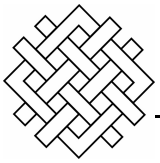

World Resources Institute

Sustainable Enterprise Program
A program of the World Resources Institute

HONEYWELL INC.

A Green Lights / ENERGY STAR Case Study

For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, is focused on working with managers and academics to make companies more competitive by approaching social and environmental challenges as unmet market needs that provide business growth opportunities through entrepreneurship, innovation, and organizational change.

In 1995, Honeywell Incorporated was named as EPA's Green Lights Manufacturer Ally of the Year. Besides recognizing Honeywell's Vice President of Energy and Environmental Markets, with a marketing opportunity. Now Jim needed to decide how important an opportunity this was for Honeywell. He would also have to draw up a plan for communicating Honeywell's "Ally of the Year" status to its Building Control customers, prospects and the general public.

Honeywell
Honeywell Inc. is a multinational corporation that specializes in control technology, a category of products that range from airplane guidance systems to home security systems. The company has three major corporate divisions: Home and Building Control (H&BC), Industrial Control, and Space and Aviation Control. With over 50,000 employees worldwide, and sales of $6.7 billion in 1995, Honeywell is among the leaders in each of the markets it serves.[1]

[1] 1994. Honeywell Annual Report.

In recent years, the home and building control market has been a successful one for Honeywell, generating an operating profit of over $250 million in 1994, up almost 10% from the previous year. With a complete line of pneumatic and electronic controls and energy management systems, Honeywell has supplied three million commercial buildings with controls in the U.S. alone, and 80% of all U.S. homes have Honeywell products.[2] The Building Control section of H&BC not only supplies commercial buildings with control equipment, but also acts as a performance contractor for many of its customers. Performance contractors provide a value-based relationship for other companies who wish to undertake energy-efficiency projects, providing financial assurances, technical/performance assurances, or both.

Building Control customers tend to be large organizations in both the private and public sectors who own or manage large commercial buildings. In a competitive market such as H&BC's, customers look for a supplier and performance contractor with an established reputation who provides top quality service in a timely manner, while keeping costs within tight budgets. Honeywell's commitment to meeting these needs is exemplified in the corporate mission statement:

> Our mission is to create value for shareholders through control technology that saves energy, protects the environment, improves productivity, increases comfort and safety, and promotes peace.[3]

Because of Honeywell's emphasis on creating value beyond the bottom line, management feels a responsibility to promote environmental awareness and protection. The company attracts customers that are interested in doing business with environmentally-sensitive manufacturers, and who want to reduce their environmental impact while saving money. Honeywell management feels strongly enough about this vision of corporate responsibility to have documented an environmental commitment statement (see Exhibit A), which reads in part:

> Honeywell will be a global leader in responsible environmental management both in operating our own facilities and by supplying the products and services that will help our customers improve environmental quality. We believe that environmental protection and enhancement is a fundamental value that is the responsibility of all sectors of society, and is the best path to sustainable development. [4]

Honeywell home and building controls help protect the environment primarily by helping customers save energy. To promote corporate image, to satisfy its environmental commitment, and to provide a demonstration of its products, Honeywell finds it very useful to utilize its own energy-saving controls in its corporate buildings, making it a perfect match for EPA's Green Lights and Energy Star Programs.

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[2] 1994. Honeywell Annual Report.
[3] 1994. Honeywell Annual Report.
[4] 1994. "Environment, Health & Safety: A Progress Report" (Minneapolis: Honeywell).

Green Lights

Lighting accounts for 20-25% of all electricity sold in the U.S. Many organizations account for lighting as overhead, which presents a barrier to investing in more cost-effective and energy-efficient lighting. To address this, the Environmental Protection Agency (EPA) launched the Green Lights Program in 1991. It is a voluntary, non-regulatory program aimed at reducing air pollution by promoting energy-efficient lighting. Green Lights participants agree to investigate replacing their current office lighting with newer, more efficient lightbulbs and fixtures. If these investments appear financially sound (EPA recommends a minimum internal rate of return of 20%), participants then agree to begin retrofitting within a few years.

As of May 1996 there were over 2100 Partners, Allies, and Endorsers in the Green Lights Program.[5] Partners are public and private organizations of all sizes, including 35% of the Fortune 500, who agree to participate in the program. Allies are members of lighting related industries that also participate in the program and provide support for Green Lights Partners. Endorsers include professional and trade associations, as well as academies, boards, institutes and societies.[6]

Organizations that join the Green Lights Program conserve energy and cut their electricity bills, whole reducing the amount of carbon dioxide, sulphur dioxide, nitrogen oxide and heavy metal emissions released into the atmosphere. Green Lights participants also benefit from EPA support, including product information, decision-support, extensive technical support through the program's Allies, and the ability to publicize progress in environmental protection. Improved lighting may even lead to productivity gains in the workplace.

