**Industry**

Visa is a company in the credit card industry. The industry offers lines of credit to its consumers so they can pay their expenses at the end of a billing period rather than up front. It offers a way to build credit for the client as well. The credit card industry makes money on the transactions as well as any interest collected from cardholders. Foreign transaction fees as well as credit card fees for additional perks are also major revenue sources.

**Peers**

MasterCard and American express are two other credit card companies. Both offer special discounts and promotions to compete with visa in order to attract customers. Both companies also partner with banks and financial institutions to issue cards to their clients.

**New Markets**

Visa will be able to have a competitive advantage in fintech. If visa can create an app similar to acorns ( or acquire acorns) then they will be able to enter an emerging market. Visa can also use fintech to increase their user interface and interact with their customers. Visa can invest in technology or partner with person-to person transaction companies to allow transfers between cardholders either through debit or credit. Financial budgeting is an emerging trend in the credit card industry as more consumers start putting emphasis on financial literacy and investing.

**Substitutes**

A substitute to visa is direct transfer of assets like Zelle and Venmo. Although these transactions are tougher to arrange, but there is no credit involved. Cash is also a credit-less transaction. Cash is payment in full at the transaction point and there are people who prefer not taking out credit.

**Revenues**

Their main revenue consists of Service revenues due to the transactions of payment, data processing revenues and international transaction revenues. They also make revenue through other value added services. Visa makes a majority of their money charging merchants for using their systems for point of transactions. With billions of transactions happening on their systems every day, the from these charges make up a large source of income. They also make money on interest and fees charged to credit card holders. Cardholders pay fees for special discount and promotions. They also pay fees for higher credit limits, and perks when traveling and lodging. Credit Card holders value perks and discounts when shopping for credit cards, as it makes them feel compensated for being a loyal customer.

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.

**Costs**

Marketing and personnel are the two main cost drivers. Visa must market their card against their competitors. They do this mainly through television commercials and partnerships with banking institutions. Personnel are also a large cost for Visa. Visa must operate a customer service center to make sure cardholders are taken care of. Customer service is a huge value added to cardholders compared to competitors.

**Current Trends**

Tap to pay technology and mobile payment are the newest trends in digital payment. The ability to take a card and tap it on a screen rather than sliding saves time. Mobile payment is also a new trend. Mobile payment allows the ability to not take the card when traveling, which can lighten the pockets of consumers. Also budgeting and saving tools are on the uptrend. Some credit card companies are putting money into investment/savings accounts by overcharging at point of transaction and putting the additional money away for clients.

|  |  |
| --- | --- |
| Strengths   * Competitive advantage in the credit card industry as they are one of the biggest credit card companies in the world * Pricing Power when it comes to APY and fees | Weaknesses   * Lack of research and development into new technologies. * Lack on investment in new technologies. * Status quo bias when it comes to marketing and promotions |
| Opportunities   * Investments in Fintech can add more value for cardholders and give Visa an advantage compared to other credit card companies * Financial Budgeting software and tools to help consumers be smarter with their money | Threats   * Companies offering no foreign transaction fee will cut into a major revenue source of Visa. Visa makes money on foreign transaction fees, and if major credit card companies start going away with these fees, visa will need to learn how to make up the income. |

**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

**Political**

Political tensions with Russia and China will continue to affect Visa’s business. Visa must decide if they want to continue to do business in countries that have a contemptuous relationship with the United States. Doing business in these markets may be a disadvantage to Visa as they may lose goodwill in the eyes of their clients. As political tensions escalate, countries that see the United States as a competitor will start boosting domestic credit card companies and banking institutions rather than using foreign institutions.

**Economic**

Visa must keep an eye on consumer spending as that is a great indicator of revenue. Visa makes revenue on transactions, and the less transactions cardholders do the less revenue. The business cycle greatly affects Visa’s business model, and they must have contingencies in place for economic downturn. Predictions of a recession in 2024 will start to affect consumer spending which will force Visa to have to cut costs. On the other hand, reduction in interest rates may boost consumer spending and credit usage, thus increasing revenue.

**Social**

Visa has a social responsibility to educate cardholders on budgeting and financial literacy. Although Visa can take advantage of financial illiterate clients, it is in their benefit to educate this client in the long-term as it will lead to a more secure credit relationship. If Visa cardholders make safer use of their credit line, then Visa will see a reduction in default risk. A reduction in default risk will allow Visa to increase credit limits without fearing of major loss of revenue.

**Technological**

Visa has an obligation to keep up with technological trends in the credit card and transaction industries so they can provide the best value for their clients. Updating transaction methods will make sure Visa stays ahead of the technological curve. If Visa wants to keep their reputation of being a global leader in the credit card industry, then they will have to update transaction methods as new technology becomes available. Furthermore, an investment in new software or partnership with technology companies will make sure Visa provides world class service and efficiency to their cardholders.

**Environmental**

Visa can move towards a plastic less world as their mobile banking technology will allow users to forgo physical cards. As consumer demand for sustainability increases, Visa will need to adapt their business practice to new environmental standards. Visa must move towards a more sustainable approach for credit transactions that requires fewer resources that are detrimental to the environment.

**Legal**

Visa faces legal rules as it pertains to discrimination and ethics for credit card applications. Visa must always act ethically when conducting business with prospects. Visa must abide by all discrimination rules that prohibit discrimination based on race, gender, religion, or orientation. Visa must also follow the laws and regulations pertaining to identity theft and fraud, taking the necessary precautions to make sure it doesn’t happen, and work with authorities when it does.

**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**

Visa and its peers face technological advancements that they will have to adapt to in order to stay competitive. The credit card industry is based on value added to clients. Point systems, promotions, and 0% APY are all consumer demanded values that credit card companies must be able to adapt to.

**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.

**Links**

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