*Visa Inc.*

*Introduction*

Visa Inc is a multinational corporation in the financial industry, founded in 1958, that facilitates electronic fund transfers, including credit and debit cards, and prepaid card transactions. The company also operates VisaNet, a transaction processing network that enables authorization, clearing and settlement of payment transactions. The company serves consumers, merchants, financial institutions and government entities. Visa provides the technology and infrastructure that allows individuals, businesses, and financial institutions to make secure and convenient electronic payments and transactions worldwide. While Visa does not issue cards directly to consumers, it operates as a payment network, connecting cardholders, merchants, and banks to facilitate transactions.

*Revenue and cost drivers*

Th pie chart below represents the main revenue drivers of the organisation for the 2022 financial year:

The net revenues of the company are primarily generated from payments volume on Visa products for purchased goods and services, as well as the number of transactions processed on their network. Approximately 45% of the total revenues generated are in the US and the rest are internationally. Net revenues increased in 2022 by 22% mainly due to the year-over-year growth in nominal payments volume, processed transactions and nominal cross border volume, partially offset by higher client incentives. The net revenues are impacted by exchange rates of the US dollar, since payments volume and related revenues denominated in the local currencies are converted to US dollars. In 2022, exchange rate movements negatively impacted the revenues of the company by approximately two and a half percentage points.

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.

Visa Inc’s operating expenses typically include a range of costs associated with running its business and maintaining its payment processing network. The chart below represents each cost driver as a percentage of the total revenue of the company.

*Competitors and market trends*

The shift towards digital payments, that saw a substantial increase especially during the pandemic due to the adoption of online and mobile payments, continues to be a significant revenue driver for Visa and this is a trend that is expected to persist. However Visa operates within a highly competitive industry and despite being the most popular payment method in 67 countries it has huge competition with its primary competitors being major global financial firms and payment processing corporations. Its two primary competitors include Mastercard and American Express. Additionally, the company faces competition from evolving digital payment services and alternative financial platforms such as PayPal, Stripe, Klarna and cryptocurrency wallets accepting Bitcoin and Etherium. Therefore, in order to stay ahead it such a competitive environment, it must continually adapt to new technologies and constantly innovate.

*SWOT Analysis*

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| --- | --- |
| *Strengths*   * Widespread acceptance * Trusted by consumers, merchants and banks * Benefits from economies of scale and a robust secure infrastructure * Established brand image | Weaknesses   * Heavily related on the credit card market facing increasing challenges from alterative payment methods (i.e. digital wallets and cryptocurrencies) * Intense competition from major credit card providers * Since it operates globally, it is exposed to risks associated with fluctuating currency exchange rates and international regulations |
| Opportunities   * Can growth through strategic partnerships and acquisitions of emerging financial technology companies * Capitalize shifting towards cashless transactions and e-commerce * Invest in mobile and contactless payments fostering its stake in the digital payments industry | **Threats**   * Emergence of new payment technologies such as cryptocurrencies and blockchain * Having a strong market position makes it potential target for cyberattacks and data breaches |

**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

To summarize the above, Visa possesses a solid foundation in terms of branding, market share and technical infrastructure. However the company must continuously adapt and evolve in response to the ever changing financial landscape and emerging competition to maintain its edge and sustain growth.

*PESTEL Analysis*

Visa Inc PESTEL analysis, as shown below, is a strategic tool to analyse the macro environment of the organisation. Changes in the macro environment factors can have a direct impact on the organisation, alongside other players in the Credit services. They can impact the firm’s competitive advantage or overall profitability levels of the financial industry. PESTEL analysis provides great detail about operating challenges Visa Inc. will face in the prevalent macro environment other than competitive forces. For example an Industry may be highly profitable with a strong growth trajectory but it won't be any good for Visa Inc. if it is situated in unstable political environment.

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| --- | --- | --- | --- | --- | --- |
| P | E | S | T | E | L |
| * Political stability and importance of credit services * Risk of military invasion * Level of corruption * Bureaucracy and interference in credit services * Legal framework for contract enforcement * Intellectual property protection * Trade regulations and tariffs * Favoured trading partners * Anti-trust laws * Pricing regulations * Taxation * Wage legislation * Product labelling | * Type of economic system * Government intervention in the free market * Exchange rates and stability of host country * Efficiency of financial markets * Infrastructure quality * Comparative advantages of host country * Skill level of work force * Education level in economy * Labour costs and productivity * Business cycle stage * Economic growth rate * Discretionary income * Unemployment rate * Inflation rate * Interest rates | * Demographics and skill level of population * Class structure, hierarchy and power structure in the society * Education standard in the Visa industry * Culture * Entrepreneurial spirit and broader nature of the society * Attitudes * Leisure interests | * Recent technological developments by Visa Inc competitors * Technology’s impact on product offering * Impact on cost structure in Credit Services Industry * Impact on value chain structure in financial sector * Rate of technological diffusion | * Weather * Climate change * Laws regulating environment pollution * Air and water pollution regulations in Credit Services industry * Recycling * Waste management in financial sector * Attitudes towards green or ecological products * Endangered species * Attitudes towards support for renewable energy | * Anti-trust law in Credit Services industry and overall in the country * Discrimination law * Copyright, patents * Consumer protection * E-commerce * Employment law * Health and safety law * Data protection |

**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

*Conclusion*

**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.

Visa’s business model has successfully established itself as a financial giant globally, facilitating secure transactions at unapparelled speeds. By focusing on providing an extensive network of partners, fostering innovation and emphasizing security, Visa has become one of the main players in the payment industry. As the world economy is evolving and technological improvements facilitate a transition towards a more digitalized, cashless world, Visa’s continuous growth and adaptation to emerging technologies will be unavoidable in order to scale its operations and maintain its dominance as a reliable, trusted financial infrastructure. While competition in the industry should not be underestimated, Visa has a solid and strong foundation, vast infrastructure and commitment to innovation making it well equipped to tackle future challenges and maintain its position as a leader in the payments ecosystem.