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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Afternoon, although technically, it isn't afternoon yet, but glad you guys are enjoying your lunch. And it's my pleasure to host next Visa. And from Visa, it's my pleasure to host Bill Sheedy, who is the EVP of the Global Strategy Group. And that's just the latest in a long line of different very exciting things you've done at Visa, Bill. So I want to say, first of all, thank you for being here.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

Thank you, Ashwin.

QUESTION AND ANSWER SECTION

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

And I do want to start with sort of a kick off sort of self-introduction question with regards to some of the highlights of the recent things you've done including to think of Visa Europe, to think of the pricing strategy before that. Could you just kind of walk through some of the interesting things you've don't here?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

Yeah, I promise to keep it brief.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Yeah. Yeah. Yeah.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

So I've been with Visa for 25 years, so I spent almost my entire career with the company. I come from the legacy U.S. organization, but – and as Ashwin knows, I was very involved in the merger and then ultimately the IPO. But

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over the course of my career, I came up in pricing and interchange. So I've been responsible for pricing and interchange globally for quite some time across the company. But I've run our business in North America and Latin America. Last year, I ran our business in Europe.

And at the moment, I report to Al and I'm responsible for a mix of things, we refer to it as the strategy group, but it's corporate strategy, M&A, pricing and interchange, government relations, and one, I'm really excited about which is our social impact organization, which includes our charitable foundation and all of our global philanthropy, financial inclusion, financial literacy activities, as well as we've just hired a Chief Learning Officer, so she works for me as well. So I've what could only be described as a hodgepodge of roles that are mix of forward-looking growth orientation around M&A and pricing and strategy, and some other things that I think are really important to the company like government relations, social impact and learning.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Great. Great. And I'm sure we'll discuss a few of those things in the next 35, 40 minutes here. I do want to start with sort of a high level set up for the industry, as a whole, and again, trying to build the building – sort of the building blocks of growth, if you will, and cash to card, clearly, has been a significant contributor to growth. It remains an opportunity globally, which surprises people when you think of high-single digit growth even in the penetrated market. But the question is, what drives this core component of growth, and are there things that Visa can continue to do to kind of affect that growth curve keep it growing?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

Yeah. It's tough to generalize how the shift in commerce globally moves away from cash and other non-electronic forms of payment to electronic. And even though I spent a good amount of my time thinking about it, and studying it, it surprises us at times that we're still sitting here today on the consumer side with $17 trillion in cash on the planet. And that number is larger today than when we went public 10 years ago. So one of the primary sources of our growth which is to shift commerce away from cash continues to grow in the aggregate as an opportunity.

We still grow as a company, at the moment we're growing at more than double the rate of personal consumption expenditures globally including the U.S. As you've seen our growth rates here are continuing to be very strong. There's a host of things that we can do directly, I think to influence the trajectory and the growth.

Starting with just delivering to consumers and to merchant solutions like contactless that very clearly change behavior and move transactions away from cash. We've seen it play out in a really compelling way in markets around the world that have moved to contactless. The UK, Australia most recently, Canada, a whole host of markets when they've moved, commerce has changed for these low dollar transactions in a way that definitely is an accelerant to the business.

And on the other end of the spectrum is developed as eCommerce and mCommerce is in North America and in many parts of Western Europe it's still in nascent growth stages around the world and has the opportunity to accelerate even in the most developed markets like UK, like the U.S. And as you've seen with initiatives that we have around SRC, I think, a whole host of things that we're very excited about with our token platforms. And just really the ways in which commerce is shifting around us, well, outside of our control, yeah, more and more volume and more and more of the economy is being virtualized and that's a massive secular shift that has an accelerating effect to our business, just given the share position that we have in those channels. There's a whole host of other things in between, Ashwin, I suspect we'll also talked about the fact that even when you move outside of the

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consumer economy and start talking about B2B, there's yet another even larger opportunity. So we're compelled by and motivated every day by the growth.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Great. Yeah. Yeah. So when you think of the – sort of step back from the cash to card and think of the growth algorithm as a whole, what are the couple of things on the positive side from a tailwind perspective, couple of things on the negative side, from a possible headwind perspective that you see can change that growth algorithm in a reasonable timeframe for investors, so – in a couple of years.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

I've mentioned a couple of them already.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Yeah. Okay. Yeah.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

So – but just for the – in the spirit of being comprehensive and inclusive. We are very excited about contactless in the United States.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Yeah.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

I think driving consumer awareness, with the EMV migration that happened in the U.S. faster in the U.S. than any other markets ever moved – any other large markets ever moved to EMV. We got large cross sections of the point of sale which already plumed for contactless.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Right.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

More consumers have contactless in their wallet than they appreciate.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Yeah.

