Wealth Management Mini Case: Mint

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Mint is a web-based personal financial management program that ties multiple components of a user's financial picture -- bank accounts, credit cards, loans, brokerage data, etc. -- into a single, streamlined interface with associated information and services. Each time a user accesses the Mint application, his or her data updates automatically, such that one's financial picture remains current and actionable. The problem Mint attempts to solve is the natural tendency for a consumer's financial picture to splinter and become disaggregated. A consumer's financial picture crosses a number of industries spanning finance, real estate, insurance, and automotive, to name a few. Each of these industries boasts thousands of individual firms, each possessing its own reporting tool. Merely the aggregation of this information across so many firms and so many industries is a tremendous task. Mint capitalizes on the continued migration of consumer data online and on the advent of APIs to source and present all of a consumer's financial data in one repository.

With a consumer's data in one central location, Mint is then positioned to tackle other consumer problems and pain points. To date, Mint's primary feature set has concerned the budgeting and tracking of expenses, and it is this solution for which the company is best known. Mint's budgeting feature is painless to launch. After downloading and syncing one's transactions, Mint auto-categorizes expenses into predefined categories to highlight a user's spending profile for a given period of time. The categorization can be adjusted for corrections and customization and can be measured against user-determined budgets and goals, another prominent feature of the Mint product offering. Goals, such as paying-off a credit card debt or saving for a new home, are reflected in a user's monthly budgeting. A sister to expense tracking & budgeting is the monitoring of credit scores, a service also offered as part of the Mint product suite. Mint allows users to view their credit health and payment history for free and also advertises a paid, premium version.[1]

While Mint is one of the more popular budget-tracking solutions available, it isn't the only option. Particularly for those users who desire a broader feature set in tracking personal finances, other alternatives might be preferable. Mint's principal competitors are:

Personal Capital. Personal Capital has many similarities to Mint but focuses primarily on investment tracking as opposed to day-to-day finances. According to its blog, Mint currently has approximately 15 million users while Personal Capital only boasts 1 million users. A major competitive advantage for Mint

[1] Ludwig, Larry, "Mint.com Review - Should I Use Mint," investorjunkie, accessed October 26, 2016, https://investorjunkie.com/54/mint-com-review/.

is that it possesses a full-featured budgeting section where all spendings are broken-down to different categories. Personal Capital does not offer a similar budgeting tool. One area in which Personal Capital may have an advantage over Mint, though, concerns synchronization. Mint uses Intuit's in-house system to sync with financial institutions; this system has experienced latency over the years, prompting user and industry outcry. Personal Capital uses Yodlee for its syncing, which has proven to be a far more stable service.

YNAB (You Need A Budget). YNAB is similar to Mint in terms of budgeting functionalities. Whereas Mint tracks spendings and displays one's overall financial situation, YNAB focuses its interface on planning for spendings ahead of time. YNAB is an excellent tool for monthly budgeting, particularly for those interested in zero-based budgeting. However, when it comes to long-term financial goals, such as paying off home loans or saving for retirement, Mint offers a broader suite of tools to assist. YNAB's long-term goal planning features are minimal; users must perform mathematical legwork on their own. Of additional note, YNAB charges an annual fee of $50 to its users while Mint is free for its customers.

Betterment. Betterment is a third competitor to Mint that focuses predominantly on investment advisory, especially for tax-efficient investment. Compared with Mint, Betterment provides greater support for investment but less for budgeting. Although the two are seen as competitors in the investing / wealth management space, Betterment is now integrated into the Mint platform in an effort to generate additional revenue for both companies. Users can link and track all of their Betterment goals in Mint's interface and vice versa.

Mint successfully raised $32 million through five rounds of investor funding. The Company's seed and angel rounds occurred in 2006, followed by Series A & B rounds in 2007 and 2008, respectively. Mint's final capital raise was in August 2009 following the financial crisis. The Company raised $14 million in this Series C round, led by DAG Ventures. Only one month later, Mint was acquired by Intuit for $170 million. Its capital raises are detailed in the chart below[2]:

Funding Rounds (5) - $31.78M
UPDATE

Date	Amount / Round	Valuation	Lead Investor	Investors
Aug, 2009	$14M / Series C	—	DAG Ventures	6
Mar, 2008	$12M / Series B	—	—	6

[2] "Mint", crunchbase, accessed October 26, 2016, https://www.crunchbase.com/organization/mint#/entity

Apr, 2007	$4.7M / Series A	—	Shasta Ventures	8
Nov, 2006	$750k / Angel	—	—	5
Oct, 2006	$325k / Seed	—	—	1

Given Mint's service is free to its users, one may wonder how the Company makes money. Mint derives revenue in three ways. First, the Company offers its users "ways to save" by suggesting various financial services based on user behavior. Mint receives referral fees when users act upon these recommendations. Similarly, Mint receives referral fees when users click through to ad banners on the Mint.com website, a second source of revenue for the Company. The aforementioned credit monitoring service offers three-bureau coverage and runs $15 - $20 per user per month. Finally, Mint sells aggregate data (distinguished from individual data) to interested parties such as commercial banks and other financial institutions. This data may include high-level statistics on consumer spending, average credit card balances, user retirement accounts, and other demographic trends. Mint takes great pains to let its users know all data is collected anonymously and that Mint does not disclose the financial practices of any individual users.

