



Raymond A. Mason School of Business

WILLIAM & MARY

LEADERSHIP & BUSINESS PODCAST

EPISODE 55: KEITH SULLIVAN – COOLSCULPTINGS ROAD TO SUCCESS

Ken White

From the College of William & Mary in Williamsburg, Virginia. This is Leadership & Business. A weekly podcast that brings you the latest and best thinking from today's business leaders from across the world. We share the strategies, tactics, and information that can make you a more effective leader, communicator, and professional. I'm your host Ken White. Thanks for listening. Millions of Americans turn to cosmetic surgery each year. According to the American Society of Plastic Surgeons, sixteen million cosmetic procedures were performed in the U.S. last year. That's double the number performed 15 years ago. That includes surgical procedures like breast augmentation and liposuction as well as minimally invasive procedures like Botox injections and chemical peels. Well, in 2010, a new non-invasive alternative to eliminate fat was introduced, and it has become a popular choice in the industry. Coolsculpting uses controlled cooling to target and kill fat cells. Coolsculptings popularity with patients and physicians continues to grow rapidly. At first glance, it appears as though the road to success for coolsculpting was smooth and easy. However, that was not the case. There were some bumps and detours on the journey. Keith Sullivan is the Chief Commercial Officer and President North America for ZELTIQ Aesthetics, the medical technology company that created coolsculpting. He joins us on the podcast today to discuss the coolsculpting journey. The lessons learned along the way and how you might apply those lessons to your business. Here's our conversation with Keith Sullivan.

Ken White

Keith, welcome back to the College of William & Mary and to Miller Hall. Nice to see you again.

Keith Sullivan

Yeah, great to see you, Ken.

Ken White

What an interesting product, coolsculpting. Many people do know about it but for those who don't. Could you tell us about it?

Keith Sullivan

Coolsculpting is a device that controlled delivers controlled cold to fat non-invasively to get rid of pockets of unwanted fat that are. I'll refer to it as exercise resistant. So a woman who's had a couple of babies and has a pouch and runs every day and can't get rid of that little fat on her belly or a guy in his 40s or 50s that have love handles and exercises religiously and can't get rid of those. So that's what it helps.

Ken White

And where do your clients find the service?

Keith Sullivan

Private Physicians own coolsculpting. So they buy the the the box from us. So it's dermatologists, plastic surgeons, and aesthetic physicians all around the world.

Ken White

Where did it start when you first launched? How did you roll it out?

Keith Sullivan

So the product the company is based in Pleasanton, California. We started selling it in North America. The aesthetic industry globally really looks to North America as sort of if it's accepted here, if it's approved by the FDA, then it's good enough for us. And so they look to the United States as sort of that guidance. So we went to the thought leaders in the North America plastic surgery and dermatology world. Many of those are on our medical advisory board. So they knew the product was coming. They had been talking about it from the podium for quite some time, and it worked down the physician ladder from there.

Ken White

For something like that, you're dealing with FDA, I assume, and quite a few hurdles, and that takes a while right to bring it to market.

Keith Sullivan

So, the product itself is considered a class 2 device which means it still needs physician oversight and it still needs clearance through the FDA for the various body parts you want to treat.

Ken White

And that takes what kind of a process. How long does that take?

Keith Sullivan

The initial approval will take sometimes a couple of years to get, and you know, anywhere from 60 to 200 patients. The FDA works with the various companies to determine you know how many patients they need to see, how long the follow-up will be, what the treatment parameters will be. So all of those things are scripted between the company and the FDA. And then there's a follow-up period at the end. Then there's a collection of data period, and then it's submitted. The subsequent clearances for the different body parts may take less time with less body parts, but it's the first one that's the hardest.

Ken White

You mentioned body parts. Is it everywhere, all over the body? Are there certain places you're focusing?

Keith Sullivan

So our first clearance was for flanks. Our second clearance was for abdomen. We then received a clearance for outer thighs followed by inner thighs. And today, we have double chin and the bra area. So there's bra fat front and back that people are concerned about.

Ken White

Interesting non-invasive. I'm guessing when a customer or a person hears that, their first reaction is oh, that can't work. Did you run into that, and if so, how did you deal with that?

Keith Sullivan

We are six and a half years of having this product in the market, and I run into it every day.

Ken White

Still.

Keith Sullivan

Still.

Ken White

Wow.

