

Tariffs as a turning point

How MedTech can boldly seize the moment and build a resilient, digitally driven future

Capgemini 



Introduction

In early 2025, the United States introduced sweeping tariffs that have shaken global industries—MedTech included. For a sector dependent on global supply chains and hardware-centric models, the impact has been immediate and severe both for U.S. companies and the global organizations that do business with them.

The fallout is already visible. Stryker¹ and Johnson & Johnson² have projected \$200 million and \$400 million hits to their MedTech earnings, respectively. If current trends persist, 2026 will bring more challenges. In short, this isn't a temporary disruption—it marks the start of a multi-year challenge.

At the heart of the issue is a business model that hasn't kept pace with the shift from exclusively hard goods to a digital inclusive mix. Heavy reliance on hardware and hard products means MedTech companies are particularly vulnerable to sourcing and import/export issues like tariffs. When those policies shift on a weekly basis, it is increasingly difficult to manage profit and long-term revenue.

It is estimated that nearly 70% of MedTech devices sold in the US are manufactured or have components sourced globally³. Once a strength, complex supply chains now pose a liability in an ever-changing healthcare landscape. At the same time,

aging populations and growing pressure within healthcare systems is driving down spending, while events like Covid-19 are increasing expectations around access to healthcare systems and treatments. U.S. tariffs are now squeezing already thin margins, raising material costs, and forcing companies to hold excess inventory, which is driving even further challenges.

In 2024, MedTech companies were generally operating between 50–60% gross margins⁴, though these numbers can vary significantly. Now with tariffs as an additional factor, companies face a choice: Pass rising costs on to the market and exacerbate healthcare affordability or absorb the cost and erode profitability.

But there is a third—and more strategic—path: Expanding digital offerings to not only offset tariff costs, but to build a more resilient, profitable, and future-ready business model.



¹<https://www.medtechdive.com/news/stryker-200m-tariff-hit-earnings-forecast/747011/>

²<https://www.medtechdive.com/news/jnj-tariff-costs-400-million-2025/745357/>

³<https://www.knobbe.com/blog/u-s-tariffs-and-the-medical-device-industry/>

⁴<https://flgpartners.com/2025-biopharma-medtech-ipo-landscape/>



Country	Top Exported Devices	Import Share	Tariff	US Imports \$Bn	Impact
China	Electronic components, imaging equipment, diagnostic devices	15%	54%	\$2.30	\$1.24
Germany	Orthopedic devices, dental instruments, surgical tools	11%	20%	\$4.46	\$0.89
Mexico	Syringes, tubing, electronic subcomponents	24%	25%	\$12.00	\$3.00
Japan	Endoscopes, diagnostic instruments, imaging systems	4%	24%	\$4.00	\$0.96
Ireland	Implantable devices, catheters, diagnostic tools	9%	20%	\$3.11	\$0.62
Switzerland	Surgical instruments, precision components, dental devices	7%	20%	\$7.00	\$1.40
Netherlands	Hospital furniture, diagnostic imaging, catheters	3%	20%	\$3.00	\$ 0.60
South Korea	Electronics for imaging, diagnostic devices, sensors	2%	10%	\$ 2.00	\$ 0.20
Malaysia	Disposable devices, gloves, PPE, tubing	5%	10%	\$5.00	\$ 0.50
Costa Rica	surgical & diagnostic eqiupment	6%	10%	\$4.21	\$0.42

Figure 1: Regional impact of tariffs by MedTech device and component type

The time to act is now

As tariffs reshape the global landscape, organizations are beginning to explore new business opportunities and models, ranging from digital as a value add, to hardware as a loss-leader for digital revenue, to standalone digital revenue. Whether you have just begun or already have an active digital strategy, it is crucial that MedTech organizations begin to rely less on hardware and build a more digitally balanced

portfolio. Digital products and platforms play an essential role in reducing risk, protecting margins, and securing long-term growth.

This moment isn't just a temporary disruption in the U.S.—it's a global turning point. The companies that act now will define the future of MedTech.

As time goes on and the uncertainty of the markets continue, the MedTech industry will become more competitive. If organizations have not found a way to offload tariff impacts and improve their cost structure, managing market volatility will become more difficult.

