

## Brand papers **Underserved communities**

# Making the most of manpower



**John Weiser outlines successful corporate schemes that have improved underserved communities in the US while building healthy businesses**

Underserved markets – communities with high concentrations of ethnic minorities and lower-income individuals – are growing fast. They have significant disposable income as a whole and offer the opportunity for increased sales and profits to companies starved of growth. But many multinational businesses are finding it difficult to enter these markets successfully.

The key is to pursue strategies that build on the core competencies of the business and create value for the company and communities at the same time. The following three case studies show how leading companies have successfully achieved this goal.

### **Cemex**

Cemex is the world's second-largest cement maker and one of Mexico's largest companies. In the mid-1990s, Cemex was hit hard by Mexico's crippling currency devaluation. The buying power of the peso was cut almost in half, dramatically reducing

the market for Cemex's products.

The company decided to pursue increased sales in the do-it-yourself homebuilding sector, which dominates the lower-income neighborhoods in Mexico. It sent a team of 10 professionals to live in different low-income neighborhoods for a year, gathering information about how people made money, purchased materials, built in one-room increments and pooled money to finance their purchases.

The observations enabled Cemex to create the Patrimonio Hoy programme which combined financing, architectural advice and building materials into one package. It also focused on long-term customer relationships with a 'tandas' policy – a Mexican savings group – into which members would contribute a small amount of money each week.

Over time, each group member would receive the materials to build their next room. They would receive architectural and technical advice, along with warehousing and delivery services.

The results from the first 1,000 families were dramatic. An average homebuilder traditionally built one room every four to seven years but members of Patrimonio Hoy clubs took an average of a year-and-a-half. Not only was the speed of building (and the sale of materials) accelerated, but 18% more families in the test region had begun building. The average annual spending per family increased from \$240 (£128) to almost \$600 (£320).

Families aimed to build two to three more rooms than originally planned and their constructions contained 25% more cement per cubic meter. The



**Cemex's Patrimonio Hoy programme has helped 70,000 Mexican families improve their homes**

families also used materials more efficiently because they were able to get the right amounts for the rooms. It helped people build housing more quickly, efficiently and safely; it also created business value for Cemex by tapping into a market that the company couldn't reach before.

Patrimonio Hoy also delivers benefits to the brand as well. Cemex's brand slogan in Mexico is 'building a sustainable future' and the programme fits this mission. It positions Cemex as a leader in addressing Mexico's pressing social problems by blending business approaches with cultural needs. Cemex now has 70,000 Mexican families enrolled in the scheme, and is expanding to other countries as well.

### **Manpower**

Manpower is a recruitment company with client firms that include 94% of the Fortune 500, and more than four million individuals placed in 2005. In 1999, Manpower determined that it needed to develop a national workforce development programme to address long-term information technology (IT) employment needs in the US by tapping the workforce in underserved communities.

There is still a need for qualified people today. Manpower research carried out earlier this year with 33,000 employers across 23 territories revealed that 40% of employers are having difficulty filling positions due to the lack of suitable talent in their market.

In response to this problem, Manpower initiated the TechReach programme targeting unemployed and underemployed people. Participants are trained in specific skill sets required by employers in each local area. This increases the likelihood of placements upon their completion of the scheme. Eighty per cent of candidates graduate and 80% are placed within jobs as a result.

Manpower also formed a partnership in 2003 between its 1,150 offices across the US and nearly all of the US Department of Labor's 1,900 One Stop Career Centers (OSCC). The numbers of qualified candidates sent to Manpower by the OSCC have increased, and there is greater awareness about

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**80% of Manpower's graduates have found placements for their new skills**

career opportunities at the company.

The business is now placing thousands of individuals per year into jobs. Through this and other training programmes, more than nine million individuals have been trained in total. This has created profit for Manpower in addition to work for individuals from underserved communities. The programme has also been expanded to several other industries including banking, customer service, contact centres and electronic assembly.

Manpower's slogan: 'What do you do?', positions it not just as a temporary help provider but as a problem solver for its clients. It is now expanding TechReach and similar programmes to Canada, Europe and China.

### State Farm

State Farm is a large provider of automobile and home-ownership insurance in the US. In the late 1990s, State Farm and other insurers were interested in expanding the sales of home-ownership insurance in underserved inner-city neighbourhoods.

But research and State Farm's internal data showed that the insurance losses per \$100,000 (£56,000) of insured home value were often higher in inner-city neighbourhoods than in nearby suburbs. Research also revealed that a significant portion of the causes of the loss could be

remedied by homeowners – if they understood what to do and had the necessary money.

To address this need, the Loss Prevention Partnership Program (LPPP) was created in 1999 by a coalition of insurers, including State Farm, Travelers Property Casualty and Prudential, together with Neighborworks America and local Neighborworks organisations (a network of 240 community-based nonprofits focused on increasing homeownership).

The LPPP sought to create mutual benefits for both insurers and low-income homeowners in urban areas. It had three key components: home-owner education about safety hazards, free home safety assessments, and a low-interest loan fund. This fund enabled low-income homeowners to repair hazardous conditions.

The scheme was piloted from 2000 to 2003 in six cities across the US. In this three-year period, it educated more than 6,000 individuals in home safety seminars; conducted more than 1,300 home safety evaluations; and made more than 600 loans and grants of more than \$2.5m (£1.3m) for home safety.

As an added benefit, once consumers became educated about home safety, some emerged to provide leadership for neighbourhood crime prevention and to address other obstacles that have traditionally made such communities less insurable.

An evaluation of the LPPP found that all of the partnerships were able to make their neighbourhoods more attractive for insurers and safer for residents. For example, in one partnership market, the loss ratio for home-owners who participated was found to be less than 20%. This is a dramatic reduction from the average national loss ratio of 67% in 2004.

The programme also helped to create brand benefits for State Farm and the other insurance companies involved. State Farm's slogan is 'Like a good neighbour, State Farm is there'. Many State Farm agents participated in the work of the LPPP, teaching classes, providing information sessions, and helping residents improve their homes. The programme was expanded to 25 cities across the US in 2005.

### Continuing challenges

While these case studies show the successes that can be achieved, there are still challenges in implementing such strategies in underserved markets. But brands must expand these programmes on a larger scale.

To achieve this, companies must reach customers more effectively, reduce distribution costs and overcome difficulties with infrastructure and local politics. They must also strike the right balance between creating value for the company and the community.

Companies have recently retreated from rapid expansion into water management projects in urban areas. While these companies were providing better services and making infrastructure investments, the communities did not feel this justified the price increases.

Partnerships with other businesses, non-profits or government agencies may be an important tool for helping to meet both of these challenges. They may already have a positive profile in the communities which can help companies reach people better.

Leading companies are seeking ways to create partnerships that help achieve significant scale as well. For example, in April 2006, Citibank entered into a partnership with 7-Eleven stores, in which all Citibank customers can use the electronic kiosks for cash withdrawals without a surcharge.

With this partnership, Citibank has added more than 5,500 ATMs to its network, increasing its reach five-fold. It will be rolling out the ability to make deposits in these ATMs next year.

This partnership will both allow Citibank to dramatically scale up the services it provides, as well as improve its brand image for customer-friendly, convenient service. This kind of savvy link-up looks to be an effective way to help drive business to scale in these otherwise underserved markets. ■

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