

Budgify (Team 61)

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The answer to **when** and **which** credit card to use.

Executive Summary:

Budgify is a comprehensive platform designed to foster financial literacy. It integrates a credit card recommender, a credit card points optimizer, and a budgeting component into a single user-friendly application. This product addresses the need for financial management and education among young adults who are at a critical stage of establishing financial habits that will shape their future. Budgify distinguishes itself by offering personalized recommendations and optimizing credit card usage for maximum rewards, all while helping users maintain effective budgeting practices.

The product consists of the frontend of the website with pages for user sign up, login, user preferences, ML budget creation, credit card recommendation, and points optimization using React and Django. We also designed the backend of the website using MongoDB, and have successfully connected the frontend and backend. The algorithm for recommending new credit cards works by screening for cards that the user actually qualifies for based on previous spending, then optimizing for categories they use more than others. The budgeting feature uses machine learning to analyze the user's previous spending, spending goals, and income to come up with a sample budget that the user can then modify if they wish. Our product also includes a chrome extension for better informing decisions during the point of purchase. It consists of an algorithm to inform what the best card to use (out of your current cards) for that specific cash back category. In addition, there is a budgeting component to show how much money left in the product's budget category to help decide if a purchase should be made.

Budgify's security is covered by using a Plaid API login connection, a reputable third-party software provider known for its robust security measures. Plaid's commitment to safety is reflected in its use of the best encryption technology, ensuring that all data transferred through Budgify is highly secure. Additionally, Plaid's security protocols are designed to protect sensitive financial information, providing users with peace of mind that their data is safe. This collaboration with Plaid highlights Budgify's dedication to maintaining the highest standards of security and privacy for its users.

Value Proposition:

Our solution addresses the widespread issue of financial literacy among Americans by introducing a user-friendly app that seamlessly integrates three integral components of budgeting, credit card point optimization, and personalized credit card recommendations. Many individuals struggle with optimizing credit cards and rewards, potentially missing out on significant savings, and face challenges in maintaining effective budgets, leading to credit score issues and credit card debt.

Our app eliminates the need for users to use multiple apps in addition to many synergies between what all three of these services need such as credit card statements for past history and trends, and user preferences and goals. The app also specializes in having lots of personalization such as allowing users to allocate funds to different self-designed categories, like a specialized "sweet treat" fund for someone who commonly gets desserts.

The app features a credit card points optimizer that adjusts for spending in specialized categories based on user preferences (Ex: travel for frequent flyers). It utilizes credit card statements to create trends and histories, providing insights, suggestions, and graphs.

The new card recommender analyzes spending trends and user goals to identify categories lacking optimal credit card deals and offers several recommendations and explanations of why.

Customer Segment:

Our primary customer segment is mainly new college graduates for several factors. Firstly, new graduates are in a critical phase where they need to establish new budgetary practices and are in the crucial stage of forming new financial habits that will shape their future.

Furthermore, new graduates represent a promising demographic for acquiring new credit cards as they are recently gaining a drastic increase in their income. Through our research and interviews, we have found that a significant number of people embark on their budgeting and credit card journeys right after college. However, we found through our surveys and interviews that many face challenges due to the lack of structure and guidance during this initial phase. Our app caters to this need by providing education, structure, and analytics, offering valuable support to new grads as they navigate the complexities of personal finance during this crucial period.

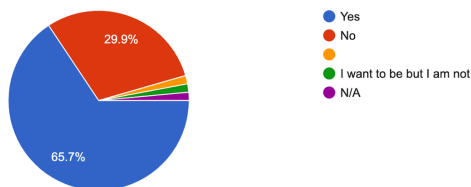
Market Research:

In the current market, there is a notable statistical demand for credit card rewards, with 67% of Americans using multiple rewards cards to maximize points, and 80% expressing interest in credit card rewards due to inflation concerns. Additionally, 84% of Americans admit to having exceeded their budget at some point. The global personal finance software market is estimated at USD 1.08 billion in 2022 and is expected to grow at a CAGR of 5.1% from 2023 to 2030. General budgeting trends reveal that 3 in 5 Americans are unaware of their monthly spending, as indicated by a Mint survey. Among Gen Z, 45.1% have homeownership-related goals, and financial literacy is a key focus for many. With 73% of Americans possessing an average of 3.84 credit cards and a credit limit of \$30,365, credit cards serve as the most common initial credit experience for young adults. However, there is a notable lack of awareness regarding interest rates, with 47% of U.S. cardholders uncertain about their card's interest rate, a figure rising to 55% among Gen Z respondents. To learn more about our market, we conducted a survey and several interviews (specifically with our target market of new grads):

Surveys are structured questionnaires designed to gather quantitative data on consumer preferences, opinions, and behaviors from a large targeted audience. We distributed our survey to 74 people, aiming to have a good mix of all age groups though there was a higher relative percentage of college students. Some key insights included most people are international about signing up for credit cards based on what rewards they need. Also people really vary on how they track their budget (In order of popularity: Excel, bank account charts, apps, then paper). Lastly, when making purchases, most people currently don't choose their credit card based on the specific card rewards.

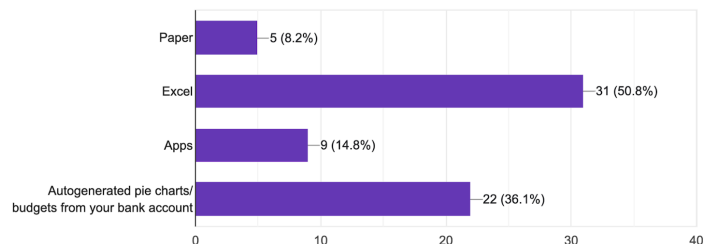
When you sign up for credit cards, are you intentional about registering for certain cards based on what rewards you get?

67 responses



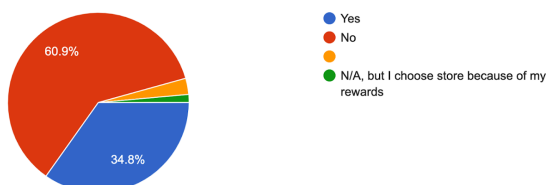
How do you keep track of your budget?

61 responses



When you make purchases, do you use particular credit cards to get specific rewards based off of what you are buying?

69 responses



In addition to surveys, **interviews** offer a more qualitative approach to market research with the opportunity to ask followup questions into the motivations, attitudes, and experiences of individuals. We focused on interviewing our target customer segment of 15 recent graduates (22-28 year olds). We focused our questions on general financial literacy, credit card usage, budgeting habits, then did a walk through of two competitor apps for credit card points and budgeting apps (UThrive and Mint). Lastly we asked some specific questions to gauge their interest in our current product. The main takeaways that we learned was for budgeting apps like Mint, there is often information overload and the apps are not intuitive to use leading to frustration. There was also not enough personalization and flexibility to customize the budgets to the users own needs. For UThrive, people noted that it may be annoying to have to track every in-person purchase especially for small purchases. Overall, there was an interest in many of the new features we are offering, and we were able to gain lots of insights to how to structure our app design.

Stakeholders: The stakeholders in our app include credit card companies, and the users (college grads). The credit card companies exhibit a bias in this situation because they want to encourage people to sign up for their cards. These companies strategically design various credit card packages, each featuring distinct benefit packages tailored to meet the diverse wants and needs of potential users. Our app will take the information from the card companies but will not take any money/compensation or bias from them.

Our users are mainly college graduates, who are beginning on their journey to financial stability, a pivotal stage where establishing and adhering to budgetary practices is essential. Given their limited financial experience, many individuals in this segment are actively shaping new financial habits that will significantly influence their future financial well-being.

Competition: The competition in the market for a comprehensive financial app targeting new graduates is currently lacking. Existing leaders focus on specific aspects, such as credit card optimization, budgeting, and credit card recommendation, but none offer an all-encompassing solution tailored to the unique needs of new graduates while optimizing on the synergies between the three areas.

