

Everything you need to know about Series B product development funding



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Reading time 10 mins

Key Points

- Series B product development funding enables companies to increase production, expand into new markets, invest in new/improved technologies, hire senior executives, or spend more on Research and Development
- The business growth, strategic partnerships, and business validation that come with Series B funding allow companies to stay ahead of the competition, become more efficient and productive, and increase revenue and profits
- Carefully examine the pros (e.g. growth acceleration) against the cons (e.g. equity dilution) before deciding whether the timing and type of funding is suitable
- Prepare for and secure Series B funding by proving your business model (backed by facts and figures), developing an explicit use of funds, showcasing your team, and targeting investors who will be the right fit
- Look at real-world examples from your sector and industry and gain valuable insights from other companies that secured funding successfully
- Companies that secured the highest Series B funding in 2022 highlight that despite taking a double hit due to COVID-19 and Brexit, the UK remains one of the best hubs in Europe for startups

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Ben Mazur

Managing Director

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Series B product development funding is typically the third stage in a company's fundraising journey, following seed or [early-stage product idea funding](#) and Series A rounds. This type of funding is generally aimed at companies that have proven their business models work and are ready for additional growth and scaling.

In the UK, the [average Series B round raised £33.9 million](#), more than 3 times the average Series A round (£11.2 million). This increase reflects the confidence investors place in businesses that have reached this stage, but also their expectations: whereas the previous rounds can attract investment based on an innovative idea, compelling narrative, and a grand vision, Series B investors are looking for facts, figures, and your actual progress as a company.

Venture capitalists, private equity firms, and other institutional investors usually invest during this stage. But don't be surprised to find corporations and even some notable individuals participating in these rounds.

Suggested articles

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

A comprehensive guide to Series A funding for product development

Tech funding opportunities in Bristol and the South West

Why is Series B essential for new product development?

When it comes to new product development, [Series B funding plays a pivotal role](#) in multiple areas:

- **Scaling Production:** Series B funding can help businesses ramp up production to meet increasing demand. For instance, if your new product has proven to be a hit in your local market, you might use Series B funding to increase production or improve your supply chain to ensure a consistent supply.
- **Marketing & Sales:** With a larger budget, companies can develop and execute more robust marketing strategies, reach broader audiences, and optimise their sales channels.
- **Market Expansion:** With proven products, the next step is often expanding into new markets. Series B funding can provide the resources to tackle the challenges that come with it, such as regulatory compliance, localisation, and distribution.
- **Product Research & Development:** Series B funding is also used to refine the product further, address any shortcomings or gaps identified during the initial stages, and develop additional features or versions.

The pros and cons of Series B product development funding

Like any significant business decision, Series B product development funding has advantages and potential drawbacks. Understanding these can help businesses make more informed decisions.

Series B advantages

1. **Growth acceleration:** The capital infusion from a Series B round allows significant growth acceleration. This can be in the form of breaking into international markets, hiring top talent, investing in new technologies, or increasing your marketing efforts.
2. **Strategic partnerships:** Series B investors often come with more than just money. They provide valuable networks, industry knowledge, and strategic guidance.
3. **Business validation:** Securing Series B funding is a significant milestone that validates your business model and product. It sends a strong message to the market about your company's positioning and trajectory.

Put all of these [Series B advantages](#) together, and you have a business that can stay ahead of the competition, become more efficient and productive, and increase revenue and profits.

Series B drawbacks

1. **Equity dilution:** The downside of raising capital is equity dilution. Existing shareholders, including the founders and early employees, will see their ownership percentages decrease.
2. **Increased pressure and expectations:** With more funding comes higher expectations from investors. This pressure can result in a shift of focus from long-term sustainability to short-term growth metrics.
3. **Loss of control:** With more investors on board, founders may lose some control over their company – especially if investors acquire seats on the board of directors or can influence critical decisions.

Whereas [Series A funding for product development](#) will allow you to pivot from the survival mode

mindset of an entrepreneur to the sustainability mindset of a newly established business/product, Series B funding runs the [risk of complacency](#). Once financial needs have been satiated by an influx of investment, new hires and a business running smoothly, it's easier to become complacent – despite investor pressure.

