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September 28, 2001, continued

When I first came across Zairmail last year, I was intrigued but not overly impressed by their business model. Basically, they're adding online Iprint.com-style design and ordering processes - as well as FedEx-style overnight delivery -- to direct mail marketing campaigns. After talking to Zairmail founder and CEO Wilson Zehr in the company's cavernous but colorful workspace in the industrial section near Montgomery Park, I decided that Zairmail is more than that. Over the course of two hours, Wilson walked me through Zairmail's launch and evolution, explained the company's strategy for coping with tough times, and highlighted why the company - which would easily be at home in Silicon Valley or Silicon Alley - is based in Portland.

Why did you start Zairmail? "The original idea was to make sending a letter as easy as sending an email. Mail has always seemed like such a hassle. Letters - particularly business letters - are more formal. You have to print them. You have to put them in an envelope. And then you have to go to the mailbox. If we could make sending a letter easier, that'd be good. If we could do that overnight, that'd be better. And if we could do that for free, that'd be a slam dunk."

Relatively early on, you decided that the consumer market wasn't as lucrative as you initially thought. Why did you change business models? "We thought our original idea was pretty good. Consumers could write a one-page letter and send it for free using our technology. We'd include an advertisement sheet in the mailing, featuring offers targeted to the recipient, usually regional specials at restaurant and similar businesses based on location. That was pretty targeted and relevant, but it required hundreds of advertisers. Even though we have about 16,000 users sending more than 10,000 letters a month, we never built an advertising direct sales force. With our direct marketing product, Zairmail Express Direct, we don't have to wait for advertisers. We get paid for every piece we mail. So far it's worked. We've seen seven consecutive growth quarters - five at 100%. Even now - marketing has fallen off because of the World Trade Center tragedies - we've seen a 50% increase between Q1 and Q2. We'll see what the fall brings."

What kind of company is your direct marketing service aimed at? "Direct marketing delivers about \$10 of revenue for every \$1 spent. And if you're a small company that doesn't have a lot of money for direct marketing, you can still benefit from it. We try to bring direct marketing to smaller businesses by making it as efficient, fast, and inexpensive as possible. We hold more than 20 seminars a year on how to do direct mail as a small business. We reach out to small businesses through affiliate partnerships with Microsoft, business journals, and the United States Postal Service. We have a small direct sales force that works with franchises, associations, and distributed dealer networks. And we do private-label Zairmail services for various partners."

How do you guarantee overnight delivery of your direct mail? "We have a mail-on-demand network spread across the country. We also have relationships with more than 10 commercial printers in the United States and Canada. But the most important piece is our optimal resource routing system. We can match a print job against a list of printing facilities that are capable of handling that job. We map that against queue sizes, cutoff sizes, and the names in the mailing list we want to mail to. In the end, the print job is sent to the printers who can print the materials and mail them most efficiently to the people our customers want to reach. One nonprofit we work with wanted



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to send out a gun-control position statement on a shooting that'd happened in their area. The shooting occurred on a Monday. They drafted the fundraising letter with Zairmail on Thursday. The people they were contacting received the letter on Saturday."

You grew up in the Bay Area of California. Why live and work in Portland? "We started the company here because the founders were here and our networks were here. I went to Portland State University and settled here with my family. When Zairmail started, we knew that the labor market was tight. We knew we'd have to go outside Oregon for funding. What we didn't want to do was rebuild our personal and professional networks. The Bay Area was a great place to be young and single. Portland is a better place to raise a family. That said, there are some limitations to Portland. It's not as easy to fly in and out of here. And the VC community isn't as large as it is in the Bay Area. But we've been OK. We came into the worst of the downturn with a bunch of money from Hewlett-Packard. And we've always been very frugal. You can see by our surroundings. In this old warehouse, we pay 50-60 cents a foot in rent. We use misdrilled doors from a nearby door manufacturer as table tops. From the beginning, we started with a culture of managing costs."

You've mentioned the economic decline. What do you think happened to the Net economy? "The new economy is about technology and changes in work style, not the Net. We've always thought about ourselves as a technology company, not as a Net company. The Net isn't an economy. It's a tool. At one level, it's a distribution mechanism. At the turn of the century, Amazon would be Sears Roebuck. The Net's also used as an information repository. Thirdly, it's a communications substrate. Most applications tend to use the Net in only one of those ways. Zairmail, we use it in all of those ways."

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