

## CEMEX Patrimonio Hoy: Providing integral housing solutions for low-income families



### Initiative Description

In January 2014, *Patrimonio Hoy* (PH; Spanish for Patrimony Today), a subsidiary of the multinational Mexican cement manufacturer CEMEX, joined the Business Call to Action (BCTA) with the objective of strengthening its inclusive business model through this strategic partnership. The BCTA is helping PH and CEMEX to define international standards for measuring social and economic impacts in the housing sector, while PH provides needed inputs and undertakes the groundwork required for these measurements. Through an internationally recognized impact-reporting framework, this partnership will further strengthen PH's reputation as a leader in inclusive business.

#### Goals of PH:

- offer a market-based solution to meet the housing needs of low-income families in urban and semi-urban areas in order to empower them and improve their quality of life;
- provide at least 125,000, additional low-income families (more than 600,000 people) in Mexico with affordable housing by 2016; and
- replicate the model in other developing countries.



### Business Model

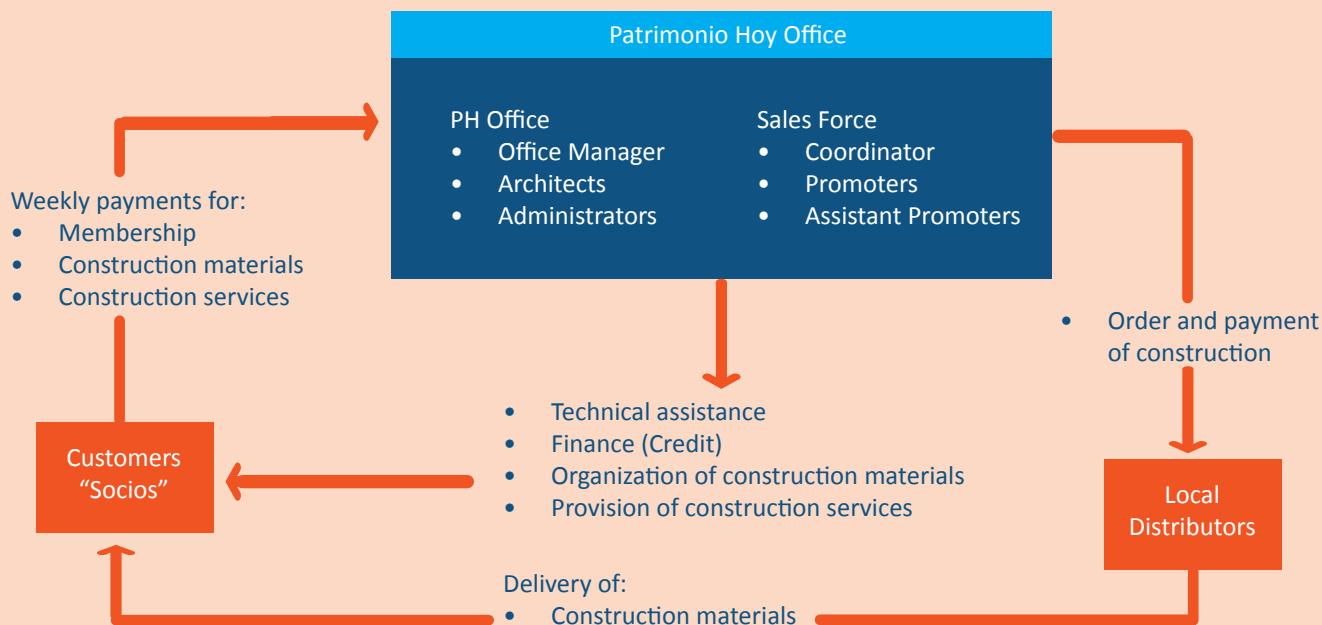
The lack of affordable housing is a severe problem for low-income families in Mexico. Insufficient access to financing and materials along with a lack of technical skills preclude low-income families from living in safe and adequate conditions. In order to understand this problem better and serve low-income communities with a market-based solution, CEMEX invested in extensive research and analysis. As a result, PH was founded in 1998 to provide low-income families with access to financing, building materials, technical expertise and related services, allowing them to build or expand their homes more quickly and efficiently. This inclusive business model aims to provide low-income families in urban and semi-urban areas with access to affordable housing through flexible and customized products and services.

