

Scripted.com

Creating the Business Model

December 29, 2010 was a day that Sunil Rajaraman would not easily forget. Gavin Newsom, mayor of San Francisco,¹ had signed a proclamation declaring the day as Scripted.com Day in the city of San Francisco, recognizing the Bay Area-based business in a major way. Headquartered in San Francisco, and working out of i/o Ventures,² Scripted.com provided Web-based screenwriting software to its 100,000 users. “We cannot express how humbled and honored we are at Mayor Newsom’s proclamation, especially given that we are an early-stage start-up,” said Rajaraman, founder and CEO of Scripted.

“Mayor Newsom and the City of San Francisco recognize the growing number of filmmakers and entertainment start-ups in the city, and the intent of the proclamation is to shine a light on the fast-growing entertainment industry in San Francisco.”³

Jason Elliott, policy advisor for Mayor Newsom, added:

“There is a rising tide of entertainment start-ups in the Bay Area, and we are excited that they are establishing San Francisco as their base of operations. We wish Scripted.com and other San Francisco-based entertainment start-ups continued success.”⁴

¹ Newsom is a U.S. politician who is the 49th and current lieutenant governor of California. He was previously the 42nd mayor of San Francisco, and was elected in 2003 to succeed Willie Brown, becoming San Francisco’s youngest mayor in 100 years. Newsom was re-elected in 2007 with 72% of the vote.

² i/o ventures is an early-stage venture capital firm that focuses heavily on its mentorship from world-class entrepreneurs. i/o also offers a collaborative work space in San Francisco’s Mission District exclusively for start-up companies in the Mission District. i/o’s partners and mentors have started and run some of the top Internet companies. Ashwin Navin (co-founder and former president of Bit Torrent), Paul Bragiel (co-founder and CEO of Lefora), Aber Whitcomb (co-founder and former CTO of Myspace) and Jim Young (co-founder of Hotornot.com) are i/o’s leaders.

³ http://scripted.com/press#SDay_PR.

⁴ Ibid.

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As Rajaraman took in the atmosphere on Scripped.com Day, he could not help but reflect on the past and future of the start-up. It seemed surreal that just less than three years before, he had been sitting in his Westwood, UCLA-business school apartment contemplating the business idea for Scripped.com with his two closest friends, Zack Freer and Ryan Buckley. And now, a few years later, the business was a reality, with Scripped.com becoming the largest online community of screenwriters on the Internet.

For Rajaraman and his partners, Scripped.com had reached a crucial crossroads; the business had reached break-even status and its model had potential to evolve outside of the entertainment industry. The group believed they could enter the freelance marketplace for writing, which would take them to the next level of revenue. While the traditional route would be to wait out the possibility of being acquired by a major competitor, they felt they had to take this chance. What factors would influence their decision? And was it worth taking the risk?

Background

“I have THE idea that will make us rich.” – Sunil Rajaraman to Ryan Buckley via text message.

In the summer of 2006, Sunil Rajaraman was about to embark on the next phase of his career; he had been accepted into UCLA’s Anderson School of Management⁵ and was eager to earn his MBA. A graduate of Claremont McKenna College (2001), Rajaraman had spent the last few years gaining work experience, first at Lockheed Martin⁶ and then at Navigant Consulting.⁷ Rajaraman had always toyed with the idea of being an entrepreneur, and during that summer in Los Angeles the idea for Scripped.com surfaced. According to Rajaraman,

“Scripped was an idea in 2006 before I began business school at UCLA. The real inspiration was a friend of mine who was a struggling director. Though talented, he did not have the ‘networking skills’ it took to have a successful career in the entertainment industry. Hollywood in general does not allocate talent efficiently, and I wanted to solve that problem for screenwriters. The thought was, we can bring together many screenwriters by providing them with Web-based software and, eventually, build a services business where we act as their agents, and sell their works to Hollywood producers.”⁸

⁵ <http://www.anderson.ucla.edu/>.

⁶ Headquartered in Bethesda, MD, Lockheed Martin is a global security company that employs about 126,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

⁷ Navigant is a specialized, global expert services firm dedicated to assisting clients in creating and protecting value in the face of critical business risks and opportunities.

⁸ Quotations are from interviews conducted by the author, unless otherwise specified.

Rajaraman called on his two closest friends, Zachary Freer⁹ and Ryan Buckley,¹⁰ to begin a serious discussion of the business idea and see if they could transform it into reality. The trio decided it was an idea worth pursuing and began work on Scripped.com in the fall of 2006. Initially, their thinking was to model the business on the idea that it was the “Google Docs for screenplays”¹¹ and to make it fee-free and accessible to a variety of users. The site would provide free, Web-based screenwriting software called Scripped Writer, which would be an innovative text editor that functioned like a standard word processor but which automatically formatted and cataloged each screenplay element according to industry standards¹² (see Exhibit 1). Also, Scripped.com would feature an online collaboration tool, allowing for its users to collaborate through the most advanced editing software available online. (Their main competitor, Final Draft, does not offer this tool). Users could edit scripts and leave notes and comments all at once.¹³

Rajaraman and Buckley continued to work on the business while completing their MBAs, and Freer also worked on the business when not at his full-time job. The group initially focused on building a U.S.-based user base of writers, with the goal of having these screenplays purchased by a big-name Hollywood player, thus cutting out the middleman, or agent/agency, in the process. In terms of financing, Rajaraman, Freer and Buckley made personal contributions to get Scripped.com off the ground. As Rajaraman recalls,

“To be perfectly honest, we weren’t thinking. Ryan, Zak (my two co-founders) and I acted on impulse for much of the first six months. We each put \$10,000 into the business without really thinking and it wasn’t until we hired a software development firm (a month later) that it started to feel real.”

While the development of the software was initially a slow and glitch-filled process, the trio decided to focus its efforts on financing and on becoming a corporation. In January 2007 the group made Scripped.com a California-based LLC and raised an additional \$35,000 in backing from friends and family. However, they quickly converted to a Delaware C-Corp with the help of a Silicon Valley Law Firm in June of 2007, jumping the gun by thinking that they would raise significant angel investor funding from the start. “We converted to a C-Corp because we thought we’d be able to raise funding, but we were unsuccessful initially,” says Rajaraman. “The biggest mistake we made early on was converting to a C-Corp too early; it was too much of a tax burden.”

⁹ Zachary Freer is co-founder of Scripped.com. Zachary is an award-winning writer/filmmaker and graduate of the Peter Stark Producing Program at the USC School of Cinema & Television. He has extensive experience in product development & design and motion picture production.

¹⁰ Ryan Buckley is co-founder and chief operating officer of Scripped.com. Ryan holds an MBA from the MIT Sloan School of Management and was featured as one of *Variety Magazine*’s Top 10 MBAs in Entertainment in 2008. Ryan also holds a Master’s degree from the Harvard Kennedy School.

¹¹ <http://www.gointothestory.com/2010/08/q-with-scrippedcom-coo-ryan-buckley.html>.

¹² <http://scripped.com/about>.

¹³ <http://scripped.com/compare>.