Market Research Report for Visa Inc.

Industry Identification:

Visa Inc. operates in the financial services industry, specifically in the payments and transaction processing sector. It provides a global network that facilitates electronic funds transfers, primarily through its Visa-branded credit and debit cards.

Close Peers:

1. Mastercard Inc. : Mastercard is one of Visa's closest peers, operating in the same industry, providing payment processing services, and maintaining a global presence.

2. American Express Company : American Express, often referred to as Amex, is another peer in the financial services sector. While it offers credit and charge card services similar to Visa and Mastercard, it also has a proprietary card network.

Substitutes and New Markets:

- Digital Payment Platforms : Substitutes for traditional card-based payments are emerging, including digital wallets like Apple Pay, Google Pay, and PayPal. These platforms offer convenient alternatives for consumers.

- Cryptocurrencies : As a potential disruptor, cryptocurrencies like Bitcoin and Ethereum could challenge traditional payment systems by offering decentralized, digital alternatives.

- Expanding into Emerging Markets : Visa and its peers are exploring opportunities in emerging markets where digital payments are growing rapidly, offering new markets for expansion.

Key Revenue and Cost Drivers:

Revenue Drivers:

1. Transaction Volume : Visa generates revenue from transaction fees, making transaction volume a crucial driver of income.

2. Card Issuance and Licensing Fees : Income also comes from fees charged to financial institutions for issuing Visa-branded cards.

3. Cross-Border Transactions : Visa earns higher fees for cross-border transactions, making international commerce an essential revenue driver.

Cost Drivers:

1. Technology and Infrastructure Costs : Maintaining a secure and efficient payment network requires significant technology investments.

2. Compliance and Regulatory Costs : The financial industry faces complex regulatory requirements, resulting in compliance-related expenditures.

3. Marketing and Promotion : Costs related to marketing and promoting Visa products and services.

Current Industry Trends :

- Contactless Payments : The COVID-19 pandemic accelerated the adoption of contactless payments, with consumers and businesses preferring touchless transactions for safety reasons.

- E-commerce Boom : The growth of online shopping has driven increased transaction volumes, benefiting payment processors like Visa.

- Cryptocurrency Exploration : The financial industry is closely monitoring the potential of cryptocurrencies and blockchain technology for future payment solutions.

SWOT Analysis :

Strengths

* Global Presence
* Brand Recognition
* Extensive Network
* Strong Financials

Opportunities

* Expansion in Emerging Markets
* Fintech Partnerships
* Contactless Payments

Threats

* Regulatory Changes
* Cybersecurity Risks
* Cryptocurrency Disruption

Weaknesses

* Regulatory Scrutiny
* Dependence on Banks
* Competitive Threats
* Currency Fluctuations

**Strengths**

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 Analysis

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| --- | --- |
| **Political** | **Economic** |
| Regulatory compliance | Economic Cycles |
| Cross- Border Regulations | Exchange Rates |
| **Social** | **Technological** |
| Changing Consumer preferences | Technological Advancements |
| Contactless Payment Adoption | Blockchain Technology |
| **Environmental** | **Legal** |
| Sustainable Practices | Data Privacy Laws |

**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

Competitive Environment Analysis:

Visa, Mastercard, and American Express compete in a highly concentrated industry. Key strategies include:

- Expanding Digital Footprint: All three companies are investing in digital payment solutions and expanding into new markets.

- Partnerships: Collaborations with fintech companies to enhance services and reach a broader customer base.

- Regulatory Compliance: Navigating evolving regulations and ensuring data security is a top priority.

- Innovation: Investing in technology and innovation to provide enhanced payment experiences.

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.

\*Sources:\*

- Visa Inc. Annual Reports

- Mastercard Inc. Annual Reports

- American Express Company Annual Reports

- Industry Research Reports

- News Reports