**VISA INC**

**Introduction**

Visa Inc. (Visa), a part of the payment technology industry is a multinational provider of digital payment solutions for businesses, financial institutions, governments, and retailers. It promotes international e-commerce by using electronic funds transfers and information. Payment transactions are cleared, authorized, and settled over Visa's VisaNet transaction processing network. Mobile payments, payment cards, business payments, transaction processing services, merchant services, and other digital services are all included in its range of offerings. Africa, the Middle East, Asia-Pacific, and the Americas are all regions where the corporation conducts business. San Francisco, California, in the US, is where Visa is headquartered.

Visa Inc. competes with both Mastercard and American Express (Amex). These two companies are very close peers of Visa Inc. Mastercard’s main business is to process payments between the card-issuing bank, the cardholder, and the banks of merchants. Amex's main business is issuing credit cards, charge cards, and traveler’s cheques.

**Key Revenue and Cost Drivers**

The net revenues of the Company are primarily made up of the following categories: service revenues, data processing revenues, international transaction revenues, and other revenues, which are decreased by client incentives.

Service revenues are primarily comprised of revenues collected for services rendered in support of client use of Visa payment services. Revenues from assessments designed to support continuing acceptance and volume growth activities are also earned by the company and are recognized in the same period that the corresponding volume is transacted.

Data processing revenues are comprised of revenues received for authorization, clearing, settlement, value-added services, network access, and other maintenance and support services that permit transaction and information processing among the company's global clients. International transaction revenues are generated by cross-border transaction processing and currency conversion activities. Other sources of revenue include value-added services, license fees for using the Visa brand or technology, and fees for account holder services, certification, and licensing.

The company considers the following as the main cost drivers affecting net profit

Clients Incentives: Within client incentives, incentives are classed as revenue decreases, unless the incentive is a cash payment made in exchange for a specific good or service delivered by the customer, in which case the payment is classified as operational expense. The company enters into long-term contracts with financial institution clients, merchants, and strategic partners for a variety of programs that offer cash and other incentives to increase revenue by increasing payments volume, increasing Visa product acceptance, winning merchant routing transactions over to Visa's network, and driving innovation.

Marketing: The Company deducts advertising production expenditures as they are incurred. The cost of media advertising is deducted when the advertisement occurs. Sponsorship expenses are recognized over the time in which the Company benefits from the sponsorship rights. Promotional expenses are deducted as they are incurred, whether when the related services are obtained or when the related event happens.

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.

Incomes taxes: The income tax expense of the company is divided into two parts: current and deferred. Current income tax expense denotes taxes paid or payable for the current period. Deferred tax assets and liabilities are recorded to reflect future tax effects resulting from temporary discrepancies between the financial statement carrying amounts and respective tax basis of current assets and liabilities, as well as operational loss and credit carryforwards.

**Current Industry/Market Trends**

Beginning 2020, peer-to-peer (P2P), business-to-business (B2B), and business-to-consumer (B2C) transactions will all experienced an increase in digitization. Even as spending level has become normal post Covid-19, the world is still experiencing increase in digitization (Meaghan, 2022).

In-store retail is dominated by card payments. In 2021, US debit expenditure topped credit spending for the first time in 16 years as customers sought to reduce financial risk during the pandemic. Contactless demand is also fueling the growth of alternative and experiential payment methods such as Apple Pay, in-store buy now, pay later (BNPL), and click and collect.

By 2025, over 7 in 10 smartphone owners will be mobile P2P payment users, with the potential to onboard two untapped audiences: Gen Zers gaining spending power and security-minded consumers who have avoided digital payments due to safety concerns (Meaghan, 2022).

**SWOT Grid of Visa Inc.**

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| --- | --- |
| **STRENGTH*** Endorsement
* Largest market share
* Secure dossier centers
 | **WEAKNESS*** Abortive in integrating firms with many work abilities
* Probe and expansion
* High dependency rate
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| **OPPORTUNITIES*** E-currency
* New industry
* Upgrade in technology
 | **THREATS*** Global transactions
* Competing environments
* Less experienced workforce
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**Strength**

* Endorsements: Visa sponsors numerous events, including the Visa Newsroom, the Olympics, the Paralympics, FIFA, and global events.
* Largest market share: Due to its global operations, the company's share base is the largest in the US.
* Secure dossier centers: The centers for Visa's dossiers are extensively guarded against terrorism, natural disasters, and crime. It can manage 30,000 transactions running simultaneously and 100 billion calculations per second. Every transaction is scrutinized against 500 variables, including about 100 fraud detection parameters such as location, merchant location, and client spending pattern.