In 2025, we've seen the impact of tariffs on margins and revenue, with many already reducing forecasts and earnings statements. In 2026 and beyond, this will evolve into a conversation about additional earnings impact, workforce implications, cost cutting measures, and impact on payers and providers.

It is crucial that decisions made by MedTech leaders are not just focussed on the now, but also the future, with thorough market research, long-term strategy, and a strong ecosystem being key to any transformation.

Tariff volatility is not just impacting manufacturers—it is also impacting customers as well. The margins of hospitals, provider systems, and public health organizations around the world are also under pressure, prompting these organizations to look for cost savings through digital efficiency.

For example, in the Netherlands, the government is set to close the "zorgakkoord" (healthcare agreement) with a focus on AI investments that use digital to drive efficiencies up and cost down. This is just one signal of a growing shift in market demand to a more digital inclusive product mix.

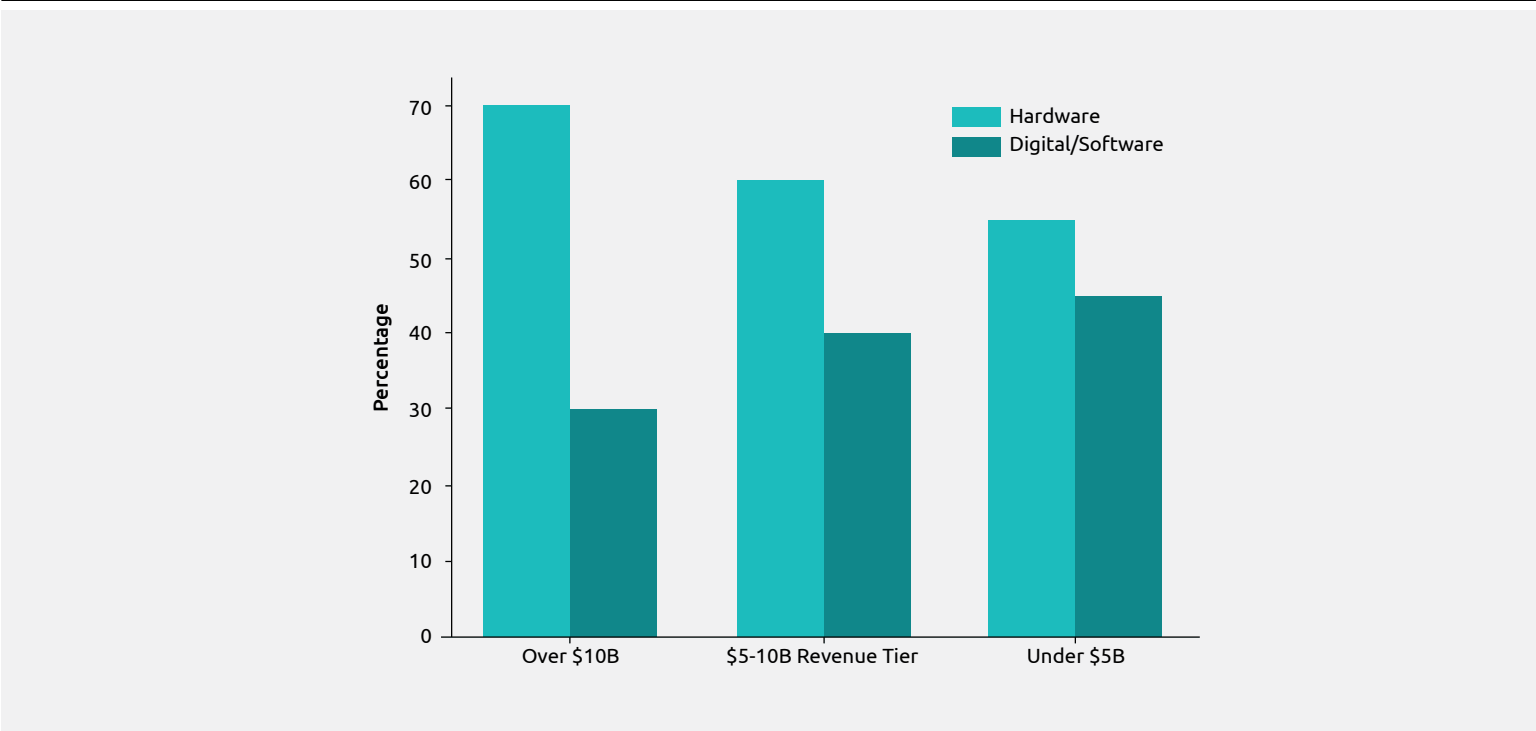


Figure 2: Percentage mix of hardware vs. digital product revenue by MedTech company revenue size



