

FAT CHANGE BUILDING A BETTER BODY THE COOL WAY

Wendy Lewis interviews CoolSculpting veteran Keith Sullivan to get the skinny on what makes ZELTIQ so unique



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KEITH SULLIVAN IS HAVING A VERY good year. He was recently named Chief Commercial Officer and President of North America of ZELTIQ® Aesthetics, and launched a \$45M direct to consumer program. After a meteoric rise in the company since he joined in October 2012, he is more than ready for his next challenge: helping ZELTIQ change the industry standard of what aesthetic providers can expect from medical technology companies.

Founded in 2005 in Pleasanton, California, ZELTIQ Aesthetics (ZLTQ) has been dedicated to the development of a non-invasive fat reduction empire. For anyone who has been living under a rock for the past decade, their signature technology utilizes Cryolipolysis® that was designed to target only fat cells, leaving the skin and other tissue intact. Drs. Dieter Manstein and R. Rox Anderson at the Wellman Center at Massachusetts General Hospital conducted the initial Cryolipolysis research.

In 2009, they received a CE Mark and in 2010, they got their first FDA green light. The company had a bright future and went public in October 2011, to the high hopes of early investors. Regrettably, post IPO they had a disappointing downward slope and missed their numbers for the next two quarters.

In August 2012, Mark J. Foley was appointed as President and Chief

Executive Officer, having previously served on the Board since 2009. At that time, CoolSculpting had 400 systems installed internationally. At that year's ASLMS meeting, dermatologist Jeffrey Dover of Skincare Physicians in Chestnut Hill, MA, who served on the medical advisory board, introduced Mr. Foley to Mr. Sullivan. As they say, the rest is history. Sullivan joined ZELTIQ on October 1, 2012 as Senior Vice President Global Sales, and 6 months later, he took over marketing as well.

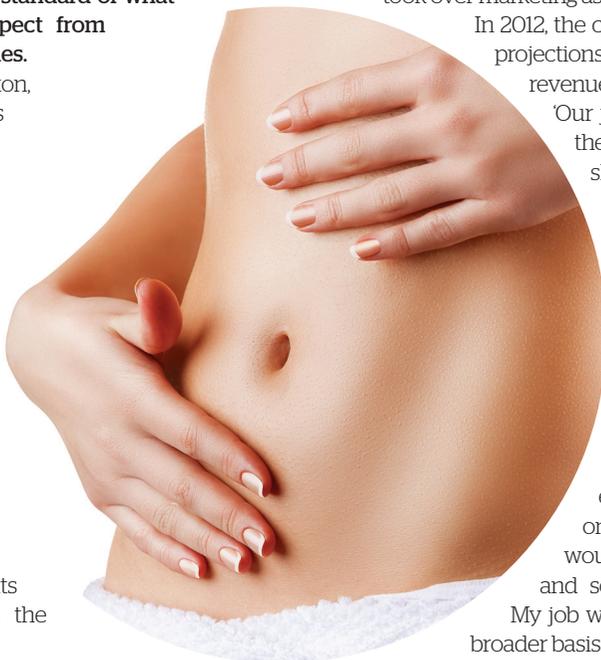
In 2012, the company fell short of their projections to Wall Street and revenues had basically stalled.

'Our job was to figure out why the product was not where it should be,' said Mr. Sullivan. 'So the first thing we did was to change the focus of the organization from trying to generate revenue to trying to generate outcomes.'

'Treatment to Transformation™' was their first big brainchild. But, as Mr. Sullivan explains, 'It was only on a one-off basis, and doctors would sometimes adopt it and sometimes they wouldn't.

My job was to get it out there on a broader basis and make it a focus.'

In 2014, they reached their first major milestone of a cool million treatment cycles, and the following year, they hit the 2,000,000th mark. Fast forward to 2016, and over 11 years, the company has strategically grown the CoolSculpting brand to be the #1 non-invasive fat reduction procedure with 3 million cycles performed globally, leaving many other fat reduction technologies in the proverbial dust.



5 STEPS TO COOLSCULPTING SUCCESS

- 1 Treatment to Transformation
- 2 Staff Treatments
- 3 Staff/Front Desk Training
- 4 Internal Practice Marketing
- 5 External Marketing

“ZELTIQ is the first true partner in the aesthetic industry.”

he continues. 'We focus on providing them excellent training through our team of Practice Development Managers whose sole job is to reinforce the training methods of CoolSculpting University,' says Mr. Sullivan.

'When I look at any product, if they have one differentiator that separates them from anything else in their class, they are lucky. I think we have developed a series of unique differentiators. There have always been promises made in the industry but very few companies lived up to them. We have 17 unique differentiators while most companies try to strive for one,' he adds.