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William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

And you've probably already seen from us and others in the industry, we're trying to invest in consumer awareness. And we think over the coming months certainly over the next year or 18 months you're going to see more and more traction around contactless.

The other tailwinds that I see is, there will continue to be an accelerating element both on the merchant side of the business and on the consumer side to be able to move more rich consumer and merchant transactions online and through various forms of eCommerce and mCommerce. And we think that there's an opportunity, we know there's an opportunity inside our network to add value to those transactions either in de-risking the transactions, reducing friction or augmenting through the data we move or the analytics that we provide, it can be an accelerating driver there.

I'd say the last ones that comes to mind. You put under a broad heading of the faster payments channels. We're very excited about the growth that we're seeing in our Visa Direct platform, which moves a different type of transaction over the network, different economics to the acceptor, a different type of flexibility to our partners that are emerging for newer transaction types, whether it's under the heading of faster payments or open banking, known party transactions that have for a host of different reasons just either the transactions didn't exist before or they existed in more friction filled channels. We think that there's a whole host of growth opportunities that can be addressed by transactions on the network that aren't typically connected the way that we think about Visa branded transactions off of cards. Those are three huge tailwinds to the business. Yeah.

On the headwind side, as much as I probably prefer – we don't like to talk about headwinds.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Yeah. Visa are not too used to talking about headwinds, it's a good problem to have.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

We've been heavily invested in our relationships with governments, with regulators around the world. Yeah, there continue to be discussions around national payment systems, and I'd say that payments regulation in North America, I think, feels fairly stable to us at the moment. You've seen a number of significant regulations come out of Europe over the last handful of years as well. And I think we see a continuation of this sort of PSD2 IFR open banking motivated regulation.

And then globally, yeah, I think, most of the engagement that we have with governments around the world is really helping them understand the ways in which we see digital commerce evolving and the value that we, as a network, can bring to securing local payment systems, helping small merchants compete in an increasingly complex world, and reinforcing that the solutions that are going to get stitched together in many of these countries around the world are going to be driven by local needs and local requirements. And it's among the things that we, as a company, need to continue to get better at is putting more responsibility into these local teams and driving product development and processing more locally. So, yeah, I see some of that as having a headwind element to it. But I think ultimately through those sort of evolutions of our organization, I feel confident we can turn it into a tailwind.

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Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Okay, okay, fair. You've mentioned a wide variety of potential drivers, let's get into what I think is one of the more exciting ones, commercial payments, if we can start with that and you are trying to build out an ecosystem that feels to me that it is a much broader approach to B2B payments than what used to be which was cards, commercial cards. So, I guess the question is, why now? What's changed? And then if you could talk about your solution in B2B Connect and the ecosystem a bit?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

Yeah. I think the networks ourselves included have been talking about the business to business opportunity for quite some time.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Right.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

And...

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

But it is accelerating, it's...

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

It is accelerating. And when you look at, so I'll just talk about Visa for a second, we've got a wonderful business today in carded business-to-business transactions, whether it's for the small business card product or card products under travel and entertainment or purchasing card, those are – we're fortunate because of our partnerships and some of the investments we've made historically in the carded business we've got a very large, the largest global platform of commercial product.

That being said, we're extraordinarily enthusiastic about the ways in which we believe the B2B market is [ph] primed (00:13:04) today for exponential growth not on plastic cards, but on various forms of virtualized accounts that will help us electronified transactions on a whole host of verticals that, folks participating in those verticals, some of which have been around for years, healthcare, trade finance, whole host of issues there. But then many of these verticals are quickly evolving and are brand new. And when we look at them the partnerships that are being developed around acceptors, buyers, technology providers, large scale software, really niche and bespoke service providers in these emerging channels, they reveal that we've got a unique value that we can bring with our capabilities to allow them to connect with buyers and sellers everywhere over our platform. But we've also had to invest and will continue to invest significantly as we did with our Fraedom acquisition last year. We will bring on to our B2B platform next year, distributed ledger capability in 2019. And I think that there will be continued to be strong growth in our more sort of classic interchange merchant discount model. But I think that an intersection with known party complex transactions that will require much more robust data sets on the platform. We're in partnership with Amazon and others to get down to SKU level. I do think that, you'll see us continue both internally

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and otherwise invest in our capabilities around analytics. And I think that we look at B2B globally as an enormous opportunity, against which we are significantly invested.