Driving new revenue models

The companies best positioned to weather this impact will be those that act quickly, proactively reducing reliance on legacy hardware and investing in digital recurring revenue models (DRR). This, amongst other strategies, is one of the most significant changes to hit the industry in recent times. While this shift was underway for some companies, tariff uncertainty has accelerated the need for all.

Complementing hardware with flexible, high-margin digital solutions and striving for innovation across the business is a valuable growth opportunity for MedTech organizations.

In fact, some experts suggest that digital products deliver twice the margin of hardware, with fewer sourcing risks and faster market responsiveness. As such, products like Software as a Medical Device (SaMD), AI-powered tools, and connected platforms represent a fundamental shift in how MedTech operates.

Digital is the convergence of people, process, and technology. Successfully integrating all three into your organization is a necessary strategic overhaul. MedTech companies must rethink what they sell, as well as how they define, deliver, and

communicate value. These are key questions raised by the U.S. tariff announcements and previously seen during the height of the Covid-19 pandemic.

Accelerating digital transformation builds resilience. It unlocks new revenue streams, reduces exposure to supply chain volatility, and improves agility. Those who act now won't just survive—they'll lead.

A path forward for success

Understanding the need for this mindset change is the first step. But how do organizations get there?

At the heart of this digital shift is the acceleration of digital products and connected platform development. MedTech leaders must rethink their portfolios, moving beyond

hardware to develop software-enabled solutions, mobile applications, and cloud-based platforms that extend the value of their physical devices.

Digital products vary across organizations. They can include: imaging systems that are enhanced by AI subscription

software, wearable devices connected to a health insights platform, and surgical tools combined with real-time performance analytics. A few real-world examples that we are seeing today:

1

AliveCor's KardiaMobile is an ECG device that has a digital business model. The company sells the hardware then charges users a monthly subscription for access to advanced insights and clinical reports via its SaMD platform.

2

GE Healthcare offers a smart subscription offer for a range of its imaging systems allowing for real-time upgrades to the equipment as soon as they are available. This subscription model provides recurring revenue, rather than a one-time sale.

3

Bayer's Calantic X-ray PAC system creates a walled garden for third-party built AI tools and diagnostics that can be deployed side-by-side with traditional scan analysis. Partnering with a robust developer network is an additional revenue generation opportunity for med device manufacturers.

In times of high market volatility, digital products are easier to deliver with less reliance on manufacturing and supply chains. They create more predictable, recurring revenue rather than one-off product sales, and they can also generate great value, such as revenue from providing real-time data insights, better reimbursement or coverage status where improved patient outcomes can be demonstrated, and overall cost

savings from digital driven efficiencies. This diversification spreads risk across different healthcare segments, making them less vulnerable to volatility in any single market.

Additionally, the more data a connected device collects, the more valuable it becomes for improving algorithms, personalizing care, or developing new services.

This reinforces long-term demand and competitive advantages that help weather short-term market changes.

While we are seeing some progress in this space, adoption has lagged. Many remain tied to capital sales and view digital as a loss leader for hardware. While maintenance contracts and programs still offer digital recurring revenue, it is frequently treated as an avenue to secure hard sales, reducing its margin potential.

The transition to connected, data-driven care models is slow for some and leaves them at risk in an ever-evolving geopolitical landscape. A tactical short-term solution is to systematically reduce costs where possible. However, we would encourage a longer-term strategic outlook that sets organizations up for success well into the future. We have seen how companies that tackle their digital journey with an agile mindset are able to adapt more quickly and more effectively manage industry headwinds.

