**Market Research Report**

**Introduction**

Visa Inc is one of the worlds most valuable companies with a market capitalization of $471.51B and a stock price of $231.27. This makes Visa the most competitive company within the financial service market of payment processing.

Visa is the current leader within their market managing to stay ahead of its two closest rivals with Mastercard and American Express both also exhibiting a large global presence within the sector.

One such way in which Visa is innovating and staying ahead of the opposition would be their advancement into the artificial intelligence sector. This has included Visa carefully selecting various companies within this sector to invest and support. The total for this plan, called Generative AI Ventures, has reached $100M so far in 2023. This is the next step for Visa when planning how the economy will conduct transactions with the ever-growing online presence and AI functionality. This commitment towards the development of AI within transactions is what has led Visa to be the pioneers in the industry since 1993 and has led to the countless opportunities within the emerging market.

A close substitute for a consumer wishing the process payments would by using a debit card. This option, provided by most banks within the payment processing sector, allows a user to call upon already earned savings to make payments without the use of cash. The identical payment card and transaction method make for a very close substitute for users and more incline towards a lower rated credit score or younger individual without the resources in which to support a credit card.

**Revenue and Cost Drivers**

Revenue drivers:

* Data Processing
* Greatest portion of Visa’s revenue.
* Services for financial merchants.
* Services
* The second largest source of income.
* Involves payments for the use of a Visa card.
* International Transaction
* Overseas payments and payments through foreign currencies

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.

One trend that is growing within the market would be the contracted agreements between companies such as Netflix with Payment processors to recruit new customers onto payment subscriptions. This has led to an increase within the market of 111B to 124B for total number of processed transactions. This can also be seen through the agreement between Visa and Paypal.

A service trend that has seen a 13% rise for 2018 in payment volume growth would be the increasing number of consumers using digital transaction. This trend is expected to multiply for the foreseeable future.

Finally, many companies within the sector are competing for foreign markets as overseas transactions makes up for a considerable amount of the industry. This can be seen through Visa and their application for a Chinese payment license.

**Cost Drivers**

* International Fees
* Averaging out at 2.2% processing fee.
* Operating Expenses
* Acquisitions
* Takeovers of other firms such as Plaid, for $5.3B
* R&D
* Fraud Prevention
* Security of payment networks.

One market trend for Visas cost drivers would be its research and development which has seen significant increases in budgets from Visa and competitors. This is evident in the race to achieve dominance within the AI market.

Another trend would be the rise of acquisitions within the sector with many firms looking to takeover companies that use payment processing systems.

**SWOT Grid**

**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 Grid**

**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 and Peers**

The credit card and payment processing market are a highly competitive global market that is only ever increasing in competition due to the rise of digital banking and E-commerce. Alongside these emerging markets is the constant investment into innovation and the abundance of new firms entering the market and keeping the prices competitive. The many different options that consumers have when deciding how they would like to process a payment is countless and makes for a very customer favouring market.

One such competitor that has outlined a key strategic business plan would be Mastercard. Mastercard highlights its focus on its multi-platform usage. This strategy has successfully managed to make Mastercard the main sponsor of many sporting events across the world.

Another differing strategy that is used by a top competitor of Visa would be that of J.P. Morgan and their heavy focus on liquidity and Investment Banking. This makes for a highly competitive firm as they are very appealing to investors due to their highly liquid assets and capital. They also come across as a very viable option for potential clients through their dynamic approach to meeting cliental demands.

**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.