ENERGY STAR Buildings

Since the launch of Green Lights, EPA has moved beyond lighting to address energy conservation in all aspects of corporate facilities. With the Green Lights Program as its foundation, the ENERGY STAR Buildings Program is a five-stage process in which EPA asks participants to perform comprehensive facility upgrades, ranging from system tune-ups to improving air-handling systems and heating/cooling plants. As with the Green Lights Program, ENERGY STAR participants are only asked to pursue improvements that are profitable. In 1994, twenty-four Green Lights members were selected as ENERGY STAR Showcase Building participants to demonstrate the effectiveness of the program. These Showcase Building participants agreed to dedicate one corporate building each to the pursuit of ENERGY STAR principles and upgrades.[7]

Because of its interest in saving energy costs through building controls, Honeywell had been a Partner and an Ally in the Green Lights Program since 1991. As an Ally,

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[5] 1996. US EPA.
[6] 1994. Green Lights Third Annual Report. March, US EPA (EPA 430-R-94-005).
[7] 1995. "Energy Star Buildings: Showcasing Energy Savings," Buildings (March).

Honeywell provided a financing package and technical support to aid customers in upgrading their lighting systems, and also supplied energy-efficient lighting products. When the ENERGY STAR program was launched, Honeywell became the first manufacturer to commit all of its U.S. buildings to the program, and signed up as a Showcase Building participant.[8] Because of its efforts, EPA named Honeywell as the 1995 Green Lights Manufacturing Ally of the Year, an award which recognizes the manufacturing organization that has made the most outstanding contribution to improving and promoting energy-efficient lighting. Receiving this award was an outstanding recognition of Honeywell's efforts, and possibly a marketing opportunity.

Green Lights Public Recognition

Through EPA, some publicizing of the award would take place without any effort by Honeywell. As part of the Green Lights and ENERGY STAR programs, EPA provided the award winners with free publicity through its Green Lights public recognition efforts. Green Lights public service announcements have appeared in a wide variety of business and environmental magazines, including *Business Week, Fortune,* and *Discover*.[9] Honeywell's "Ally of the Year" award would now be broadcast from EPA through press releases, a carefully planned award ceremony, and EPA's newsletter *Green Lights Update*. This stage would at least reach all Green Lights and ENERGY STAR member companies, and, if picked up by the media, could potentially reach many more. When Mobil Corporation had received the "Partner of the Year" award in 1994, articles appeared in several newspapers, including *The Washington Post.* Jim Wolf knew that EPA's marketing efforts would help Honeywell's business.

Jim needed to decide if Honeywell should also publicize its Ally of the Year status itself. He began to review his options for an "Ally of the Year" communications plan. Jim knew that there were two categories of communications vehicles at his disposal: internal communications, and external marketing.

Communicating Internally

Communicating the award internally at Honeywell would serve several purposes. First of all, the fact that EPA honored Honeywell in this way would be good for employee morale. Everyone likes to feel good about what they do, and the Ally of the Year award would be proof that Honey well employees were making a difference. In addition, Honeywell field offices could use the information in their sales efforts. Official recognition of Honeywell's involvement in the Green Lights and ENERGY STAR programs would also remind employees of the importance of continuing to promote Honeywell's commitment to environmental excellence.

Honeywell already had several vehicles for internal communications. Internal memos could be sent to all employees. Internal newsletters, such as *Audio Connection, Honeywell Headline News,* and *World* could be used. Two tools supplied by EPA might be useful: the Green Lights Ally of the Year and ENERGY STAR logos had been

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[8] 1994. "Environment, Health & Safety: A Progress Report" (Minneapolis: Honeywell).

[9] 1993. "Green Lights: An Enlightened Approach to Energy Efficiency and Pollution Prevention" US EPA (EPA 430-K-93-001), p.12

provided and could be placed on all internal (and external, for that matter) documents, and the actual award could be placed on display. This list is by no means comprehensive; Jim Wolf could imagine many other low-cost methods for getting the message out to all Honeywell employees.

