Visa Inc.

Visa is in the payments cards industry.

Two peers of Visa Inc. include Mastercard and American Express.

In relation to the revenue and cost drivers. The current market trends are that competition is going up, for example people are making payments with cryptocurrency instead of visa. However, revenue is also increasing with things like apple pay enabling visa to reach younger generations who have smartphones. The trends are, prepaid cards are phasing out, cryptocurrency is coming in. Regulatory initiatives such as India phasing out Visa and adopting ‘RuPay’ have hindered growth in India. This is a huge problem for Visa as India has the World’s largest population as of 2024. Fewer graduates are working for companies like visa as they see the market fading out in the medium to longer term. This means that Visa’s workforce may be ageing and less efficient.

(annualreport.visa.com, 2024)

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| --- | --- |
| Strengths* Global Brand and market position
* Financial performance and resilience
 | Weaknesses* Regulatory and legal challenges
* Dependence on economic cycles
 |
| Opportunities* Technological innovation and new markets
* Expansion of value-added services
 | Threats* Intensifying competition
* Geopolitical and regulatory risks
 |

(finance.yahoo.com, 2023)

Strengths

With a processing capability of over 65,000 transactions per second and operations across more than 200 countries, Visa's brand is synonymous with reliability and efficiency. The company's expansive reach, processing over $14 trillion in total volume, demonstrates its scale but also its ability to maintain a dominant market share. (finance.yahoo.com, 2023)

Visa's financial resilience is evident from its consistently rising net income and comprehensive income, which stood at $18,325 million in 2023. The company's ability to generate higher earnings per share EPS growing from $7.01 in 2022 to $8.29 in 2023, reflects its operational efficiency and profitability. (finance.yahoo.com, 2023)

Weaknesses

Government-imposed market participation restrictions and interchange rate regulations in various jurisdictions can constrain Visa's operational freedom and pricing strategies, potentially affecting its revenue streams. (finance.yahoo.com, 2023)

While Visa's financial performance is strong, it is not immune to macroeconomic conditions. Economic downturns can lead to reduced consumer spending and lower transaction volumes, which would directly impact Visa's service and data processing revenues. The company's performance is closely tied to the health of the global economy, making it susceptible to periods of economic instability. (finance.yahoo.com, 2023)

Opportunities

The acquisition of Tink AB, an open banking platform, and the agreement to acquire Pismo, a cloud-native issuer processing platform, signal Visa's commitment to innovation and expansion into new markets. These strategic moves enable Visa to offer a broader range of services and tap into the growing fintech sector, potentially driving future revenue growth. (finance.yahoo.com, 2023)

By leveraging its vast network and data analytics, Visa can offer differentiated services that enhance customer experience and create additional revenue streams. (finance.yahoo.com, 2023)

Threats

The payment processing industry is witnessing the entry of new players and the growth of alternative payment methods, including mobile payments, blockchain technology, and digital currencies. (finance.yahoo.com, 2023)

Visa's global operations expose it to geopolitical tensions and regulatory changes in multiple jurisdictions. The evolving regulatory landscape, particularly concerning data protection, privacy, and network exclusivity, can impose additional compliance costs and limit Visa's operational flexibility. (finance.yahoo.com, 2023)

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| --- | --- | --- |
| Political * Political stability
* Risk of military invasion
* Level of corruption -
* Bureaucracy and interference
* Legal framework
* Intellectual property protection
* Trade regulations
* Taxation
 | Economic* Exchange rates
* Infrastructure quality
* Skill level of workforce in Credit Services industry.
* Education level in the economy
* Labour costs
* Economic growth rate
* Unemployment rate
* Inflation rate
* Interest rates
 | Social* Entrepreneurial spirit
* Attitudes (health, environmental consciousness.
* Leisure interests
 |
| Technological* Recent technological developments by Visa Inc. competitors
* Technology's impact on product offering
* Impact on cost structure in Credit Services industry
* Impact on value chain structure in financial sector
* Rate of technological diffusion
 | Environmental* Weather
* Climate change
* Laws regulating environment pollution.
* Air and water pollution regulations in Credit Services industry
* Recycling
* Waste management in financial sector.
* Attitudes toward “green” or ecological products
* Endangered species
* Attitudes toward and support for renewable energy
 | Legal* Anti-trust law in Credit Services industry and overall, in the country.
* Discrimination law
* Copyright, patents / Intellectual property law
* Consumer protection and e-commerce
* Employment law
* Health and safety law
* Data Protection
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(fernfortuniversity.com, 2024)

The competitive environment for Visa and its competitors is stiff. However, Visa’s Market cap is 538.56 billion USD. Mastercard’s Market cap is 411.25 billion USD and American Express is 146.79 billion USD. Therefore, they are all at least large cap companies, with Mastercard and Visa being mega cap.

From this we can infer that they have a solid market position that will only effectively be threatened from systematic risk. This is Visa’s strength.

Moreover, Visa is dependent on economic cycles which is its weakness.

On the other hand, Visa and its peers are moving into new markets for example developing economies. This is an opportunity for Visa.

Meanwhile, Visa faces geopolitical and regulatory risks like the war in Ukraine.

This is a threat to visa.

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