And part of that investment shows up in the platforms that I've just described, but also in the people to help us capitalize on the growth. And when you look at the $17 trillion in cash opportunity that I made reference to on the consumer side that number is dwarfed by the untapped commerce opportunity globally on B2B.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

[ph] Great (00:15:47). Yeah. It's – it is a massive opportunity. Speaking of that opportunity, do you – in talking about that ecosystem that you're creating, how well integrated do you necessarily have to be with sort of corporate ERP systems and so on. I mean, it seems that having that software capability and having those software partners would be crucial?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

It is crucial, and maybe part of the power of running a network business and being a network is you can have all kinds of innovation and disruption happening outside of your direct control. And the goal that we have is to make sure that we're connected to it.

And to your point, whether it's the ERP systems or large software, we don't need to be as heavily invested in those industries that are really outside of our core competency. But we absolutely need to open up our organization and our network to be able to partner with them. So you've seen us make significant investments in our technology platform to be more open source and to be able to be connected through our developer platform in our APIs, which is table stakes.

But maybe more important is the idea that to reinforce that we're open to participating with these new and emerging players, some of whom are large established global technology players, who now view these emerging value change within B2B in these segments to be interesting places to invest. And I think we're reasonably confident that if we're engaged properly that we represent the best opportunity for these new and emerging players and some of these large scale players to be able to reach as many buyers and sellers globally as they can.

So, and we need to be open as we will be that some of those transactions can exist end-to-end across of our network between a Visa acceptor and a Visa payment credential holder. But in other instances we're going to have to be able to facilitate the movement of commerce on to other local networks in order to be able to reach that last mile.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Okay. What – [ph] general (00:18:25) curiosity what does the business model look like? Is this also an interchange model it's going to be or it's not an interchange model?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

I think it will be a blend. We like the interchange model, I think, it served the industry well, but – and I do think that in many instances as we've seen with rent payments for example, there's been an opportunity for us to make the

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business case for why the real estate community ought to get comfortable with processing and transactions, they are managing their relationships that way. And there's a lot of value in the interchange model in driving consumer demand and the investments that go towards the consumer and the management of those receivables.

On the other end of the spectrum, however, you've got large scale commercial volume opportunity between known partners who trust one another and what they want to do is they want to tap into the capabilities of your network to be able to move transactions cross-border tap into the capabilities that we have for multi-currency, the stability and the safety of the network whether it's cyber or the redundancy that we have. And there you're adding different types of value that as investors you want us to represent the value and how we charge for that access. But we also need to make sure that if the interchange model needs to either be modified as we have in the past for large ticket transactions, or we just moved to more of a processing transaction flow similar to what we've done with Visa Direct, we need to be flexible to do that. I think the nature of the commerce and the value that we bring as a company is going to dictate where across that broad spectrum we should play. I think the most important thing to reinforce is that as a payments network, we need to be a lot more flexible and we'll continue to be more flexible playing across that spectrum and not be as narrowly focused on interchange generating transactions. It will still be the lion's share of what we do, I think.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Right, right.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

But we need to be open to different models based on the value the network brings.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

And that makes sense, makes perfect sense. I want to change track a little bit and ask about account-to-account payments, and obviously many different flavors of account-to-account payments. At its heart, is it a threat, the growth of account-to-account payments? And in general sort of a discussion about threats, disruptors, how do you think of that?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

I think about it as – it's going to shock you. I think about it as an opportunity.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Okay.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

Look, we have over 3 billion accounts that are Visa payment credentials that exist on the planet today. And the majority of the transactions flowing into and out of those accounts over our network are consumers presenting those payment credentials to merchants to make purchases. To the extent that we can evolve the flow of those transactions and expand the definition of the value of the network to those accounts and venture into P2P, and

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remittance, and other types of push payments, I think, it'll expand our ability to add value on a whole host of things, bill payment et cetera, and then we'll become a more meaningful part of those accounts.