- 1. Credit Card Points Optimization:** Apps like UThrive, AwardWallet, and Max Rewards excel at maximizing credit card rewards, but they often have limited applicability due to their reliance on specific merchants or credit card companies. Our goal is to develop a universal optimization feature that tailors credit card recommendations for all transactions, using methods such as parsing checkout pages and categorizing merchants. Unlike competitors, our unique proposition integrates budgeting considerations into the optimization process for more personalized recommendations.
- 2. Budget Apps:** While leaders like Mint and Truebill offer comprehensive budgeting features, Mint lacks proactive budget planning and Truebill (now Rocket Money) lacks a high level of personalization beyond managing subscriptions. Our approach sets itself apart by providing a more hands-on and personalized budgeting experience that seamlessly aligns with credit card optimization.
- 3. Credit Card Recommenders:** Existing recommenders, such as NerdWallet and SmartAsset, may face bias due to financial arrangements with credit card companies. Our differentiation lies in maintaining impartiality by refusing any compensation from credit card companies. Additionally, while current recommenders lack transparency in their algorithm logic, we prioritize providing clear insights into our decision-making process to build trust among users.

Launch Plan:

- 1. Get Initial Survey Feedback from Target User Base (Completed):** Completed with 74 current and graduated college students. The survey results attached above.

2. **Design Product Based on Feedback (Completed):** Certain features were intentionally included like personalization, credit card optimization, and education information.
3. **Launch to Small Group of Graduating Seniors (Target Date: May 2024):** The first version of Budgify will be launched to a beta group of 100 graduating seniors for free, marketed through social media and on-campus events to get more user feedback.
4. **Iterate Product Based on Beta Testing Feedback:** Using the feedback from Step 3, the Budgify team will continue to refine the product, in addition to developing a more limited freemium model for public user launch.
5. **Launch Individual Free and Premium Models:** Budgify will launch a free and premium version of the product to allow users to be able to try the product for free (with limited customization, cards, and functions) before subscribing (monthly) to a paid version.
6. **Partnerships with Financial Literacy Programs:** Once Budgify has grown in users and brand, it will pursue partnering with Financial Literacy programs such as You Need A Budget (<https://www.ynab.com/>) that have a shared goal of financial literacy to increase brand awareness and resources/data.
7. **Deals with Commercial Companies as a New Grad Benefit:** In order to expand the reach of Budgify even further to help more new grads, we will pursue deals with commercial companies to provide our services to all of their employees (targeted at new grads) as a financial literacy and transition into the workforce service.

Cost Model:

Budgify will use MongoDB's flexible cloud database tiers, starting with the free 512MB option. As subscribers and data storage needs grow over time, upgraded Atlas tiers will provide sufficient capacity. Integrating with Plaid enables users to securely connect bank accounts and access transaction data. Costs will scale linearly based on API usage as Budgify's user base expands. Monitoring request volumes balances service reliability and affordability. Initial hosting via AWS free tier provides a reliable foundation to support basic traffic. As monthly visits increase, indicating product traction, hosting can upgrade to maintain site performance. Strategic digital ad campaigns on platforms like Facebook will target customer acquisition. Flexible daily budgets as low as \$100, plus new user promotions, allow cost-effective subscriber growth. We will also need to allocate costs to an engineering team, likely starting with 2-3 software developers.

Revenue Model:

The revenue model is described in this section, but is also shown in steps of the Launch Plan above. Budgify will offer a freemium model to individuals, with a free version of the app with basic features and budget cards, to give users a glimpse of its capabilities before opting for a premium monthly subscription. This allows for broad user acquisition while generating revenue from highly engaged users seeking advanced customization options and expanded integration.

Strategic partnerships with leading financial literacy platforms like You Need A Budget (<https://www.ynab.com/>) will help Budgify enhance its market presence and user base. Joint marketing initiatives and integration with popular programs reinforce Budgify's position as a valuable financial education tool.

The final goal would be for Budgify to be established enough to obtain partnerships with major employers of recent college graduates, offering Budgify Premium as a benefit. This supports new graduates in developing solid budgetary habits during their transition into the workforce, benefiting both employees and employers. Incorporating Budgify into graduate recruitment and onboarding programs further expands its subscriber base and brand reach during a pivotal life stage.

Sources:

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