

Candela Generates Recurring Revenue With New Subscription-Based Business Models

Candela is a world-leading medical aesthetic device company, with an expansive global footprint in 86 countries.

The company's technologies enable physicians to provide advanced energy-based solutions for a broad range of medical-aesthetic applications, including treatments of scars, wrinkle reduction, body shaping, tattoo removal and more.

Company Overview:



Candela's Challenges

A few years ago, Candela sold their signature body-shaping fat reduction device, the UltraShape Power[®] system, using a traditional hardware sales model: Physicians' offices would purchase the machine upfront, for a fixed, one-time cost. The machine came with two hand pieces, or transducers, which were necessary for the procedures. The transducers would need to be replaced every so often, and the replacement sale created an additional revenue stream for the company. Unfortunately, other than that, Candela wasn't able to maximize the revenue from their own machines.

" We were able to offer our customers a very strict and limited business model based on one-time consumables. That limited our potential customer base and recurring revenue, which in turn, limited our flexibility and revenue opportunities."

– L.J. Gage, Head of Global Business Unit – Body/Recurring Revenues

Given that Candela could only profit off of the sale of the UltraShape Power system machine itself and the occasional transducer renewal, the machine needed to be priced at a point that could be prohibitively expensive for some practices. That price point restricted the potential customer base for the machine, and had the potential to severely hold back the company's growth. Like many other companies, Candela wanted to grow and not be restricted by limitations that no longer seemed relevant.

The UltraShape Power system worked on a homegrown licensing platform, which severely limited the flexibility Candela could offer their own customers, as their pricing structure amounted to a one-size-fits-all model. This lack of flexibility impacted Candela's revenue growth and prevented them from being able to collect useful data into how their customers were using their products.

The homegrown licensing platform also led to very long delays in delivering customers what they had ordered, leading to a poor customer experience.

These needs led them to look for a better licensing solution to maximize the value of their products.



How Candela Solved These Challenges

Once they selected and integrated Sentinel, Candela was able to completely change the way they sold the Ultrashape Power system, leading to new revenue streams, an improved customer experience, and valuable usage insights.

Previously, they sold their machines for a one-time fee and supplemented their income with the occasional transducer re-order. Now, Candela has completely shifted their business to a consumption-based model. When a doctor performs a treatment using the UltraShape Power system, they first determine, based on the type and size of the procedure, how many pulses will be required for that specific procedure.

Instead of charging a one-time cost for their machines and selling their transducers separately, Candela is able to use a recurring-revenue model to monetize their machines per pulses needed. This presents a win-win for Candela and their customers, as Candela is able to implement a recurring-revenue model, while their customers only need to purchase the number of pulses needed for their upcoming treatments.

Additionally, when the transducers need to be replaced, Candela now sends their customers new ones for free. This new and unique approach is a win for their customers, as it presents meaningful upfront savings, while also generating long-term revenue increases for Candela.

They've also been able to provide an easy-to-use self-service portal for their customers, which automatically alerts doctors when their pulses are running low, and lets them order more pulses or transducers with the click of a button.

" We were extremely pleased and surprised at how easy it was for our customers to automate the recharging of pulses with just a few clicks."

– Jeries Abu Elassal-Global Product Manager

With Sentinel, Candela now has insight into how often their customers are performing certain procedures, how many pulses they use per month, and which customers are approaching the end of their current batch.

This allows Candela the ability to offer client-specific revenue models, including different-sized packages, and unlimited monthly consumption plans, all through the Sentinel platform. The new model wasn't only a shift in how Candela sold their product, it was a business-wide transformation.

By choosing to give their transducers away for free, and instead focusing on monetizing by selling pulses, Candela has shifted their purely hardware-based business into one that relies on software as well as hardware -- and it's proven to be a tremendous success.

Candela has been able to gain additional customers, a greater lifetime customer value, and a better understanding of their customers' needs and usage, by shifting to a recurring revenue model.

" Given the success we've already had from our shift to recurring revenue, we see these models continuing to play a major role in our future."

– L.J. Gage, Head of Global Business Unit – Body/Recurring Revenues

The new usage-based business model led to an average increase of over **177%** in revenue per client.



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