Visa Inc.

Visa is in the payments cards industry.

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

The key revenue drivers for Visa Inc are payment volume on visa products for purchased goods and services.

Revenue per transaction \* transaction volume.

Based on payments volume and number of transactions, Visa is one of the world’s largest electronic payments system.

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**

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

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 |

(fernfortuniversity.com, 2024)

**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

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.

**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.

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