Marketing Communications

External communications can have a more direct impact on some target audiences, such as prospective customers and the general public. Some minor vehicles were already in place and would be inexpensive to use. For instance, Honeywell could issue its own press releases, phone "hold" tapes could be rerecorded to include the news of Honeywell's award, and the media could be pitched for coverage. Not only might some local and national newspapers be interested in writing a story about the award, but trade journals read by many of Honeywell's customers and prospects, such as *Buildings, Building Operating Management,* and *Energy User News*, might also be interested. Exhibit B provides an example of the kind of "free publicity" that Honeywell could get from pitching media coverage. Other low-expense options, such as hosting an energy efficiency conference for EPA or looking for speaking engagements for Honeywell senior management, also existed.

None of these options, however, would have as much of an impact upon the general public as an advertising campaign. An advertising campaign would cost much more than the options described above, and would probably make it necessary for Jim to recommend cancelling other existing campaigns. Whereas Jim estimated that a passive internal and external campaign would cost at most $25 K total, half-page ads in national newspapers like *The Washington Post* or *The New York Times* would cost at least $35K for each ad. A small national ad campaign, with one Sunday ad in both the *Post* and the *Times,* would cost Honeywell around $100K, but could be read by as many as two and a half million members of the general public. A larger ad campaign, utilizing regional newspapers and repeated ads in national newspapers, would have even higher costs and more of an impact.

Honeywell could also place ads in the trade journals mentioned above; a full-page ad in an issue of *Buildings,* read by many of the Home and Building Controls customers and prospects, would cost around $5K and would reach 44,000 subscribers. These trade publications would not be read by the general public, however. See Exhibit C for an example of an ad which could be used in any marketing campaign. Figure 1 gives the cost/exposure of three different marketing options: passive internal and external campaign, trade journal advertisement campaign, and national newspaper advertisement campaign. Radio and television ads have not been included because they are prohibitively expensive within Honeywell's budget. These are not the only options available, but may help provide some basic data for the communications plan.

Table 1: Cost/Exposure of three marketing options

Marketing Option	Cost	Exposure (readers)	Cost/Exposure
Passive internal and external campaign	approx. $25K	Unknown, low	Unknown

Trade journals *Buildings, Building Operations Mngmt., Energy User News,* etc.	approx: $15K	100,000	$0.15
National newspapers *Washington Post, NYTimes*	approx: $100K	2,500,000	$0.02

With this information in mind, Jim began to draw up a recommended communications plan that he felt would reach the main target audiences and best support Honeywell's core businesses…

Student Questions

1. What should the targeted audiences of the Ally of the Year communications plan be? The general public are not Building Control customers; how important for Honeywell is it to promote a "green image" with the general public?

2. What are some ways – besides those described above – that Honeywell could communicate and promote its Green Lights involvement and recognition internally?

3. What are some of the dangers of undertaking a very visible public campaign promoting Honeywell's Ally of the Year status? Would other divisions of Honeywell besides Building Controls benefit from a public ad campaign on environmental issues?

4 Draw a brief (2-page) Green Lights Ally of the Year Communications Plan for Honeywell.

HONEYWELL'S ENVIRONMENTAL COMMITMENT

1 OUR PROPERTY AND FACILITY MANAGEMENT — We will make environmental quality an integral part of facility design and operation. We will assess environmental risks early in the acquisition of property or businesses and take responsible action. ❖ ❖ ❖

2 OUR PRODUCTS AND PROCESSES — We will make environmental quality an integral part of product design, raw material selection, process design and manufacturing, and managing the product throughout its life. We will emphasize pollution prevention, recycling, and the use of non-hazardous materials to minimize the generation of wastes and emissions.

3 SOLUTIONS FOR CUSTOMERS — We will offer and continue to develop new product and service solutions for environmental management and energy efficiency to customers and prospective customers worldwide. ❖ ❖

4 COMPLIANCE — We will comply with all applicable environment, health and safety laws and regulations. We will not be limited by compliance where laws and regulations do not adequately protect human health and environmental quality. ❖

Honeywell will be a global leader in responsible environmental management both in operating our own facilities and by supplying the products and services that will help our customers improve environmental quality. We believe that environmental protection and enhancement is a fundamental value that is the responsibility of all sectors of society, and is the best path to sustainable development. We consider safety and energy efficiency integral parts of environmental quality. Honeywell's commitment to the environment is consistent with our company values and is a critical element of our vision of delighted customers, leadership in control, and profitable growth. ❧ ❧ ❧

5 EDUCATION — We will educate customers, suppliers and the public on the safe use of our products throughout their life-cycle, as well as on related environmental issues. We will encourage environmental responsibility among Honeywell employees everywhere. ❖ ❖ ❖

6 COMMUNITY INVOLVEMENT — We will work with business, government, environmental and consumer organizations, and the public in developing policies, programs and activities that enhance environmental quality. ❖ ❖ ❖ ❖ ❖ ❖

7 CONTINUOUS IMPROVEMENT AND MEASUREMENT — We will keep improving our compliance, products and business practices. We will establish quantifiable, multi-year goals for our environmental performance, and publish an annual environmental report that details both our goals and our progress toward achieving them. The implementation of this commitment statement will be used to evaluate the performance of executives and managers. ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖ ❖

Printed in the U.S.A. with soy, corn & vegetable inks on paper containing 40% preconsumer waste & 10% postconsumer waste.

