**Market Research for Visa Inc.**

1. **Industry Identification:**

Visa Inc. operates within the financial services industry, specifically in the payment processing and electronic funds transfer sector. It is a global leader in providing secure, efficient, and convenient payment solutions.

1. **Peers:**

Below are two other companies within the financial services sector that could be deemed as peers for Visa Inc.

* 1. **Mastercard Inc.**

Mastercard is one of Visa’s main competitors in the payment and processing industry. This company offers consumers credit, debit, and prepaid card services, as well as payment technology solutions.

* 1. **American Express Company (AMEX)**

The American Express Company, also known by the abbreviation AMEX, is another big competitor of Visa’s. AMEX focuses on credit card, charge card, and traveller’s cheque services. It also provides travel and financial services to individuals and businesses.

1. **Substitutes and New Markets:**

Nowadays, there are other ways or substitutes to the traditional methods for making card payments. Some of the substitutes include mobile payment platforms like PayPal and Apple Pay. These platforms enable users to make payments using their personal digital devices. However, regardless of these new developments, there is still plenty of new opportunities for Visa Inc. to grow in emerging and upcoming economies around the world. This is a great example of some of the new markets available for Visa to capitalise on.

1. **Key Revenue and Cost Drivers:**
	1. **Key Revenue Drivers:**
* The number of transactions processed through Visa’s network, otherwise known as transaction volume, directly impacts its revenue. This is because the company earns a fee per transaction.
* Fees from international transactions, otherwise known as cross-border transactions, are another source of revenue for Visa.
* Visa also regularly profits from Interchange fees. These are fees that are charged to merchants for accepting Visa payments and constitute a significant revenue stream.
	1. **Key Cost Drivers:**
* Costs related to marketing campaigns and partnerships that promote the use of Visa cards and services also have a significant impact on the company’s overall cost.
	+ - Maintaining Visa’s infrastructure and its payment processing function are another is another key cost driver for the company.
		- Costs associated with adhering to financial regulations and data security standards are also to be considered among this list.

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.

1. **Current Industry Trends:**
	1. **Current Revenue Trends:**
* There is a noticeable shift towards the preference of digital payments, especially post COVID. As this trend continues Visa’s revenue growth also increases as more customers embrace online and mobile payment methods.
	1. **Current Cost Trends**
* Over the years, the threats to cyber and data security have increased, making it necessary for companies like Visa to make significant investments in user data protection methods.
* In addition to this, it is important for Visa to invest money into research and innovation strategies to ensure that its technology remains competitive and up to date with customer demands.
1. **SWOT Analysis for Visa Inc.:**

|  |
| --- |
| **Strengths** |
|  Global presence |
| Strong brand |
| Extensive network |
| Innovation |
| Strong financial performance |

|  |
| --- |
| **Weaknesses** |
| Dependence on partners for distribution |
| Vulnerability to cybersecurity threats |
| Potential regulatory challenges |
| Reliance on traditional payment infrastructure |
| Limited control over external factors |

|  |
| --- |
| **Opportunities** |
| Emerging markets |
| Fintech collaborations |
| Contactless payments growth |
| E-commerce expansion |
| Increasing digital adoption |

|  |
| --- |
| **Threats** |
| Intense competition |
| Regulatory changes |
| Technology disruption |
| Economic downturns |
| Shift towards alternative payment methods |

**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

1. **PESTEL Analysis for the Industry:**

|  |
| --- |
| **Political** |
| Regulatory changes in different countries affecting payment systems |

|  |
| --- |
| **Economic** |
| Exchange rates impacting cross-border transactions and consumer spending |

|  |
| --- |
| **Sociocultural** |
| Changing consumer preferences towards digital and contactless payments |

|  |
| --- |
| **Technological** |
| Rapid advancements in payment technologies and cybersecurity threats |

|  |
| --- |
| **Environmental** |
| Growing emphasis on sustainable and green practices |

|  |
| --- |
| **Legal** |
| Evolving data privacy and security regulations |

 **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

1. **Competitive Environmental Analysis:**
	1. **Performance Evaluation**

Visa has a history of demonstrating a strong performance within the payment processing industry and has maintained a dominant position globally. The strength of Visa’s market performance can is highlighted through the following points: through their market share, transaction volume, financial metrics, global reach and customer satisfaction.

