**Market Report for Visa Incorporation**

**About Visa Incorporation**

Visa Incorporation (“Visa” or the “Company”) is a publicly owned multinational financial services corporation headquartered in Foster City, California, United States. Its ownership is dispersed among multiple investors, including individual and institutional shareholders who own shares of the company's stock. Founded in 1958 as BankAmerica, the company has since evolved and was eventually renamed Visa Inc. in 2007. The company's stock is traded on the New York Stock Exchange (NYSE), under the ticker symbol "V." Consequently, Visa's ownership can constantly change as its shareholders buy and sell shares in the stock market.

**Product and Services**

The company is a global digital payment technology company that serves individual and commercial clients, financial institutions, government entities, and merchants. It facilitates global e-commerce through digital payments and information. Visa’s transaction processing network, VisaNet, conducts clearing, authorization, and settlement of payment transactions. The company also routes payment information and related data.

Its portfolio of offerings consists of:

* Mobile Payments,
* Payment cards
* Commercial Payments
* Transaction Processing Services
* Merchant solutions, and other digital services.
* Supports the local businesses.

The company operates in the Americas, Europe, Asia-Pacific, the Middle East, and Africa.

**Industry in which Visa Incorporation operates.**

Visa operates in the financial services industry (Financial Technology Segment).

**Two major competitors**

Visa operates within the highly competitive payments industry, with its primary competitors being major global financial firms and payment processing corporations. Below are the summary of Visa ‘s top competitors:

* **Mastercard Incorporation:** Mastercard is a payment and technology company, which deals with clearing, authorization, and settlement of payment transactions. It offers a wide range of payment solutions for credit, debit, prepaid, and commercial cards; digital payments, real-time account-based payments, and payment system security; transaction services such as cross-border and domestic transactions. Mastercard also provides value-added services such as loyalty and rewards and advisory services such as consulting, analytics, and implementation services. Mastercard serves individuals, financial institutions, digital partners, businesses, merchants, governments, and other organizations. It has operations in the Americas, the Middle East, Africa, Europe, and Asia-Pacific. Mastercard is headquartered in Purchase, New York, the US.
* **American Express Corporation:** American Express Co (Amex) is a provider of card products and travel-related services. It offers a range of credit cards, charge cards, and other payment and financing solutions to individuals, small and middle businesses, and corporates. The company conducts merchant acquisition and processing, payment settlement, point-of-sale marketing, and network services. Its travel solutions include personal and corporate travel advisory, hotel and resort booking, and travel management. Amex also offers foreign exchange services, travel insurance, and traveller’s cheque. The company operates through various channels including, direct mail, online applications, in-house teams, direct response advertising, and third-party vendors in the Americas, Europe, Africa, the Middle East, and Asia-Pacific region. Amex is headquartered in New York, the US.

**Similarities between Visa Incorporation and its competitors:**

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| --- | --- | --- | --- |
| **Key Parameters** | **Visa Incorporation** | **Mastercard** | **American Express** |
| **Revenue** | $31.83 billion | $23.59 billion | $54.99 billion |
| **Market Capitalisation** | $475.01billion | $362.2 billion | $104.26 billion |
| **Company’s type** | Public Company | Public Company | Public Company |
| **Location (Headquarters)** | United States of America | United States of America | United States of America |
| **Number of Employees** | 26,500 | 29,900 | 77,300 |
| **Customer Segments** | Individuals, businesses and government agencies | Individuals, businesses and government agencies | Individuals, businesses and government agencies |

*Source: Investing.com. Global data*

**Substitutes and New market:**

The company faces competition from evolving digital payment services and alternative financial platforms. Below are the substitutes for Visa products and services:

* Stripe
* Square
* Cryptocurrencies like Bitcoin and Ethereum.
* Paypal

Visa must continually innovate and adapt to stay ahead in this dynamic and rapidly changing financial landscape.

**Key Revenue and Cost Drivers:**

Below are the **key revenue drivers** of Visa Incorporation:

* Growth in nominal payments volume which impacts its service revenue.
* Number of processed transactions (transaction fee) which affects the growth of its data processing revenue.
* Currency fluctuation and various price modifications directly impact the value of international revenue from different countries and regions.
* Number of value-added services provided by the company directly Impact its other revenue.

Below are the **key cost drivers** of Visa Incorporation:

* Personnel expenses- % of revenue
* Marketing expenses- % of revenue
* Network and processing expenses- % of revenue
* Professional fees- % of revenue

It is worthy noting that a large percentage of the company’s cost is **personnel cost.**

**Current Industry and Market Trends in relation to the cost drivers:**

The international payments sector is still undergoing rapid transformation. Visa's network and payment solutions for customers, financial institutions, and merchant involvement are in competition with both established and emerging competitors. Consumer behavior is changing due to technology and innovation, which is creating growth potential in digital currencies, e-commerce, mobile payments, blockchain technology, and mobile payments. Many of the new players are deviating from conventional network payment patterns, made possible by these advancements. The evolving regulatory environment in several nations is facilitating the development of local networks or more processing competition.

