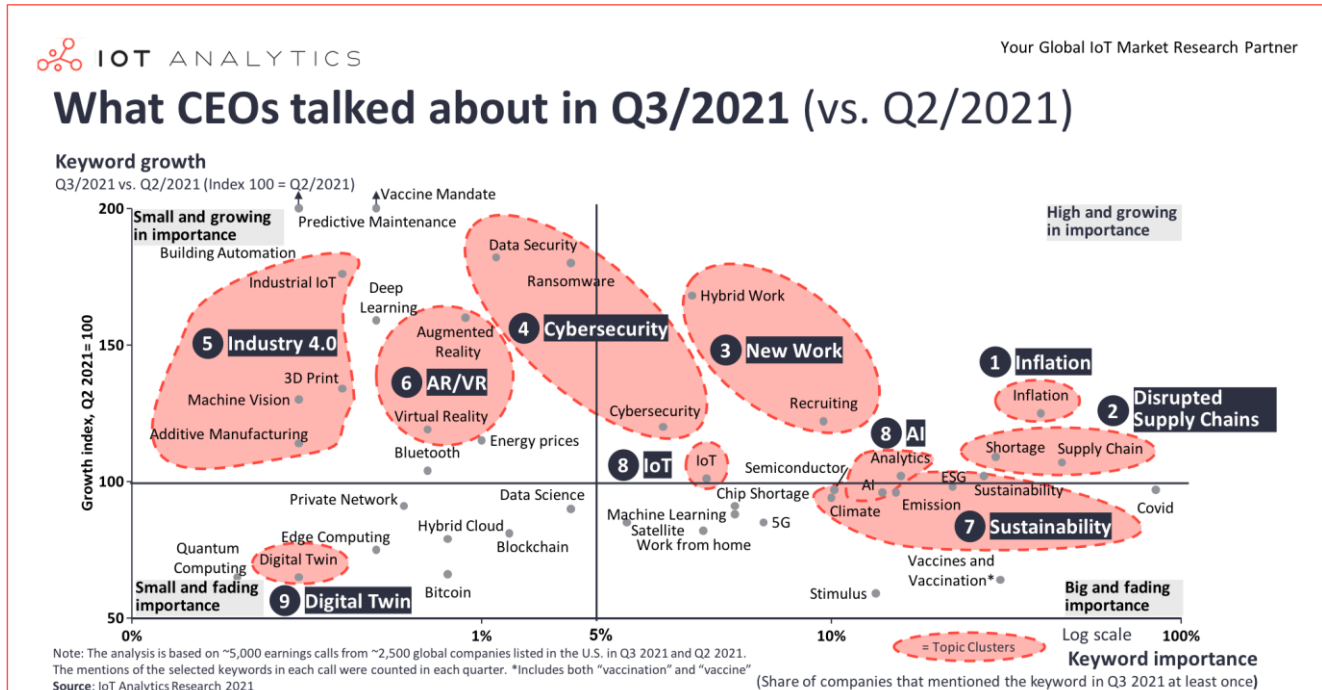


INSIGHTS RELEASE

What CEOs talked about in Q3/2021: Inflation, supply chain disruptions, and new ways of work



Key Insights

- The topic of inflation emerged as one of the most widely discussed themes with executives in Q3/2021. Other important and growing themes on the CEO agenda are “disrupted supply chains,” new work (hybrid work, recruiting), and cybersecurity.
- The mega topic of sustainability remains important, but it did not grow any further.
- The prevalence of many digitalization and tech topics in general decreased in Q3 (e.g., cloud, connectivity, machine learning, 5G). However, many Internet of Things (IoT) topics bucked that trend with growth in Industry 4.0 themes and augmented reality/virtual reality (AR/VR).

Key Quotes

Philipp Wegner, senior analyst at IoT Analytics, says: “Much to our delight at IoT Analytics, Industry 4.0-related topics increased strongly in Q3 2021. Keywords such as Industrial IoT, machine vision, 3D, and additive manufacturing are all rising significantly.”

Knud Lasse Lueth, CEO at IoT Analytics, adds: “At IoT Analytics, we also see the rising maturity of Industry 4.0 topics in our research. A few months ago, for example, we discussed the idea that predictive maintenance is evolving from being a niche topic to a high-ROI application.”

Hamburg/Germany, October 6, 2021: IoT Analytics, a leading provider of market insights and competitive intelligence for the Internet of Things (IoT) and Industry 4.0, conducted a keyword analysis of nearly 2,500 earnings calls of US-listed companies and found there were six topics that were most important in Q3 2021 and are likely to influence the strategic agenda of the fourth quarter of 2021.