* **Market Share**: Market share is the portion of a market controlled by a particular product or company. Visa has consistently maintained a substantial market share in the virtual payment industry. This is a show to the company’s dominance in the markets and suggests that Visa is the preferred choice when it comes to making digital payments. (Hayes, 2022)
* **Transaction Volume**: Transaction volume is the total number of transactions processed by a company per year. Visa’s high transaction volume is a testament to its success. Its ability to efficiently handle such high volume highlights its competency in technological infrastructure and operational capabilities. (midigator.com, n.d.)
* **Financial Metrics**: Financial metrics are a measure pf a company’s financial performance, health and stability. Visa’s financial performance and health is generally quite strong, evidence that could be backed up through the company’s ratio analysis. Strong financial metrics indicate the company’s competency with generating profits and mitigating cost. (Klipfolio, n.d.)
* **Global Reach:** Global reach is a measure of a company’s international performance. Visa has efficiently set up a payment network that spans most developed countries in the world. The global reach of Visa makes it a pivotal product to companies and individuals that depend on international payment solutions.
* **Customer Satisfaction:** Visa Inc. has a high level of customer satisfaction, which reflects the company’s an ability to deliver exemplary services to its customers. High customer satisfaction, and positive customer feedback work join to create a positive brand image for Visa as well as its repeated usage. This also acts as a green flag for prospective customers.
	1. **Key Strategies**

Visa’s employs various strategies to maintain its competitive advantage while adapting to the ever-changing market climates. Visa’s investments in research and innovation, partnerships, global expansion, security and compliance, a customer-centric approach to running its business, marketing and branding, acquisition and investments have significantly contributed to the company’s overall success and dominance in then digital payment industry.

* **Research and Innovation**: By investing in implementing new technologies as well as funding research into new developments for the company, Visa can stay ahead in the market and continue to meet customer’s expectations.
* **Partnerships**: Working with other financial institutions, merchants, and technology providers enhances Visa’s overall business and broadens the number of services it can offer to consumers.
* **Global Expansion**: As mentioned formerly, global expansion or global reach enhances its value proposition for businesses and consumers seeking international payment solutions. Global expansion also ensures that the company can remain as the main choice of digital payment methods for growing economies.
* **Security and Compliance**: As a company that handles huge financial transaction volume daily, it is imperative for Visa to maintain a high-level business and customer security as well as compliance to jurisdiction and data management protocols. This ensures customers trust the service offered and are comfortable investing in it.
* **Customer-Centric Approach**: By tailoring the business to fit the evolving consumer need and upholding the sentiment of putting customers first, Visa can remain a relevant and valuable company.
* **Marketing and Branding**: Having a strong brand image is another way in which Visa can attract new customers.
* **Acquisitions and Investments**: Visa is able to enhance what it offers to its consumers by strategically investing in companies that align with its business.

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.

# References:

*Hayes, A. (2022, August 23). Market Share: What It Is and the Formula for Calculating It. Retrieved from Investopedia : https://www.investopedia.com/terms/m/marketshare.asp*

*Klipfolio. (n.d.). What are Financial Metrics. Retrieved from Klipfolio: https://www.klipfolio.com/resources/kpi-examples/financial#:~:text=Financial%20metrics%20are%20used%20to,statement%2C%20and%20cash%20flow%20statement.*

*midigator.com. (n.d.). Average Monthly Transaction Volume. Retrieved from MiDiGATOR: https://midigator.com/glossary/average-monthly-transaction-volume/#:~:text=A%20merchant%27s%20average%20monthly%20transaction,asked%20to%20provide%20an%20estimate.*