Amid ongoing tariff shifts, it's crucial to future-proof the business—striking a balance between necessary reactive changes while preserving the ability to invest in digital progress. This is the key to preventing cutting too deeply now and paying more to rebuild later.

A strong core digital strategy, backed by the development of a connected ecosystem, is essential as organizations begin this shift. MedTech companies that accelerate their digital transformation can begin to build a holistic data-driven culture that enables them to weather the storm today, while future-proofing their business for tomorrow.



Recommendations: Redefining the “tech” in MedTech

1. Reinvent your digital strategy by rethinking value.

The shift to connected devices and recurring revenue streams is only possible with a strong digital strategy. This includes evaluating new business models, shifting R&D spend, and being ready to proactively manage market headwinds.

Embrace subscription-based models

Subscription-based models are emerging as a core component of this digital shift. By bundling hardware, software, and services into cohesive offerings, companies can establish recurring revenue streams that support continuous innovation. Organizations should focus on an approach that provides long-term improved financial stability and aligns closely with the evolving needs of healthcare providers and payers.

New payment models include subscription services, risk-sharing arrangements, and outcome-based payments. For example, companies like Siemens Healthineers are embracing subscription models to provide continuous access to their medical imaging equipment which, in turn, contributes to a growing pool of data.

Rebalance R&D investments

To support this transformation, rebalancing R&D investments toward digital is imperative. As healthcare ecosystems become increasingly connected, driving investment towards

digital and data analytics enables faster product development cycles and enhances operational efficiency. According to Frost & Sullivan, leading MedTech companies are now allocating approximately 7-8% of their total revenues toward R&D for novel and enhanced products, with a significant focus on digital⁶. This strategic shift allows for the creation of modular, scalable solutions that can adapt to evolving future market demands.

Assume a proactive approach to regulatory affairs

Digital transformation can be challenging. Organizations that take a proactive approach to managing market and regulatory headwinds can progress faster and pivot more fluidly during times of volatility. Engaging with regulatory bodies early in the development process to establish clear digital regulatory playbooks can facilitate accelerated approvals for SaMD. In addition, leveraging real-world evidence platforms to create live feedback loops can help inform product design and performance, reducing development timelines and improving outcomes.

Adopt human-centered design

Throughout this process, it is crucial to place human-centred design at the core of the strategy. Engaging patients, clinicians, and other key stakeholders early in the

development process facilitates the creation of products that are both usable and clinically effective.

Mark Davis, Senior Director at J&J emphasized the industry's commitment: “The sector's laser focus on meeting the needs of patients and healthcare professionals, allied to a spirit of adaptability and ingenuity, leaves the sector well placed to profoundly change the trajectory of health for humanity.”⁷ Further, companies that implement design thinking approaches, such as rapid prototyping and iterative feedback, can often refine products at a quicker pace, improving usability and clinical outcomes.

In an environment of heightened scrutiny and rising tariffs, the strength of an organization's digital offering is critical to driving revenue realization.

By integrating these key strategic elements, MedTech companies can maximize their digital product portfolio and transition to a business model that fosters innovation, resilience, and sustainable growth.

⁶<https://www.frost.com/growth-opportunity-news/healthcare/healthcare-it/key-trends-in-medtech-rd-investments-innovating-healthcare-solutions/>
⁷<https://www.medtecheurope.org/medtech-views/policy-views/future-healthcare-medtech/>

2. Develop a connected ecosystem focused on growth and agility.

When designing a digital health portfolio, establishing a connected ecosystem to support these products has become imperative for sustainable growth and operational agility. This involves integrating connected products and platforms with people, operating models, and enterprise architecture to create a cohesive and responsive organization.

While leaders may have a natural inclination to jump straight to products—and indeed this is an essential element—digital transformation really begins with connecting people. To accelerate decision-making and enhance responsiveness to market dynamics, traditional silos need to align across R&D,

regulatory, commercial, and clinical functions. Mastering this is a pivotal step for MedTech companies. Once organizations have connected their team, they can then focus on the shift from standalone devices to connected solutions.

