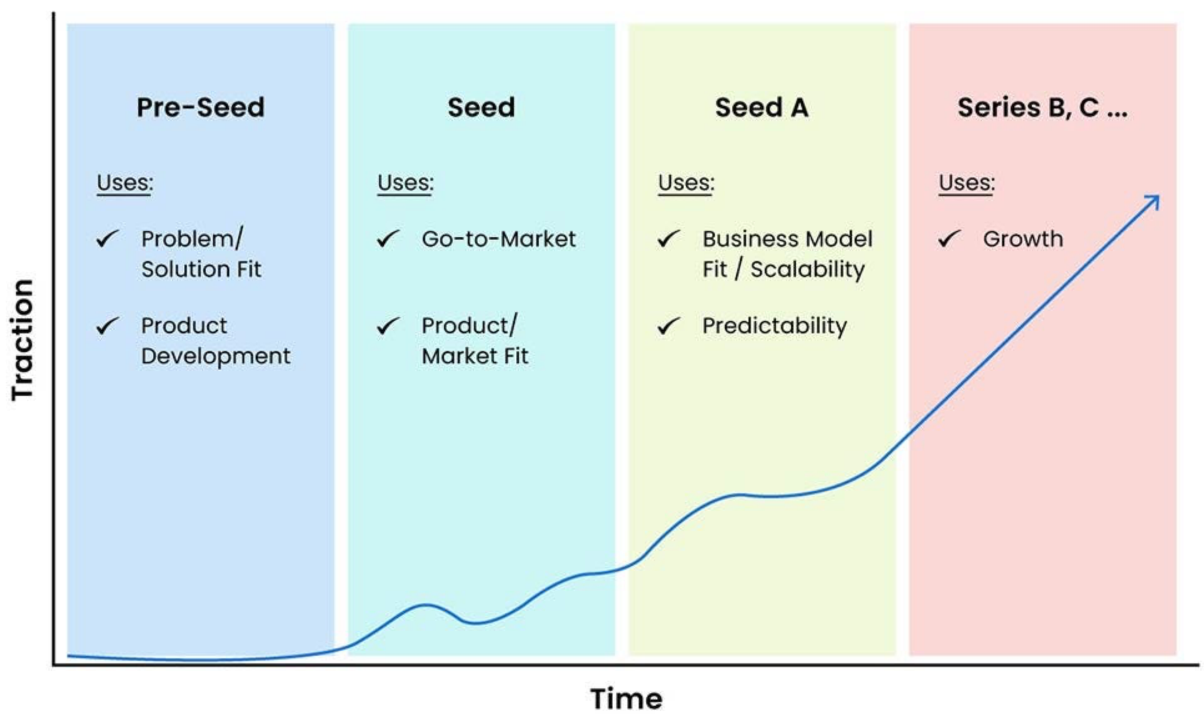
How to go from Seed to Series A to Series B funding

I want to share my journey and lessons from having a front row seat to early founder-led companies, from Seed to Series A to Series B.

Manan Modi



Source

My Seed to Series A to Series B Startup Journey

I've been an early hire (~employee #30) and product manager at multiple early-stage startups. As just one small piece of the puzzle, I got a front row seat to seeing what great teams achieved together through trial and error on both Product + GTM. We put one foot in front of another everyday.

Are you trying to go from Seed to Series A to Series B? Are you scaling from $1M ARR to $10M+ ARR? If so, this is the right place for you.

There are common patterns I've seen across each of those experiences that I want to share with anyone that can hopefully be helpful, when going from Seed to Series A to Series B.

Seed to Series A is an uphill battle for product-market fit and defining a product that just works — by solving problems for customers.

Series A to Series B is about solidifying your GTM strategy, monetizing it well, and continuing to grow your product.

The Series B goalpost is $10M ARR for most companies.