PH has attained national coverage in Mexico (29 states, 56 cities) and has expanded across Latin America to Costa

*Patrimonio Hoy is one of the first private initiatives that combine what most companies aspire to: it is a real inclusive business being profitable and at the same time producing important social and economic impacts to the participating families and communities*

Saidé Chávez Rodríguez  
Director of Patrimonio Hoy  
CEMEX

Rica, Colombia, the Dominican Republic, Nicaragua and Panama. The success of PH has spurred CEMEX to replicate this business model in other developing countries and develop additional inclusive businesses that address the needs of low-income communities.



## How it Works

Mexico faces a growing housing deficit, with 34 percent of Mexican families living in poor-quality homes. The majority of these families rely on self-constructed buildings. In fact, research conducted by CEMEX shows that in Mexico, the low-income informal housing segment consumes between 30 and 40 percent of all bagged cement produced in the country. High market fragmentation, limited buying power and little brand loyalty make serving this segment both complicated and costly. In addition, because self-builders lack sufficient negotiating power, construction knowledge and storage opportunities, low-income families waste around 30 percent of purchased material, which often leads to slowdowns or even abandonment of their construction. PH was designed specifically to address these challenges, providing low-income families with access to financing, materials and expertise based on collaborative community networks involving different players.

### Collaborative community networking

The organizational structure of PH relies on a network of diverse partners (see graphic). From its headquarters in

Guadalajara, PH operates local offices that offer *in situ* technical assistance, financing and construction services to low-income families. Offices are currently located in 56 cities, in strategic areas that provide easy access to marginalized communities. Each local office is staffed by an office manager who defines the marketing and sales strategies, and supervises architect, administrators and the sales force. Offices also employ two or more architects (depending on the number of customers) who serve as technical advisors to customers.

In order to attract new customers or *socios* (Spanish for 'partners'), PH works with a network of local promoters. Every promoter is supported by assistants and supervised by a coordinator. Assistant promoters advertise PH's products in local markets or by going door-to-door. When selecting coordinators, promoters and assistant promoters, PH looks for individuals that are well known and trusted by their communities. The majority of the force are usually women and former *socios*, who are familiar with the negative effects inadequate housing has on families and in particular, on children.

Each new *socio* that signs up receives an integral housing solution that comprises the following four principal mechanisms:

### Technical assistance

PH provides tailored *in situ* technical advice to meet the specific housing needs of each participating low-income family. A PH architect visits the families at home to: assess the existing basic structure of their houses; discuss their building plans; and evaluate each family's financial situation. Based on this assessment, the architect develops and presents the building plan, which includes the design, type and quantity of material needed to meet safety, environmental and other required construction standards.

### Financing

Families that build or expand their houses with PH receive customized financing products according to their financial needs. One option is a saving and credit scheme where socios can choose a schedule with multiple deliveries of building materials – depending on their needs, ability to pay and the desired timeline for construction. This scheme offers the advantage of no required prerequisites or collateral, and guarantees customers fixed prices throughout the 70-week programme. In other words, after clients receive technical assistance and define their construction projects, they are guaranteed that prices will not fluctuate.

### Building materials

Local distributors, offer a range of construction materials that guarantee

PH's objective of improving quality of life through better housing. Cement accounts for 30 percent of *socios'* purchases and the remaining materials include steel, sand, gravel, bricks and finishing products. By creating additional demand for construction materials, PH has enabled local distributors to increase their sales without any additional investments.

### Construction services

In addition to technical assistance and financing, PH has further customized support services to meet the housing needs of its customers. For example, PH offers *socios* to supervise the entire construction process, act as professional contractors and manage the legalization of land titles, including all related administrative work.