A robust enterprise architecture underpins the connected solution ecosystem, providing the scalability and flexibility needed to support innovation. For example, Medtronic's implementation of an enterprise architecture for IoT-enabled remote patient monitoring exemplifies how a scalable, data-driven solution can enable continuous patient monitoring and integration with cloud-based platforms. Such architectures

facilitate the development of reusable digital components, API-first designs, and modular systems that can adapt to evolving technological and regulatory landscapes.

Developing a connected ecosystem requires a holistic approach that integrates people, operating models, product development, and enterprise architecture. By fostering collaboration, embracing connected technologies, and building scalable infrastructures, MedTech companies can enhance their agility, drive innovation, and deliver greater value to patients and healthcare providers.

As organizations are building their ecosystem, leaders must accept that they cannot accelerate innovation alone. Instead, we've seen that partnerships with startups are pivotal in providing the agility that large MedTech companies often lack. Kenneth Strømdahl, Senior VP at Novo Nordisk, shared in an interview with Matter Health: *"...It's about finding the ideal combination of our legacy and expertise with the new and out-of-the-box solutions of others."*⁸ At a time when speed is so important, organizations can look to mergers, acquisitions, and commercial partnerships to drive innovation.



⁸<https://matter.health/posts/the-business-case-for-sustainability-in-healthcare/>

3. Build a data-driven culture.

Organizations that prioritize digital transformation will generate the data and insights that can help them establish and maintain a leadership position in uncertain times. This includes insights not only related to device performance, but across the entire treatment continuum—from the body and environment to diagnostics, broader interventions, and beyond.

A data-led mindset enhances decision-making, sharpens operational agility, and ensures teams are focused on the activities that directly support revenue growth. This makes companies better equipped in the face of evolving global tariffs and intensifying market pressure.

However, true transformation is not just about adopting new tools—it's about reshaping mindsets. In Capgemini's [Connected Health Report](https://www.capgemini.com/insights/research-library/connected-health-research/), Peter Schulam, Chief Scientific Officer, Johnson & Johnson Medical Device Companies (JJMDC) spoke about the shift to a data-driven culture: “Our instruments, which before were purely mechanical, can now generate data. We have to think about how we’re going to aggregate and process that data and, through this collaboration, we’re ensuring it’s on a unified cloud platform. This will enable physicians and surgeons to gain insights, with the potential to increase consistency and improve the standard of care.”⁹

