# Stanford eCorner

## Lean Startups and Fat Startups

**Mark Suster, *Serial Entrepreneur***

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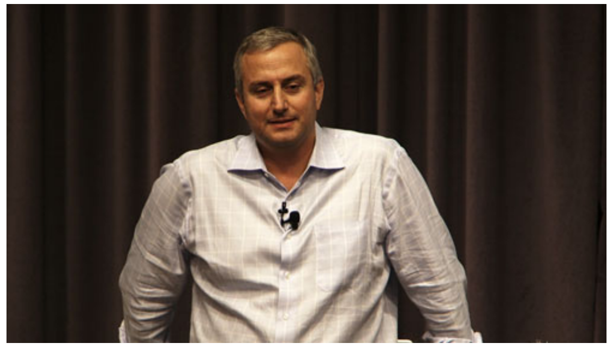
**Video URL:** http://ecorner.stanford.edu/videos/2525/Lean-Startups-and-Fat-Startups

Venture capitalist Mark Suster believes being a lean startup is related to size and funding levels, rather than speed and product iteration. However, once a startup finds a strong product and market fit, they will need to get "fat" quickly, in order to compete with larger companies, particularly in "winner take most" markets.



**Transcript**

Mark Suster says that a lean startup shouldn't raise that much money and then eventually if it hits product market fit should become fat. I said that. It's true. Eric Reese, one of the most beloved young speakers, lecturers in Silicon Valley, someone who's reading iRead and enjoy wrote a response which I found curious. He said Mark misunderstood the meaning of the term lean startup. Luckily, there's an internet so I pulled up the definition of lean. Without much flesh or fat, not plump, of edible meat containing little or no fat, lacking in richness, full, spare, economical. And yet he says the lean startup is about moving fast. The fast startup is about moving fast. The rapid startup is about moving fast.

The quick startup, not the lean startup. Okay, it's not my movement, I'll let you have your movement but I believe in lean startup. Then something changes. You raised a little bit of money, you work on your product. You don't do what I did which is spend too much money, hire a bunch of developers before you figured it all out. What I often tell people is you should be flipping hamburgers if you're going to run a hamburger chain. That means that you're doing customer support, you're answering phone calls, you're going on sales calls, you're involved in product management, you do user testing. Raising too much capital too quickly before there's a product market fit makes this very hard to do. So I sort of agree with what Ben Horowitz said which is the fat startup, and it's okay later in life, obviously I would think this, to get a bit fat. What I mean is if you become Foursquare, you got two choices.

You can sell and that $100 million outcome for most people that Yahoo reportedly had offered would have been quite the nice, but the founders that already had one exit and I think they really wanted to change the world and I think that's great. But if you're going to change the world and you wake up the sleeping lions of Silicon Valley to this opportunity, you better get fat pretty quickly because you've got yelp in town here and those guys are smart and move fast and you obviously have Facebook in town. Those guys are very smart and move very fast. So if you're going to compete with people in what people call winner take most markets, you need to be fat. So we see Groupon and LivingSocial who have raised money and are big and are growing. I don't think number 5, 6, 7, 8 are going to be that relevant in the long run. So there are times where fat is okay.