**Visa Inc. Report**

**Industry and Peers**

In this task, I will conduct a market research report for Visa Inc. It is a multinational financial services company that facilitates digital fund transfers around the world and aims to help businesses and individuals make digital payments to one another.

The company operates in the digital payment technology industry. While Visa Inc. does not provide debit or credit cards or set interest rates for customers, they simply allow digital payments with the use of their infrastructure. It is quite a competitive industry with a lot of well-known firms competing in it. Moreover, it is complex due to the vast number of processes and regulations put in place in order to ensure secure and efficient transactions have taken place without any significant data leaks (Stripe, 2023). One of their peers, Mastercard is considered a direct rival of Visa, they have a global presence, operate within the same industry, and allow secure digital payments between businesses, individuals, and financial institutions. Another peer, PayPal, is a significant firm in the digital payment market. While they operate slightly differently in relation to the services provided, such as the offerings of digital wallets and peer-to-peer transfers, it is still widely used to conduct online payments between different business and institutions.

**Substitutes and New Markets**

The digital payments industry is constantly changing due to the emergence of new payment methods and new technologies, this has later contributed to companies such as Visa and Mastercard playing a significant role in the industry, there have also been new mergers and acquisitions which saw firms adapt to new customer preferences (Varone, 2020).

In today’s world, we see new substitutes and new markets come into place and are still constantly evolving. A study shows that digital payments have been steadily growing since 2020 mainly due to how the global pandemic accelerated this trend, the European e-commerce market was estimated at $465 billion in 2021, which was 30% more than pre-pandemic. In addition to that, cards in 2021 were estimated to represent 41% of e-commerce payments, however, this is expected to fall to 33% by 2026, digital wallets are estimated to represent 27% of payments in 2021 and are predicted to rise to 31% in 2026 (True Layer, 2023).

In recent years, we saw the rise of Cryptocurrencies and Blockchain Technology, this has seen a new market with an already-used substitute for traditional payment methods, and many firms have started accepting currencies such as Bitcoin and Ethereum as payment methods. Moreover, we have seen new payment methods without the need for credit or debit cards which mainly involve digital wallets, including Apple Pay, Google Pay, Samsung Pay and Cash App, where all these substitutes involve contactless payments, and their popularity increases by the day.

Other new markets have occurred such as the focus on using technology to improve the infrastructure for international transactions in order to reduce the costs associated with that, in addition, we are seeing the emergence of biometric payments, which we already see for example when using Apple Pay where facial recognition is needed before a transaction takes place, this market aims to provide a safe space for institutions and individuals to conduct transactions safely.

**Revenue and Cost Drivers**

Moving on, this section will discuss the main revenue and cost drivers associated with Visa Inc. Firstly, Visa’s net revenue for 2022 amounted to $29.3 billion, which mainly consisted of services, data processing, international transactions, and other revenues. According to (Visa Annual Report, 2023), their revenue drivers consist of consumer payments, new flows, and value-added services. Regarding consumer payments, their core drivers include credit, debit, and prepaid transactions, Visa earns revenue by charging transaction fees and the more transactions, the higher the revenue is, they have also transformed the payments ecosystem with tap-to-pay transactions. In regard to new flows, Visa have improved its technologies to promote easier payment flows between P2P, B2C, B2B, B2b and G2C, this therefore leads to higher transactions and more revenue streams. Finally, their value-added services, where cardholders can participate in reward programs or purchase travel insurance which returns revenue.

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.

Regarding cost drivers, these include maintenance and technology costs for maintaining network for the payment processing, moreover, Visa has to pay compliance costs as it operates in a highly regulated environment. Like any regular business, marketing is key for success and Visa has to invest in that to attract new users for their products and services. Lastly, R&D costs are essential in developing new technologies to keep up with technological advancements and remain competitive. Some market trends have occurred in relation to revenue drivers where there has been an increase in digital payment use and cross-border transactions, in addition to Crypto and Blockchain integration where Visa will have to explore this market and keep up with it as the latest trend, this is an opportunity to boost revenue even more. In regard to cost drivers, there is a high risk of cyber-attacks, and so a lot of cybersecurity investments have to take place to counter that.