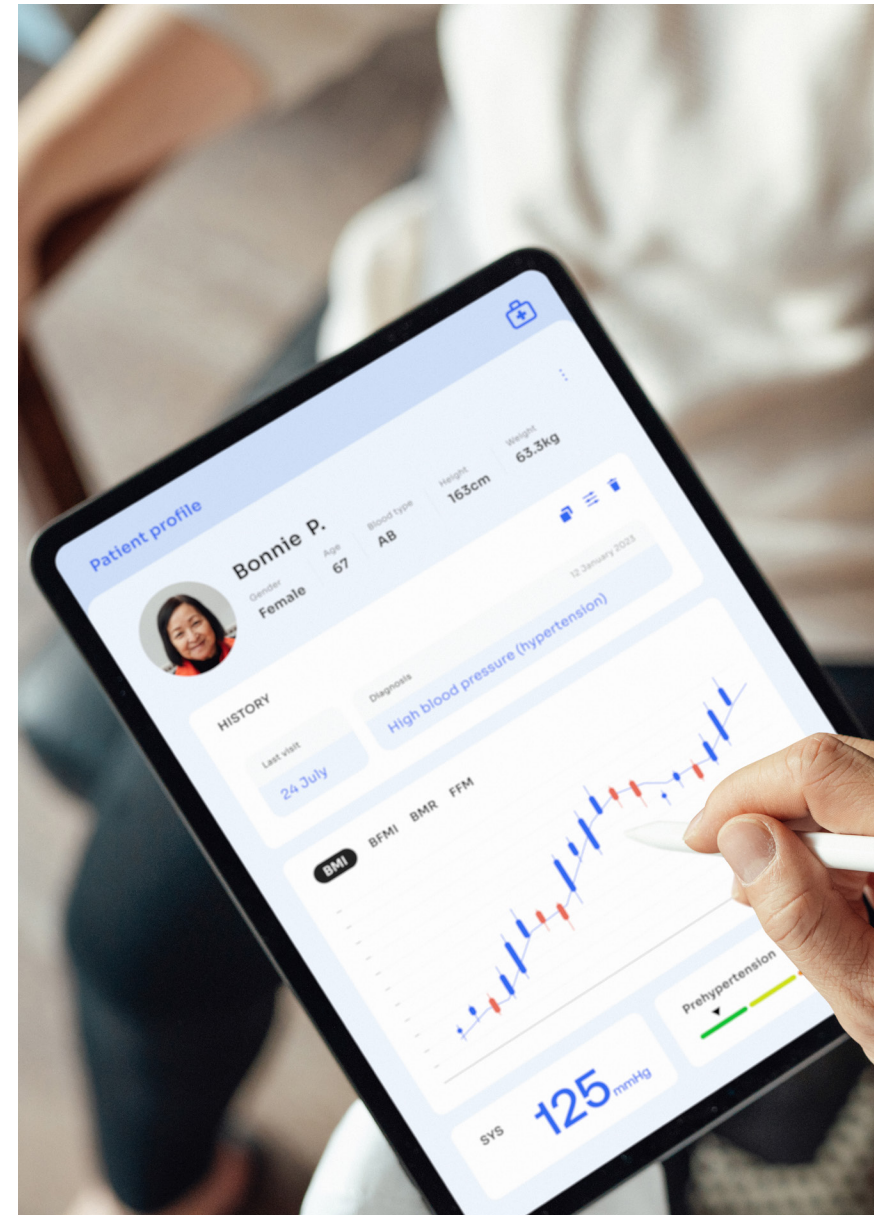
One of the first steps is helping teams redefine what “digital” really means. It’s not just about great platforms or technology infrastructure—it’s about creating a culture that can translate data into insight, and insight into action.

The first real hurdles are rarely technical, but rather cultural. Early-stage knowledge sharing, hands-on exposure to real

examples, and identifying champions within the business can help shift perceptions. For example, with a more collaborative culture, product leads can begin to see how usage analytics can drive roadmap decisions and commercial teams can gain clarity on how data can pinpoint the most profitable segments or regions.

To foster this shift, organizations need a deliberate strategy to build data confidence across roles. Product managers, marketers, and commercial strategists alike need to be fluent in key performance metrics, comfortable using dashboards, and confident applying data to make decisions. McKinsey estimates that a digitally mature health system can unlock up to \$360 billion in annual savings—a tangible opportunity that becomes achievable when teams are equipped with both the tools and mindset for data-driven operations.¹⁰ Embedding data literacy into onboarding and encouraging cross-functional data workshops can help quickly build this capability across the board.

Ultimately, digital transformation in MedTech starts with people, not platforms. Building a culture of data advocacy, where champions in product, clinical, and commercial functions model behavior and encourage collaboration, creates sustainable change. Leaders must communicate clearly, empower experimentation, and celebrate progress. With a unified vision, strong partnerships, and a talent-first approach, MedTech companies can meet the challenges of the market head-on, becoming not just digital organizations, but intelligent ones capable of driving innovation, resilience, and smarter healthcare outcomes.



⁹<https://www.capgemini.com/insights/research-library/connected-health-research/>

¹⁰<https://www.mckinsey.com/industries/healthcare/our-insights/digital-transformation-health-systems-investment-priorities>

Case study:

