Patrimonio Hoy
CEMEX’s Progressive Housing for Low Income Families

Why the low income segment was important

- Historically the “self-help” progressive housing segment has consumed between 30 to 40% of the cement production in Mexico
- This segment has shown an unusual stability when economic crisis have damaged the Mexican economy
- This is due to a general independence of formal credit/sector for expanding house space
- The result is a vast number of very small purchases of bagged cement, imbedded in a years long process for finishing the house

OK with the importance of the segment, but, is there a way to potentiate it?
The questions we had

- The family has to spend 20-25 yrs to have a complete house, why?...
- Why do they were willing to invest in the house even if they did not have a land title
- Why their sole brand decision attribute was price
- How and how much do they were saving, which practices/instruments
- How much for the construction

Autoconstruction Process

- A typical family can spend 20-25 yrs building their home.
- The process is intermitent, building cycles are short according to level of accumulated resources – typical transaction is 15-25 dlls.
- No credit for construction is available in this segment.
- The house keeps trying to accomodate the overflowing family – new families start living in their parents house.
- 45% of families build their house by themselves, the rest hire a mason.
- High material and labor waste – 30% -- due to intermitent short cycles
- As family income increases, temporary materials are replaced with concrete block, brick, concrete and rebar.

An expensive, chaotic process that takes very long to bring housing solutions
Patrimonio Hoy Design Basis

- Patrimonio Hoy was designed on the basis of an ongoing analysis of the consumer’s experience in two axes:
  - The experiences of the participating family
    - Value perception moments
    - Prioritization of building stages
    - Culturally tailored processes
  - The experiences of the community
    - Filling gaps in the social-interaction processes - the Patrimonio Hoy Club
    - Identifying the shared central values – care of credit/identity

Patrimonio Hoy is a program that was designed in order to contribute to the solution of the dignified housing deficit for low-income families

By improving life conditions through housing, Patrimonio Hoy supports a healthier development and family integration.

- CEMEX finances 80% of the cost of materials
- Commits groups of 3 people in solidarity
- Supplies the necessary materials
- Fixed prices during the project cycle
- Storage of materials
- Housing project created according to the needs of each family
- Reducing time and costs, incrementing quality and the functionality of housing
- Weekly payments of US$16.50, with service centers in their communities
This program takes place in communities where most of the family’s income ranges from $10 to $15 dollars per day.

The community’s involvement is key to the success of the program.

Main Stages of the Program

1. Link the program to the community
2. Explain how the program works and its objectives
3. Registration for self-financing
   - Initiate weekly payments of US$16.50 p/person
   - US$13.80 for materials and US$ 2.70 for services
4. Develop personalized building projects
5. Distributors delivery materials

Value for CEMEX

Basic sustainability
- Business model design asks for enough income generation to operate and grow
- 2 main income sources:
  - Services fee
  - Discounts from participating distributors

Intrinsic values
- Demand expansion
  - Accelerated cement use – 1 room in 16 vs 48 months
- Additional rooms
- Branding
  - Increased brand loyalty
- Other segments brand preference based on social programs
- Distributor loyalty
**Critical success aspects**

- Trust bridge building
- Fulfillment of all the Program’s promises
- Local presence and permanence, developing a sense of being part of the community
- Very high consumer service standards

**The geographical growth and the social impact of the program allow more participants to build their homes with better quality standards and in a shorter period of time.**

**Currently there are 86 service centers in 36 cities in Mexico**

- 60% reduction of construction time
- 35% cost reduction
- Fixed prices in material
- Improvement of quality of life through housing
- The feeling of self-sufficiency in order to achieve greater goals

**Benefits of the program**

**Achievements**

- We’ve granted more than USD $92 MM in loans, with a repayment rate > 99%
- They’ve built more than 105,000 new 10 mt2 rooms.
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<thead>
<tr>
<th><strong>Key challenges</strong></th>
<th><strong>Scale</strong></th>
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<tbody>
<tr>
<td>• Difficulty gaining internal alignment on how to manage and grow the program</td>
<td>• Progress since program started</td>
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<td>• Need to increase productivity of sales force</td>
<td>• 201,000 families served</td>
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<td>• Difficulty expanding network of service centers due to high investment cost required</td>
<td>• 86 offices</td>
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<td>• Need to develop new product offerings</td>
<td>• 105,000 new 10sqm rooms built</td>
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<td>• Need to develop alliances with social and private sectors</td>
<td>• $92 million in loans</td>
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<td>• Targeted reach in next 5 years</td>
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<td>• 2 million families</td>
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<td>• 1,600 offices</td>
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<td>• 542,000 new 10sqm rooms built</td>
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<td>• $470 million in loans</td>
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