Market Research Visa Inc

**Industry:**

Payment card services

**2 Close Peers to Visa inc:**

Mastercard

American Express

**Substitutes and new markets:**

Online banking providers who give their own cards such as Monzo and Starling

Electronic currency that does not use cards or ordinary payment services such as Bitcoin or Ethereum

**Revenue Drivers for Visa Inc:**

Demand – The number of new cards purchased each year due to loss or people turning of age where they need a bank card.

Charges – When people use card machines its very common for the payment service to take a charge for allowing payment to be made this way. While there are business who still use cash the general shift to electronic payments has risen massively since covid. Therefore the more electronic bank transfers and card transactions that are now made, the more Visa will receive in charges.

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.

**Cost Drivers for Visa Inc:**

Taxes – Constant will never not be charged regardless of business performance

Raw Materials – Cards are made of plastic which the world is looking to use less and less of so the cost to make a card will now go up as there is less plastic being produced

**Industry and market trends that could effect Revenue as Costs:**

**Revenue:**

This is not something that will increase revenue but more decrease. The demand for cards while its still there the demand over recent years may have fallen due to the introcution of features on mobile devices such as Apple pay. This allows people to store card information on their phone and even use their phone to pay for items at contactless till points. This means they have no use for a physical as since covid contactless till are virtually everywhere. Other establishments may not even use card and be cash only so again the use for a physical card is not needed therefore demand is lowered.

**Costs:**

As mentioned above as the planet moves to a greener and less polluted future the production of plastic will slow down as the CO2 emissions will be high during production.

**SWOT:**

Strengths -

Largest Market Share: The company has the largest share base in the United States as it operates on a global level.

Endorsements: Visa has many sponsored events such as Visa Newsroom, Olympics, the Paralympics, FIFA and events happening on a global level.

Weakness –

Risk & Hazards: Visa is highly exposed to risk and fraud as individuals can attempt to claim they are someone else online or may get access to another persons card.

Opportunities –

E-currency: There are many apps being introduced which allow people to send money around the globe to family members. This is an opportunity for visa as they could expand into this and create their own payment system or upgrade current software to allow this feature to a larger number of countries

Threats -

Competition – One main threat to Visa is the growing competition in the market. This is through companies like Mastercard and online payment providers such as PayPal.

**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:**

Political –

The uk leaving the EU (BREXIT) – Any effect of Brexit may be harmful to Visa’s business as a good chunk of their business/ payments processing was between the UK and other member countries of the EU. With the UK leaving this may impact Visa as less transactions take place between certain countries which will effect the long term agreements they had in place with the Union.

Economic –

Increase use of digital payments – As the world shifts to more technological and internet based there is less of a need for physical cash as many transactions are now completed electronically.

Social –

Demographics and skill level of the population

Technology –

Innovation – As the world becomes more technologically dependent the need for Visa to innovate their current processes and systems. This will improve the straightforwardness of making payments as levels of automation can be implemented.

Environment –

Attitudes toward and support for renewable energy – Before visa enters into new and existing markets they should look at the attitude of that market towards climate change and renewable energy as many major countries such as the UK look towards a greener future to try and undo some of the damage done by climate change certain markets and industries who once did not pay much attention to these factors may find it hard to operate with the change in public view of these matters.

Legal –

Anti money laundering/ Anti terrorist financing and sanctions – The increase use in technology has seen a rise in money related crimes being committed like money laundering as criminals attempt to place dirty money in financial systems and then make multiple electronic payments in an attempt to layer its origin point.

**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 overall competitiveness of the market environment that Visa Inc operate in is seeing a large rise over the recent years as more and more payments companies are now either growing or simply entering the market. As discussed above one main competitor of Visa is Mastercard. Mastercard's annual revenue for 2022 was $22.237B which then grew to $24.367B in revenue for the twelve months ending September 30, 2023 was $24.367B, a 12.62% increase year-over-year. While Visa’s annual revenue for 2023 is expected to be $32.653B, which is an 11.41% increase from 2022. Therefore Visa’s revenue is higher still but with growth like that Mastercard may not take very long to catch up and then others like PayPal will soon also possibly grow with new international payment processors like Remitly enter the market and are also seeing substantial growth rates.

**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.