**Market Research Report: Visa Inc., By Mohammed**

**Visa Inc.** operates in the **Financial Services Industry**, specifically in electronic funds transfers and payment processing.

**Close Competitors**

1. **Mastercard Incorporated -** Mastercard is a global financial services company that operates similarly to Visa, providing payment processing services, including credit, debit, and prepaid card transactions.
2. **American Express Company -** American Express (Amex) is another major player in the financial services sector, offering a range of products including credit cards, charge cards, and traveler's checks.

**Substitute markets for Visa Inc.,**

1. **Cryptocurrencies and Digital Wallets** – cryptocurrencies like Bitcoin and Ethereum could serve as substitutes for traditional payment methods like credit and debit cards as they have gained popularity and digital wallets become more prevalent.
2. **Contactless Payment Solutions -** Contactless payment methods, such as NFC (Near Field Communication) technology, allow consumers to make payments quickly and securely by simply tapping their cards or devices on payment terminals.

**New Markets for Visa Inc.,**

**Emerging Economies -** Visa could expand its operations into emerging economies (regions in Africa, Asia, and Latin America) where electronic payment adoption is growing rapidly due to increased smartphone penetration and improving internet connectivity.

**Cross-Border Payments -** As globalization continues, businesses and individuals frequently need to transfer money across international borders**, t**here is potential for Visa to further explore and expand its services in the cross-border payments market.

**Comparison of Key Revenue Drivers Across Visa Inc., and its Close Competitors.**

|  |  |  |  |
| --- | --- | --- | --- |
| Key Revenue Drivers (FY 2022) | Visa | Mastercard | American Exp |
| Payments Volume ($B) | 10,894 | 5,975 | 1,274 | |
| Total Volume ($B) | 13,508 | 7,723 | 1,284 | |
| Total Transactions (B) | 244 | 140 | 9 | |
| Cards (M) | 3,936 | 2,579 | 122 | |

* Visa is performing creditably well in all aspects of the key revenue drivers with payment volume ($10,894B) almost twice as much as its closest competitor, Mastercard ($5,975B) for 2022.

**Visa Inc., Revenue Performance, and trends**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Revenue Items | 2022 | 2021 | 2020 | Change 2022 | Change 2021 |
| Service revenues | $ 13,361 | $ 11,475 | $ 9,804 | 16 % | 17 % |
| Data processing revenues | 14,438 | 12,792 | 10,975 | 13 % | 17 % |
| International transaction revenues | 9,815 | 6,530 | 6,299 | 50 % | 4 % |
| Other revenues | 1,991 | 1,675 | 1,432 | 19 % | 17 % |
| Client incentives | (10,295) | (8,367) | (6,664) | 23 % | 26 % |
| Net revenues | $ 29,310 | $ 24,105 | $ 21,846 | 22 % | 10 % |

* Most of the revenue streams in 2022 have marginally reduced declined in percentage terms from the previous year growth rates except international transaction revenues and other revenues items.

**Trends Analysis of Cost Drivers of Visa Inc.,**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cost Drivers | 2022 | 2021 | 2020 | Change 2022 | Change 2021 |
| Personnel | $ 4,990 | $ 4,240 | $ 3,785 | 18 % | 12 % |
| Marketing | 1,336 | 1,136 | 971 | 18% | 17% |
| Network and processing | 743 | 730 | 727 | 2% | 0% |
| Professional fees | 505 | 403 | 408 | 25% | (1%) |
| Depreciation and amortization | 861 | 804 | 767 | 7% | 5% |
| General and administrative | 1,194 | 985 | 1,096 | 21 % | (10 %) |
| Litigation provision | 868 | 3 | 11 | - | (76 %) |
| Total operating expenses (2) | $ 10,497 | $ 8,301 | $ 7,765 | 26 % | 7 % |

The major cost driver/item of Visa Inc., balance sheet is the personnel cost driver contributing more than 40% of the entire costs with the cost driver being professional fees.

