

## Cisco Systems and Honeywell



“WE STAND ALONE IN OUR ABILITY TO BRING INTEGRATED PRODUCTIVITY SOLUTIONS TO SOME OF THE LARGEST AND MOST COMPLEX INDUSTRIES ON EARTH.”

Honeywell 1999 Annual Report

### Background

From humble Midwest beginnings over a century ago as a manufacturer of temperature-controlling “damper-flappers,” to today’s leadership as a global provider of automation, power, specialty chemical and aerospace solutions, ingenuity has been at the heart of Honeywell International’s success.

At first, it might seem improbable for a company whose roots date back to 1886—and whose products still include devices such as the thermostat—to aim for e-commerce leadership. Thermostats notwithstanding, there is continuity in Honeywell’s Internet business strategy.

In the 1970s, the company wrote simulation software that helped factory management develop a range of scenarios to help prepare for different business contingencies. Although that idea never really took off, the technology boom of the 1990s has created an enormous appetite for just this type of services. For one thing, most plants now rely heavily on software-automated machinery. For another, manufacturers are Internet-savvy and ready to obtain these software solutions online.

In fact, this type of e-commerce has become a must for practically every business. Supporting that,

### EXECUTIVE SUMMARY

#### BACKGROUND

Honeywell International is a \$24 billion global manufacturer of aerospace products and services, control technologies, power and transportation products, specialty chemicals and industrial materials. Following its historic merger with AlliedSignal in 1999, Honeywell has 120,000 employees in 95 countries.

#### CHALLENGE

Searching for a way to reshape itself in the Internet economy, Honeywell saw that extraordinary value was being created around information, software and services that solve problems. All it needed was an e-commerce strategy to leverage its expertise with the power of the Internet.

#### SOLUTION

Honeywell is launching a series of electronic marketplaces, or e-hubs, to connect industry partners, attract new customers and change the way industries work. www.MyPlant.com, launched in July 1999, connects manufacturing members directly to providers of software, training and knowledge-based solutions. Two other e-hubs, www.MyAircraft.com and www.MyFacilities.com, are under development.

#### RESULTS

In August 2000 alone, MyPlant.com hosted over 70,000 user sessions and is growing at 30% per month. The site has caught on around the world, and is successfully driving incremental business to participating partners, including Honeywell. Significantly, about one-third of MyPlant.com customers are new to Honeywell.

Forrester Research analysts expect the business-to-business (B-to-B) sector to generate \$2.7 trillion in revenues by 2004.

For vertical industries like aerospace, oil, gas or automobiles that depend on a supply chain of participants, rapid communication between each link in the chain means a smoother production process. Web-enabled business-to-business is a natural facilitator for such efficiencies.

Today, Honeywell is particularly well positioned to carve out a healthy piece of the business-to-business e-commerce sector. In December 1999, the company merged with AlliedSignal—a historic move described in *The New York Times* as “A Merger Made in Heaven.”

The combined entity, headquartered in Morristown, New Jersey, is a \$24 billion Fortune 50 company that blends Honeywell’s instrumentation and controls expertise with AlliedSignal’s clout in aerospace, industrial materials and power generation.

### The Challenge

Following the merger, Chairman and CEO Michael Bonsignore stated that his next priority was to harness the Internet’s power to enhance and expand Honeywell’s business. The

company's challenge was to develop and implement a long-term e-commerce strategy that would connect industry partners and suppliers, attract new customers and retain existing ones.

### **The Solution**

True to its roots in ingenuity, Honeywell figured out a way to transform itself and the way industries work in the Internet economy. In July 1999, it launched its first electronic marketplace, [www.MyPlant.com](http://www.MyPlant.com). The site was the brainchild of Hi-Spec Solutions, a Honeywell division that, for years, has helped customers improve their industrial operations. MyPlant.com brings together current and potential Honeywell customers as well as industry suppliers in an interactive site where users can register, browse and use some services for free.

