

CEMEX Patrimonio Hoy

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Home improvements in urban low-income communities of Mexico



History of organization: Patrimonio Hoy (PH) is a subsidiary of CEMEX, a global building material manufacturer and the 3rd largest cement producer in the world. PH story started with a “Declaration of Ignorance” from the company in 1998, acknowledging its lack of understanding of the self-construction market, the only one that did not crash in the Peso crisis of 1994. CEMEX conducted three years of market research on construction habits in the low-income segment of Mexico (including a 10-month ethnological study), discovering that an estimated 2.2m rooms were added each year in Mexico in the self-construction segment, taking 4-5 years each to build at a cost of \$1.5k. Patrimonio Hoy (PH) was launched in 2001, targeting these self-builders: low income families in urban and peri-urban areas traditionally building at a pace of 2m²/year. The average PH family (with on average 4.5 children) earns between \$4k and \$8.5k per year, i.e. 2-5 times the minimal yearly wage. PH was designed to overcome all the barriers they face in improving their home, and was refined over the years to manage to reach more than 40k families annually today.

Product/service offering and value proposition: PH offers a package that greatly simplifies the adventure of building an extra 10m² room for poor urban families of Mexico: \$1k worth building material, coupled with technical assistance and home delivery, payable in installments (-\$17 or 240 Ps per week for 70 weeks, including costs of material and all related services). 20% of total price is a “membership fee”, covering all the services provided and also financing community projects such as school renovations. The technical assistance component corresponds to 1 hour assessing the home improvement project with a PH architect to decide on design, construction method, appropriate product mix, construction and material delivery timeline, before entering the program. The architect remains available for free discussions at the local cell during the full time of the project, while extra assistance (going on site) is a paying service (190 Ps per visit). Customers get an increasing amount of credit as they successfully repay their installments: initially they have to make 5 payments before being delivered 10 week worth of material (effectively being given credit for 5 weeks) – in the next period only 2 installments give the right to material for 12 weeks, etc.

Value chain: 84 offices (staffed with an architect and office manager) support a network of 800 local saleswomen (-675 promotoras and -125 coordinadoras) in 21 states of Mexico. 170 distributor shops (CEMEX exclusive distributors) distribute the materials (from CEMEX and other non-competing brands for complementary products) by truck. PH distributors are selected first among existing CEMEX distributors present in the coverage area of the PH local office who have delivery capacities (trucks, drivers etc), then based on their service performance.

Results:

- *For clients:* Through PH, over 350k families managed to build an extra 10m² room at a third of the time (1.5 years instead of 4-5 years) and at roughly two thirds of the cost of typical auto-construction. Client satisfaction is shown by very high Net Promoter Scores¹ on all aspects of the business (for example in 2011, average Net Promoter Score for “Product/ Offer”, “Technical Assistance Service” and “Delivery Service” was between 82 and 91%), as well as by repayment rates of 99.8%, and rates of repeat clients of 85%.¹ 60% of clients come following the advice of one of their friends or family members.
- *For CEMEX:* The program is profitable in itself with revenues of \$45 million in 2011, and additionally increases cement sales for CEMEX. Today PH is active in 45 Mexican cities and has initiated replication in 4 other countries.

¹ Net Promoter Score: % of client who would recommend the service -% of people who would recommend not to use it. Rate of repeat clients: 85% of clients who complete a first cycle re-enter a second round of 70 weeks.

Exchange rate: 1USD= 14.2MXN

Sources:

Interview with Henning Alts Schoutz, Marketing Manager, July 18, 2012 and September 2012.

Interviews with Israel Moreno, CEO of Patrimonio Hoy (at time of interviews), Sept 21, 2011 and January 2012.

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Ricardo Sandoval, Block by Block, How one of the world's largest companies builds loyalty among Mexico's poor, Stanford Social Innovation Review Summer 2005

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