OVERVIEW

Companies are preparing for Q4, which, traditionally, is the most important three months of the year for many businesses due to the end of the calendar year and the Christmas holiday, which results in heavy consumer spending in the weeks leading up to it.

Two of the main themes (in terms of overall importance) going into Q4 this year are the fears of rising inflation and disrupted supply chains. Two additional large themes that are on the rise are back-to-work/new work and cybersecurity.

Two other—rather niche—topics have been gaining significant mindshare in Q3 as well: Industry 4.0 and AR/VR.

At the same time, several large technology topics in general faded—with digitalization, 5G, and machine learning all slightly losing mindshare—alongside more mainstream topics such as vaccines, stimulus, and bitcoin.

| About the analysis

The “What CEOs talked about” analysis highlighted in this article presents the results of IoT Analytics’ research involving the Q3 earnings calls of ~2,500 US-listed companies. The resulting visualization is an indication of the digital and related topics CEOs prioritized in Q3 2021. The chart visualizes keyword importance and keyword growth:

X-axis: Keyword importance (i.e., how many companies mentioned the keyword in earnings calls in Q3). The further out on the x-axis, the more often the topic has been mentioned.

Y-axis: Keyword growth (i.e., the increase or decrease in mentions from Q2/2021 to Q3/2021, indexed to 100). A number >100 on the Y-axis indicates the topic has gained importance, while a number <100 indicates the topic has decreased in importance.

Read our Q2/2021 analysis here.

These were some of the hottest topics discussed by CEOs in Q3 2021:

#1 INFLATION

The keyword “inflation” continues to dominate the boardroom. It was mentioned by roughly 40% of all companies in Q3/2021, a 25% increase from Q2/2021. The biggest increase in prices is noted in oil, gas, and gasoline, with a barrel of oil sitting at a multi-year high, near \$80/barrel at the beginning

of Q4/2021. But it is not only oil; daily goods like vegetables and meat are also becoming more and more expensive.

While leading fiscal institutions, such as the US Federal Reserve Bank and the European Central Bank, still claim that inflation is likely to be transitory, others argue it may persist. Those believing that inflation is transitory point (among other things) to the so-called base effect. Oil, for example, was exceptionally cheap during the pandemic due to lower demand, which is why the increase in prices right now seems higher than it actually is. Those believing that inflation may stay, point to the beginning of a wage price spiral, where workers receive rising wages and then spend more (demand-pull inflation), which increases costs for firms (cost-push inflation), causing even higher inflation and wages.

As the following quotes show, corporates are already seeing the first signs of a wage inflation:

“We’ve never seen this level of labor inflation, which is not necessarily a bad thing because there are consumers as well, so it gives them more purchasing power.”

Robert Gamgort, CEO, Keurig Dr Pepper Inc, 29 July 2021

“Jobs are plentiful, wages are going up. These are all good things. And so, yes, obviously, it’s the inflation could be worse than people think. I think it will be a little bit worse with the bad things. I don’t think it’s all going to be temporary, but that doesn’t matter if we have very strong growth.”

Jamie Dimon, CEO, JP Morgan Chase, 13 July 2021

#2 DISRUPTED SUPPLY CHAINS

The term “supply chain” was mentioned in 45% of the earnings calls in Q3 2021, a 7% increase compared to Q2/2021. The term “shortage” recorded a similarly high growth in importance, being mentioned in 30% of the earnings calls in Q3 2021, a 9% increase compared to Q2 2021. Looking more closely at some of the quotes, it becomes clear that material shortages are the key point of concern:

“The company continues to experience shortages in its aluminum can requirements in the United States and EMEA, given the company’s volume growth and the current supply constraints in the aluminum can industry.”

Rodney C. Sacks, CEO, Monster Beverage Corporation, 5 August 2021

“Raw material shortages, production constraints and pressures across modes of transportation are creating a difficult supply chain environment.”

Ted Decker, CEO, Home Depot, 17 August 2021

There are a number of forces at work that are leading global supply chains to remain extremely fragile throughout the end of the year:

- In Q3/2021, COVID-19 outbreaks brought production to a halt in parts of China and parts of Vietnam, two of the biggest manufacturing countries in the world, with the latter no longer able to compensate the delivery risk from the former.

- COVID-19 restrictions are also responsible for one in twenty bulk carriers recently being caught in Chinese port congestion
- Asian shipping containers are in short supply because they could not be sent back from the Americas.
- Ultimately, there is also a global chipset shortage, which is far from being over as IoT Analytics reported.
- In addition, some Chinese plants are currently suffering from electricity blackouts, which is partly due to a Chinese ban of Australian coal after Australia called for an international investigation into the origin of the Covid-19 pandemic in China.

