**Visa Inc.**

Visa is a global leader, that operates in the financial services industry. They offer secure payment technology to connect consumers, business, banks and governments, allowing them to use digital currencies over cash and cheques. This industry is driven by technological and payment systems innovation. Vis’s strategy is based on accelerating the revenue growth in consumer payments, new flows and value-added services.

Mastercard (MA) and American Express (AXP) are two prominent peers of Visa Inc. within the competitive landscape of the global financial services industry. Like Visa, both companies operate in the payment technology sector, providing a range of credit card and payment processing services. MA, with its extensive network, competes head-to-head with Visa in facilitating secure and efficient electronic transactions worldwide. AXP, on the other hand, offers premium card services and operates its own payment network. Together, these three compete for market share and innovation in an industry that continues to evolve rapidly in response to changing consumer preferences and emerging technologies.

Mastercard, Visa's primary competitor, has consistently exhibited strong financial performance. It focuses on diversifying its portfolio with a wide range of payment services and strategic acquisitions. Mastercard's emphasis on digital payments and partnerships with fintech companies has contributed to its growth.

Visa Inc. continues to experience significant growth, yet there remain untapped market opportunities that should be explored. The realm of payment options is vast, encompassing conventional methods like cash, checks, and wire transfers, as well as an array of electronic payment solutions. The ever-advancing landscape of technology developed alternative payment methods, including cryptocurrencies and blockchain-based systems. These emerging options have the potential to challenge Visa's traditional payment solutions, serving as viable substitute for those seeking innovative and decentralized means of conducting financial transactions.

Although Visa operates in over 200 countries, places like UAE, Venezuela and Libya are yet to be operated in, and provide markets that they may invest within. This potential will help contribute to maintaining market share. Real-time Payment (RTP) Networks have been developed in multiple markets and gives rise to opportunity for Visa to partner with for value added services.

The revenue generated by Visa Inc. is sectioned into 4 primary segments: Services, Data Processing, International Transactions and Other.

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.

* Services consists of services provided to support clients in the usage of Visa’s payment services. This counts for 34% of total gross revenue down from previous years but has grown by 16% from FY21 to FY22.
* Data Processing includes revenue generated from the company's clearing, settlement, authorization, value-added, network access, and other similar services. This counted for around 36% of revenue FY22 and has grown by 13% from last year.
* International transaction is a key growing area of Visa’s revenue and is generated from cross-border transaction processing and currency conversion. In FY22 this counted towards 25% of revenue and has grown by 50% vs FY21.
* Other revenue consists of revenue earned from license fees, value-added services, account holder services, certification, and more. This is the segments that generates the least proportion of revenue at 5% in FY22, although it has grown by 19% vs FY21.

Visa Inc reports its’ revenue between US and International. The International revenue has been a growing portion of Visa’s revenue and has a 56% of revenue in FY22. This can be seen as result of acquisitions of Tint AB and Currencycloud, in Europe and UK respectively.

* Main cost relates to personnel exposes, which has increased due to high number of employees, reflecting the strategy to invest in growth and acquisitions. In FY22 this was 13% of gross revenue.
* The marketing expenses was 3% of revenue, and increased by 18% vs FY21 due to higher spending on World Cup, Olympics and Paralympics in 2022

Industry and Market trends

Over the last decade, there has been a large growth and demand towards digital payments and e-commerce. This increase has led to more revenue generated from processing fees and cross-border transactions. The use of contactless payments has also enabled more revenue to be generated from value-added services.

There has been large investment and collaboration into FinTech companies, to provide innovative payment solution and revenue growth opportunities.

SWOT Analysis

|  |  |
| --- | --- |
| Strength | Weaknesses |
| * Leading operator for digital transactions * Engages in strategic partnerships. * Has global presence, with large brand recognition. * Caters to a diverse range of customers. * Low credit risk, with strong cash flows. | * Operates in a heavily regulated environment. * Relies on banks and FI’s for card issuance. * Intense competition from emerging FinTech companies. * Reliant on contractual relationships. |
| Opportunities | Threats |
| * Expand more into emerging markets. * Partner up with FinTech companies. * Explore the Cryptocurrency and blockchain, which may provide security benefits. * Large shift from cash to digital transactions. | * Economic recession can lead to decreased consumer consumption. * Pressure from competition to lead to pricing wars, decaying profit margins. * Regulatory changes can increase compliance costs and effect operations. * Cybersecurity threats. |

**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

PESTLE

|  |  |
| --- | --- |
| Political | Economical |
| * Government intervention, imposing restrictions * UK to leave EU, affecting data privacy laws (GDPR) | * Recession or economic downturn can affect transaction volume. * Currency exchange rates can impact financial results. * Increase in use of digital payments. |
| Social | Technological |
| * Promoting financial inclusion. * Adjusting products for consumer preferences. | * Advancement in technology, Blockchain and Crypto. * Cybersecurity threats. |
| Legal | Environmental |
| * Antitrust and competition law compliance * Anti-Money laundering, Anti-terrorist financing | * Minimizing environmental footprint * Promoting awareness to ESG and sustainability |

**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

<https://annualreport.visa.com/financials/default.aspx>

<https://www.visa.co.uk/about-visa.html>

<https://s29.q4cdn.com/385744025/files/doc_downloads/2022/Visa-Inc-Fiscal-2022-Annual-Report.pdf>

<https://www.globaldata.com/company-profile/visa-inc/competitors/>

<https://www.investopedia.com/how-visa-makes-money-4799098>

<https://www.hivelr.com/2023/02/visa-inc-v-porters-five-forces-industry-and-competition-analysis/>

<https://help.globalfy.com/hc/en-us/articles/11089096323483-In-which-countries-does-my-Visa-Debit-Card-do-not-work->

<https://s25.q4cdn.com/479285134/files/doc_financials/2022/AR/MA.12.31.2022-10-K-as-filed.pdf>