Visa has competition from every mode of payment. This covers payments made on paper, mostly using cash and checks, as well as all electronic payment methods. The company primary rivals for electronic payments are:

* **Multi-regional or global networks:** Usually, these networks provide a selection of branded, all-purpose card payment solutions that consumers can use at millions of merchant locations around the world. Examples include Mastercard, American Express, Discover, JCB and UnionPay. These competitors may be more concentrated in specific geographic regions, such as JCB in Japan and Discover in the U.S., or have a leading position in certain countries, such as UnionPay in China.
* **Local and Regional Networks:** Operated in many countries, these networks often have the support of government influence or mandate. In some cases, they are owned by financial institutions or payment processors. These networks typically focus on debit payment products, and may have strong local acceptance, and recognizable brands.
* **Digital Wallet Providers:** They continue to expand payment capabilities in person and online for consumers and merchants. While digital wallets can help drive Visa volumes, they can also be funded by non-card payment options.
* **Alternative Payments Providers**: These providers, such as closed commerce ecosystems, BNPL solutions and cryptocurrency platforms, often have a primary focus of enabling payments through ecommerce and mobile channels; however, they are expanding or may expand their offerings to the physical point of sale.
* **Real-time Payment (RTP) Networks**: RTP networks have launched in multiple markets, mainly driven by government sponsorship and regulatory intervention. These networks primarily focus on domestic transactions, with adoption varying by use cases and geographies. They can compete with Visa on consumer payments and other payment flows (e.g., B2B and P2P) but can be partners for value added services, such as risk management.

Although Visa is a market leader, the emergence of new competitors has typically resulted in a rise in the company's marketing expenses. Furthermore, to keep ahead of the competition, innovation must be ongoing. The growth in personnel expenses can be attributed to the necessity of hiring top people in order to support the company's goals.

Additionally, the value of income has been impacted by currency fluctuations in the various nations and regions where Visa operates. However, it's crucial to remember that Visa is outperforming its rivals in terms of transaction volume, which affects Visa's income. However, given the introduction of new rivals and alternatives, the business must use a variety of strategies to enhance its performance in the industry.

**SWOT Analysis:**

SWOT analysis means the identification of strengths, weaknesses, opportunities and threats of Visa Incorporation:

**Strength:**

* Widespread acceptance as a leading global payment platform, making it a trusted brand among consumers, merchants, and banks.
* Visa benefits from a substantial economy of scale and a robust and secure technical infrastructure.
* Visa's strong marketing and advertising have further established its brand image, providing users with the perception of quality, reliability, and convenience.
* Visa has strong security and fraud detection capabilities.
* Visa has a wide range of payment options including contactless, mobile, and online payments.

**Weaknesses**

* Heavy reliance on the credit card marke, a sector that faces increasing challenges from alternative payment methods, such as digital wallets and cryptocurrencies.
* Intense competition from other industry key players such as American express, Mastercard and Paypal.
* Exposure to risks associated with fluctuating currency exchange rates and international regulations, which could impact its overall profitability.
* High costs associated with compliance and security.
* Stringent regulatory environment

**Opportunities**

* Growing demand for digital payments, hence open room for more innovation for Visa.
* Immense opportunities for growth through strategic partnerships and acquisitions of emerging financial technology companies. These collaborations can help expand its product and service offerings and diversify its revenue streams.

T**hreats**

* Emergence of alternative/new payment technologies such as cryptocurrencies.
* Cybersecurity threats and data breaches
* High competition from other payment networks such as Mastercard and American Express.
* The financial services industry is subject to a myriad of regulatory risks, which could affect Visa's operations and revenues.

**Strengths**

Strong and secure payment infrastructure

* Strong distribution network

Market leadership and strong brand value

Strong strategic partnerships with card issuers and merchants

Resilient business model that protects against inflation

**Weakness**

Lack diversification in business model

Lack of product development to combat new and emerging payment methods

Lack of innovation

**Opportunities**

Increasing preference for online shopping and cash-less transactions due to the pandemic

Opportunities to collaborate with emerging competitors like PayPal and mobile wallets

Loyal and large customer base that can be introduces with new or add on products

Availability of vast data that can be researched for product development

**Threats**

Threat of becoming obsolete due to new and emerging payment technologies

Increased competition owing to duopoly market

Lack of differentiation from competitor

Large amount of personal data that needs to be secured for privacy

Threat of fraudulent activities

Threat of money laundering and terrorism financing

**PESTEL Analysis:** This analysis helps to understand the impact of various external factors on the company’s performance:

**Political environment:**

- **Government Stability:** The strong political structures and institutions support growth and development for Visa. This allows businesses like Visa to expand regionally as well as internationally. Trade relations with other countries because of political stability and strength allows businesses like Visa to maintain offshore business affiliations easily and smoothly.