Keith Sullivan

We have 60 plus clinical peer-reviewed journals, articles that have been written that included over 5,000 patients. We have three and a half million treatments that have been done and thousands and thousands of before and after photographs. And we still get asked it every day.

Ken White

Still got to bang the drum.

Keith Sullivan

Yes.

Ken White

Wow.

Keith Sullivan

So there is a belief that if it doesn't hurt and it's not surgery, it doesn't work. In this case, we have to prove it to them, but when they see it, they see the results.

Ken White

This is such a great idea and so interesting and it's, and the cost is reasonable people can do it like you say. It's just almost hard to believe. It's been so successful. What was it like bringing it to market? Because there are a lot of great ideas that never quite make it or actually never get off the launchpad. How did this? Was it smooth sailing? What was it like to bring it to market?

Keith Sullivan

So when it was first introduced when they did the clinical studies and then introduced it into the marketplace in 2010, I was not part of that team at the time I wasn't with the company. There was a lot of pent-up demand in the physician community. There was buzz in the magazines about this new non-invasive treatment that was going to, in their words was going to replace liposuction. So there was a fair amount of buzz. When the product first was introduced into the market, the company was a venture capital-backed startup company. It went from zero to 25 million dollars in its first year. If you are a venture capitalist invested in CoolSculpting, that was a home run for you.

Ken White

You bet.

Keith Sullivan

In our second year, it went from 25 million to 68 million. And again, that is a double homerun for them. Unfortunately, they went public in September of 2011, and they had told Wall Street leading up to their IPO that they were going to hit 73 million. So when they came in at 68 with only one quarter to go in the year. Wall Street had no sense of humor about that 5 million dollar shortfall. So the stock had come out at 13. It went to

1750. When they missed their first quarter, it went to eleven. They then missed their second quarter. It went to three.

Ken White

Wow.

Keith Sullivan

And as a result, the board decided they needed to make a change at the top. So they replaced the CEO. They also did away with the first layer of management. And then one layer below that. So we really started new I was fortunate enough to come in with the new CEO and a new CFO to see if there was so much pent-up demand in the physician community and in the consumers. Why had this company sort of fallen flat on its face?

Ken White

Yeah.

Keith Sullivan

So it wasn't easy.

Ken White

It never is. Right. It is never an overnight success, but interesting, so retooled, go back at it again. What were some of the things you changed when you went back to make it a success and to get people interested?

Keith Sullivan

I think there were really two things that we changed. And it may sound simple, but we focused on the patient. We focused on the outcome rather than focusing on the revenue. We then focused on how to train to get those outcomes. So our real two changes in the company was looking at the patient. And if I get them a great outcome, the physicians happy, and we get our revenue.

Ken White

Right.

Keith Sullivan

If we focus on how to train them properly to get those outcomes, then everybody wins along the way. Those were really the two sort of turning points in the business. And so everything we have done since then has focused around those outcomes and those that training.

Ken White

We'll continue our discussion with Keith Sullivan in just a minute. Our podcast is brought to you by the Center for Corporate Education at the College of William & Mary's Raymond A. Mason School of Business. The Center for Corporate Education can help you get to the next level with its certificate in business management program coming up in late October. It's a five-day program for the professional who lacks an MBA, has been out of the classroom for some time or wants to improve on critical business and leadership skills. Each day of the program is devoted to one topic, including communication, leadership, strategy, managerial accounting, and organizational effectiveness. For more information on the certificate in business program, visit our website at wmleadership.com. Now back to our conversation with Keith Sullivan of ZELTIQ Aesthetics and coolsculpting.

Ken White

But two different directions. I mean, the patient is one person and the physician getting the training is very different.

Keith Sullivan

But that physician is going to get that outcome for that patient. So if we, if I train the physician properly and we created, we call it coolsculpting University. It's a two-day class where we ask physicians or their estheticians or nurses who is ever going to do the treatment. Originally it was to come out to California. So we were asking them to fly right. Take it a day out to fly to California sit through a two-day class, and then fly a day home. The class had to be worthwhile. So we focused on the agenda. We focused on making sure that when those attendees walked out of that class, they could look at all the various body shapes that you see walking down the street and know exactly how to get the best result with those patients. So we built this place for over four hundred thousand dollars had no idea if anybody would ever show up. And today, it is the most popular thing we do. I have. We now do three classes a month on the West Coast. We opened one in Reston, Virginia. So we do three classes a month there. We have a 90-day waiting list at each facility. And we now take them globally. So we do mobile classes all around the world.