**SWOT of Visa**

|  |  |
| --- | --- |
| Strengths  - An established global presence which increases customer base.  - A strong payment infrastructure which ensures safe transactions take place.  - They provide a lot of different ways to pay, which include credit, debit, and prepaid card payments.  - Efficient marketing, ex. Promotions in huge sporting events.  - Innovation with the latest trends. | Weaknesses  - Visa relies on partnerships with banks, and any disruptions could affect them.  - Visa faces high operation costs due to spending on R&D costs and marketing costs. |
| Opportunities  - Increasing number of banks which is an opportunity for more partnerships, global expansions and increasing revenues.  - Increasing trend for contactless payments, Visa can capitalize on this.  - New opportunities have arisen in the cryptocurrency market and the integration of blockchain technology. | **Threats**  - Political issues such as the Russia – Ukraine war may lead to a global recession.  - Cybersecurity risks where Visa have to continuously face the challenge of ensuring security against hacking and data leaks.  - Changes in regulations may affect Visa.  - Economic changes such as unfavourable exchange rate fluctuations can lead to lower revenues.  - Technological advancements can sometimes lead to a disruption in their business model, they have to cope with the latest technology. |

**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 Of Industry**

|  |  |
| --- | --- |
| Political  - Governments regularly promote more digital payments by means of reducing cash use and preventing any prohibited transactions. | Economic  - Instability in the economy can affect consumer habits, such as rising inflation and interest rates will typically decrease consumer spending habits and therefore digital payments.  - Exchange rate fluctuations can impact transaction costs. |
| Social  - Consumer behaviour such as adaptation to rising e-commerce and cultural acceptance of using less cash massively affects the amount of digital payments.  - Generally, it all depends on the ways the consumer prefers to pay. | **Technological**  - Advancements in technology such as blockchain integration, AI and machine learning have started to shape the future of the industry.  - More research is vital in the technical aspects in order to fight cybersecurity issues to ensure safety of transactions. |
| Environmental  - It is vital to raise awareness of environmental damage in order to motivate more consumers to get involved in digital payments. | **Legal**  - Data protection laws impact how firms like Visa collect and store consumer data.  - Firms have to follow compliance rules in different countries to ensure transaction safety and prevent fraud. |

**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**

The industry is getting more competitive by the day, direct rivals which include Visa and Mastercard which already have a global presence are not interrupted by other firms such as American Express and PayPal. Visa has done well to keep up with the competition, its key strategy would be to conduct as much research as possible on the latest technologies, their expansion into the cryptocurrency market would be key to a successful performance for all firms operating within the industry.

**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.

**References**

Stripe (2023). *Payment industry ecosystem: A guide for businesses | Stripe*. Available at: https://stripe.com/en-gb-us/resources/more/the-payment-industry-ecosystem-explained#:~:text=The%20payment%20industry%20ecosystem%20is (Accessed 12 Nov. 2023).

Varone (2020). *The Payments Industry Landscape: What Does It Look Like Today?* [online] Cardknox. Available at: https://www.cardknox.com/white-papers/payments-industry-landscape/ (Accessed 12 Nov. 2023).

True Layer (2023). *Alternative payments: The rise of alternative payment methods in e-commerce | TrueLayer*. Available at: https://truelayer.com/reports/alternative-payments/introduction/ (Accessed 12 Nov. 2023).

Visa (2023). *Visa Inc. - Home*. Available at: https://annualreport.visa.com/home/default.aspx. (Accessed 12 Nov. 2023).

Pestel Analysis (2022). *VISA SWOT Analysis 2022: 3 Threats for the Top Financial Service Provider*. Available at: https://pestleanalysis.com/visa-swot-analysis/. (Accessed 12 Nov. 2023).