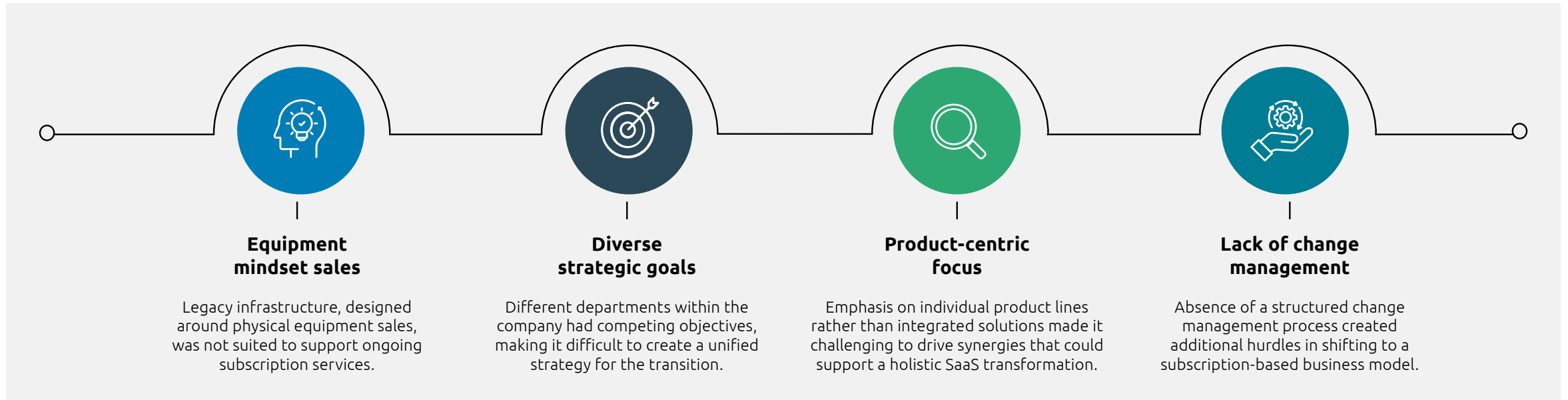
Accelerating SaaS transformation for a global medical device leader

Capgemini had the opportunity to support a prominent global medical device company as they shifted from a traditional equipment-focused business model to a more sustainable, subscription-based model.

The challenge: Breaking free from legacy thinking

The company's aim was to drive significant growth by transitioning to SaaS offerings, enhancing customer experiences, and achieving over \$1 billion in subscription revenue within the next three years.

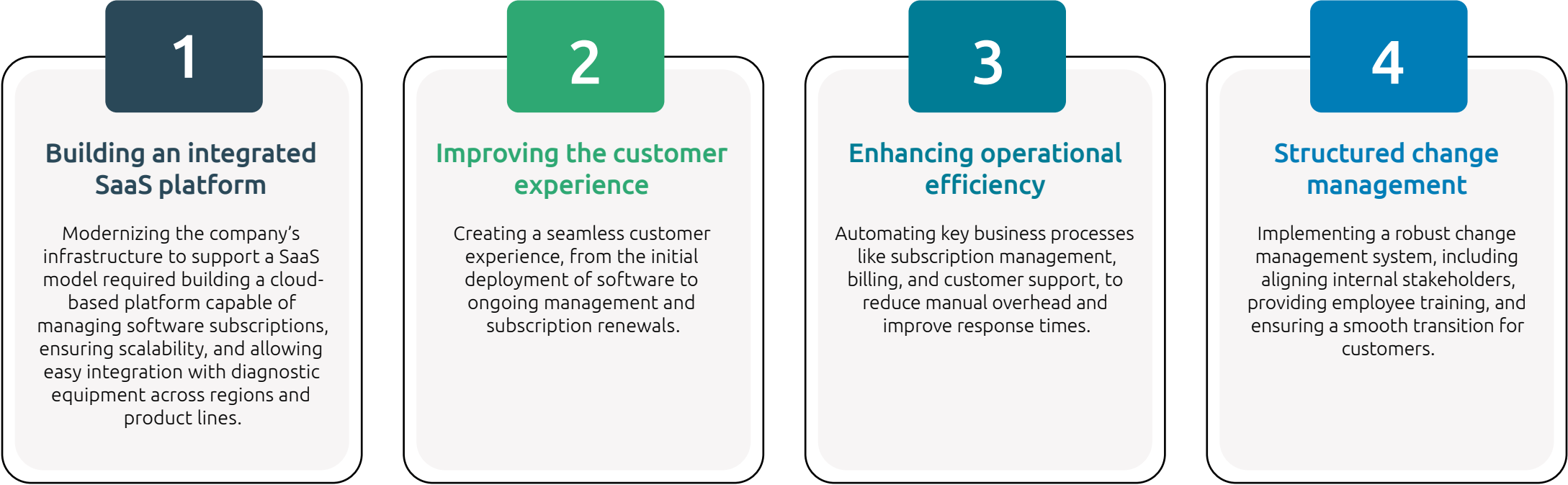
Key challenges:



The strategy: Designing for flexibility and scalability

The company engaged Capgemini to help build a comprehensive digital transformation strategy, focusing on SaaS as a driver of long-term revenue growth.