Exhibit B

Honeywell In The News Dec. 19, 1995

Tuesday
DECEMBER 19, 1995

Business

D
SECTION

Star Tribune

Column one

Energy Star

Honeywell wins EPA recognition for work to make building efficient

By Susan E. Peterson
Star Tribune Staff Writer

If you are visiting a restroom in the Minneapolis headquarters of Honeywell Inc. and the lights go out, don't be alarmed.

That just means that you haven't moved in the past few minutes and the automatic occupancy sensor thought that you had left the room. Just wave your arm and the lights and fans will come back on.

And if you are working in the building some Saturday, you might have to settle for a warm Coke or a long hike to get a cold one. All but one or two of the building's vending machine coolers are on timers that turn the units off on the weekend.

These are just two of the efforts Honeywell has undertaken in the past 18 months to upgrade its headquarters building into an Energy Star Showcase, one of 20 nationwide to receive the U.S. Environmental Protection Agency (EPA) designation.

You might expect a company world-famous for making thermostats and other building system controls to take the lead in making its own buildings energy-efficient, so it's not surprising that Honeywell signed on to the project early. It's the only Minnesota company involved.

But this is surprising: With the help of the EPA and a consultant, the company has managed to wring 20 to 30 percent in energy savings out of its headquarters building, which was regarded as pretty tight to begin with.

"It's been a real eye-opener for all of us," said Dan Howard, corporate facilities engineering supervisor. "We thought we ran this place pretty efficiently, but we found out we weren't as efficient as we thought."

Honeywell has committed to bringing its 31 facilities in 22 cities to a more efficient level by the year 2001 at a cost of $17.25 million. About 50 percent of the work is complete, and the company is saving about $2.7 million in energy costs annually. When all the upgrades are finished, Honeywell expects to save more than $4 million a year.

The company thus far has spent about $3.2 million on its 958,000-square-foot headquarters complex, $2.1 million to upgrade its chilled-water heating and cooling system. Part of that process included building a chilled-water storage tank 75 feet in diameter and 35 feet tall to let the company reduce power use at peak load times (it can run the chillers at night). The real test of that system won't occur until the air conditioners begin operating in the spring.

Lighting improvements were another major expense — about $500,000 to switch to electronic ballasts, high-efficiency fluorescent tubes and daylight sensor controls and to replace all exit signs with light-emitting diode fixtures. The new exit signs mean labor savings as well; the LED bulbs last 75 to 80 years, Howard noted. Occupancy sensors have been installed in all rooms with more than three light fixtures and are slated to be added to all new offices.

The company also spent about $450,000 for devices to vary the speed of the huge fans that heat and cool the complex, which improves comfort as well as energy efficiency. And the company installed a Honeywell direct digital control energy management system to run the whole works.

One side benefit: Howard said the system serves as a model for customers, who can be shown the company's "latest and greatest" technology in action.

Turn to **HONEYWELL** *on* **D2** *for:*
— NSP rebates.
— Caulking windows and doors also helps energy efficiency.

HONEYWELL *from* **D1**

Honeywell wins recognition for energy-efficiency efforts

In addition to annual savings on the complex's energy bills of about $250,000, Honeywell has received $500,000 in rebates from Northern States Power Co. for installing energy-efficient equipment. The NSP rebates for all seven Honeywell facilities in the Twin Cities area totaled $1 million.

Not all of the company's efforts to save energy involve high-tech bells and whistles. Honeywell took thermographic photos of the complex to see where heat was seeping out, then tuck-pointed exterior bricks and caulked windows, doors and other openings to plug leaks.