Getting to a Series A is tough in itself. Even when you get to a Series A, the climb from $1M to $10M in revenue is often a challenging one. If there's one thing I have to emphasize directly from my experience, it's a mix of sales, product, and luck. The most important pattern I saw across each startup was defining a clear GTM motion and scaling it. If there's one takeaway, I would emphasize the importance of **contract sizes** — and your ability to sell **more contracts** in the sizes and ranges you want. ie) a $12k annual contract involves a customer paying $1k a month.

David Sacks (Craft Ventures + PayPal Mafia) explains it well here: https://youtube.com/shorts/3AL7PTfdpaQ?si=K9lY2u52g0ADZojp

If you're a consumer startup, it involves balancing the volume of your paid acquisition and your ability to acquire customers organically—but for the purposes of this article, we'll focus on B2B companies.

For most B2B companies, contract sizes and a consistent GTM motion will determine your ability to go from Series A to Series B. The hard truth I had to realize as a Product Manager was that GTM can often be more important than Product, especially when going from Series A to Series B. Yes, a better product can lead to greater ACVs.

The advantages at our startups were primarily built on developed distribution supplemented by product, whether it was targeting specific verticals/sub-verticals to build a niche, leveraging the founders' networks to close deals, being scrappy on getting leads, optimizing for lead quality, competing harder on ad campaigns, or anything else.

On a related note, product defensibility is arguably becoming less and less stable, especially as we will see the barriers to entry to creating great software decrease with AI. However, when you have a great combo of both GTM and product, your company will be an unstoppable force.

The “how” and overall strategy of going from Seed to Series A to Series B is not difficult to define. It usually involves an expansion of contract sizes. Current customers pay more, you get new customers, and you get larger contracts. The strategy is usually a mix of good Product and GTM execution. The execution is the hard part. Going from $1M to $10M in ARR involves creating a good enough product that people will buy, making it better by solving more customer problems, building more features to create a product moat, creating a consistent GTM motion, and expanding your contract sizes along the way.

How do you go from Seed to Series A?

Product and sales go hand in hand when going from Seed to Series A. Usually at Seed, your company will be at less than $1M in revenue. From a product standpoint, at a baseline, you will need to reach feature parity with your competitors or create something even better. Why? This will help you sell easier. At Seed, you likely have a product — but you need to sell it.

To raise a Series A in 2021, you needed $1M in revenue (or less). To raise a Series A in 2024, you need likely anywhere from $1–4M+ in revenue. Growth rates and team caliber allow for flexibility in those numbers.

At Seed, you’re still figuring out how much to price your product and who you’re selling it to. Let’s say your goal is to get to $1M ARR, which is the minimum benchmark for a Series A. In order to do that, you need to first determine your contract size.

$1M ARR breakdown

100 contracts * $10k average contract size = $1M revenue

50 contracts * $20k average contract size = $1M revenue

10 contracts * $100k average contract size = $1M revenue

On average, you may sell $10k-$20k contracts to customers. That means you must sell 100 $10k or 50 $20k contracts in order to get to $1M. Now, if the VC says you need to get to $2M, that may mean 200 $10k contracts or 100 $20k contracts. Either way, both are very large numbers.

The truth is, many companies will never make it to a Series A. The fundamental mathematics behind going from Seed to Series A proves it's very hard to do. But it's not impossible. Aligning expectations with your execution is key on the Product and GTM front.

From Seed to Series A, you may or may not be focusing on contract size expansion at this point. Your goal can be of course to get a $100k+ contract, but it's not the priority. Your goal is to get to $1–2M in revenue — however you can get it done.

That may mean getting a mix of contract sizes, whether it's a $10k contract, a $50k contract, or a $100k contract. Yes, if a VC sees you can get multiple $50k contracts — you can likely increase your probability of getting funded. This signals you can sell into higher ups at larger organizations and have a successful GTM motion.

As a founder, however, you should focus on building the best business and figuring out what works best for you. This might end up meaning that you do sell $10–20k contracts because the sales cycle is 10x shorter than selling one $50k contract. This is just a theoretical example, but the point is that there's no right or wrong answer to your GTM motion. In an ideal world, you go for the highest contracts possible — but it's not always that easy.