Strategy components:



The results: Significant growth and global scalability


Within the first year, the company saw an immediate increase in its annual recurring revenue, with early-stage SaaS subscriptions driving growth across its diagnostic product lines.

Outcomes:




Scale across products and regions

New cloud-based infrastructure enabled the company to quickly scale its SaaS offerings, expanding into new regions and product categories. The company was also able to reach to a broader customer base and better capitalize on market opportunities globally.



Achieve seamless SaaS adoption

The SaaS model was successfully adopted by both internal teams and external customers, contributing to a more cohesive approach to sales, deployment, and customer service.



Improve operational efficiency

Streamlined processes resulted in reduced costs, faster deployment times, and enhanced customer service capabilities.

A blueprint for digital transformation

This case study highlights the complexities and rewards of transforming a global medical device company into a digital-first, SaaS-driven business. By focusing on building a scalable and integrated infrastructure, improving operational efficiencies, and aligning internal stakeholders with the company’s new strategic vision, the company was able to

achieve rapid SaaS adoption and accelerate its path to \$1 billion in subscription revenue.

As the healthcare industry continues to embrace digital transformation, this example offers valuable insights into how legacy industries can successfully navigate the shift towards

subscription-based models, unlocking new revenue streams, improving customer satisfaction, and ensuring long-term growth in an increasingly digital world. This strategic shift can help prepare businesses to become both more profitable and more resilient to external risks.



Summary

Navigating tariffs and transforming MedTech for the digital future

Tariff talk has been top of mind for MedTech leaders both in the U.S. and around the world recently—as it should be. But to navigate this storm, companies need to think not just tactically, but strategically.

While tactical initiatives—such as evaluating supply chains, adapting the regional sales focus, and making week-by-week crisis actions or cost-out exercises—can make a short-term difference for devices, there is a greater benefit in thinking strategically to secure sustainable revenue and advantage. Being digital-first can make the difference in finding a route to sustained success, even during challenging times.

Capgemini's life sciences teams guide clients through these periods of turbulence by helping them transition to digital solutions that offer higher margins, reduced risks, and quicker responsiveness. This shift isn't just about adopting new technology, but rethinking business models and operations to thrive in a more volatile global market. Our experience in driving digital transformation helps MedTech firms build resilience, unlock new revenue streams, and stay agile—all essential qualities in the face of ongoing tariff pressures.

We encourage MedTech leaders to immediately begin **Tariff Impact Modeling**, a two-part solution which includes an **Internal Value Chain Assessment** and a comprehensive **Tariff Exposure Screening** for all commercial offerings. This process will bring clarity to two main areas: 1. How revenue

forecasts are impacted by tariffs, and 2. How effectively the current portfolio can hold up against this changing market.

Becoming a digital organization is no longer optional for MedTech companies—it's a strategic imperative for future growth. As we have shared in this point of view, it doesn't just mean having strong digital hardware, software devices, or connected products, but rather pulling on the levers that will generate a competitive advantage. It's important to keep in mind that some of these levers, like talent and operating models, are not bound by technology itself.

Based on our extensive experience, we recommend a progressive portfolio shift toward a balanced revenue profile targeting a long-term vision where at least 50% of revenue is digitally-driven, with 30–40% derived from core hardware offerings and the balance derived from maintenance and other supporting services. Over time, this shift should significantly improve margins and increase long-term revenue stability.

While tariffs are accelerating and amplifying this shift, the need to become more digital is not exactly news for global MedTech leaders. Companies that act now to diversify their portfolios and embrace connected, data-driven care models will be better equipped to navigate tariffs and other challenges that will define the future of the industry.



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Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 340,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, generative AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2024 global revenues of €22.1 billion.

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