In terms of trends over the years, almost every cost driver increased substantially from the previous year’s growth rate. Highest being G&A rising from -10% in 2021 to 21% in 2022 followed by professional fees increasing from -1% in 2021 to 25% in 2022.

**SWOT ANALYSIS OF VISA INC.**

**Strengths**

* **Global Brand Recognition** - most recognized and trusted brands in the financial services industry (competitive advantage).
* **Large Network -** vast network of merchants, financial institutions, and cardholders (widespread acceptance and usage of its payment products).
* **Innovation -** has a history of innovation in payment technologies (adapting to changing consumer preferences and technological advancements).
* **Secure Infrastructure -** robust security measures and fraud prevention technologies (reputation for safe and secure transactions).

**Weaknesses**

* **Dependence on Economic Conditions -** revenue closely tied to consumer spending patterns (susceptible to economic downturns).
* **Regulatory Scrutiny -** strict regulations in the financial industry (complex compliance requirements in different jurisdictions).
* **Competition - i**ntense competition from other payment processors and emerging technologies could impact Visa's market share.

**Opportunities**

* **Digital Payments Growth -** shift towards digital and mobile payments (opportunity to offer new services and capture a larger share of the growing digital payment market).
* **Global Expansion -** Entering new markets and regions (emerging economies to tap into previously untapped customer bases).
* **Cross-Border Transactions -** Enhancing cross-border payment services could address the increasing demand for efficient and cost-effective international money transfers.

**Threats**

* **Disruptive Technologies -** Technological advancements like blockchain and cryptocurrencies could potentially disrupt traditional payment systems.
* **Data Security Concerns - D**ata breaches are becoming more sophisticated (challenge of maintaining customer trust and protecting sensitive information).
* **Changing Consumer Preferences -** Evolving consumer preferences and behaviors may lead to shifts away from traditional payment methods, impacting Visa's revenue streams.

**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 OF VISA INC.,**

**Political Factors**

* **Regulation and Compliance -** Financial services are heavily regulated by governments to ensure stability, transparency, and consumer protection. Changes in regulations can impact the industry's operations and business models.
* **Data Privacy Laws -** Increasing focus on data privacy and protection requires companies like Visa to adhere to stringent regulations for handling customer data.

**Economic Factors**

* **Consumer Spending -** Economic conditions and consumer sentiment directly influence spending patterns, which in turn affect the volume of transactions and revenues for payment processing companies.
* **Interest Rates -** Changes in interest rates can impact borrowing costs for both consumers and businesses, affecting their willingness to use credit and make purchases.

**Social Factors**

* **Technology Adoption -** Consumer preferences for convenient and secure payment methods drive the adoption of electronic and mobile payment solutions, shaping the industry's direction.
* **Demographic Shifts** - Changes in population demographics, such as the rise of the tech-savvy younger generation, influence payment preferences and methods.

**Technological Factors**

* **Innovation -**Rapid advancements in technology, including mobile devices, contactless payments, and blockchain, shape the industry's landscape, requiring companies like Visa to continuously innovate.
* **Cybersecurity -** As the industry relies on digital platforms, maintaining robust cybersecurity measures to prevent data breaches and fraud is crucial.

**Environmental Factors**

* **Sustainability -** Increasing awareness of environmental issues may drive demand for eco-friendly payment solutions and influence industry practices in terms of sustainability and corporate responsibility.

**Legal Factors**

* **Antitrust and Competition Laws -** Regulations related to fair competition and antitrust laws impact how payment processors operate and compete in the market.
* **International Trade Agreements -**Cross-border payments can be influenced by international trade agreements and treaties, affecting the movement of funds and transactions.
* **Ethical Practices -** Increasing emphasis on ethical business practices and social responsibility can influence industry participants' reputation and customer loyalty.
* **Financial Inclusion -** Ensuring equitable access to financial services and payment systems is an important ethical consideration that can influence industry developments.

**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 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.

NOTE: ALL FINANCIAL FIGURES USED FOR ANALYSIS ARE AS OF THE YEAR ENDING 30th SEPTEMBER, 2022.

References

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