Once you have the right business, you will be able to find the best investor fit for you as well. Once you figure out what works in your GTM, you can double down on it until it stops working. Then, you pivot and figure out something new. There's no single secret sauce to the Seed to Series A to Series B journey from what I've seen. However, there are a few truths of what matters from my experience: the volume of outbound, the quality of outbound/inbound, the speed of execution, learnings from each iteration, and consistency of product development + GTM.

How do you get better margins from Seed to Series A to Series B?

First, what are margins? Margins are the difference between your revenue and your costs.

How do you get better margins? The first and easiest way to increase margins is to keep costs down, but if you keep costs down, your revenue and growth will likely hit a ceiling after a certain point. Overall, our goals involved being nimble and keeping a lean team.

The second way to increase margins is to generate **more revenue** for your cost profile. In order to generate more revenue, each person needs to sell more. In order for each person to sell more, you can 1) sell more business to existing customers, 2) sell larger contracts to new customers, or 3) sell larger deals to new customers.

From Seed to Series A, you will tend to focus on selling to **more** customers. You will be selling to whoever will buy your product. Yes, there are cases where one or two customers will sufficiently get you to a Series A. For most, however, you will have a bunch of smaller to mid-size contracts that get you to $1–3M in revenue.

From Series A to Series B: You need to focus on selling **larger contracts tonew customers** and **selling more business to existing customers**. You can decide to be more choosy with customers you sell to and focus on sales efficiency. Of course, you can do the tried and true method of selling 50 contracts each worth $20k each. However, you do need to start experimenting with going upmarket. In my experience, there's smaller customers we anecdotally turned down in order to focus on implementations for larger customers. It makes sense from a sales efficiency standpoint to prioritize the larger customers.

$10M ARR breakdown

1000 contracts * $10k ACV = $10M revenue

500 contracts * $20k ACV = $10M revenue

100 contracts * $100k ACV = $10M revenue

Eventually, by the time you hit your Series B, you have to go upmarket regardless and expand your contract sizes to get a Series C — for most companies. From Series A to Series B, you need to close more contracts per sales agent and sell better contracts. You need to focus on contract sizes even more than you did from Seed to Series A to hit the $10M ARR goalpost.

Should you do top-down or bottoms-up GTM from Seed to Series A to Series B?

The best combination is both. If you had to prioritize one, focus on top-down sales. This involves a mix of leveraging your own network and also doing cold outbound in volume. Alternatively, for bottoms-up — if it makes sense for your business model or when you have enough resources or have clear signs that bottoms-up is working, double down on bottoms-up. Keep trying either until one works well. For most B2B companies, top-down will be the better bet to be efficient and create a venture scale company.

Scribe ($25M Series B) is a great example of a company that has a mix of a bottoms up and top down sales motion: https://scribehow.com/

Without knowing too much about Scribe, I would believe one motion likely works a lot better than the other. It's important to note that not every company is a pure bottoms-up company, and not every company is a pure top-down company. Some companies may signal they're bottoms up in order to scale or to get their top-down engine to work even better.

Typically from Seed to Series A, the founder needs to develop a clear GTM top-down sales motion to sell into enterprises that their sales team can then adopt when going from Series A to Series B.

Bottoms-up SaaS is powerful and can work. For most startups, you need a clear top-down sales motion. Outbound needs to be your best friend. Distribution is everything.

How do you go from Series A to Series B?

As a product manager, I believe that distribution is way more important than product once you reach a Series A. Distribution is more important than product even at Pre-seed and Seed, but it's even more important the later you go. Founders sometimes sell contracts without even building products, and teams sometimes sell contracts without building features yet. GTM is significantly more important in the Series A to Series B phase. What do I mean by that?

