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## PE Boosts Direct Mail Resurgence



Private equity is leading the charge to consolidate direct mail marketers as more businesses find ways to use the

## traditional advertising channel effectively in marketing strategies.

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**By Nikitha Sattiraju**

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Direct mail marketing continues to draw private equity investment as more businesses integrate the time-tested channel into advertising strategies.

**Monomoy Capital Partners LP**, for instance, is the latest entrant to bet on the fragmented category with its June portfolio addition of the 116-year-old direct mailing business **Japs-Olson Co.**

"There is this common misconception that direct mail is a dying channel and that it's not as effective but that's just not the case," Monomoy partner and head of investment team Jaime Forsyth told The Deal. "Direct mail has the highest return on investment of any direct to consumer marketing channel and is very important in conjunction with digital marketing in an omnichannel approach."

As consumer audiences moved into digital formats over the years, businesses naturally shifted their budgets toward online marketing, according to Kroll managing director **Jacob Rapp**.

But specialized direct mail campaigns have a proven history of offering meaningful return on investment when used in conjunction with digital marketing tools. Businesses are using tools such as QR codes and personalized URLs in direct mail, both to bring customers to their websites and to track customer behavior for targeted marketing.



Direct mail marketing can range from a simple postcard with a QR code for discounted grocery delivery to a perfume catalog, with samples, that includes a discount code for online checkout.

"The effectiveness of a direct mail campaign, or any sort of direct marketing strategy, depends on the quality of the data that you're using to develop target lists," Rapp said. "So if you can develop smart tools to target households through physical mail and link those to consumer identities in digital environments, that's where direct mail is more and more effective."

Monomoy too plans to invest in data and analytics to help Japs-Olson tap new customers, increase customer wallet share and develop new products. The firm will also build out finance operations and invest in equipment and digital capabilities to boost production capacity in the company's existing footprint.

Japs-Olson makes over one billion personalized direct mailers such as booklets and popups annually. The platform's clients include Fortune 500 companies in industries including financial services, insurance, healthcare and large non-profits, among others. The company, which has over 600 employees and a 704,000 square-foot facility outside of Minneapolis, ships the mailers either to its clients or mails them directly to households.

## **Backed by Numbers**

Direct mail has an open rate of 90% among consumers according to Data and Marketing Association, now part the Association of National Advertisers, or ANA. Email marketing has an open rate of just 21.3% per **Mailchimp data**. In a 2022 survey by ANA, marketers who sent letter-sized envelopes to prospective customers through direct mail reported the highest return on investment out of all marketing channels at 43% in 2021.



Even age groups typically viewed as digital-first engage with direct mail, data shows. About 47% of millennials surveyed by the United States Postal Service over six months between mid-2020 and early 2021, went to a company's website based on information in a direct mailer while 27% made a purchase.

Millennials, the largest adult population in the U.S., were in fact more likely than any other generation to take an action. They also have the highest awareness of, and interest in, digitally enhanced mailers that include QR Codes and personalized links, the report said.


It's no surprise then that half of the businesses that responded to ANA's aforementioned survey said they were planning to increase their spend on direct mail marketing over the course of 2022.

"Research has shown that direct mail is not only effective for older generations, but it's actually highly effective for younger generations too," said **Granite Creek Capital Partners LLC** director **Jordan Liss**. "It's one of the positive trends that we think makes this market highly resilient."

Middle market growth investor Granite Creek invested an undisclosed amount in Lanham, Md.-based direct mail business **CP Direct Holdings LLC** in February.

## **PE Leads the Charge**

Direct mail's importance in marketing strategies coupled with the potential for scale through add-ons has kept the category humming with a steady stream of deals. And the buyer pool has largely comprised private equity over the past five years.

In addition to Monomoy and Granite Creek, investment firm AmatoMartin ired coupons, deals and promotions business Clipper Magazine from

**Vericast Corp.** in April 2022 for an undisclosed amount. Meanwhile, **Platinum Equity Advisors LLC** has owned direct mail business **Valpak Holdings Ltd.** since 2016.

Monomoy, **which acquired** St. Louis Park, Minn.-based Japs-Olson on June 6, will pursue add-ons for the business as part of its strategy. Forsyth declined to share a specific size range for add-ons but noted the businesses need to have a clear path for growth.

"We'll absolutely explore M&A," Forsyth said. "Japs-Olson is one of the leading direct mailers and we only have 5% market share, so the overall market has a very long tail."

Japs-Olson was founded in 1907 by Bernard W. Japs and Gustav F. Olson as a printing company. Japs, who **patented** an improved locking device for loose leaf binders, sold his stake in the business to Olson in 1929, according to the St. Louis Park Historical Society. Following Olson's death in 1946, ownership of Japs-Olson passed to the company's then president Frank Beddor.

The business has since remained under the leadership of the Beddor family.

Monomoy typically invests in family- and founder-owned manufacturing and distribution companies serving the industrial and consumer sectors. The firm targets businesses with \$20 million to \$100 million in Ebitda and up to \$1 billion in enterprise value, according to its website.

Meanwhile, CP Direct, which primarily caters to non-profit organizations on the East Coast through its printing facility in Maryland, also plans to be acquisitive, according to Liss at Granite Creek.

"The platform continues to grow and we're always considering acquisitions to **accelerate** that growth," Liss said. "However, the core competency and company

culture of any potential acquisition would have to be consistent with CP Direct."

The firm **typically invests** \$10 million to \$30 million in companies with \$25 million to \$100 million in revenue and \$3 million to \$15 million in Ebitda.

Many direct mail strategics have already reached scale and while there are clear operational economies to be gained through consolidation, these larger, established platforms have been opportunistically acquiring companies to target niche, underpenetrated end markets or build complementary, often more data-anchored marketing services, said Rapp.

For instance, Sussex, Wis.-based **Quad/Graphics Inc.** (QUAD), which started out in 1971 as a printing company, evolved into a full-service marketing agency through acquisitions. The company's recent acquisitions include Mexico City-based marketing strategy and creative services business Apple Tree Group in 2020 and Flower Mound, Texas-based Ivie, which provides marketing solutions such as production services, studio services, public relations, digital solutions and project management.

Other acquisitive strategic companies include family owned Taylor Corp., which bought three businesses in 2023 that respectively boosted the buyer's capabilities in signage, fixtures, binding and finishing and customized envelopes, folders and similar products for promotional marketing.

—*Chris Nolter contributed to this report*

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