When the site first debuted, Honeywell provided most of the manufacturing solutions. Early in 2000, the company invited other solutions providers to join. Now, 400 software suppliers offer more than 650 manufacturing solutions through this channel.

Many have become premium providers, paying Honeywell a one-time \$1,000 fee plus \$200 monthly to sell their services on MyPlant.com. If users decide to buy a "premium" solution, they pay the provider directly—and Honeywell collects a 2 to 3 percent transaction fee.

Honeywell's next electronic marketplace entry, [www.MyAircraft.com](http://www.MyAircraft.com), is even more ambitious. This virtual marketplace lets users in the global aerospace industry trade and bid for parts or services, download supply-chain management software, hobnob with industry experts and read technical articles.

The site is a joint venture between Honeywell and United Technologies ([www.utc.com](http://www.utc.com)), a Hartford, Connecticut based company that serves the aerospace and building industries. Dallas-based i2 Technologies, a Cisco partner, will provide much of the site's functionality. A third aerospace company, BFGoodrich of Charlotte, North Carolina, recently signed a letter of intent to become an equity investor in MyAircraft.com.

Russ McMeekin, Honeywell's president for e-business, believes the site will fill a void in aerospace, an industry that in his words, "has nothing to do but improve." In the old economy, he explains, aerospace equipment producers and

their customers got together in one-on-one transactional relationships. In the new paradigm, companies want to hook up with customers, suppliers and business partners in a collaborative effort.

New economy companies want self-service, not a schedule or menu dictated by just one other player, he adds. They also want real-time results. "In a vertical market like aerospace, people won't put up with 10 and 20 and 30 communities of interest," says McMeekin. "A vertical market might need only one community." MyAircraft.com is expected to start offering services in the fourth quarter of 2000.

A third electronic marketplace, [www.MyFacilities.com](http://www.MyFacilities.com), was announced in the summer of 2000. When it goes live, the site will provide a user-friendly environment for the construction industry that will let builders diagnose bottlenecks online or predict the economic results of alternative project scenarios.

The goal behind MyFacilities.com is similar to Honeywell's other Internet-based marketplace sites: to become the portal of choice for its industry, offering a variety of services that will enable participants to reduce cycle times, improve transaction flows, solve problems efficiently and economically, and manage parts inventories more cost-effectively.

### **Results**

Wall Street approves of the way CEO Bonsignore is deploying his resources. "It's difficult for a manufacturer to have an e-commerce strategy, and this is one that makes sense," says Phua Young, a research analyst at Merrill Lynch Global Securities.

In August 2000 alone, MyPlant.com hosted over 70,000 user sessions and is currently growing at 30% per month. The site is successfully driving new business to participating partners, including Honeywell. Significantly, about one-third of MyPlant.com customers are new to Honeywell.

McMeekin says MyPlant.com has far exceeded the company's expectations as a way to reach more customers with its industrial products and services. "We originally expected it would be U.S.-centric and that only big companies would use it," he says. "It has caught on around the world, with medium and small companies, in developed and developing countries alike."

The concept behind MyPlant.com has huge potential for Honeywell since it caters to virtually any industry that manufactures goods in a factory. Worldwide, say analysts, the manufacturing sector spends \$11 trillion annually in capital investment, operating costs and payroll. The advantage of creating a single, Internet-based marketplace for a huge manufacturing industry is that, ideally, everyone emerges a winner.

For example, two rivals that both build engines but don't make the same replacement parts can share resources and, ultimately, customers. Collaborating over the Internet also

results in economies of scale. It's far more efficient for several suppliers to share the expense of running a network than for each to maintain its own.

For Honeywell, developing new electronic marketplaces is largely a matter of reconfiguring the business-to-business capabilities it already has perfected. With much of the underlying technology and support in place, the combined rewards of better productivity and high visibility for Honeywell and its e-commerce partners could well add up to great returns.

And a new chapter in ingenuity, Internet style.



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