### Results Achieved

PH has already enabled a progressive, efficient and sustainable improvement in the quality of life for more than 450,000 households in Latin America, benefitting more than 2 million people. Most importantly, PH is helping low-income families to overcome obstacles including lack of material storage, construction knowledge and planning, which allows them to build three times faster than usual and at one third of the cost.

### Business Impact

Before the launch of PH, CEMEX's informal market participation was reduced to sales through local retailers. Now, participation in PH guarantees CEMEX brand loyalty and a good reputation within low-income communities. In 2004, PH achieved its break-even point, fulfilling its objective of becoming self-sustainable. CEMEX has gained an additional US\$6.5 million during recent years, selling an additional 60 thousand tons of cement per year.

The success of PH has been recognized with several awards, including the UN-Habitat Business Award for the best practice in Affordable Housing Solutions



2009 and the World Business Award in support of the Millennium Development Goals granted by UNDP in 2006. This recognition has had a great impact on the international reputation of CEMEX as a socially responsible company. The positive publicity has also helped it to establish long-term relationships with partners in order to expand CEMEX's inclusive business services. Other new inclusive business initiatives that have emerged from PH's success include *Mejora Tu Calle*, which employs a market-based solution to help communities and governments work together in providing local infrastructure support to improve neighbourhoods.

### Development Impact

PH is not a mere construction scheme allowing millions of people to build a house. It also helps to tackle the multidimensional poverty of its participants. As a result, family members have more space and privacy, which has important social benefits. This brings greater harmony and responsibility within households in addition to better learning and health conditions for children. PH is therefore addressing Millennium Development Goal (MDG) 1: Poverty alleviation by improving the living conditions of more than 2 million

individuals through more than 3.3 million square meters of home construction. Beyond its direct impacts on housing, PH produces important indirect impacts such as empowerment and local economic development.

By collaborating with public schools (*PH Escolar*), working with local distributors of construction materials and hiring community-based promoters, PH builds collaborative local networks that are deeply rooted in communities. Having trained and impacted more than 3,000 women promoters and their families in low-income communities, PH is thus addressing the MDG 3: Gender equality.

The local economy benefits from PH as CEMEX's local material retailers increase their business volume, with greater demand for materials from PH *socios*. Since 55 percent of *socios* hire local masons, the programme increases local employment. In addition, 29 percent of participants use their newly built space to develop their own businesses, leading to a more dynamic economy. Finally, PH contributes to improving the local public school infrastructure, including classrooms, bathrooms and sports facilities.

Innovations

that improve lives

## Key Success Factors

### Empowering low-income families and involvement of the community

By enabling the participants to assume ownership and responsibility over their housing improvement, PH is able to achieve empowerment of the low-income families, which is one of the key elements to the success of the initiative.

Thanks to high community involvement, local women promoters, local offices and distributors, PH is well connected and enjoys a good reputation among community members. More than 60 percent of PH socios signed up on the basis of 'word-of-mouth' recommendations and monthly client-satisfaction surveys show that 80 percent of clients would recommend PH to a friend or colleague.

### Adaptation of portfolio to customer needs

With PH, CEMEX was a pioneer in the housing market at the base of the pyramid. In order to maintain its position and satisfy its customers, PH continuously monitors its portfolio and regularly assesses customers' needs. This portfolio has evolved over time from a one-solution-fits-all approach into a set of customized and integrated solutions with multiple financing schemes and payment options. For example, by enabling payments in convenience stores, banks and local PH offices, the company introduced a more customer-friendly payment system and expanded its market coverage.

## Next Steps and Spin-Off Effects

PH commits to provide at least 125,000 additional low-income families in Mexico with affordable housing by 2016. Its new portfolio of products and operative business models, such as opening up new markets through partnerships with local distributors, will enable PH

to widen its coverage and to deepen its market penetration, enabling it to scale up its business model. PH also plans to measure community job creation as a result of its activities, and to standardize the assessment of its social and economic impact.



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