That being said, as large as we are, we're not going to be out of touch every account on the planet. There are lots of demand deposit accounts, current accounts on the planet that don't have payment credentials that have the potential to transact over our network. And among the things we're very clear about is that we need – in support of what our clients are asking us to do, we need to be at our partner to be able to get to that last mile and ultimately push funds or pull funds to and from accounts that may not have a Visa payment credential associated with them. And we've got an initiative right now with TD Bank in Canada where we're using our Plus ATM network to be able to do that. In other instances you've seen national payment systems grow up in other parts of the world and I would see partnerships either directly with those national payment systems or local players to be able to facilitate a more robust and more complex set of transaction across a varied set of accounts.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Okay.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

There still be a preference in our view to be able to drive as much value on the Visa side as we can. But as I said earlier we need to be able to be flexible in order to be able to facilitate as broader range of transactions across the broader range of accounts as we can.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

So you're thinking of it as broadly value needs to be transferred from point A to point B regardless of what point A is, what point B is. And a percent of that hopefully happens over the Visa network including Visa Direct and other means, but it's not all going to be, obviously, value generating to the Visa network. I guess that's sort of the question is how deep can you get into fast-growing ecosystems where the funding mechanism is something other than either Visa or MasterCard like the Chinese fintech for example, is that something you worry about?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

I think we're paid to worry about what happens around us.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Right.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

And mostly I think what we focus on and worry about is making sure that we're staying on top of emerging consumer needs, emerging needs of the merchant community, emerging needs of governments and businesses. There's – payments have become increasingly complex and very cool. So, the – I don't worry about the amount of change around us. I do think as a company, there's hopefully a majority of the transaction [ph] writing (00:25:07) over our network where the brands are adding value, the ability to adjudicate consumer disputes, the range of

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activities we perform from a processing standpoint, multi-currency and we can and should get paid for that and investors should benefit from it. But there's a whole host of – there's a spectrum of transactions where there will be components of that that are able to put in play to add value to parties.

And what I'm trying to convey is we're going to be flexible to be able to put those capabilities in play to [ph] write (00:25:48) more transactions on the network. Those may have a different set of economics associated with it, but given the margins that we have and the cost structure that we have to layer incremental transactions on the network with lesser cost, I think that's a good strategy.

I also think that over the long-term, we think it adds to our scale and should put us in a stronger position within the core of our business to be adding even more value.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Okay, yeah. That makes sense, that makes sense, and it is a fast moving ecosystem, so there's plenty of opportunity comes just from that. I wanted to just shift gears, again, talk a little bit about price optimization, and...

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

I love getting pricing questions in open forums. Thank you.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

Well, there is, I mean, existing product pricing, obviously, but your price spend is higher [indiscernible] (00:26:53) higher revenue, okay. So the thing is that the introduction of those new products as well as the changes that you made for example in Europe as a part of just the Visa Europe integration, to what extent is that an opportunity yet to come, can you talk a little bit about the framework, not obviously the specifics, but the framework of how you think of that?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

I hope you don't mind, we starting by saying, I'm not going to talk about any specific plans that we've got around pricing.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Q

That's – yes.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.
A

But generally, you said it really nicely, Ashwin, which is part of what I consider – we consider us to get paid for is looking at the value that we bring and making sure that we're pricing for that value. And that isn't a one and done exercise. We've got a group of really talented smart people, who increasingly we're trying to weave into the local market, so that we can understand that value, price equation as granularly and as locally as we can.

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And I don't ever feel like that's fully optimized. You've seen in the two plus years that we've owned the Europe business, and we've helped them transition away from their bank-owned association structure. We've made quite a bit of pricing changes in Europe, I think successfully. And while I wouldn't talk about any specific region or any specific element of our pricing, I'd say that, it's a part of what I think we're obligated to do is to continue to look at where we have an opportunity.

And hopefully most of it is an extension of the fact that we're adding more value to the network and the investments that we're making and the additional commerce that we're facilitating. And as the network gets more valuable and the services become more robust then we have an opportunity to price for that.

And some of it comes from an extension of the mix of transactions. So if you drive more transactions into digital and more and more of those transactions be cross-border, the pricing structure takes care of itself, and you end-up seeing a better profit mix. But I would say that there's an element of pricing which is, as I talked about before, if we participate across a broader cross section of services and we get into things like non-party commercial transactions or continue to grow as we have the Visa Direct platform that will have a lesser price associated with it. But if it taps into a compelling and we think substantial growth opportunity then you just make sure that you're hitting the right point in the price volume relationship which is an important interaction that our teams have as we spend time with our country managers and the folks leaving these product initiatives.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Makes sense. Makes sense. I do want to give opportunity to the audience to ask a question or so do wait for the...

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

The mic.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

...the mic to come since it's being webcast, if you don't mind. So, two folks right here.

Q

Bill, SRC is being implemented by general purpose card networks that have 100% market share, is there a potential for an antitrust risk or challenge?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

I didn't realize we have 100% market share.

Q

Well, collectively, so general purpose of Discover, Amex, Visa, Mastercard have, last time I checked, about 100% market share in the U.S. And you've been held to have market power individually back in the Amex, Discover antitrust case.

