

Patrimonio Hoy: Access to Housing and Finance

Contributed by the Shared Value Initiative



COMPANY DESCRIPTION

Cemex is one of the largest cement and building supply corporations in the world, with over \$15 billion in net sales in 2014. Based in Mexico, the company has production facilities in over 50 countries, with more than 54,000 employees worldwide. Cemex's *Patrimonio Hoy* (Spanish for "Personal Property Today") initiative was originally launched in Mexico, and has since expanded to include several other Latin American markets.



Credit: Cemex website

THE OPPORTUNITY

Based on market research following an economic downturn in the mid-1990s, Cemex identified low-income families in Mexico as a market with a steady need for the company's products and a large potential for growth. The only issue was that Cemex had no idea how to adopt its traditional assets and strategies to target a low-income market. Then the company did something unprecedented, which paved the way for the development of a successful shared value strategy: Cemex issued a "Declaration of Ignorance," in which the company publically stated that it had no idea how to reach low-income markets, and that in order to address this deficiency, it was willing to disregard its traditional business approaches and consider new ways to reach low-income customers.

THE STRATEGY

In a unique anthropological survey, Cemex gathered information on the "do-it-yourself" housing model employed in many low-income communities to observe building techniques and market dynamics. While this unconventional approach was not embraced throughout the company, Cemex senior leadership pushed ahead. The research yielded valuable results, surfacing several obstacles to targeting low-income customers, including a lack of capital to undertake expensive projects such as home building and renovation and a fragmented contracting process, where architects, engineers and builders charge high fees while often failing to deliver a quality product.¹ Based on these findings, Cemex reconceived both its approach to products and markets and its value chain to

¹Ricardo Sandoval, "Block by Block," Stanford Social Innovation Review, Summer 2005 (www.ssireview.org/pdf/2005SU_feature_sandoval.pdf)

address low-income customer needs. In 2000, the company launched *Patrimonio Hoy*, a membership program for low-income home improvement customers featuring the following components:²

- Following a basic “solidarity group” microlending model, customers become members in groups of three, applying as a group to the local *Patrimonio Hoy* cell. The group is responsible for committing to a 70-week membership and remitting a modest weekly payment (\$10-\$15), to be held as credit toward future housing material delivery. Cemex retains a small membership fee from each weekly remittance.
- These payments buy a complete package: in addition to building materials, which are delivered in seven installments over the course of the membership, Cemex provides an engineer and an architect to oversee participants’ construction project.
- The cost of materials is held fixed over the course of work, protecting customers from price fluctuations and other macroeconomic instability; Cemex also provides storage of and vouchers for materials if customers run into periods of inconsistent employment or wish to delay construction.
- Regional cell managers and promoters are compensated based on group repayment performance and length of commitment to the program.

RESULTS – VALUE FOR BUSINESS AND SOCIETY

Business results:

- *Patrimonio Hoy* became profitable in 2004
- The program now operates through more than 100 offices in Mexico and four other countries
- In 2005, a study found that than 99.2% of the \$42 million in materials and loans provided by Cemex had been paid for on time³; the company estimates that, since inception, *Patrimonio Hoy* has extended over \$135 million in microcredit to customers
- Average customer satisfaction is over 80%, improving both program commitment Cemex brand loyalty

Social results:

- Since 2000, *Patrimonio Hoy* has provided affordable home improvement solutions to one million low-income people in Latin America and encouraged over 350,000 to build their own homes
- Participants build houses, on average, three times faster and at a third of the average national cost
- The program enhances individual net worth of participants; the market value of homes built through the program is approximately 20% higher than the average comparable home, and one-third of participants use part of their homes for income-generating activities
- *Patrimonio Hoy* creates jobs among local craftsmen, and through its sales force, 95% of which are women, and half of whom had no prior work experience

LESSONS LEARNED, CHALLENGES AND OUTLOOK

Patrimonio Hoy has been a profitable program, even as Cemex has struggled since the 2008 financial crisis. The company cites two opportunities that may contribute to the program’s continued success:

- *Patrimonio Hoy* has expanded beyond Mexico to Colombia, Nicaragua, Costa Rica, and the Dominican Republic, and looks to expand to additional developing countries in the coming years; this will necessitate an adaptation and update of the original model, which was tailored to conditions specific to the Mexican low-income construction market
- The company aims to integrate social and environmental features into the offering, and has piloted a program to introduce energy-efficient appliances to raise awareness of climate change and to help participants reduce energy usage and cost

² “Cemex: Innovation in Housing for the Poor,” University of Michigan Business School Case Study, December 12, 2003.

³ Ricardo Sandoval, “Block by Block,” Stanford Social Innovation Review, Summer 2005 (www.ssireview.org/pdf/2005SU_feature_sandoval.pdf)