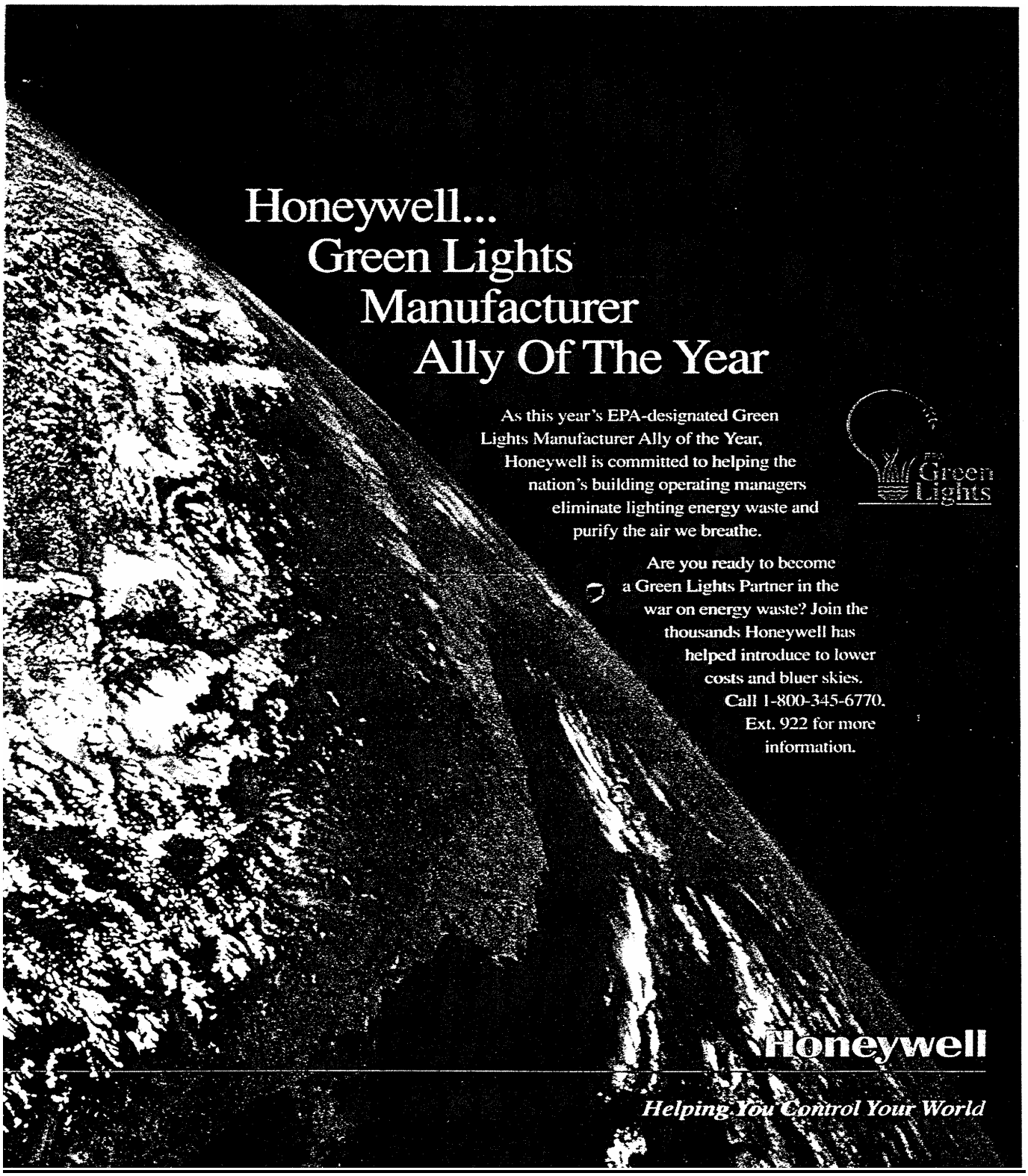
And the vending machine timers aren't cutting-edge, but they've paid for themselves in less than a year, Howard said. He said the typical pay-back period for the improvements is four to five years.

"Under the Energy Star program, improvements had to have 12 percent or more return on investment, and we tried to get within that," he said.

Howard said that along with the rest of the country, Honeywell had instituted a big energy-saving push after the Arab oil embargo in the mid-1970s but had given that less of a priority as oil prices declined.

"It's nice to get back to the mode where it's part of the everyday routine to save energy," he said.

Exhibit C


Honeywell...
Green Lights
Manufacturer
Ally Of The Year
As this year's EPA-designated Green Lights Manufacturer Ally of the Year, Honeywell is committed to helping the nation's building operating managers eliminate lighting energy waste and purify the air we breathe.
Are you ready to become a Green Lights Partner in the war on energy waste? Join the thousands Honeywell has helped introduce to lower costs and bluer skies. Call 1-800-345-6770, Ext. 922 for more information.
Green Lights
Honeywell
Helping You Control Your World