Visa Inc

* Industry: Visa inc are in the payment services industry.
* Peers: The closest peers for Visa Inc are Mastercard and American Express.
* Industry: All 3 are in the payment services/ consumer finance industry.
* All 3 have between 25,000-75,000 employees
* Business model – facilitating electronic fund transfers through payment cards
* Geographically – All located in America and provide their services worldwide.

Substitutes

* Visa Inc has many competitors that provide good alternatives, such as MasterCard and American Express. They are strong alternatives due to the extras they provide. For example, offering more appealing rewards and benefits such as cashback, exclusive offers and travel rewards. The competition could also offer more favourable fees and interest rates to entice a consumer or create partnerships with other companies that provide discounts and promotions. The chart below indicates competitive revenue and revenue growth yoy from visa’s peers.
* Another substitute is digital wallets payments. This allows consumers to make payments using their devices such as apple pay, google pay and Samsung pay. Consumers could choose this method due to its convenience, speed, not needing to carry a physical card and can be completed with a quick tap.

New markets

Due to the emerge of technology within the industry, many companies have profited, which means their prominence and market share is increasing. Peer to peer digital payments have rose to prominence in modern times. Companies such as PayPal have benefited from this emergence significantly, shown by this chart that indicates competitive revenue and revenue growth yoy compared to its peers below.

* A consumer could choose to use these digital payment systems instead of visa due to versatility. These online payment systems are available in many countries and use multiple currencies.
* Also, convenience. Online payment services are widely accepted with retailers, which makes this method quicker and easier to use.
* Peer to peer payments is particularly useful as it is simple to transfer money, without the use of a bank.

Another digital payment system that has rose to prominence is blockchain. it is a good alternative to visa because blockchain is decentralized, this means it is more secure, resilient and hackers are less likely to infiltrate. As well as Lower transaction costs, faster settlements and smart contracts making blockchain a more efficient transfer method.

Due to the size and the power of their competitors, visa consistently must innovate to maintain market share.

Revenue and cost drivers

Revenue drivers - The main methods of revenue for Visa inc are:

* Data processing: Includes settlements, authorization, clearing and network access.
* Service: Supporting client usage of visa payment services.
* International transactions: Currency conversion and cross border transactions.
* Others: License fees, value added services – includes fraud prevention services, data analytics and consulting, and loyalty and reward programs.
* Account holder services and certification.

Cost drivers - The main cost drivers for Visa inc are:

* Professional fees: Costs such as patent services, and cyber security/ fraud prevention services, legal and consulting fees, risk management.
* General and administrative expenses: Cost such as marketing and advertising and miscellaneous costs.
* Network and processing: transaction processing.
* Litigation provision: setting aside funds to cover potential expenses.

Industry and market trends in relation to revenue and cost drivers

Revenue drivers

* The use of AI is becoming increasingly prominent in the payment services industry. Companies are investing heavily to improve transaction security, fraud detection and reduce costs:
* AI automates tasks such as payment processing to increase operational efficiency and reduce costs.
* AI also predicts potential issues in payment infrastructure, which allows for a smoother payment processing experience.
* AI ensures faster, more reliable and more secure payments.
* AI also analyses the market to adjust pricing, fees, and fee structure to increase revenue.
* Fraud prevention is an important part of the payment services industry. Companies are now using AI driven models to detect fraud by analysing anomalies, transaction patterns and user behaviour.
* Loyalty and reward programs -Companies are also using AI to analyse consumer spending patterns to offer targeted promotions and recommendations.
* AI allows companies to gain an insight into consumers preferences and behaviour, which allows for more productive marketing.
* Due to the growth in ecommerce, companies are observing the demand for convenience, so they are investing heavily in AI to cater to consumer preferences.

Cost drivers

* Risk management - improving credit score models and performing a better risk assessment.
* AI allows companies to monitor and ensure that they are complying with legal requirements.
* Due to the stricter data privacy laws being introduced, companies are heavily investing in Ai to help improve compliance.
* Due to the advanced security measures being implemented, such as zero trust models and biometric authentication, companies use AI to analyse transaction patterns and user behaviour to prevent fraud and increase cyber security.

SWOT Analysis

Strengths

* The main strength of Visa inc is its global reach. It is one of the largest and most recognised in its industry, the company operates all around the world, with good market share. The companies process network is secure, productive and efficient, as thousands of transactions are processed per second. This allows for significant revenue, customer loyalty and trust.
* Another strength for Visa is its heavy investment in technology and innovation. The use of AI and technology will allow for increased operational efficiency, which will in turn increase revenue and market share over its competitors. Visa need to continue the trend of investing heavily in AI to adhere to policy and changes in the industry and market.