**Weakness**

* Abortive in integrating firms with many work abilities: Visa is not very successful at integrating firms with many work skills, and they are unable to focus on many things at once, so they are unable to react to terms and conditions based on the demands of the company, and this is why they only handle what they are good at.
* Probe and expansion: Investment in research and development is less, as seen by the continued rise of financial industry players. Despite spending a fortune on research and expansion, Visa lags behind its competitors when it comes to innovation.
* High dependency rate: Visa is heavily reliant on contractual partnerships with large clients. It has a vast client base from virtually all over the world, hence it is reliant on these individuals to execute that work owing to a solid relationship with their clientele.

**Opportunities**

* E-currency: Visa has seen a significant increase in the use of digital currency on a global scale. Customers can effortlessly conduct financial transactions by transferring money to relatives living overseas from anywhere in the world.
* New industry: Because of government concessions, Visa opens up new markets in the business. This aided Visa in adopting new high-tech standards as well as government free trade agreements. Visa established itself as an emerging market participant by entering the market and marketing its product line.
* Upgrade in technology: Visa's new technology makes it easier to implement a distinguished pricing strategy in the new market. It can keep its current clients by providing excellent service and attract new ones by offering value-added services.

**Threats**

* Global transaction: Because Visa is used all over the world, it is subject to currency fluctuations. Because different countries use different currencies, these changes occur because the price varies from country to country.
* Competing environments: Its main competitors are Mastercard and digital payment businesses such as PayPal, which are also the most established corporations in the current market. Thus Visa has to make its USP if they want to survive in the market (Aditya, 2021).

**PESTEL Analysis**

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| --- | --- |
| **POLITICAL*** Government intervention and imposed restriction on payment
* UK’s withdrawal from the EU
 | **ECONOMICAL*** Increase in use of digital payments
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| **SOCIAL*** Launch of Visa Foundation
 | **TECHNOLOGICAL*** Transformation of VisNet into flexible payment platform.
* Announcement of biometric based credit cards.
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| **LEGAL*** Antitrust and Competition Law Compliance
* Anti-money laundering, anti-terrorist financing, and sanctions
 | **ENVIRONMENTAL*** Minimizing the environmental footprint of our payments ecosystem
* Invest in LEED-based building design
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**Political**

* Government intervention and imposed restrictions: By enforcing market access restrictions and domestic legislation, the government protects domestic payment card networks and brands against foreign competition. These laws and rules limit the effectiveness of global payment networks while also having an impact on market competition.
* UK’s withdrawal from EU: The UK's exit from the EU (Brexit) was approved by people there in 2016. The Article 50 procedure of the Treaty of the European Union was launched by the UK government in March 2017. This gave the UK and other EU member states two years to negotiate the terms and conditions of the separation. UK's departure from the EU could cause political and economic indecisions in the UK and the rest of Europe.

**Economical**

* Increase in use of digital payments: With the substitution of cash for digital, the need for digital payment platforms is expanding as the globe becomes digital. Merchants have profited from the substitution by lowering theft and expanding revenue-generating services.

**Social**

* Launch of Visa Foundation: Visa Foundation seek to support inclusive economies where individuals, businesses and communities can thrive. As reported in their annual report, 2022, Visa committed $15.5 million in grant funding and $35.5 million in impact investment to support gender diverse and inclusive small businesses globally.

**Technological**

* Transformation of VisNet into flexible payment platform: VisaNet makes it possible for more people, businesses, and governments to take advantage of secure digital payments. Flexible payment network assist businesses in developing bespoke solutions for their consumers.
* Announcement of biometric based credit cards: Visa has established a test program for a new dual-interface (chip- and contactless-enabled) biometric payment card with Mountain America Credit Union and Bank of Cyprus. The card will put fingerprint recognition to the test as an alternative to PIN or signature authentication during a transaction.

**Legal**

* Antitrust and Competition Law Compliance: In 2021, the United States Justice Department is investigated financial services giant Visa for possible anticompetitive and antitrust crime. Visa was investigated for antitrust violations related to claims of the business charging a higher merchant charge (Consider the Consumer, 2021).
* Anti-money laundering, anti-terrorist financing, and sanctions: In the policy statement of Visa Inc., Visa shall maintain a global AML/ATF and sanctions policy and implementing procedures (also known collectively as the “Program”) reasonably designed, within the context of applicable laws and regulations, to prevent its network, initiatives, businesses, products and services from being used to facilitate money laundering or the financing of terrorist activities and to ensure compliance with applicable sanctions and export controls.

**Environmental**

* Minimizing the environmental footprint of our payments ecosystem: Eco Benefits is a collection of sustainability-focused products designed to assist Visa cardholders better understand the environmental effect of their daily payments. From users’ bank's website or app, they may evaluate the carbon impact of their Visa transactions and access alternatives for carbon offsetting or charity donations.
* Invest in LEED-based building design: Through efforts such as the US Green Building Council's Leadership in Energy and Environmental Design (LEED) program, Visa has obtained multiple environmental certifications for its sites. As of 2017, an estimated 67% of Visa's global square area was certified for environmental attributes.

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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