- **Tax Policy:** Favourable tax policies allow businesses like Visa to expand easily. Government subsidies and favourable tax rates will also allow Visa to maintain competitiveness by controlling its costs of doing business. Costs of doing business, in turn, will also not be passed on to the consumers – thereby allowing consumers to enjoy favourable and competitive pricing.

Desirable tax policies that support business growth and development will allow businesses like Visa Inc to expand, and thereby add to creating economic value for the country as well.

* Government Policies and Regulations

**Economic Factors:**

* Inflation rate
* Interest rate
* Consumer spending trends
* Unemployment rate
* Fiscal and Monetary Policies
* Price Fluctuationsin Local and International Market
* Financial Market Structure and Availability of Capital at Reasonable Rates

**Social Factors:**

* **Demographics:** A higher portion of the younger population is beneficial for Visa as it will allow the company a larger consumer population base. In addition a younger population will also promise Visa with more skilled and educated workers and human resources, thereby adding breadth and depth to the talent pool.
* Family size and structure
* Education
* Societal Norms and Hierarchy

**Technological Factors:**

* Internet Penetration
* Technological Infrastructure
* Investment in research and development
* Empowerment of Supply Chain Partners

**Environmental Factors**

* Environmental Regulation Impacting Absolute Cost Advantage Dynamics in the Industry
* Level of Consumer Activism Regarding Environmental Concerns
* **Environmental Standards and Regulations both at National & Local Levels** – Often the environment policy at national and local level can be different. This can help Visa Payments in numerous decisions such as plant location, product development, and pricing strategy.

**Legal Factors**

* **Data Protection Laws –** Visa needs to assess what are the data laws in the country and what it needs to do to comply with them.
* **Intellectual Property Rights Protection –** Visa should assess the level of protection that intellectual property rights get under the legal system of the country.
* **Consumer Protection Laws**

**Political**

Demonetization (India)

Attitude of ruling party about cards instead of cash

Government backed local competitors

Tax legislations

**Social**

Attitude towards credit cards/savings

Card penetration in developing countries

Increasing number of elderly people becoming digitally literate

**Technological**

Impact of technology helping competitors and new entrants

Costs for new technology adoption and prevention of fraud and crime

Crypto currency gaining market share

Emerging mobile wallets like paypal

Penetration of ATMs and Point of sale

Tokenization, Biometrics, Machine learning

Tap to pay, Scan to pay

**Environmental**

Global warming impact on weather issues which affect spending patterns

Seasonality impact on spending patterns

Covid and work from home culture increasing the use of cards in e-commerce compared to cash

**Legal**

KYC and privacy laws in various countries

Anti money-laundering laws

Privacy and data protection laws

**Analysis on the competitive environment.**

Visa competes in the fiercely competitive payments market, mostly against large global financial institutions and payment processing companies. Discover Financial Services, American Express, and Mastercard are some of these fierce rivals. The business also has to contend with competition from rapidly developing digital payment services, alternative finance platforms like Square, PayPal, and Stripe, and cryptocurrencies like Ethereum and Bitcoin.

With its unique business model, Visa has become a financial powerhouse on the international scene, enabling safe transactions at previously unheard-of speeds. Through its emphasis on innovation, nurturing a wide network of partners, and prioritizing security, Visa has emerged as a crucial participant in the payments sector. As our world becomes increasingly digital and cashless, Visa's ability to expand and adapt to new technologies will be essential to growing its business and preserving its position as the industry leader in dependable, trustworthy financial infrastructure. Although there is fierce competition in the market, Visa is well-positioned to meet challenges in the future and keep its top spot in the payment’s ecosystem thanks to its robust infrastructure, strong foundation, and dedication to innovation.

**Industry Analysis/Key strategies**

The global payments industry has been growing rapidly ever since the aftermath of the 2008 recession, in 2018 the industry totaled revenues of 1.9 trillion.

The strategy for Visa is to expand their core Business which consists of Core Products (cards), Tap to pay technology, Ecommerce (outpacing physical retail), Access & Acceptance (new markets), Partnerships (through fintech development) and Ventures (strategic investments to enrich broader payment systems). In 2019 Visa acquired earth por EarthPort that allows Visa to reach 99 percent of the world’s banked population in 88 countries, including the top 50.

Visa provides auxiliary or value – added services which is a growth opportunity. Visa’s fraud and security services run by artificial intelligence-powered risk scoring engine helped financial institutions prevent about $25 billion in fraud. In addition, Visa provides tokenization services and their product, developed by their provider Bell ID, allows users for much lower fees. Visa also provides data analytics, settlement and other services within this group of services.

Mastercard’s strategy is to broaden their capabilities as consumers and merchants demand enhanced payment options, with Mastercard focusing its technology on the business-to-business market which Mastercard estimated is a $25 trillion market annually in the U.S. Mastercard have begun implementing this strategy through various acquisitions.