Among the CoolSculpting's most notable developments has been the addition of a team of nearly 100 Practice Development Managers who generate physician and staff training as well as patients. 'We literally drive patients to our customers' doors, within the practice and outside the practice,' says Mr. Sullivan.

CSU is a classroom facility located at the ZELTIQ mothership in Pleasanton, Calif., with a second location on the east coast in Reston, VA. It's an intense two-day curriculum. Mr. Sullivan estimates that 30% of attendees are physicians, and the rest are nurses, aestheticians, and techs who typically perform the treatments.

When a practice buys the system, it's normally part of the package, which is a value of \$1,500 per class per person. They also invite existing customers to come. 'If you attend CSU, your business goes up 90%; it virtually doubles. That's how confident they are immediately,' says Mr. Sullivan. Each class holds 40 people and they are typically sold out 90 days in advance in each of the three classes held per month on each coast. 'Now we're taking that concept globally in all regions in the world. When people come out of there, they are very confident about

performing the treatment and getting good results,' he adds.

Mr. Sullivan is particularly proud of the '5 Steps to CoolSculpting Success' program that his team of PDMs bring to each account. As he says, 'If they follow those simple steps, we will all but guarantee them \$260,000 in practice revenue.'

Mr. Sullivan believes that the staff is the best advertising a practice can have, and they give away treatments to staff. The PDMs work with the practices and train the staff on how to answer the phone and talk to patients when they are assessing them.

According to him, the biggest success is from Cool Event patient seminars within the practice by segmenting their database to target specific groups of patients, such as men, moms, and millennials. He considers it to be the most effective tool for practice growth. ▶

Below: Keith Sullivan (top) conducting a presentation at Zeltiq's training center in Reston, VA (middle), which is also used for educational workshops (bottom)



'100% of the time when I walk into an event, and someone asks me what I do for a living, and I say that I work for a company that removes excess fat, they all want to know where they can get it,' he says. 'Most days I really love my job.'

Science first, marketing second

Mr. Sullivan credits the formidable ZELTIQ medical advisory board as having been very instrumental in helping the company hit its stride. 'Every step of the way, they were freely sharing their expertise and wisdom by generating clinical data and guiding us on what body parts and applicators really work, and what we should be looking at next. They really acted as our partners.'

To date, the clinical evidence behind CoolSculpting technology has been published in more than 60 peer-reviewed abstracts and papers!

As an aesthetics industry veteran of 28 years, Mr. Sullivan offers a fresh perspective on the device industry as a whole. 'When you look at the devices that have been put out in the field, there is a typical cadence in the industry; you develop a box, you sell it for \$100,000, and three years later and you come back and try to sell the customer a new box that does basically the same thing but better. The changes in the products were just a spray paint job,' he says.

'We made our physician partners a big promise; you buy my system and we're going to drive patients to your door. ZELTIQ has actually been able to deliver on that promise,'

“We’re trying to do all the things that everybody promises accounts, and we are actually doing it.”



▷ Practices that follow his five key steps will generate a big bump in revenue, according to Mr. Sullivan; 'These steps are our secret sauce.'

Industry leading formula

Another bold CoolSculpting strategy is their now infamous minimum advertised price policy, which, by all accounts, seems to be working. 'We don't police it,' says Mr. Sullivan, 'the doctors in the community police it. We contact the practice on the day it is brought to our attention, and 95% of the time it's either a new employee or marketing agency who were not even aware of the policy. We give the practice three strikes, and at the third strike they go into the penalty box. We have had patients that go onto Groupon and find a discounted rate, and they take it down immediately.'

The penalty is the actual cost of the treatment to the practice, which impacts the bottom line. For example, he explains, a

CoolMini™ treatment costs \$300 cycle and the practice is charged \$150 if they follow their policy. If they choose not to follow the company's policy, and do it three times, they are charged the full list price for 6 months of \$300 per cycle. In 2015 CoolSculpting had two violators, and so far in 2016, they have not had one practice that was put into the penalty box.

CoolConnect™ is another platform that is unique to ZELTIQ. This cellular device is built into the back of every system that spits out critical information about each patient treated. For example, it can detect instantly if the

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patient is a new or old patient, the days of week treated, applicators used, and areas treated. The treatment information is sent to CoolSculpting. According to Mr. Sullivan, 'In this way we know what they are doing and we can show them how they are doing, such as if you're only treating flanks, why aren't you looking at their belly, and so on. The PDM has the data to bring back to those accounts on a monthly or quarterly basis and follow their progress.'

'We're trying to do all the things that everybody promises accounts, and we are actually doing it,' says Mr. Sullivan.