In order to get from $1M to $10M ARR, I believe your product does not have to change significantly. Yes, if you get an enterprise client who signs a $50-$100k annual contract — you'll want to prioritize those product changes. You'll want to keep innovating to stay ahead of the curve. But in general, by Series A, the foundation of your product has been fleshed out enough to get to $10M ARR. The GTM matters so much from Series A to Series B. Even when you're pitching investors and customers, you need to sell the vision and paint the dream picture. Your pitch, volume, speed, consistency, and positioning are all key. You now need to define your GTM and scale the GTM.

For the most part, GTM is the key when going from $1M to $10M ARR.

Contract size expansion plays a key role here. You can keep selling $10k contracts, but you'll have to sell 1000 contracts before you hit $10M in revenue.

In order to expand ACV, you need to either 1) sell upmarket or 2) sell more to existing customers.

- This means you're selling bigger contracts, ie) instead of $10k contracts you might go for $50k contracts.
- This also means you're selling more to existing customers, ie) you create deeper relationships with existing customers by selling them more products that solve their problems.

The Five Keys of Growing From Seed to Series A to Series B:

1. Founder-led sales (Seed to Series A)
2. Defining your top-down sales motion, supplemented by a bottoms-up (freemium) product effort (Seed to Series A)
3. Sales-led sales (Series A to Series B)
4. Sales efficiency (Series A to Series B)
5. Prioritizing the quality of your revenue and quality of your leads (Series A to Series B)

What's the key to retention and bridging product and sales teams?

In order to better retain customers, understand their problems, and upsell them, you need to organize your conversations with them. This could mean building out a customer success function — or having someone lead this function informally.

Someone needs to be the head of customer success, either formally or informally. It starts out as the founder and then has to become someone new. One team has to sell contracts, another team has to build the product, and the third team has to maintain customer relationships. All three teams should function on equal playing field in order to grow effectively.

How do you make sales more efficient from Seed to Series A to Series B?

From my experience, you need to focus on outbound over inbound: quality, speed, scale, and consistency.

The keys are the following:

1. How you get connected to prospects (warm intros versus cold outbound)
2. How often you target new prospects (the frequency of doing outbound)
3. How often you follow up with prospects (the frequency of following up with your pipeline directly or via automations over text/email)
4. The types of customers you're targeting (the lead or revenue quality of customers you are reaching out to)
5. How consistent your sales calls are (having a GTM motion that is clearly outlined and well-defined for others to adopt)
6. How consistent your onboarding is (having your product and customer success functions go hand in hand to create great implementations + onboard new customers)

If you do this all right, you'll get quality inbound. Inbound and virality are incredibly difficult to get. Everyone wants it. If you can get there, great.

If not, focus on how many shots on goal you can get and the quality of those shots. Mastering outbound and then teaching more of your team to do it is the way.

The long term game matters from Seed to Series A to Series B:

The short term game is to figure out how you get to the milestones: $1M, $5M, $10M, and so on. Once you figure out what generates revenue, down on what works well to generate revenue.

However, the long term game involves planting the seeds that will then grow into trees later. Great things take time — like building out your SEO plan and organic acquisition strategy, building a great product, and developing long-term partnerships.

Also, you still need to embrace a culture of experimentation that often can lead to failure. Don't create a culture where people become scared to fail just because something may not work. The startup employees who push to innovate may challenge you and your beliefs. This is the difference between a company that gets to a B and doesn't get to a B. You need to take risks and stay consistent on what works well.

These things I've mentioned above may not necessarily guarantee that you get to a Series B, but it may be what compounds over time and gets you to whatever goals you're looking to achieve. It can get you inbound customers, build trust, and so much more.

The Seed to Series A to Series B journey is an exciting one — and it's just the beginning.

—

Additional resources:

- Scaling from $1 to $10 million ARR by Bessemer Venture Partners: https://www.bvp.com/atlas/scaling-from-1-to-10-million-arr
- Scaling to $100 million ARR by Bessemer Venture Partners: https://www.bvp.com/atlas/scaling-to-100-million
- The Startup Product Manager: https://www.amazon.com/Startup-Product-Manager-Becoming-Builder/dp/B0C9SF6JVY