Ken White

Interesting. And what kind of feedback? Obviously, it's very positive.

Keith Sullivan

The feedback from the attendees is outstanding. You know, we give each one of them a survey, and we average even after doing, I think we're at, 120 classes. We get out of a one to five. We get a four point eight five every time.

Ken White

Yeah.

Keith Sullivan

And where they complain is we didn't give them enough warning that they got into the class.

Ken White

Right right.

Keith Sullivan

It's not the class. It's the free material.

Ken White

Yeah. Those other things.

Keith Sullivan

So it's worked, and we can see through the data that we collect that if somebody comes to coolsculpting University immediately, their business goes up 90 percent.

Ken White

Wow. Wow. Marketing. How did that roll out? What was the idea? Who were you trying to reach?

Keith Sullivan

So, our first attempt back in I joined in 2012 October of 2012, our first focus on marketing was really to the physicians to gain their acceptance and their belief that the product worked. We went from having in 2012. We had about 600 systems in the field around the world. Today we have a little over 5,000.

Ken White

Wow.

Keith Sullivan

In North America, we have a little over 4,000. So a year ago, we believe that we reached the critical mass to enable us to do a direct-to-consumer campaign. It's it was an iffy proposition for us. There's only been one other product in the aesthetic space that has ever tried it, which was Botox.

Ken White

Interesting.

Keith Sullivan

And they did it very successfully but nobody else that does tattoo removal, vascular treatment, skin rejuvenation. Any of those things have done a direct-to-consumer campaign at all. So we convinced our Board to allow us to try it. We did it in four cities in the beginning of last year. Wildly successful. We did it in seven additional cities in the fall. And the results were exactly the same. So they authorized us to do a direct-to-consumer campaign this year and we spent 20 million dollars in the first half of the year doing T.V., radio, billboards, malls, digital in all forms and we have tripled our web hits. We have tripled our activity online, and our business has gone up roughly 26 percent per account. So it's a home run for both our patients, the physicians, and us.

Ken White

Yeah, no doubt. You mentioned North America. So you're outside North America, that brings that whole global component to it. Where what other countries seem to be interested? You mentioned they're watching us in this space. Who is that? Who's watching, and who wants to get in on this?

Keith Sullivan

We're in 73 countries around the world. So it's everywhere.

Ken White

So everybody. Yeah.

Keith Sullivan

I would say the major countries that are focused on aesthetics are the major ones in Europe: U.K., France, Spain, Germany those are the main ones. And Russia, surprisingly, is very aesthetic-oriented. In Asia, it's Korea, Taiwan, China, Japan, and Australia.

Ken White

In terms of marketing, was it very similar your marketing mix, T.V., radio, online, billboard from country to country, or did that changed a little bit?

Keith Sullivan

So we've done a small controlled test in markets in Europe. We haven't rolled a direct-to-consumer globally yet. That would be a big step. We had to prove it in North America first.

Ken White

Right, right. But it's catching on without it being in other countries.

Keith Sullivan

Yes.

Ken White

Yeah. So what lessons have you learned that you can share with someone who's got a great idea that maybe didn't fly that first time or they're having trouble getting it to catch on?

Keith Sullivan

I think we need to focus on the end result. If you most people try to focus on the fastest way to generate revenue. We were focusing on the patient and getting that end result. And it's easy to say it's a it is a great way to focus your business. The benefit that coolsculpting had was that we had money. We had just gone public. So we had this war chest of money that we could we had the luxury of testing things. And fortunately, most of them paid out. Other venture-backed companies don't have that luxury. So it's hard not to not to generate the revenue as quickly as possible. But if you do focus on your end result and get that patient happy, you're going to win in the long run.

Ken White

That's our conversation with Keith Sullivan, and that's our podcast for this week. Leadership & Business is brought to you by the Center for Corporate Education at the College of William & Mary's Raymond A. Mason School of Business. The Center for Corporate Education can help you, and your organization get to the next level with a business and leadership development program that specifically fits your needs. If you're interested in learning more about the opportunities at the Center for Corporate Education for you or your organization, visit our website at wmleadership.com. Thanks to our guest this week, Keith Sullivan, and thanks to you for joining us. I'm Ken White. Until next time have a safe, happy, and productive week.