SALES FOR STARTUPS

7 Mistakes Tech Companies Make After Seed Funding

Early funding for your startup is ultimately a reason to feel joyous. It shows that your efforts are being acknowledged and people believe you have a viable product or service on your hands. However, it's the next steps that are the most vital.

How you use your newly acquired capital will not only help shape your business for the foreseeable future; it also sets you up nicely for further funding rounds, such as Series A. Yet, there are common pitfalls companies make after securing early funding.

In this article, we look at 7 mistakes tech companies make after seed funding. These tips are designed to help you avoid falling into any traps, leaving you to focus on maximising your bottom line.

James Ker-Reid

Director

www.salesforstartups.co.uk

/jameskerreid

SALES FOR STARTUPS

1 Mistake: Rapid Expansion

Whether it's in our professional or personal lives, upgrading is usually the first thing we do after coming into a little pot of gold. So it's easy to fall into the trap of thinking you need to make sweeping upgrades across the business after you've secured funding.

Too often, startups have their eyes on a shiny new office, something they acquire to accommodate their new team hires - especially in the sales department. Both a new office and employees might be necessary for your next steps, but don't jump into anything before you have a product/market fit.

Excelling in business means that you need to take some calculated risks. Don't run before you can walk, though. It might look good having a plush new office filled with a team of salespeople. But at this stage in your business, it's unlikely that you'll need to transform the look and feel of your company.

2 Mistake: Marketing overload

Extra funding opens up opportunities to have more of a presence in front of your target market. It's only natural to generate more leads with a marketing push - but it's important to avoid going overboard and splashing the cash on a full-on marketing assault.

You should budget accordingly and focus on a key area of growth, rather than lavish spending on multiple marketing methods like big PR campaigns, trade show booths, getting a new website, SEO research, PPC, and re-branding.

Ask yourself what's more important - is it physical presence at trade shows? Could you do with some more visibility amongst industry press? Does your website really need an upgrade? By creating a plan for one particular element, you are likely to grow and be successful in that specific area.

3 Mistake: Partnership building

Your go-to-market strategy needs to provide a blueprint for delivering your product or service to the customer. Partnership building is one way that some tech companies identify opportunities to get their product/service out to the masses.

Unless you have an indirect go-to-market strategy, it's probably not worth spending the time focusing on partnerships at this stage. Ask yourself what you currently have to offer them? What will you be trading with these potential partners?

The answer is most likely no more than a vision. Therefore, it's best to wait until you're further down the line with the business before spending time and energy on partnerships. A partnership needs to be equally beneficial, and if you've only just raised seed funding, you might not be at that stage just yet.

4 Mistake: Looking for trophy deals

It’s understandable that securing funding provides you with a confidence boost. However, you must explore any deals thoroughly. Having the extra capital might convince you that it’s time to go for the ‘big deals’ and secure the company’s future, but is it the right strategy?

Game-changing deals are great and do what they say on the tin. But they’re also unlikely to happen so quickly. You might hit the jackpot and pull a rabbit out of the hat, but having a more realistic strategy that is nuanced will help with steady and sustainable growth.

5 Mistake: Changing everything too quickly

Undertaking a complete analysis of the business and changing everything based on “bare metrics” is something many startups do after receiving funding. However, it often proves to be in vain - you didn’t get to this point by changing everything radically. Why do it now?

You’ve likely read the motivational “how to succeed in business” books - the ones that say you need to look at specific KPIs. Suddenly, you’re convinced that the business needs to change part of the product or that your market has a new demand.

Or maybe you think pricing needs to change - either up or down. But how many people have you spoken with for clarification about new market fits and pricing? Many CEOs throw out the old line, “it worked for Apple, Google, Facebook etc”. Aiming high is great, but it’s also vital to stay grounded in reality - especially after the high of securing funding.

6 Mistake: Getting carried away with experimentation

Change is necessary for progress, but it needs to be organic. There's a common theme in this article, and it's the idea of getting carried away too quickly. Many companies like to experiment after securing funding, testing the waters and seeing what works.

However, successful experiments often take time. Startups aren't set up - nor do they have the staff - to see them through before getting itchy feet and reverting back to the norm. You shouldn't be afraid to try new things and be innovative, but make sure you have everything in place to carry ideas forward.

7 Mistake: Recruiting the wrong people for your stage of growth

Recruitment is necessary for expansion, so it makes sense to look at increasing team numbers after securing seed funding. However, you need to make sure that you're in the right stage of your recruitment growth.

It's easy to get carried away with hiring people - perhaps there were two outstanding candidates for the role, so you hired them both. Or maybe your sales hire doesn't have a sales background but demonstrated a great attitude, has an analytical mind and used to be a consultant or operations manager.

Unfortunately, below par talent in a small company is always destined to fail - and will only drain more resources as you spend time trying to make the hire a success.

Avoiding Seed Pitfalls

Traction always wins

The short answer is traction. It's all about traction/sales. You can't rest on laurels after raising seed - or any - round.

Peter Duffy, Co-Founder at Mercanto

Don't lose focus

People lose focus on the essential things; sell well (revenue growth), build well (PMF) and hire well (support scale and culture). It's too easy to get wrapped up in having some money, and you can get distracted by 'butterflies' that don't lead to progress.

Luke Fisher, Founder and CEO at MO

Be transparent with investors

After receiving seed funds, the best thing to do - and what we learnt to do - is to keep our investors informed about pretty much everything. In particular, we kept them informed on the financial status of the company. As a founder, the last thing you want is to run out of money and go to your investors for more without keeping them informed of what you did with their initial funding.

Ricardo Chiarelli, Founder at Mela

Get your processes right

Don't Invest in marketing strategies that are not the right type for your target clientele. If your customer type is a 50-year-old person, advertising on Instagram won't bring you the results you want..

Angela Argenziano, Head of Client Success at Pass the Keys

These tips are designed to stop you going down the wrong route after you've secured seed funding. But don't just take our word for it. We've reached out to our network and asked for their first-hand tips of how to avoid mistakes after seed funding.

Contact Us
+44 203 637 9769

www.salesforstartups.co.uk

SALES FOR STARTUPS

Building Better SaaS Sales Operations for Tech Founders