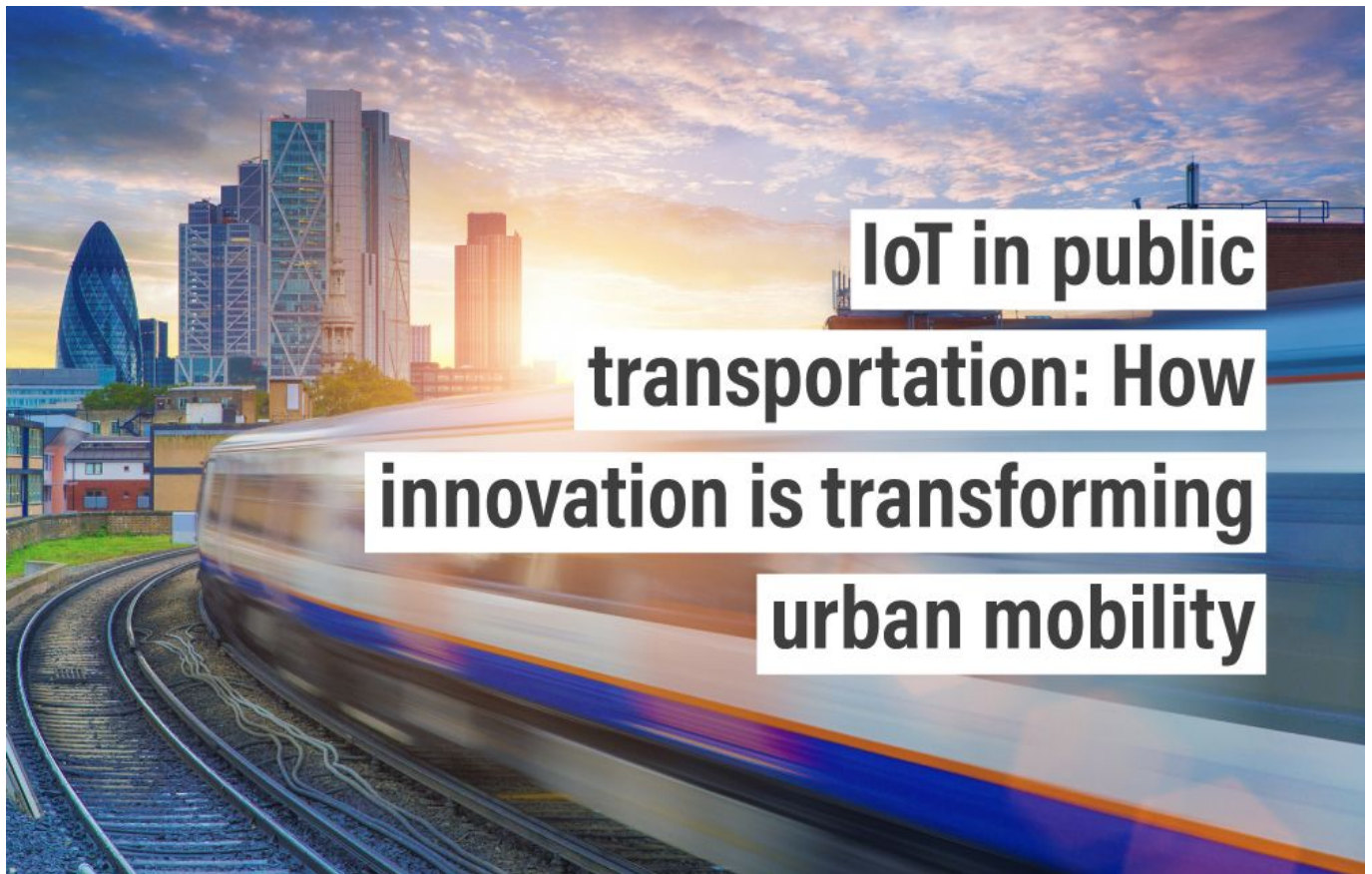
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