

ESG is Changing the Rules of Business for Medtech



A new survey finds that 75% of U.S. procurement decision-makers expect the importance of ESG in purchasing criteria to increase in the next five years.

A broad discipline that encompasses the various devices that physicians use to diagnose and treat illnesses and conditions, medical technology or “medtech” provides the necessary connections between technology and patient care. The devices themselves include thermometers, catheters, wheelchairs, complex MRI scanning machines, CT scanners and laser machines—all of which are aimed at improving the overall quality of patient care in a medical setting.

The aging population, a shift toward delivering in-home healthcare and an increasing prevalence of diabetes, hypertension and other chronic diseases are all expected to boost medical device sales over the next 10 years, according to [Wolters Kluwer](#).

These and other trends pushed the global medical devices market to \$489 billion in 2021 and set it on track for \$500 billion in revenues last year. The sector is now expected to reach \$719 billion by 2029 as it grows at an annualized rate of 5.5% between 2022 and 2029.

Key Purchasing Criteria

As the medtech sector continues to grow, more attention is being paid to how the companies that are operating in it approach environmental, social and governance (ESG). According to a [new Bain survey](#) of procurement decision makers (i.e., those companies procuring goods from medtech firms), several ESG factors are “quickly becoming key purchasing criteria for healthcare providers.

“ESG is changing the rules of business—even in medtech,” the company adds. “The industry has historically lagged behind others, such as industrials and tech, in environmental and social efforts. But a shift is coming.”

The survey found that 75% of U.S. respondents expect the importance of ESG in purchasing criteria to increase in the next five years. Also in the U.S., an increasing number of medtech companies that Bain works with expect to formally include diversity, equity and inclusion (DE&I); material use, waste and circularity; and air quality in their purchasing criteria.

Bain says the pace of change on these fronts will be “much faster” in Europe. For example, it says the number of German providers that consider suppliers’ material use, waste and circularity; fair sourcing; and carbon and other greenhouse gas emissions is on track to grow by 2025.

“US healthcare providers are already more inclined to focus on social targets, whereas German [companies] are more likely to focus on environmental ones,” Bain reports. “Regardless of region, ESG initiatives that provide tangible value—such as implementing circularity practices, boosting energy efficiency and reducing packaging—have the strongest potential to resonate with customers.”

Right from the Start

According to [Medtech News](#), sustainability starts right at the beginning of the design process, where manufacturers must

now add sustainability factors into this early process. At the other end of the spectrum, medical device waste has become a global problem as devices become more complex and incorporate more electronic components and mixed materials.

“Sustainability also means considering how to reduce carbon emissions, energy and water use, and material waste across its entire lifespan, from design and material selection, to supply chain, to manufacturing and distribution,” Wideblue’s Barry Warden writes in Medtech News. “Sustainable medical devices are better for the environment and attractive to consumers and can provide cost savings, investor attractiveness and improved brand and competitive advantage.”

Putting an Emphasis on ESG

As the emphasis on ESG expands to include most industries, Bain expects the next generation of leading medtech companies to take what it calls a “value creation approach.” In other words, organizations will start thinking beyond their compliance agendas and start finding new ways to build competitive advantage.

Using this approach, medtech firms can both meet their own internal ESG goals and satisfy their customers’ expectations around sustainability in a world where everyone is requesting more of it. “This will involve deliberate choices around where to meet requirements to limit risk exposure and keep up with the market versus where to invest to deliver well above industry standards,” Bain points out. “Through these selected areas of ESG differentiation, medtech companies can win over procurement leaders and capture market share.”