Securing Series B product development funding & preparing for success

Securing Series B funding can be challenging, given the increased scrutiny and expectations from potential investors. However, thorough preparation can significantly increase the likelihood of a successful round.

1. **Prove your business model:** Before attempting a Series B round, it is crucial to demonstrate that your business model works. This includes showcasing consistent growth, robust unit economics, and a strong market presence.
2. **Develop an explicit use of funds:** Investors will want to know exactly how you plan to use their money. Having a detailed plan showcasing [how you'll spend B series funding](#) and where it will contribute to growth and profitability is crucial. For example, hiring executives with seniority, international development, customer acquisition, brand building, and R&D
3. **Showcase your team:** At the Series B stage, investors aren't just betting on a product but backing a team. Ensure your team's experience, capabilities, and vision shine through in your pitch.
4. **Seek the right investors:** Target investors who provide capital and add value through industry connections, market knowledge, and strategic advice.

UK companies with the highest Series B funding of 2022

Real-world examples of UK companies that secured the [highest funding in the first quarter of 2022](#) provide valuable insights into what the financing was used for and the types of companies that caught investors' attention.

[Celsius Network](#)

Funding amount: 864,000,000 USD

A block-chain based lending platform that allows people to earn, borrow, buy, and pay interest on

cryptocurrency. By making it easier for people to use digital money, their goal is to eliminate the volatility of cryptocurrency and use technological innovation to change how we transact.

The funds they received during Series B funding will be used to expand product offerings, break into new markets, and further connect centralised finance systems.

[Zapp](#)

Funding amount: 300,000,000 USD

A London-based instant grocery service startup that enables consumers to order drinks, snacks, groceries and other food items for delivery. While this may not seem like anything new or innovative, the founders of Zapp were able to capitalise on an emerging market – particularly with millennials – for fresh food, on demand, delivered quickly. The company is also eco-conscious, has high workplace ethics (all full-time employees have the opportunity to become co-owners), and offers fair prices. This resonates strongly with customers and aligns well with the type of companies investors seek to finance.

Zapp plans to use the funds to enhance its technology and customer services and expand into ‘mega cities’.

[Wayve](#)

Funding amount: 257,000,000 USD

This British autonomous vehicle startup is ‘reimagining autonomous mobility through embodied intelligence’. They’re presenting a new way to solve self-driving with artificial intelligence using Fleet Learning Technology that constantly improves with every mile driven.

Their Series B funding was backed by some of the biggest names in the multinational business, such as Microsoft and Virgin. Funds will be used to scale its technology and expand partnerships with commercial fleets.

What successfully funded UK startups tell us

UK startups operating in an increasingly mature tech space are more than capable of pulling their weight against other global ecosystems. While [growth rates have slowed](#) in line with global market turmoil, the UK’s ecosystem value jumped 42.8% in 2021 and is steadily approaching \$1tn – as much as Germany, France, and Sweden combined.

[Beauhurst](#) adds that despite taking a double hit due to COVID-19 and Brexit, the UK remains one of the best hubs in Europe for startups: high-level access to [regional funding opportunities](#) and leading venture capital funds, an active network of angel investors, accelerator programmes, and grant schemes for small businesses lay a solid foundation for success.

[Signup for our newsletter](#) or watch this space for the following posts in this series. We’ll be publishing a list of UK angel investors that every startup should have on their radar and – if you’re based in Bristol and the South West – a list of partnerships and incubation hubs for early-stage startups needing a helping hand.

A final word about Series B

Series B funding is a critical stepping stone on the path from startup to scaleup. It offers a host of advantages but also brings with it a set of challenges which could set you back. Approach this round with due diligence, sound preparation, and a clear vision to leverage this funding for sustainable growth and success.

Remember that the financing processes for new ventures are complicated and time-consuming. Strategic partnerships with established industry players can take some of the pressure off and keep your business or product development on track. [Contact us for a free and confidential consultation](#) if you need tech solutions and fast-track innovation!

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