How Much Traction Do You Really Need to Raise a Seed or Series A Round?

Here are concrete benchmarks to aim for.

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The landscape for early-stage investing looks entirely different today than it did just a few years ago.

Today, Series A investors are now looking for more and more traction before leading large Series A rounds. Institutional seed investors have followed suit — increasingly investing only in companies with some demonstrable success in the market. And because institutional seed investors are funding slightly more mature companies, a new pre-seed category has emerged to fund companies one step earlier.

Lots of founders I've spoken with recently are scratching their heads.

> With this new landscape, what milestones do they really need to reach to raise an institutional seed and then later a Series A?

While there aren't hard-and-fast benchmarks to clear, there are certain ballparks estimates that I've seen at these stages.

A Few Notes About Milestones for Fundraising

Before we dive into the milestones themselves, let me clarify a few things:

1) Different types of companies require different milestones for seed and Series A rounds.

The types of businesses I encounter the most (and will be covering in this post) are:

- Consumer transactional (ecommerce, consumer services, marketplaces, etc.)
- Consumer audience (social, media, free applications, etc.)
- SaaS
- Deep Tech (stuff with real technical IP that will take time to develop and commercialize)

2) Investors don't *only* look at top-line metrics.

For seed and Series A deals, investors will also need to see a high-potential team with founder/market fit, a large and attractive market opportunity, and a business model with increasing returns to scale. Top-line metrics are indicators of success, not the one bar to clear to raise funding for your startup.

Now, on to what you've been waiting for: the milestones.

Top-Line Metrics for Raising Seed & Series A Rounds

For consumer transactional, consumer audience, SaaS, and deep tech startups, here are the top-line benchmarks that I've seen in the market for seed and Series A rounds. When in doubt, I've set the bar a bit higher, knowing that there are exceptions where companies have raised these rounds with much less traction. Consider these milestones that are closer to "in-the-bag" levels of of traction.

	Seed Milestones	Series A Milestones
Consumer Transactional	$250K -$1M revenue run rate	$5–$10M revenue run rate
Consumer Audience	25K - 50K DAUs	500K—1M DAUs
SaaS	$10K—$50K MRR	$150K MRR; 12 months of promising cohort data
Deep Tech	Strong leadership team; IP	Looks-like, works-like prototype; commercial validation

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Milestones for Raising Seed & Series A Rounds

Consumer Transactional

Seed Milestone: $250K — $1M revenue run rate

Series A Milestone: $5–$10M revenue run rate

Compared to other categories, fundraising for consumer transactional has felt more of the effects of the fracturing seed investing landscape.

Series A goalposts are higher than ever (around $1M/month in revenue), and they're driving up the goalposts for the rest of the seed investing landscape. Companies rarely can reach that revenue milestone within 18 months of getting seed financing (unless they have initial traction and operational learnings under their belt), so institutional seed funds are raising *their* bars, too. As a result of these shifting goalposts:

1. "Pre-seed" investors have emerged to write checks into companies with much less demonstrated market success. These rounds can help fuel a startup's growth to reach new institutional seed milestones.

2. Some seed investors are also doing more "post-seed" and "seed extension" rounds to help companies hit the more aggressive Series A milestones. Often, there is something working with a company that is doing hundreds of thousands of dollars of monthly revenue, and would benefit from an additional seed-sized investment before a full-blown Series A.

Consumer Audience

Seed Milestone: 25K — 50K DAUs

Series A Milestone: 500K — 1M DAUs

For consumer audience companies, I find that the more important milestones are around growth and engagement versus overall top-line. Seed and A rounds can happen with more modest numbers if there is the belief that the product has hit a nerve, leading to addictive user behavior and natural virality.

This was the case with our portfolio company Sunrise, which had insanely sticky users that led to rapid organic growth. The top line wasn't as huge as other, more viral social products, but Series A investors were excited about the company because most of their users were engaged every single day. The company had hundreds of thousands of DAU's when raising their series A and was steadily adding 3K+ new users each day.

Because these products can be built with pretty modest early capital but could have binary outcomes, I've seen more cases where large series A funds have rolled the dice and invested in these pre-launch. **The relative dollars at risk for them is small, but the potential payoff is huge.** Large funds are in a better place to play roulette for these kinds of companies versus most seed-stage funds.

SaaS

Seed Milestone: $10K — $50K MRR

Series A Milestone: $150K MRR; 12 months of promising cohort data

SaaS companies are often the most logical. It's very easy to diligence a SaaS investment and there ends up being tons of data available to benchmark a company, even at a relatively early stage. At minimum, an investor can compare your business to every other SaaS investment they've made during a similar stage of life. If you aren't within the top 25% of the companies an investor has seen across most dimensions (revenue, growth, retention, LTV/CAC, etc), it ends up being very difficult to rise above the noise.

We have had some SaaS companies in our portfolio that have found a way to raise well ahead of their metrics, but I'll talk about that in a future post.

Deep Tech

Seed Milestone: Strong leadership team; Truly unique IP

Series A Milestone: Looks-like, works-like prototype; commercial validation

Deep tech is typically very difficult for seed investors to be active in given the capital intensity and timelines involved. When we make a seed investment in a company that has some deeply technical component, we realize that we are somewhat rolling the dice at the next round even if the company hits or even exceeds all of its goals over the next 12–18 months. At that point, the demand for a company's Series A ends up being driven largely by the perceived tailwinds of the broader market the technology is being applied to.

That said, in most cases, some evidence of commercial traction is necessary for a Series A to happen. This can take the form of pilot customers signed, crowdfunding, being a PR darling, etc. Even if it seems like the challenges ahead are 99% technology and only 1% business, series A investors will be grasping for any and all market proof points to help them make the case to invest in the business.

This was the case for our portfolio company Optimus Ride. Part of what helped the company raise a $18M Series A despite still being in product development mode were substantial (but unannounced) commercial proof points that showed that large-scale, savvy customers were excited about what Optimus was bringing to market.

The takeaway from these guideposts is not to say that if you don't clear them, your company will fail to raise capital. But this should give you a sense of what your company is likely to be compared against. This should also help founders better think through their own internal goals and fundraising strategy.

For many founders, these milestones will seem really really aggressive and tough to achieve. Honestly, I know this stinks, but the bar is really high. The days of needing $1M in ARR to raise a series A are long gone.

In my next post, I share some thoughts on some additional factors that can help companies leapfrog some of these milestones and still get seed and Series A rounds done.

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