For example, a lot of companies feature co-op marketing programs, from skin care brands to injectables and devices. CoolSculpting customers get co-op dollars once they reach a certain level. 'We spent about \$14M in 2015 to support our customers with their marketing

9 COOLSCULPTING DIFFERENTIATORS

Dedicated PDM	The Practice Development Manager (PDM) is your dedicated partner to bring you the tools and resources needed to reach your CoolSculpting goals
DTC National Campaign	In 2016, we will spend approx. \$45M on strategic direct to consumer campaigns that will generate patient interest, increase website traffic by 300%, and will bring more patients into YOUR practice
Cool Assurance	A revolutionary warranty program that protects your CoolSculpting investment and is another example of our commitment to a joint partnership
MAP	Minimum Advertised Pricing (MAP) is a mutually beneficial policy that protects your CoolSculpting franchise and maintains brand integrity by eliminating price cutting
CoolConnect	A connectivity platform, already built into your system, that enables you to analyze and measure the success of your CoolSculpting business
CSU	CoolSculpting University (CSU) is an industry-leading training program that is a proven way to increase your CoolSculpting business by 90% over non-attending accounts
Crystal Rewards/COOP	A program where CoolSculpting shares in the cost of building your practice
Proven Technology	With more than 60 peer reviewed studies and millions of treatment cycles completed, CoolSculpting is the most proven technology in the non-invasive fat removal marketplace
5 Steps to CoolSculpting Success	A proven strategy for CoolSculpting success. The accounts that follow the 5 steps do 330% more CoolSculpting business than those that do not

campaigns, that included billboards, print ads, local TV and radio, and much more,' he said.

As a customer who owns two machines and as a member of the CoolSculpting international speakers bureau, New York City dermatologist Heidi Waldorf is a big fan of the brand's way of doing business: 'These days a major cost to my practice is the plethora of service contracts I must maintain for each individual device. However, the CoolAssurance program means that I am able to cover both my systems and all of my applicators for one low price. That's revolutionary and tells me the company has a real commitment to joint partnership with their customers.'

ZELTIQ's practice-friendly warranty program offers a flat fee for their systems. Mr. Sullivan explains, 'Whereas many companies charge 10% or \$10,000 annually, we charge practices \$5,000 per year, and it covers everything, no matter how many systems they have.'

Perfect nine

According to Mr. Sullivan, 'The nine differentiators we have come up with has been a major initiative for us this year, and we are excited to share it with the industry. We have had so many doctors achieve tremendous success with this program.'

One prime example of success achieved by following this program is Marguerite A. Germain, a dermatologist in Mt Pleasant, S.C., who credits the ZELTIQ team for her record growth. 'ZELTIQ is the first true partner in the aesthetic industry. Without the efforts of their Practice Development Manager to keep a watchful eye over my practice we would not be where we are today. Through the effective training to support the 5 Steps to CoolSculpting Success and CoolConnect reports that our Practice Development Manager reviews with us each quarter we have been able to grow our practice by an impressive 400% over the years. In addition we have fully taken advantage of the Co-op advertising program in conjunction with the very comprehensive Direct to Consumer Advertising campaign in which they have deployed on both general body contouring and the double chin. What a delight it is to have a company to work with us so closely!'

'Our focus is not putting a second generation system out there, but rather making the box they have more profitable by adding new applicators,' says Mr. Sullivan. That strategy is a home run, as they have consistently launched new and improved applicators to meet their customers' demands. 'Now we can go back to the same patients who have already been treated and treat them in another area,' he says.

Dr. Waldorf confirms, 'Since their initial launch, they have come out with a consistent stream of innovations which have improved my ability to treat more patients.'

'Another important consideration for every new device is staff training. I sent my lead nurses to CoolSculpting University shortly after I purchased my devices, which gave my team the foundation on which to build their expertise in the technology and treatment planning. It's a great training program where they learn from the company's top trainers and interact with staff from other

“CoolSculpting's Minimum Advertised Pricing (MAP) virtually eliminates price cutting, which protects my investment while maintaining brand integrity.”

offices to compare techniques. Plus my staff can also access videos to review procedures and techniques,' she adds.

It's not surprising that many owners of CoolSculpting systems use it on themselves since they really believe in the technology. CoolSculptors are also loyal brand advocates. Laura Pietrzak, MSHS, PA-C, who currently works with New York City dermatologist Amy Wechsler, explains, 'I have performed over 10,000 CoolSculpting treatments and the results I'm able to achieve are

outstanding. The rate of patient satisfaction is extremely high. The keys are consistent use of the tools provided at CSU to evaluate patients and manage patient expectations. CoolSculpting remains the most consistent, effective, and safe non-surgical body contouring treatment in my practice.'

