**Market Research report for Visa Inc.**

The report below aims at providing a clear explanation on various topics, such as the firm’s industry classification, peer identification, revenues and costs drivers, SWOT & PESTEL analysis. All information is accessed via the company’s public financial statements – Form 10K & Proxies.

**Industry Classification**

The industry classification is defined as “Financial Services- Payment Technology”.

The company is an international payment technology company that provides digital products and services for consumers, businesses, banks, governments, and other payment service providers. It offers a variety of financial services, including credit, debit, and cash cards, and commercial payment solutions, among others.

**Peer Identification**

Visa is competing indirectly with many companies since the digitalization and globalization have made many firms to enhance their business portfolio by adding digital payment solutions. However, traditionally, Visa has competed directly with Mastercard and American Express. This is due to their geographical. chronological in terms of when they appeared in the market, and scope of business similarities.



*Table 1. A basic comparison between the three companies on Revenues, Gross Margin and Net profit in FY 2023 & 2022.*

**Substitutes and New Markets-opportunities**

Substitutes- Nontraditional electronic payment providers such as Apple Pay and Google Pay are in a position to compete semi-directly with Visa as they have the advantage of possessing a huge clientele base due to their exposure with other products, such as iPhone, google search, pose a serious threat to Visa.

According to the company’s most recent reports, FY2024 has proven robust, and expectations are beaten. The growth came predominantly from significant partnerships and innovations, including Visa A2A and Visa Protect for A2A payments. Geographically, the company plans to enhance its Pan-European operations where it sees opportunity for growth in B2B transactions. It is also planning to develop through M&A by acquiring other smaller companies- Substitutes, such as Prosa and FeatureSpace.

**Key Revenues and Costs drivers**



Table 2: An illustration of the company’s revenues/costs drivers. There is a significant increase on both since 2022 materializing the company’s post pandemic full-recovery and paving the way for better – than – expected 2024 results, beating analysts ‘expectations. As per the geographical exposure, it reflects better performance in non-domestic markets.

**Market trends in relation to revenues and costs drivers**



Table 3 provides a revenues/ costs drivers analysis for Mastercard.

It can be considered as a proxy for the general industry. A pattern or trend appears with regards to revenues created by card usage (Payment Network and Service categories for Mastercard and Visa respectively). The industry sees significant increase in this category, implying the increase in peoples’ purchasing power either by a higher disposable income or continuation of using savings accumulated during the pandemic era. Similarly, the costs drivers are increasing YoY, solidifying the industry’s investment over infrastructure, staffing, etc.

**SWOT Analysis for Visa Inc.**

|  |  |
| --- | --- |
| **Strengths**   * Very strong market share * Very strong brand reputation * Global presence * Strong financial fundamentals | **Weaknesses**   * Operating in industry with enhanced regulatory, legal, IT challenges * Not immune to macroeconomic fluctuations * Reliant on economic cycles |
| **Opportunities**   * Capitalize on tech advancements and innovate * Geographical – non-US expansion * Value Added Services by leveraging its huge amount of financial data | **Threats**   * Intense competition from peers and substitutes * IT leakage and Cybersecurity * Geopolitical and sanctions e.g. ban from Russia * FX risks |

**Pestel Analysis for the industry of “Financial Services-Payment Technology”**

Political: The industry can suffer from various scenarios such as the general political instability which can cause civil unrest, regime crisis, affecting consumers’ confidence hence their spending capacities and habits. Governmental policies facilitating economic growth and tax friendly policies can boost companies’ performance and vice versa. Regulatory and legal framework such as GDPR in Europe, anti-money laundering, etc.., can significantly affect the operation of the companies. International relations also can have a significant impact. If relations are bad, one country can impose detrimental sanctions to the other country and its products.

Economic: In this category, economic growth plays a significant role. Where it is present, healthy economies boost peoples’ confidence who in turn spend more, making companies like Visa earning more on transaction fees. On the other hand, for example during an inflationary period where central banks and governments promote a more modest way of living, peoples’ purchasing power erodes hence the companies in this industry suffer too.

Technological. Here, technological advancement can be crucial to the companies’ success. Many of the companies in this industry are involved in digital payments innovations hoping to achieve a “breakthrough”. These technologies and innovations include “e-wallets”, blockchain, and contactless payments. Also, Cybersecurity is very important as digitalization is part of modern economic transactions, automatically making them vulnerable to “bad” actors who might try to exploit them. A very important factor in this category Is also the “Big data and Analytics”. Companies, through their payment services they offer, they are in a position to collect huge amounts of data, utilizing them to understand their customers behaviour and ultimately personalize their services to them.

Environmental. Any modern company who is competing in today’s business world, has the obligation to take appropriate measures against harmful acts towards the environment. Modern companies take a series of measures to promote sustainable and healthy business practices such as minimizing their waste, reducing their carbon emissions, promoting renewable energy. All these are very important for any company to maintain a positive public image.

Legal. Modern litigation can affect any company’s operation and performance significantly. Companies are subject to strict financial regulations. Even in “free”, capitalistic and modern economies, companies must comply so to avoid penalties. Common rules are Data protection and privacy, anti-terrorism and anti-laundering, consumer protection, contract and employment law, and intellectual property rights, among others. By understanding its legal obligations and addressing exposure, companies can mitigate risks, ensure compliance and foster stable growth.

**Analysis on the competitive environment of the company and its peers, evaluating their performance and key strategies.**

A holistic analysis was required to understand the company’s current situation and what the future holds for it. It feels like as long as there is a chance for technological breakthrough, the industry will never be saturated. Over the last decades there has been a transformation on how people conduct economic transactions. Companies like Visa have played a key role on how this transformation has taken place and eventually, the competition with other firms, has benefited consumers.

The environment in which the company operates in has seen dramatic changes over time. From issuing plastic cards to facilitative trade and transactions, to collecting huge amount of data in order to analyse consumers’ behaviour and make relevant predictions.

Although before it was the norm for banks to be associated with payments and transactions, now the situation is very different. Companies which never had anything in common with a banking institution, they have penetrated the market and created services like Visa. For example, Technological companies like Google and Apple offering financial services through their Google Pay and Apple Pay divisions. This of course possess a threat for traditional Payment services companies like Visa, Mastercard and AMEX and perhaps the only way to “get around it” is by utilizing their expertise and specialization they have gained over decades. On the other hand, technological firms like Google, Apple, Alibaba (Alipay) can increase their market presence by focusing on technological advancements as they are better positioned to do so. In addition, they already have a huge client base through their core products-divisions (apple phones, google search, Alibaba platform) and this helps them a lot in promoting their financial payments services.

What hasn’t been observed so far is a major Merger or Acquisition amongst the big players and this perhaps can be a good strategy to utilize expertise and potential technological advancements.

Visa’s economic performance has been robust over the last years with very strong financial fundamentals. The company holds the largest market share with prospective expansion in European markets. It is manifesting as key priorities for the near future the use of AI technology in its operations, especially the use of ChatGPT and generative AI.

A successful implementation of AI, effective use of Big Data & Analytics, attention to regulatory framework and preservation of strong financial fundamentals are the key for Visa to maintain its strategic position in the industry, largest market share, and to develop further.