Weaknesses

* One weakness that the company faces is the strict regulatory compliance with security, transaction and fraud. The continued increase in the severity of the laws and regulations means Visa will have to continue to invest capital on adhering to these rules. This will in turn decrease their capital.
* Another weakness that the company face is continued cyber-attacks. Although measures are very secure and safe, due to the amount of money involved in the industry, they continue to face attacks from hackers and fraudsters. Due to this, they are having to invest more in cyber security, which in turn decreases capital.
* Another weakness is their highly competitive industry. Competitors such as MasterCard and American Express have just as much global reach and prominence as Visa. As well as the already prominent competitors, digital companies are emerging such as blockchain and PayPal, which are also causing unrest for companies like Visa, as their innovation could provide them with strong long-term competition. This means Visa must remain innovative and competitive to maintain good market share. This competition means Visa will struggle to gain the market and industry dominance that they desire.

Opportunities

* Although companies such as blockchain and PayPal are strong competition for Visa, they outline an emerging market that could allow for significant growth potential for Visa, if they can capitalize on the digital market. Digital payment adoption is growing, which means if visa can innovate correctly, they can capitalize on the market. The chart below indicates the markets growing and learning phase, as paypal’s market capitalization and market capitalization growth yoy has decreased compared to its competitors, which indicates volatility and a lack of consistency.
* Increasing customer preference for digital payments could also signify a need for Visa to grow in this market, which could allow visa to stay ahead in an evolving financial market.
* Another opportunity could be to use their brand power and prominence to partner with modern companies. This will allow them to capitalise on the digital market early and expand its technological capabilities.

Threats

* Due to the increasing regulatory compliances in this industry, Visa will have to continue to innovate to adhere to these laws. This will mean a decrease in operational efficiency, which will in turn decrease revenue.
* Another threat that is the decrease in general consumer spending due to the economy. This will affect visa as less spending means less revenue for them, as consumers are not using their payment services.
* Another threat is the continued attacks from hackers. Attacks their network means Visa must remain vigilant and increase their security.
* Another threat is the emerging digital markets, dominated by companies such as PayPal and blockchain. If Visa do not innovate and capitalise on this market, they could lose significant market share.

PESTEL Analysis of the payment industry

Political

* There are lots of laws within this industry, and companies in this industry must comply. This means increased investment in security, which decreases revenue.
* As well as this, there are different regulations in different countries, geopolitical stability is also important. Instability in certain markets can affect the growth of the industry.

Economic

* The economy significantly affects the growth of the industry. A healthy economy means more consumer spending and transaction volumes, which boosts the industry, whilst an unhealthy economy has the adverse effect.
* As well as this, change in interest rates and currency volatility can affect consumer spending, which will affect transaction volumes, which can affect growth in the industry.

Social

* The increase in consumer preference for digital and contactless payments is growing the payment industry. The younger generation are leaning towards digital payment solutions, which is increases the demand for the digital payment industry.

Technological

* The innovation, technology and the business model of the emerging financial technology companies is changing the industry. AI and digital payments are dominating the growth. This also leads to more cyberattacks from hackers and fraudsters, which are shaping the technological security of the industry.

Environmental

* The increase in demand from consumers to be environmentally friendly, reduce their carbon footprint and environmental impacts, changes the way companies in the industry conduct their business, which affects the growth of the industry.
* Due to the increase in energy from the use of technology, efficient use of energy to reduce their environmental impact is also affecting the growth of the industry.

Legal

* Compliance with the laws on the industry provides legal risks to companies and pressure to adhere to these rules, which will affect growth in the industry.

Competitive environment analysis, performance and key strategies

* Visa are in a competitive industry. The potential profits, growth and reliability of the industry puts the industry in high demand. Due to the implementation of technology, infrastructure and AI, companies are always seeking to grow their market share.

Performance

Market Capitalization – total value of a company.

* Visa - 485.75b 2023, 397.36b 2022, 88.39b increase yoy
* Mastercard - 399.97b 2023, 334.33b 2022, 65.64b increase yoy
* American Express - 136.52b 2023, 110.40b 2022, 26.12b increase yoy

These figures indicate good company size and value yearly and increase year on year, with Visa having the highest figures compared to its peers.

Key strategies:

Visa:

* High investment in AI and financial technology to enhance transaction security and efficiency.
* Developing new products and services to increase transaction volume long term.
* Partnerships with financial companies to increase transaction volumes long term.

Mastercard:

* investment in AI and technology to enhance transaction security, efficiency and productivity.
* Strategic acquisition of companies to improve processes long term.
* Increased importance on ESG, to appeal to more customers long term.

American Express:

* Investment in AI to enhance transaction security and efficiency.
* Enhanced focus on providing benefits for customers to maintain loyalty long term.

These graphs indicate good profitability and profitability increase year on year, with visa having the highest figures compared to its peers. This shows how visa is investing well and being able to make profit after all expenses.