Mint is affected by changes in the regulatory environment and appears particularly susceptible to four[3]:

Consumer Protection. The securities industry is highly regulated as concerns consumer protection. Any tool that touches or transacts in consumer "wealth events" (i.e. securities, brokerage accounts, rollover IRAs, etc.) is subject to regulation. Compliance, supervision, and enforcement all guide regulatory laws in the financial industry, and regulators may attempt to accelerate new and more stringent standards at any time.

Conflicts of Interest. Part and parcel of the first, financial regulation targets conflicts of interest as they relate to the "best interests" of consumers. Wealth managers must pass regulatory tests and self-regulate activity that could conflict with clients' long-term investment goals. Given Mint's level of detachment from its end-users, particular attention must be granted to advice or recommendations the software may target to a particular user.

[3] "10 Disruptive trends in wealth management," Deloitte Development, LLC, accessed October 27, 2016, http://www2.deloitte.com/content/dam/Deloitte/us/Documents/strategy/us-cons-disruptors-in-wealth-mgmt-final.pdf

Outsourcing. Outsourced investment activities receive particular attention from agencies such as FINRA, which ensures regulations are met by all providers (outsourced providers included). Proper due diligence and risk assessment must be performed on potential providers. To the extent this supervision is insufficient for outsourced activities, a company such as Mint could be liable.

Cybersecurity. Cyberattacks within the financial services industry, along with other industries, have been highly-publicized and represent a continuing threat. Cyberattacks can destroy trust in a firm overnight, particularly a financial institution, which is highly dependent on a reputation of trust and impregnability. With cyberattacks, reputational loss can be significant enough to destroy credibility beyond repair.

In terms of a SWOT analysis, Mint prides itself on its ease of use and its ability to provide meaningful information with minimal setup. Mint offers a variety of features to users, including weekly financial summaries, email or SMS alerts on pending bills, budgeting and goal setting functionality, and credit score tracking. It is the recognized leader in the personal finance management industry in terms of providing a broad picture of a user's overall financial health. Further, its "Ways to Save" feature can analyze a user's financial information and give opportunities to better manage and save money, whether through a different credit card rewards program or a loan refinance.

With its acquisition by Intuit, Mint can also leverage the same security standards as Intuit's more popular offerings like TurboTax and QuickBooks. Given that Mint's value proposition increases with the amount of information a user shares with the service, security is an area of concern for end-users. Other competitors are not able to boast the 'bank-level' security that Mint provides.

Despite its many strengths, Mint falls short in a few areas, namely its lack of advanced investment features and its inability to provide and generate monetary value for investors. Although Mint's interface includes an investing section, it simply steers the user toward other services. It is not known how much revenue Mint generates from referrals, though Mint's competitors (such as Personal Capital) provide better internal investment features. Additionally, Mint does not "lock" the user into its services; as consequence, there are no switching costs. A user can simultaneously rely on Mint for budgeting and other services for these more advanced features where Mint is not capturing this financial data.

Future opportunities for Mint are centered in the amount of data it holds. The aggregation of such a wide array of financial data is beyond that of what any single bank can do, as most customers have checking accounts, savings accounts, credit cards, and loans across many different financial providers. A survey conducted by Personal Capital found that the average household holds 15 different bank accounts.[4] Banks, insurance companies, and other financial service shops find value in such detailed, transaction-level data, and are willing to pay for such data.

Mint's target audience of younger users has shown its willingness to trade a degree of privacy for convenience and features, which creates opportunity as this same user base begins to add to its individual financial portfolios. Many of these users are starting to purchase real estate, enroll in retirement plans, and invest money in the equity markets. Additionally, these users are more likely than other generations to have student loans.

Threats to Mint's sustained success include increased competition for user financial data. Given the lack of switching costs, many services such as YNAB or Personal Capital could provide their own services at little to no cost to the user and thus lure users away from Mint. Perhaps a larger threat is Mint's reliance on outside data from commercial banks. These banks, which presently are Mint's partners, could decide they would like to compete directly with Mint and could make data "scraping" difficult from their respective APIs. As banks increasingly lose web traffic to account aggregation services such as Mint, they may continue to limit web traffic. For instance, in November 2015, J.P. Morgan Chase & Co. and Wells Fargo & Co. opted to "throttle" access of Mint to its customers' data.[5] Mint's value could be impacted severely should commercial banks ever limit data access to a great degree.

On the whole, our team likes Mint's prospects. Mint's user-friendly interface and first-mover advantage affords it a valuable customer base of younger users. Combined with Intuit's balance sheet, its reputation for security, and its historical data set (drawn from years of TurboTax customers), the entity presents an attractive 'big data' play attractive to investors. For this reason, our team would be investors in the company. Additionally, Mint provides the energy of a startup with the backing and advantages of a large industry player, both of which combine to create an attractive employment scenario. For this reason, our team likewise would be willing to work at Mint.

[4] "Survey Finds People Have…", *Money Q & A*, accessed October 23, 2016
http://moneyqanda.com/survey-finds-people-15-bank-accounts-household/
[5] "Big Banks Lock Horns", *The Wall Street Journal,* November 4, 2015
http://www.wsj.com/articles/big-banks-lock-horns-with-personal-finance-web-portals-1446683450