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William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

So first off, the SRC initiative to us is really important and it's important because merchants are frustrated by the level of abandonment, the consumers and shopping carts, the amount of friction that's felt as consumers look to shop online.

And as you have seen with our digital wallet initiatives, I could walk you through a few of them. This has been really important to us. Really the way I would suggest that you think about SRC is in turning to EMVCo, we feel that there's an opportunity to establish standards against which the industry can then invest and innovate that helps make us simple and streamline the virtual eCommerce, mCommerce experience as what the consumers and the merchants enjoy in the physical point of sale.

And at the moment, the typical consumer experience with the typical merchant online is very clunky, filled with friction and the amount of disparate processes, technology, branding that exists across these channels is dizzyingly confusing and challenging for the industry. So the goal here is to create standards and as we've seen in every other facets of payments, once you establish standards that everybody can get behind, it drives more investment and more innovation and more benefits across the participants. So I don't – if you think about what's motivating us, it's really about adding value to merchants and to consumers and accelerating the growth of commerce from physical world to digital, which adds value to everybody.

Q

[indiscernible] (00:33:06) PayPal or might the DoJ have a different view of SRC?

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

I'm not going to speculate about what anyone else might view about SRC. I do think that it's important that when people think about what's motivating Visa and what I suspect is motivating the other participants that are interested in SRC, it's around setting standards that are pro-competitive and help – will accelerate innovation for merchants and consumers, which I think is whether it's the DoJ or any other government, I think that that's aligned with their objectives.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

There's a question here, but I would also say that if, one output of – or one important output of the whole SRC process is just a button, there is plenty of competition, would you agree, at the button levels, at the checkout. I don't know if that's legally salient view point or not, but how do you think of that? But let me give the investor an opportunity to ask the next question.

Q

So the regulatory, the process is reasonably ingrained as part of the system here in Europe and so on. There was a question about fast moving ecosystems, China, the game is already over. Our equivalent would have been China UnionPay and WeChat Pay and Alipay have already captured 95% market share. Only thing that would change is probably the regulators bearing down.

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But the battlefield is still open in other areas, greenfield areas, where mobile penetration has taken off, but credit cards not. What's our global strategy in such places, in terms of competing, because obviously WeChat and others and possibly who knows tomorrow WhatsApp, Facebook moving in? Thanks.

William M. Sheedy
Executive Vice President, Corporate Strategy, M&A, and Government Relations, Visa, Inc.

A

Yeah. The first thing I'd like to address even going back to the prior question is the whole idea of thinking about market share. When you think about market share as a percentage of these economies not as a percentage of sort of the branded payments players, I think you come – you arrive at a different conclusion about the relative opportunity. I don't agree with the idea that some of these markets just because you've got some concentrated players that the game has sort of played out.

We'll see – as you all know, we're patiently waiting for an opportunity to play in China, but there continues to be quite a bit of cash in that economy as we do in the U.S. and in Western Europe. And if we think about the market shares as a percentage of the branded networks, I think you missed the opportunity which is almost all of the growth that I've tried to reference in the half hour, 45 minutes we've been talking has been around taking transactions from merchants who haven't yet decided to participate in the electronic payment system or consumers who haven't yet decided to shift over a certain percentage of their spending or businesses that haven't decided to shift over their spending and capitalize on that growth. And we will continue to do that globally.

But to your point when you stratify the complexities and the sort of the intricacies of various markets, it is important that we be flexible, in looking to growth opportunities that in some parts of the world maybe QR code based, in other parts of the world may be driven by investments that we're going to be making in contactless. We do think that there's some common elements to sort of platform investments that we'll be making globally in token and other initiatives that should bring a higher level of security and reducing friction around things like customer authentication.

But other initiatives that I think are really important to us is being prepared to process transactions locally and deal with what I think is a trend around data localization requirements and unique processing environments that across – that exist across developing markets and developed markets globally.

We've been very successful in helping serve many markets with the current VisaNet infrastructure. But I do think that we're going to have to marry that with more local product development on some of the form factors and some of the technologies that I described. But also backfilling that with more local processing to be able to plug-in locally whether it's because of a regulatory need or a business need or a local technology need.

And I think from a trending standpoint, we're very interested as an organization and putting more power into our country managers, into our group country managers, investing in more product development and more accountability into that level of our organization. It's our greatest point of leverage. And I do think that that's inextricably linked to how we think about our growth strategies across the disparate set of markets that we have an opportunity to participate in.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Okay. And with that we're out of time. So thank you very much for your insights.

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Thank you, Ashwin.

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Thank you.

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Appreciate it.

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