#3 NEW WORK

The war for talent is back. The keyword “recruiting” was mentioned by roughly 9.5% of all companies in Q3/2021, a 22% increase from Q2/2021. It is not only the search for talent that is rising, the methods for hiring are also changing. Most (first) interviews with candidates are now likely to be held virtually; work location is often also no longer an issue.

Another key trend on CEO agendas is hybrid work. The term was mentioned in roughly 4% of the Q3/2021 earnings calls, a 67% increase vs. Q2/2021. A recent survey by Mercer found that 94% of employers said that productivity remained the same, or was higher, on remote working days. At the same time, Microsoft published a study that showed that remote work led to lower innovation because it affects the way people work together.

“I believe we’re at a pivotal moment in our company’s history as we have a massive opportunity to transform what has been the traditional office and define the future of hybrid work.”

Chuck Robbins, CEO, Cisco Systems, 18 August 2021

“We definitely are seeing more penetration of consumer electronics. And in many cases, it’s because people have consumer electronics for multiple locations and use cases in their lives, right? In the hybrid work model, I might have one set up at home. I might have one set up at work.”

Corie Barr, CEO, Best Buy, 24 August 2021

#4 CYBERSECURITY

The number of cyberattacks continues to increase dramatically, and ransom amounts are skyrocketing. Corporations amount for the biggest proportion of ransomware attacks (40%), but cybercriminals are increasingly expanding their targets to other sectors, such as municipalities and healthcare.

As a consequence, cybersecurity topics continue to rise. The keyword “cybersecurity” grew 22% vs. Q2/2021 (3.3% keyword mentions), with data security (+ 83% vs. Q2/2021) and ransomware (+80% vs. Q2/2021) also rising particularly fast.

“We’ve seen a lot of the ransomware attacks and what it’s done. And in particular, it has impacted business resiliency. It’s no longer the case of encrypted computer and, you know, Reimage, and carry on. It’s impacting massive amounts of business and costing hundreds of millions of dollars.”
George Kurtz, CEO, CrowdStrike Holdings, Inc., 31 August 2021

“... as you look at the frequency of ransomware in particular claims over the last 24 months, we knew we had to take substantial action. Now, look in our book, it only represents a little less than 5% of our specialty, but nevertheless, we have taken substantial action and it’s much more strict underwriting controls [], with respect to the security protocols that our insurance have, and [] we’ve clearly lowered our average limit.”

Dino E. Robusto, CEO, CNA Financial Corporation, 2 August 2021

#5 INDUSTRY 4.0

Much to our delight at IoT Analytics, Industry 4.0-related topics increased strongly in Q3 2021. Keywords such as Industrial IoT (0.4% of all companies in Q3/21; +100% from Q2/2021), machine vision (0.3% of all companies in Q3/21; +50% from Q2/2021), 3D printing (0.4% of all companies in Q3/21; +33% from Q2/2021), and additive manufacturing (0.3% of all companies in Q3/21; +50% from Q2/2021) are all rising significantly.

At IoT Analytics, we also see the rising maturity of Industry 4.0 topics in our research. A few months ago, for example, we discussed the idea that predictive maintenance is evolving from being a niche topic to a high-ROI application. Supporting these trends is the movement to IoT edge computing, which is becoming more and more intelligent and is estimated to become a \$30.8 billion market by 2025. Various IoT and Industry 4.0 use cases are strongly on the rise, as per the IoT Use Case Adoption Report 2021 (Article to be published soon).

“Infosys grew market share through the pandemic across all sectors in automatic, aerospace and industrial. We see emerging opportunities on various fronts in the ER&D space, resulting from increased spending on digital in areas like industrial IoT, cloud adoption, IT/OT integration, making the manufacturing value chain smarter and faster.”

Pravin Rao, COO, Infosys Limited, 14 July 2021

#6 AR/VR

Augmented Reality/Virtual Reality is another theme popping up in boardroom discussions. The keywords AR and VR were mentioned by roughly 0.9% (+ 50% vs. Q2/21) and 0.7% (+ 17% vs. Q2/21) of all companies in Q3/2021. There are various use cases for the topic. AR/VR is, for example, used in medical training, where students delve into the human body in an interactive 3D format using a headset, while large uses of AR in the industrial context can, for example, be found in the assistance of the repair and maintenance of complex equipment. A recent IoT Analytics study (part of the IoT Use Case Adoption Report 2021) shows that 17% of manufacturing companies have fully or partially rolled-out an AR solution as part of their operations.

“We see PLM joining IoT and augmented reality as key digital transformation technologies for industrial companies and years of market outgrowth in the CAD business speaks to the innovation we’ve reignited there.”

Jim Heppelmann, PTC, 28 July, 2021

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www.iot-analytics.com/research-blog

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