Minimal advertised pricing is another sign of the company's commitment to customers. 'Whenever I purchase a piece of equipment, I have to be concerned about the commoditization of the procedure—low overhead spas and 'docs in the box' offices with low overheads start doing the procedure and drive the price down. CoolSculpting's Minimum Advertised Pricing (MAP) virtually eliminates price cutting, which protects my investment while maintaining brand integrity,' says Dr. Waldorf.

From lipo to cryo

According to the American Society for Aesthetic Plastic Surgery (ASAPS), the most popular surgical procedure in 2015 was liposuction with 396,048 procedures performed, and the most popular surgery in the 35-50 as well as the 51-64 age groups². I asked Mr. Sullivan how he thinks CoolSculpting is impacting the liposuction market.

'If a patient comes into your office and wants liposuction, we say that you should do it. We are not a competitor to liposuction. When we talk to physicians who do liposuction and also do CoolSculpting, we have found that their liposuction business actually goes up,' Mr. Sullivan says.

In fact, many plastic surgeons I talked to are big proponents of CoolSculpting and proud of it. New York City plastic surgeon David Rappaport has been performing body contouring procedures for over two decades, and jumped on the CoolSculpting revolution early on. After seeing the impressive results he was achieving with CoolSculpting since he bought his first machine in 2010, he founded Coolspa® in 2014, which has become one of New York's leading CoolSculpting providers. He now has four machines in his Park Avenue location and keeps them going most of the time.

Plastic surgeon Gary Breslow in Paramus, NJ, and founder of the online consultation tool Zwivel.com, is also a CoolSculpting convert: 'There is no question that CoolSculpting is one of only a few procedures that patients are asking for by name, both women as well as men. It >



COOL HARD FACTS

★ **Average CoolSculpting Sale:** Just under 5 cycles per patient approximately

★ **Average cost per cycle:** \$600/cycle approximately

★ **Typical cost per body area:** \$3-4,000 for abdominal/flanks, \$750-1,000 cycle for CoolMini

★ **Average number of cycles per patient:** Most patients will get 2 cycles

★ **Most popular treatment:** Abdomen/flanks first, submental area (CoolMini) is rapidly growing

★ **Number of CoolSculpting practices in the US:** 2,256 through end of 2015

★ **Number of CoolSculpting systems in the US:** 3,125 through end of 2015

▷ has made a major impact in the field of body contouring and offers patients who are not surgical candidates a viable alternative. It also requires minimal time on the part of the plastic surgeon since it can be comfortably delegated to the staff.

According to Mr. Sullivan, in the U.S., approximately 70% of customers are comprised of core specialties including plastic surgery, dermatology and dermatologic surgery practices. To address the numerous requests they are getting from a wide range of other specialties such as facial surgery practices, a novel stand-alone CoolMini system was developed especially for practices that only want to treat facial areas at a lower price point.

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What's next for Zeltiq

I asked Mr. Sullivan to respond to the challenge that CoolSculpting may be in danger of becoming oversaturated. 'When you put more systems in the field, we have found that practices actually do even better. I get complaints in markets that have two systems and we sell a third, and in markets that have 200 systems and we sell 201,' he says. 'We have data that shows that when there are more people talking about CoolSculpting, it's generating more buzz among consumers.'

In response to the demand to reduce the time it takes to perform a treatment, ZELTIQ launched a significant upgrade to the CoolSculpting family of treatment applicators, the 3 in 1 CoolAdvantage™ applicator launched at AAD 2016. Sullivan explains, 'By changing the shape of the applicator cup to increase direct tissue contact and lowering the temperature, the CoolAdvantage applicator delivers the same or better results in just 35 minutes, cutting the treatment time nearly in half,' says Mr. Sullivan.

2016 is poised to be a very big year for ZELTIQ. As expected, they are looking into the vast potential of expanding their indications. For example, their next targeted treatment just may be cellulite. They are looking into ways to modify the Cool Smooth PRO™ applicator that treats skin tone and texture for dermal thickening as early as 2017. According to President and CEO Mark Foley, their clinical investigators are also focusing on acne treatments by cooling the sebaceous glands, but this is on the docket for late 2018.

After enlisting supermodel/actress/mom Molly Sims as their brand ambassador in 2015, they are forking over a whopping and unprecedented \$20M in the first half of 2016 on a national campaign of billboard, digital and television advertising to drive consumer awareness in four test markets. In January alone, Coolsculpting.com had 700,000 unique monthly visitors, which is triple the number from January of the previous year.

'Our main challenge continues to be growing awareness. Even with a comprehensive direct to consumer advertising and PR push, you still have people who are not aware,' says Mr. Sullivan. 'This year we plan to change all that.'

'And all that ZELTIQ does in the way of customer support, marketing, and delivering patients to the front door – these are all things doctors should be demanding from companies they do business with.'

References

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